HDFC CREDILA FINANCIAL SERVICES LIMITED

Board of Directors

MR. V. SRINIVASA RANGAN
Non-Executive Chairman
(DIN: 00030248)

MR. ARIJIT SANYAL
Managing Director &
Chief Executive Officer
(DIN: 08386684)

MR. BISWAMOHAN MAHAPATRA
Independent Director
(DIN: 06990345)

MR. SUNIL SHAH
Independent Director
(DIN: 00137105)

MR. RAJESH GUPTA
Independent Director
(DIN: 00229040)

MS. MADHUMITA GANGULI
Non-Executive Director
(DIN: 00676830)

Key Managerial Personnel

MR. MANJEET BIJLANI
Chief Financial Officer

MS. AKANKSHA KANDOI
Company Secretary

Statutory Auditors

SHAH GUPTA & CO.
Chartered Accountants

Secretarial Auditors

Vinod Kothari & Company
Company Secretaries

Debenture Trustees

IDBI Trusteeship Services Limited
Universal Insurance Building, Ground Floor,
Sir P.M. Road, Fort, Mumbai – 400 001

Banks

HDFC Bank Ltd • Union Bank of India • ICICI Bank Ltd • Punjab National Bank • Jammu & Kashmir Bank Ltd • Axis Bank Ltd • Shinhan Bank • DBS Bank India Ltd • Federal Bank • Citibank NA • Kotak Mahindra Bank • State Bank of India • Canara Bank • HSBC Bank • Deutsche Bank • IDBI Bank • Bank of Maharashtra • Karur Vysya Bank • Bandhan Bank

Registered Office

B-301, Citi Point, Andheri Kurla Road,
Andheri (E), Mumbai – 400 059.
Tel. No.: +91 22 - 2825 6636
Fax No.: +91 22 - 2471 2447
CIN: U67190MH2006PLC159411
Website: www.hdfccredila.com

Registrar & Transfer Agents

Adroit Corporate Services Pvt. Ltd.
17-20, Jafferbhoy Industrial Estate, 1st Floor,
Makwana Road, Marol Naka,
Andheri (E), Mumbai – 400 059
Tel. No.: +91 22 - 4227 0400
Fax No.: +91 22 - 2850 3748

Directors' Report

TO THE MEMBERS

Your directors are pleased to present the Eighteenth Annual Report of the Company with the audited accounts for the year ended on March 31, 2023.

Financial Results	For the year ended March 31, 2023 (₹ in crore)	For the year ended March 31, 2022 (₹ in crore)
Total Income	**1,352.18**	823.60
Less: Total Operating Expenses	**161.91**	114.30
Gross Profit Before Interest and Depreciation	**1,190.27**	709.30
Less: Interest and Finance Charges	**813.28**	427.99
Less: Depreciation	**6.78**	3.79
Profit before Tax	**370.21**	277.53
Less: Provision for Taxation	**106.33**	76.02
Less: Provision for Deferred Tax	**(12.04)**	(4.87)
Profit after Tax	**275.92**	206.38
Add: Other Comprehensive Income	**0.07**	9.93
Total Comprehensive Income	**275.99**	216.31
Less: Transfer to Reserve as per Section 45-IC (1) of RBI Act	**55.19**	41.28
Balance carried to Balance Sheet	**220.80**	175.03

DIVIDEND

The Board assessed the performance of the Company during the year in review and factored the exceptional performance for the year, capital buffers and liquidity and recommended a final dividend of ₹ 1.10 per equity share of face value of ₹ 10 each compared to ₹ 1 per equity share in the previous year.

The dividend pay-out ratio for the year ended March 31, 2023 is 5.9% (as against 6.4% in the previous year).

REVIEW OF OPERATIONS

During the financial year ended on March 31, 2023, the Company earned a profit before tax of ₹ 370.21 crore as compared to the profit before tax of ₹ 277.53 crore in the previous year. The Company's loan book and total income have both experienced significant growth in this financial year. The Company has continued to maintain its portfolio quality even while achieving robust growth.

There was no change in the nature of business of the 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 ₹ 55.19 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, 2023.

LENDING OPERATIONS

During the year in review, education loans disbursed by the Company increased by 85% from ₹ 4,309 crore in FY22 to ₹ 7,992 crore in FY23 whereas the repayments of principal including prepayments have increased by 9% from ₹ 1,908 crore during the previous year to ₹ 2,079 in FY23. The outstanding loan assets have grown by 73% from ₹ 8,838 crore in FY22 to ₹ 15,298 crore in FY23.

RESOURCE MOBILISATION

PERPETUAL DEBT

During the year under review, the Company issued Unsecured, Rated, Listed, Redeemable Perpetual Debt Instruments in the nature of Debentures amounting to ₹ 300 crore. As at March 31, 2023, the Company's outstanding Perpetual Debt stood at ₹ 575 crore, which was considered as Tier I & Tier II capital under the guidelines issued by the Reserve Bank of India (RBI) for the purpose of computation of capital adequacy of the Company. The Perpetual Debt has been assigned the rating of 'CRISIL AAA', 'CARE AAA' and 'ICRA AA+' by CRISIL, CARE and ICRA 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 issue. The Company's Perpetual Debt is listed on the BSE Limited.

During the year, CARE Ratings Limited (CARE) has upgraded the rating for the Company's Perpetual Debt Instruments to CARE AAA from CARE AA+.

Directors' Report

The Company has been regular in its payment obligation towards 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 ₹ 375 crore. As at March 31, 2023, the Company's outstanding Subordinated Debt stood at ₹ 725 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, 2023, ₹ 627 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 in review, the Company issued Secured, Rated, Listed, Redeemable NCDs amounting to ₹ 1,250 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, 2023, the Company's outstanding NCDs stood at ₹ 3,300 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, 2023, the total term loans outstanding from banks amounted to ₹ 8,863 crore as compared to ₹ 4,059 crore as at March 31, 2022. These Bank Loans have been assigned the highest rating of 'ICRA AAA' by ICRA.

EXTERNAL COMMERCIAL BORROWINGS (ECB)

The Company has repaid the ECB of US$ 100 million during the year.

COMMERCIAL PAPER (CP)

The Company's CPs have been assigned the highest possible rating of 'CRISIL A1+' and 'ICRA A1+' by CRISIL and ICRA respectively, signifying the highest safety for timely servicing of debt obligations. The face value of the CPs outstanding as at March 31, 2023 was ₹ 275 crore as compared to ₹ 100 crore as at March 31, 2022.

The Company has listed its commercial papers since FY21 with the BSE Limited.

DEPOSITS

The Company is a Non-Deposit taking Systemically Important Non-Banking Financial Company and has not accepted any deposit pursuant to the regulations. The Company has passed a Board resolution for non-acceptance of deposits from the public.

AUTHORISED SHARE CAPITAL

The Authorised Share Capital of the Company consists of Equity Share Capital of ₹ 200,00,00,000, composed of 20,00,00,000 Equity Shares of ₹ 10 each.

During the year under review 1,60,01,499 equity shares of ₹ 10 each were allotted pursuant to a Rights Issue. Consequently, as at March 31, 2023 the Issued, Subscribed, and Paid-up Share Capital of the Company stood at ₹ 147,79,97,250 composed of 14,77,99,725 Equity Shares of ₹ 10 each.

Employee Stock Option Scheme (ESOS)

With the objective of linking performance pay to ownership and retention of talent, the management of the Company has introduced an Employee Stock Option Scheme. The shareholders of the Company had at its Extraordinary General Meeting held on March 31, 2022, approved the ESOP-2022 scheme with total stock options of 40,72,565 towards an equal number of equity shares of face value ₹ 10 each of the Company. The revised ESOP-2022 scheme was approved by the shareholders of the Company at its Extraordinary General Meeting held on April 18, 2022.

On August 03, 2022, the NRC approved ESOP allocation for eligible employees as on that date. 342 employees were granted 31,66,241 stock options out of total pool available for dilution (40,72,565). On October 13, 2022, the NRC approved ESOP allocation for eligible employees who joined the Company between August and October 13, 2022. 47 employees were granted 3,95,250 stock options out of the total pool available for dilution.

Directors' Report

The exercise prices were determined based on fair value of the equity shares of the Company in accordance with the provisions of Section 17(2)(vi) of The Income Tax Act, 1961 read with Rule 3(8)(iii) of Income Tax Rules, 1962 for granting ESOPs, prior to the dates of the respective meetings of the Nomination and Remuneration Committee at which the options were granted. Subject to fulfilling the conditions specified in ESOS-20, 50% of the options granted shall vest on the completion of one year from the date of grant or upon completion of three years of service with the Corporation, whichever is later. The remaining 50% shall vest on completion of one year thereafter. The options are exercisable over a period of five years from the date of their respective vesting. None of the options granted have been vested during the year and consequently, no options have been exercised under ESOP-22.

The stock options granted to employees pursuant to the Corporation's stock option schemes are measured at fair value of the options at the grant date using Black-Scholes model. The fair value of the options determined at grant date is recognised as employee compensation cost over the vesting period on straight line basis over the period of the option, based on the number of grants expected to vest, with a corresponding increase in equity.

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 (CAR)

As at March 31, 2023, the CAR stood at 20.42%, of which Tier I capital was 14.60% and Tier II capital was 5.82%. As per regulatory norms, the minimum requirement for the CAR and Tier I capital as at March 31, 2023 is 15% and 10% respectively.

SUBSIDIARY/ASSOCIATE COMPANY

The Company does not have any subsidiary or associate company.

PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE

The Company has adopted a stringent policy on prevention, prohibition and redressal of sexual harassment of women at the workplace in line with 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 (ICC) as required under the said Act to redress complaints pertaining to sexual harassment. All employees (viz., permanent, contractual, temporary, trainees) are covered under this policy. Any complaint received by the ICC shall be dealt with appropriately and in accordance with the policy and applicable laws and regulations as provided in the Act.

During the year in review, no complaints were received by the Company.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has in place a Vigil Mechanism & Whistle Blower Policy to ensure that all 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/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, details of the same are provided in notes to the financial statements of the Company for the year ended March 31, 2023 (Note 9).

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Company has not entered into any contract or

Directors' Report

arrangement with related parties referred to in Section 188(1) of the Companies Act, 2013 requiring disclosure in Form No. AOC-2, as prescribed under Rule 8(2) of the Companies (Accounts) Rules, 2014.

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

The Company's Policy on dealing with Related Party Transactions is available on its website at **www.hdfccredila.com.**

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

During FY23, the Company expended ₹ 17.50 crore including interest expenses on ECBs and derivatives of ₹ 17.20 crore in foreign currency.

By virtue of being a Non-Banking Financial Company, the Company's activities are not energy intensive. However, the Company has taken adequate measures to ensure conservation of energy and usage of alternative sources of energy, wherever possible.

DIRECTORS

All 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. Shah Gupta & Co. Chartered Accountants, (Firm Registration No.: 109574W) have not made any qualifications, reservations, adverse remarks or disclaimers in their report. The report of the Statutory Auditors is annexed to this report. Further, during the year in review, the Statutory Auditors have not come across or reported any incident of material fraud to the Audit Committee of Directors.

INTERNAL AUDITORS

The Head of Internal Audit is responsible for Internal Audit in compliance with the RBI's Risk Based Internal Audit (RBIA) Framework for NBFCs dated February 03, 2021.

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.

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) The accounting policies selected have been applied consistently. Reasonable and prudent judgments and estimates have been made to give a true and fair view of the state of affairs of the Company as at the end of FY23 and of the profit of the Company for the said 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.

Directors' Report

f) Systems to ensure compliance with the provisions of all applicable laws are in place, are 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

The Annual Return for FY23 is uploaded on the Company's website at Investor Relations | About HDFC Credila

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 the RBI, Securities and Exchange Board of India (SEBI), Ministry of Corporate Affairs, Registrar of Companies, Financial Intelligence Unit (India), BSE Limited and the depositories. While recognising 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
April 17, 2023

V. Srinivasa Rangan
Chairman

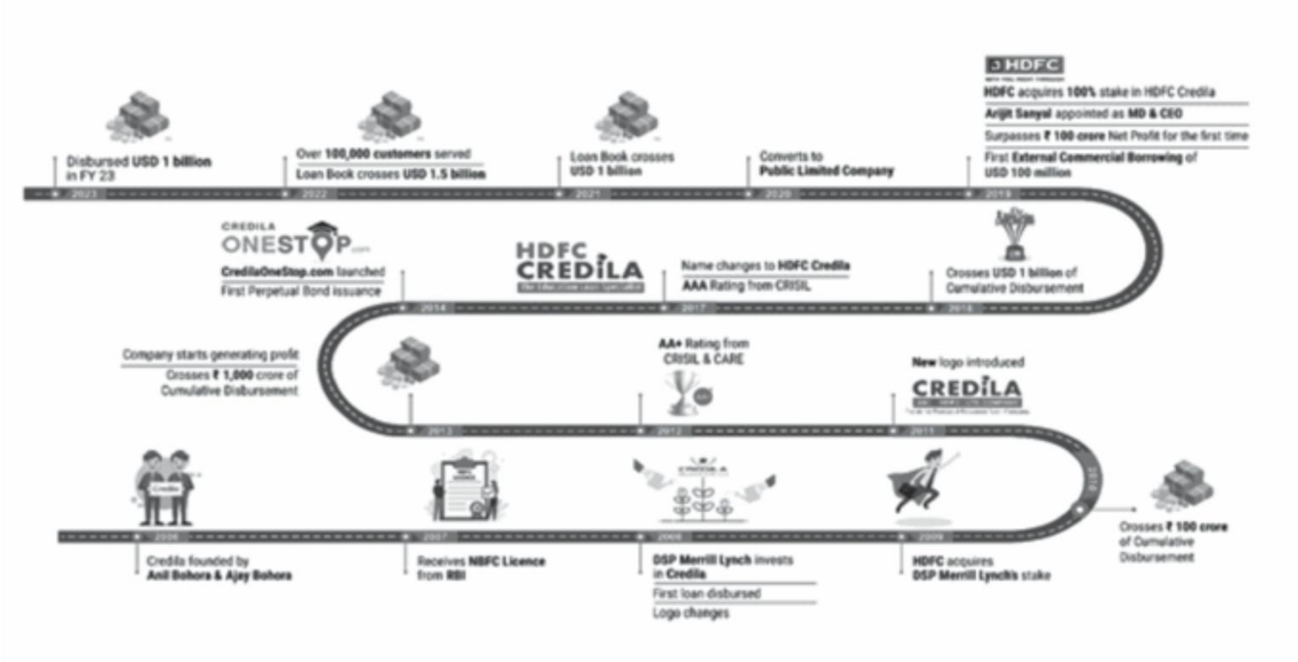
Annex to Directors' Report - I

MANAGEMENT DISCUSSION AND ANALYSIS

HDFC Credila Financial Services Limited ('HDFC Credila'), hereinafter also referred to as 'Company', is the largest Indian NBFC dedicated to the education sector. The Company provides education loans to Indian students who wish to pursue higher studies both in India and overseas.

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 obtained a credit rating of 'AAA' from major rating agencies including CRISIL, CARE and ICRA for its long-term financial instruments and an A1+ credit rating from CRISIL and ICRA for its short-term financial instruments. Further, HDFC Credila has been notified as an eligible financial institution for the 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. This allows customers of the Company to avail benefits of income tax deduction in respect to 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.

MACROECONOMIC OVERVIEW

The International Monetary Fund (IMF) had forecasted India's economic growth to be 6.8%[1] in FY23. The RBI, in its Monetary Policy Meeting (MPM) in December 2022 revised downward India's real GDP growth for FY23 to 6.8%[2] (from 7.0% in MPM held in September 2022)[3], owing to the global economic slowdown. Despite the revision, India has continued to be amongst the fastest growing economies in FY23. In its MPM held in April 2023, the RBI estimated real GDP growth for FY24 to be 6.5%[4].

Economic revival in India continues with second highest ever GST collections of ₹ 1.60 lakh crore[5] in March 2023. The Budget for FY24 is growth oriented, allocating ~₹ 10 lakh crore to capital investment (3.3% of the GDP), to drive consumption and demand in the economy[6]. The Hon'ble Finance Minister, Nirmala Sitharaman attributes the substantial increase in recent years as central to the Government's efforts to enhance growth potential and job creation, bring in private investments, and to provide a cushion against global headwinds.

India's apex bank, the RBI, is watchful of core inflation, even though CPI dropped below the tolerance limits during November and December 2022 owing to a drop in vegetable prices[3]. The regulator expects inflation to be moderate in FY24, projected at 5.2%[4]. Healthy growth was observed in the product and services sectors in December

Annex to Directors' Report - I (Continued)

2022 with passenger vehicle sales and air traffic posting robust Y-o-Y growth, surpassing pre-pandemic levels. Rural demand showed an improvement with tractor and two-wheeler sales expanding in December 2022. It is predicted that a strong Foreign Currency Reserve position of US$ 578.4 billion in March 2023[4] should provide a cushion against global shocks.

Whilst short term volatility remains, India's long-term growth story is intact. India's large, growing, and aspirational middle-class population, defined as those with an annual household income of between ₹ 5 and ₹ 30 lakh, comprise ~31% of the country's population[7]. Consumer spending contributes ~60% to India's GDP[8], with the middle class being the largest contributor[7]. This section is expected to continue to be the bedrock of the Indian economy and is also expected to continue driving education spends.

Driving the education loan sector

A slew of new technology-backed, sustainable initiatives such as online education, green energy and e-vehicles, post offices linked to core banking, 5G telecommunications, electronic goods and semiconductors, genomics and pharmaceuticals are being endorsed by the government to drive job growth. The success of these initiatives would require investment in specialised education as well as upskilling and augmenting existing diverse skill sets. To facilitate this would in turn require a collaborative effort by the government as well as the private sector by implementing progressive policies/initiatives focused on improving the education ecosystem, infrastructure investments and efficient allocation of resources.

India's burgeoning upper and middle classes have always assigned a high priority and significant premium to higher education and skills. A large part of the family budget will continue to be allocated to education across disciplines. In addition, the benefits of international exposure will ensure that students continue to look outward to countries such as the USA, UK, Australia, Canada and Germany to enhance learning, owing to the myriad available options. ~7.5 lakh students travelled abroad for studies in 2022[9], the highest in the past 5 years. According to a RedSeer report released in 2021, it is estimated that 1.8 million Indians will spend US$ 85 billion on overseas education by 2024[10].

The number of outbound students each year is expected to grow robustly due to increased employment opportunities, state-of-the-art campuses and improved quality of life offered by countries such as USA, Canada, UK, Australia as well as European nations. Since inception, HDFC Credila has played a role in this growth story, having funded over a hundred thousand Indian students aspiring to pursue their higher education.

INDUSTRY STRUCTURE AND SCOPE

The education sector in India was estimated to be worth US$ 117 billion in FY20 and is expected to reach US$ 225 billion by FY25[11]. India's economy also provides structural support for continued growth and expansion as evidenced by the low Gross Enrolment Ratio (GER) in higher education. India's young and aspirational population (~50% of the population is <29 years[12]) coupled with a low GER of 29.4% represents significant short-, medium- and long-term growth opportunities. The GER in countries such as the USA (87.60%), UK (69.5%) and China (58.4%) is much higher, which represents significant headroom for improvement in India's GER[13].

Education continues to be a priority for Indian families. As per the Ministry of Education's UDISE+ Report 2020-21, there are ~15 lakh schools, ~97 lakh teachers and ~26.52 crore students in the pre-primary to higher secondary level in India[14]. These students are from varied socioeconomic backgrounds and constitute a significant pool of talented youth who are expected to enter the Indian higher education system.

Supporting this, India has one of the largest networks of higher education institutions in the world. During 2020-21, India had ~4.13 crore students who were pursuing higher education in over 1,113 universities, 43,796 colleges and 11,296 standalone institutes overseas[15].

In the year 2022-23, there were 8,902 AICTE approved institutes comprising of undergraduate (UG), postgraduate (PG) and diploma programmes, with a total intake of 30.04 lakh students[16]. Of these, a significant number of institutes are private, and over the years have helped bridge the demand-supply gap for quality education in the country.

The increasingly upwardly mobile Indian households have been focused on education overseas, for reasons ranging from the availability of a diverse range of study

**Gross Enrollment Ratio: Number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education.*

Annex to Directors' Report - I (Continued)

programmes to the demand-supply imbalance of education institutes in India. While the demand-supply equation is being addressed, there is still a significant section of the population willing to pursue opportunities abroad.

The complexity and dynamics of the sector warrant a growing need for specialised education loan providers. The Company evaluates a combination of students' academic and personal backgrounds as well as future potential of the chosen discipline and study programme to analyse their creditworthiness and risk profiles, thus ensuring that competitive loan products and services suited to address varied customer needs can be offered. HDFC Credila leverages its domain knowledge and expertise in education loans to offer customised products for students, making the Company consistently stand out as a leader in the education finance industry.

KEY GROWTH DRIVERS/OPPORTUNITIES

Large population with favourable demographics

In 2020-21, India's higher education enrollment was 4.13 crore, which includes 79.06% students enrolled at the Under-Graduate (UG) level, 11.51% enrolled in Post-Graduate (PG) programmes, 6.95% enrolled in Diploma courses, 0.51% students pursuing Ph.D. and 0.37% pursuing Certificate courses. The balance consists of students enrolled in integrated Ph.D. programmes and PG Diplomas[15].

India's education sector is thus presented with a great opportunity – being the world's most populous country coupled with a relatively young population (i.e., favourable demographics) offers huge growth potential. India has one of the youngest populations globally[17], a segment that has immense potential to boost the higher education market.

Government Initiatives

The Indian Government plays a central role in supporting the education sector by way of favourable policies.

One such recent initiative has been the National Education Policy (NEP) announced by the Ministry of Education in July 2020. The policy framework includes a broad roadmap for transforming Indian school and higher education over the next 15 years with:

- A vision to increase the GER in higher education, including vocational education, to 50% by the year 2035.
- Focus on multidisciplinary education.

For effective implementation of NEP 2020, the University Grants Commission (UGC) recently announced several draft reforms in higher education, whereby:

- Along with quality and excellence in higher education, the government plans to allow all its affiliated colleges to become 'degree-awarding multidisciplinary autonomous institutions' by the year 2035[18].
- Institutional collaboration is proposed whereby an undergraduate student, upon completion of their degree course, need not take another entrance test but would get direct entry in a master's programme of a partner institution[18].
- In addition to universities, nearly 900 autonomous colleges across the country will be able to offer courses remotely as the Government opens up the online sector in a major reform to achieve 50% GER by the year 2035 (as proposed in NEP 2020)[19].

To formalise the involvement of the Ed-Tech sector in digital education, Ed-Tech companies will soon be allowed to 'collaborate' with higher education institutes offering online undergraduate and postgraduate degrees to help develop course content and carry out student evaluation[20].

The horizon for education is expanding daily. To cite an example, in July 2021, the UGC formed norms for the establishment of an Academic Bank of Credits (ABC) that would help students learn subjects of their choice from multiple colleges and varsities at the same time[21]. In line with the government's goal to implement NEP, key Ed-Tech players are leveraging strategic partnerships to offer courses to students in India. This provides an opportunity to explore global partnerships and tie-ups that would benefit an aspirant learner.

Outward-looking aspirational population

Indian students choosing to study abroad is not a new trend, with several factors such as an aspirational outlook combined with meaningful opportunities influencing their decision to do so. Data shared by the government in Parliament recently showed a 68% increase in Indian students going abroad for higher education over the past year – 750,365 students in 2022 as against 444,553 in 2021[9]. The number of Indian students overseas is further expected to reach ~1.8 million students with a total spend of US$ 75 - 85 billion in 2024[10].

With countries such as the US, UK and Canada implementing policy changes favourable to international students

Annex to Directors' Report - I (Continued)

that serve them beyond their choice of programme by presenting aspirants with job opportunities both during study and upon course completion, there has been a surge in the number of Indian students opting for higher education overseas. This number outpaced the domestic student growth by >6x[10] over the last three years.

Rising cost of education

Education today has moved beyond the more traditional Arts, Commerce and Science degrees that were considered mainstream until not too long ago. With STEM programmes becoming increasingly popular, there is now a plethora of courses for the aspiring student to choose from. However, the fact remains that these non-conventional programmes come at an often-steep cost, making education loans a necessity to fulfil education aspirations. Elite higher education in India comes with a hefty price tag as well[22].

Given the rise in cost of education, it may be prudent for an individual to plan for education financing well in advance. An education loan can be used either as the primary source of financing or as a tool to supplement existing means of funding.

EDUCATION LOAN MARKET OPPORTUNITY

There are ~4.13 crore[15] students currently enrolled in higher education in India, making this an attractive business opportunity. As per a report published by the Federal Reserve Bank of New York, education loans outstanding in the USA is at US$ 1.595 trillion[23] (₹ 131.53 lakh crore) in December 2022. Given that the USA's population is ~25% of India's, this indicates a much higher penetration of education loans as compared to that in India and thus presents a sizeable opportunity to the Indian education loan industry.

The total education loans outstanding in India as at December 2022 stands at ₹ 1,07,307 crore, of which ₹ 19,549 crore can be attributed to the NBFC sector[24]. 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 include higher education loans for online programmes, executive/professional courses, etc. A few FinTech companies are even extending loans to students pursuing higher education overseas. Whilst some FinTechs are themselves not in the business of lending, they 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. The Company is exploring partnerships as well as co-lending opportunities with such FinTechs. This presents an opportunity to expand sourcing channels and product offerings as well as to leverage technology for future lending. HDFC Credila has developed strong domain expertise, providing tailor-made solutions and competitive products. With an efficient domain-specific technology platform for loan processing and dynamic credit underwriting, the Company is well equipped to expand its business to fund students both in India and overseas.

Competitive Business Environment

Several new NBFCs, FinTech companies, private banks and some co-operative banks have recently entered the education loan market that was historically served by Public Sector Banks (PSBs). It is also worth noting that whilst most FinTechs are presently funding low ticket courses offered by Ed-Tech/online platforms, they might start offering higher ticket size loans for higher studies in the future, thereby increasing competition. Some international education loan companies are also enhancing their presence in India to leverage the increasing number of Indian students pursuing higher education abroad.

The education loans market in India is large enough to accommodate multiple lenders. It is to be noted that whilst PSBs are the largest and most significant competitors, a substantial portion of their lending is geared towards the Priority Sector, which constitutes ~60% of the value of their education loans portfolio[24]. As the incumbent NBFC, the Company addresses the segment that does not encompass the catchment covered by PSBs.

It may be noted that families of aspiring students resort to self-finance by liquidating investments, borrowing from friends or relatives, etc. Further, several banks and financial institutions also extend other forms of credit such as personal loans, loans against gold, loans against property, etc. to support this set of students, thus further adding to competition.

REGULATORY AND BUSINESS ENVIRONMENT

Regulatory Environment

RBI Guidelines on Risk Based Internal Audit (RBIA)

In line with RBI's RBIA guidelines, the Company has put in place an RBIA Policy & Framework and appointed a Head of Internal Audit in March 2022.

Annex to Directors' Report - I (Continued)

In FY23, the following key activities were undertaken in line with the RBI RBIA guidelines and approved RBIA Policy & Framework:

- An in-house Internal Audit Team has been constituted.
- The Annual RBIA Plan was prepared considering inputs from Management and approved by the Audit Committee. The Annual Plan has been reviewed on an ongoing basis during the year and modifications were made basis changes in process and priority.
- Coverage of 59% of the audit universe was done through process reviews, concurrent file reviews and branch reviews including all process prescribed to be reviewed on an annual frequency as per the prevalent RBI guidelines such as IT IS Audit (IT Information Security) and Regulatory Policies.

RBI Guidelines on Scale Based Regulation

With a view to aligning the regulatory framework of NBFCs with their changing risk profiles, the RBI has issued Scale Based Regulation (SBR), an integrated regulatory framework for NBFCs that segregates entities into base, middle, upper and top layers. The SBR came into effect from October 1, 2022. The RBI has issued a circular on the implementation of 'Core Financial Services Solution' by NBFCs, which is one of the new requirements under the SBR. Based on the detailed guidelines issued, the Company has furnished the required information to the RBI.

RBI Guidelines on appointment of an Internal Ombudsman

The RBI had issued guidelines on appointment of an Internal Ombudsman by NBFCs on November 15, 2021, and provided a timeline of 6 months for complying with the requirements. Accordingly, the Company appointed an Internal Ombudsman within the stipulated timeline to comply with this and other related requirements as per the guidelines.

Business Strategy

FY23 saw HDFC Credila experience robust Y-o-Y business growth. We continue to build upon the momentum gained to achieve further milestones.

Over the last financial year our logins, sanctions and disbursements grew by 64%, 79% and 85% Y-o-Y respectively. This growth was aided by an augmented focus on (i) active sourcing, (ii) well diversified product(s), (iii) enhanced process efficiencies, and (iv) increased sales productivity.

Macro-level developments across countries were pivotal to our success in FY23.

- An increase in student visa issuance in CY 2022, viz.,
  - o 38% increase in the number of US student visas issued
  - o 81% increase in the number of UK student visas issued
  - o 33% increase in the number of Canadian visas issued
  - o 381% increase in the number of Australian visas issued (July-Dec '21: 5,059, July-Dec '22: 24,312)
- **Australia:**
  - o The Australian Government has announced a two-year extension of post-study work permits[25] for international graduates with select degrees in areas of verified skills shortage to strengthen the pipeline for skilled employment.
  - o Post-study work permits for select degrees in areas of verified skills shortages will be increased from:
    - Two years to four years for select bachelor's degrees.
    - Three years to five years for select master's degrees.
    - Four years to six years for all PhDs.
  - o Increase from 40 to 48 hours per fortnight in the allowable work hours cap from July 01, 2023.
- **UK:**
  - o Changes in UK visa norms have further increased the country's allure as a study destination.
  - o From July 01, 2021, international students who have completed an undergraduate or master's degree will be able to benefit from a two-year work visa upon graduation.
  - o PhD graduates will be allowed to work in the UK for up to 3 years after completion of their degree.
- **Canada:**
  - o The postgraduate work permit allows international students to stay in Canada and work for up to three years after graduation.
  - o After working in Canada for one-year, international graduates may be eligible to apply for permanent residency (PR)[26].

In addition, the prospect of settling overseas and obtaining PR status is also one of the factors driving the increasing

Annex to Directors' Report - I (Continued)

number of Indian students opting to go overseas for further studies.

The Company's marketing and application sourcing strategies were also adapted to connect with potential customers more efficiently. Business sourcing from partners/channels as well as via business influencers was enabled through virtual/digital platforms, further augmenting our sourcing capabilities.

**These figures have been calculated based on visa numbers provided on official Government/immigration websites.*

Segment of Focus And Performance

HDFC Credila focuses solely on education loans, with two main product categories - secured education loans and unsecured education loans. Currently, 27% of the Company's education loans portfolio is secured while 73% is unsecured. Both these product categories continue to perform well even two years after the pandemic, despite the recovery path of the major world economies being impacted by the ongoing geo-political conflict and disruption of the global supply chains. This has in turn led to inflation and the fears of recession with central banks raising the policy rates to fight the persistent inflation albeit at the cost of growth. The credit quality of the Company's loan book is prime with the Non-Performing Assets (NPAs) at 0.12% and the Stage 3 Assets of the Company at 0.17% as on March 31, 2023.

With close to 17 years of experience in the Education Finance market, HDFC Credila has developed strong domain expertise and built a brand name as one of the most trusted education loan providers in India, providing hassle-free, tailor-made solutions for prospective 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 has made several technological changes to enhance customer service as well as simplified its application and tranche disbursement process to enhance customer experience.

The Company continues to focus on prudent credit norms, constant monitoring of portfolio performance, diversifying and expanding portfolio, and fine tuning of policies. The Company believes that doing so is essential to maintaining its long-term competitive advantage and stature both as a market and thought leader.

Business Update

FY23 has been an exceptional year for HDFC Credila The Company's logins (1,03,435 files), sanctions (52,288 files) and disbursements (₹ 7,992 crore), grew by 64%, 79% and 85% respectively over the previous financial year.

The Y-o-Y disbursement growth observed is also very encouraging, with USA, Canada, UK, India and some other countries having shown a growth of 101%, 36%, 141%, 63% and 78% respectively.

The Company has further diversified its portfolio and hedged risk by way of reduction in contribution of US disbursements from 65% of total disbursements in FY20 to 56% of total disbursements in FY23. Canada's contribution to total disbursements increased from 14% in FY20 to 17% in FY23. The UK experienced the largest increase in contribution to total disbursements, increasing from 1% in FY20 to 13% in FY23.

Consequently, the US's contribution to our portfolio has reduced from 63% in FY20 to 53% in FY23. Canada's contribution has increased from 11% in FY20 to 20% in FY23 and the UK's contribution to the overall portfolio has increased from 1% in FY20 to 10% in FY23.

This notable growth in all our key business parameters validates HDFC Credila's belief that education spending is inelastic and the demand for overseas education is robust, contributing to the sector's growth story.

Cost of Borrowing

As at March 31, 2023 the Company's borrowings stood at ₹ 13,655 crore as against ₹ 7,515 crore in the previous year. Borrowings constituted 83% of the total funds employed as at March 31, 2023 of which 65% was in the form of term loans and 35% in the form of debentures and securities.

During the year, the RBI increased its policy rate by 250 bps to 6.50% from 4.00% at the end of the previous year, which had a significant impact on the cost of borrowing of the Company. The Company actively rebalanced its sources of funds and diversified its borrowing base to raise incremental funds at optimal rates. This strategy helped the Company to contain the increase in the cost of borrowing and enabled it to continue to compete aggressively on pricing in the market and achieve a record disbursement of ₹ 7,992 crore during the year.

HDFC Credila's long-term and short-term bank loan facilities, perpetual debt, subordinated debt, NCDs and commercial papers continue to enjoy the highest ratings by CRISIL, CARE and ICRA.

Annex to Directors' Report - I (Continued)

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' approach. The Company has formalised a principle-based approach towards responsible risk taking. 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 matters, which have been further defined across various functional areas.

The following specialised Committees comprising senior management personnel ensure monitoring 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)
- IT Strategy Committee
- IT Steering Committee
- Information Security Committee (ISC)

During the course of the financial year, the Company has also formalised the sub-committees of the IRMC, focused on Business, Operations and Finance & Compliance; the first meeting of two of these sub-committees was conducted during this Financial Year.

The Risk team focused on enhancing risk awareness and culture within the Company through a dedicated online training module and in-person training sessions.

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

i. ***Credit Risk:*** The risk of loss on account of the failure of borrowers to repay their debt obligations as per the contractual terms agreed upon is defined as credit risk. The credit risk of the Company is managed by adhering to the Company's Credit Policy, which lays down a set of credit and underwriting norms, along with a structured credit approval process. This includes a thorough check of qualitative and quantitative information to ascertain the creditworthiness of the borrower in addition to reviewing the macro-economic conditions and immigration laws which would affect the portfolio quality at large.

ii. ***Finance and Compliance:*** Some of the major risks identified are (i) interest rate fluctuations, (ii) liquidity risk and (iii) non-compliance with laws and regulations. For carrying out its daily operations, the Company raises funds from both the banking system as well as money markets through market instruments. These are vulnerable to interest rate movements in the market. The Asset-Liability Committee (ALCO), comprising of senior management, including two non-executive directors, meets quarterly to review the Company's liabilities/funding strategy whilst also ensuring that a contingency funding plan is in place. This ensures optimal cost of funds along with stability of resource raising. While raising funds through different instruments, the Company also faces an asset-liability mismatch caused by a difference in the maturity profile of its assets and liabilities. the Company has constituted a Finance Committee that convenes on a weekly basis to (i) monitor the liquidity position to ensure the Company can meet all its obligations, (ii) review interest rates/cost of borrowing and (iii) analyse the borrowing mix in terms of fund-raising instruments such as Commercial Paper, NCDs, Bank Term Loans, etc.

iii. ***Sales and Marketing:*** Banks and other private lenders offering competitive products at lower rates is a business risk. The inability of the Company to (i) generate adequate quality leads, (ii) adhere to the Fair Practices Code and (iii) maintain customer confidentiality, are some of the risks identified by the Company. In addition, misrepresentation and/or misleading commitments by Sales and Marketing teams can result in loss of reputation and goodwill. The Company is constantly working on product innovations and research and introducing training exercises for its sales personnel in addition to expanding its distribution channels.

iv. ***Operational Risks:*** Operational risks are very broad and intrinsic to any business. These may vary from non-adherence to processes and policies, improper authorisations, information technology and cyber security risks, risk of fraud, employee errors and omissions, lack of training and knowledge, etc. Such risks can be mitigated through a comprehensive system of internal controls and training. Additionally, the Company ensures that regular internal and branch audits are conducted to assess any deviation

Annex to Directors' Report - I (Continued)

from processes laid down in its Policies and Standard Operating Procedures (SOPs).

The Company is in the process of implementing Internal Capital Adequacy Assessment Process (ICAAP) as part of RBI's Scale Based Regulatory framework for NBFCs. The Company has also prepared an ICAAP policy which will cover the ICAAP framework and make a realistic assessment of its existing and future capital requirements based on risks encompassing Credit Risk, Market Risk, Operational Risk and all other material risks (Strategic Risk, Reputational Risk, Regulatory Risk, Model Risk and Technology & Cybersecurity Risk etc.).

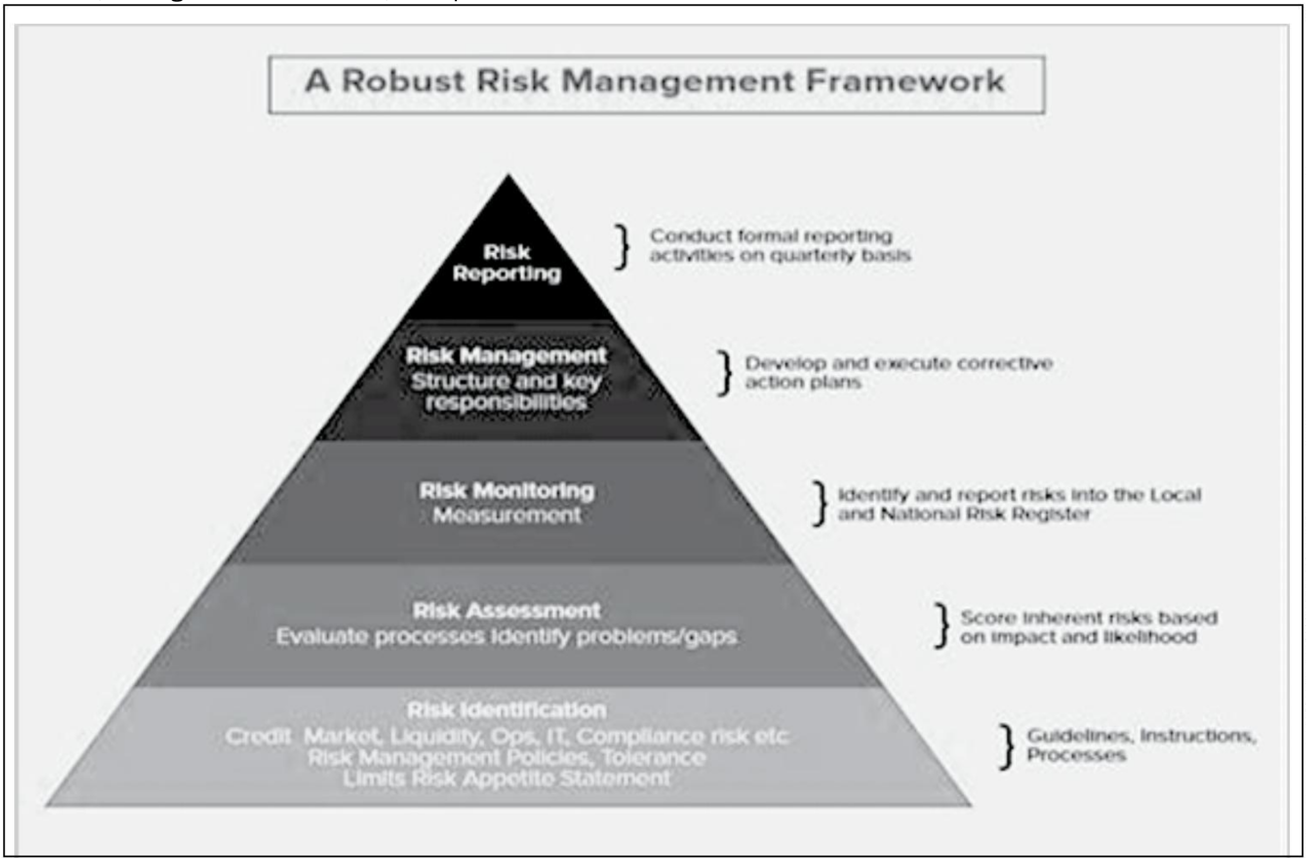
As a lender in the education loans sector, the biggest threat that the Company faces is the dynamic macroeconomic environment in India and overseas. For students to be able to continue to repay their education loans, it is critical to have strong employment and business opportunities.

Geopolitical tensions across the world constitute another major threat. An increase in geopolitical risks could result in subdued global/bilateral trade, border closures, immigration restrictions, abrupt mass exodus etc. which could adversely impact our business both due to immigration/visa restrictions as well as reduced employment opportunities due to economic slowdowns.

Internal Control Mechanisms

The Company has appointed a Head of Internal Audit and instituted a Risk-based Internal Audit (RBIA) Policy as required per the RBI guidelines on RBIA. All significant Internal Audit observations are reported every quarter 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 SOPs, Internal Financial Controls (IFCs) and Risk Registers as per the Risk Management Policy. Further, the Company has implemented 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 Secretarial Auditors carried out the compliance audit of filing of returns with the RBI within the statutory deadlines.



Annex to Directors' Report - I (Continued)

Significant Initiatives of the Company during the financial year:

ICAAP Implementation

During this Financial Year, the Risk team also worked on helping the Company embark on its ICAAP implementation journey with the help of an external consultant.

Economic Outlook & PESTLE Analysis

Given the global macroeconomic uncertainties, the Company has placed special emphasis on tracking important economic indicators for geographies such as the USA, UK, Canada, Australia, New Zealand, Ireland, Germany and India wherein HDFC Credila has significant exposure owing to having funded students pursuing their education in these countries. Indicators such as GDP, inflation, exchange rates and unemployment rates are monitored closely for these locations. Further, the Company has deepened its tracking of immigration laws prevailing in USA, Canada and UK to identify the latest trends regarding shifting customer preferences and evolving business dynamics.

With a view to help the Company manage its risk in the overseas study destinations and to make informed lending decisions for studies in a specific country, the Risk team also developed a Qualitative Assessment Tool called the **Country Risk Index,** using a methodology that considers factors such as political stability, economic indicators, social and cultural factors.

The Company also undertakes a Political, Economic, Sociological, Technological, Legal and Environmental (PESTLE) Analysis to address the critical events and issues that take place each quarter in India and overseas (primarily centered around the USA, Canada and UK) that could possibly impact our business, directly or indirectly, as a consequence of its influence on our economy and industry.

Portfolio Monitoring

The Company, through its Risk Appetite Statement defines certain threshold limits for a portfolio at the level of country of study for various product segments. These threshold limits are monitored for adherence thereto on a monthly basis from the perspective of concentration risk. Further, they are reviewed periodically based on business dynamics and regulatory conditions.

Further, the Company regularly monitors the delinquency performance of the portfolio on various parameters including but not limited to underwriting location, study country, course category, course discipline, product group, ticket size, average monthly salary levels, FOIR levels, credit scores etc. This enables the Company to re-align and review its credit and underwriting parameters when required.

In addition to the regular monitoring as mentioned above, in FY23 the Risk team also analysed the portfolio along with specific themes such as Emerging Study Abroad Destinations, Historical NPAs, Prepayments, Unsecured Portfolio, etc.

Cyber Security

In FY23, the Company made a concerted effort to strengthen its Cyber Security posture. The Information Security team undertook several initiatives in this domain in response to the ongoing tech developments and digital transformation journey.

Vendor Risk Assessment

The Risk team initiated a Risk assessment exercise for critical vendors and completed its review for non-Tech vendors. The Company is also focused on strengthening its Outsourcing Risk Framework.

White Paper on Emerging Risk for FY 2023-2024

In preparation for the upcoming fiscal year 2023-2024, the Risk team worked on identifying the top emerging risks for the Company. A comprehensive white paper on emerging risks has been prepared, which highlights the key risks, their potential impact, and recommended mitigation strategies. The white paper serves as a comprehensive reference for decision making.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Education loans disbursed by the Company have increased by 85% from ₹ 4,309 crore in the previous year to ₹ 7,992 crore in FY23. The Company has disbursed education loans to 33,036 students in FY23 as against 20,812 students the previous financial year.

The financial and operational performance of the Company for the year ended on March 31, 2023 has been good along with overall economic recovery and an optimistic job market globally.

Below are the performance highlights of FY23:

i. The loan book has grown by 73% to ₹ 15,298 crore and interest income on loans has increased by 64% to ₹ 1,301.40 crore over the previous year.

Annex to Directors' Report - I (Continued)

Correspondingly, borrowings have increased by 82% to ₹ 13,655 crore, while the finance cost has increased by 90% to ₹ 813.28 crore.

ii. Net Interest Income has grown by 37% due to an increase in the loan book. During FY23, the Company has passed on the increase in borrowing cost partially to all the borrowers by way of an increase of 175 basis points in its benchmark lending rate (H-CBLR).

iii. Operating Expenses have increased by 55% to ₹ 158.59 crore primarily considering the increase in scale of operations and increase in spends on digital transformation.

iv. Impairment loss allowance of ₹ 10.11 crore was created by the Company after factoring reversal of ECL on the loans restructured under resolution framework and regularized during the year.

Net Profit After Tax has increased by 34% to ₹ 275.92 crore as compared to the previous year. Net profit margin was at 20.41% as against 25.06% in the previous year. The return on average assets was 2.16% while return on equity was 14.54%.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

The Company was able to initiate a paradigm shift towards offering an integrated employee experience whilst enhancing areas of training and development, rewards and recognition coupled with a focus on building a better society.

During the year, dedicated hiring programmes for onboarding promising talent from India's premier business schools were launched. These programmes focused on enhancing our campus presence and culminated in hiring 11 bright future leaders.

All frontline employees underwent curated and externally led specialised courses towards enhancing their behavioral skills focusing on aspects such as customer centricity, ownership and time management. A special programme was introduced for the middle management to enhance managerial excellence.

Cross-functional training programmes led by in-house faculty were held for all frontline employees to enhance product, process and policy knowledge.

Compliance and regulatory know-how for certain critical areas such as POSH, Information Security and KYC/AML were reinforced through multi-mode learning.

Self-paced online learning modules were enhanced. Currently, employees can access 75 online courses, targeting a cumulative 51 hours of online learning per employee, across different domains such as personal development, management, compliance and safety, amongst others.

Some of the key initiatives focusing on enhancement of employee experience that were launched this year include:

- ***Recognition programme:*** A focused programme for recognising employees who deliver outstanding work was successfully launched. Over 80 nominations were received for individual and team award categories. 15 awards were distributed across the 'Emerging Star', 'Trailblazer', 'Dream Team' and 'Super Manager' categories.
- ***Corporate National Pension Scheme (CNPS):*** To enhance overall social security and thereby well-being, an awareness campaign was conducted pan-India introducing the benefits of CNPS. Subsequently, an enrolment drive was championed across the organisation, in partnership with HDFC Life. A total of 45 employees now benefit from the CNPS offering.
- ***Campus engagement:*** A customised campus engagement plan was executed at top business schools to attract and groom bright talent. A total of 5 management trainees and 6 summer interns were hired from IMT, BITS, NIBM, Great Lakes and ICFAI.
- ***CSR and Employee engagement:*** The Company has enabled various platforms and events where our employees can volunteer, interact, and contribute to societal change. 14 events were conducted throughout the year with 324 non-unique employees participating in events focused on improved healthcare, empowering the girl child and enhancing quality of life for children from marginalized and vulnerable communities.

The Company had 462 employees as of March 31, 2023. There has been no industrial dispute during the year.

Outlook

India Brand Equity Foundation (IBEF) estimates that India's higher education scenario will undergo the following changes by 2030[27]:

- The combination training method, which involves online learning and games, is expected to grow by up to 38% in the next 2 to 4 years.

Annex to Directors' Report - I (Continued)

- Adoption of transformative and innovative approaches in higher education.
- GER expected to rise to 50%.
- India is poised to emerge as the single largest provider of global talent, with one in four graduates in the world being a product of the Indian higher education system.
- India is expected to have 20+ of its universities among the global top 200.

We believe that the implementation of the measures outlined in NEP 2020 will result in a larger student population looking to avail education loans to fund their higher education. This could result in the creation of untapped potential for the Company to explore.

Our aim is to create product offerings to meet possible new requirements, encompassing a number of universities and courses/programmes.

Opportunities in E-Learning

'Nano-learning'[28] is expected to be prevalent in the coming year, as millennials and young professionals seek to upgrade their competencies and learn in a more efficient, effective, and less time-consuming manner.

While this is expected to bring changes in the way education is currently perceived, courses such as human resources, finance, marketing, machine learning, data science, cyber security, and UI UX courses are expected to be in high demand. Online certification courses will also continue to occupy a special niche for learners because the future is about constant upskilling[29]. India has become the second largest market for e-learning after the USA. The online education market in India is forecasted to reach US$ 8.6 billion by 2026[30]. Various government initiatives are being adopted to boost the growth of the 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 organisations, the higher education sector in India is gearing up for significant changes and developments in the years to come.

School Fee Financing and Infrastructure/Wholesale Lending

The Indian school education system is one of the largest in the world with ~15 lakh schools, ~97 lakh teachers and ~26.52 crore students in the pre-primary to higher secondary level from varied socio-economic backgrounds[14].

Rising school fees and ancillary expenses such as travel, accommodation as well as related expenses including the purchase of study equipment including laptops, books and periodicals etc. are creating a pressing need for both urban and rural parents to explore the option of availing finance to fund their children's education.

In addition to school fee finance, the education ecosystem offers larger opportunities for lending such as school infrastructure financing (long term loans), working capital finance (short-term loans to schools to fund day-to-day activities), etc.

School infrastructure development is a domain which constantly demands capital for construction, renovation, upgrading facilities, equipment, machinery, computers, labs, books, software and hardware, and much more.

Macroeconomic drivers such as rapidly increasing urban growth, widespread internet adoption and a young and aspirational population along with limited public resources underpin the structural need for private investments in the Indian education sector. To this end, the Company is well positioned to finance such investment.

Work Permits and Immigration Laws

Australia has recognised the potential Indian students bring to the table, and in a bid to attract and retain talent, the Australian government has established various initiatives. These include offering extra time for the completion of English language tests and health check-ups during the course, as well as the option to subsequently extend one's stay and work period[31]. In Canada, a larger number of international students are getting a Post-Graduation Work Permit (PGWP), which allows eligible international graduates to work anywhere in Canada for up to three years, depending on the length of their study programme.[32] The UK boasts of a welcome move for international students – those who have

**Nano Learning is a tutorial programme designed to permit a participant to learn a given subject in a ten-minute time frame through the use of electronic media and without interaction with a real time instructor.[28]*

***E-learning is a network enabled transfer of skills and knowledge with the help of electronic resources like laptops, where the delivery of education is made to many recipients at the same or different times.*

****M-Learning (mobile learning) is a new way to access learning content using mobile devices to learn whenever and wherever as long as one has a modern mobile device connected to the Internet.*

Annex to Directors' Report - I (Continued)

successfully completed an undergraduate or master's degree will be able to benefit from a two-year work visa upon graduation.[33] *The US too has waived the in-person interview requirements especially for Indian students, in a bid to simplify the process and encourage students to apply for higher education.*[34]

Government Initiatives

The government aims to implement NEP 2020 rapidly across states, laying the foundation to establish education complexes, introduce a wider range of subjects in higher education institutions and implement flexible entry-exit schemes in colleges and universities.

The government is also planning to reinvent India as a global study destination. To attract more international students in India, the emphasis is on various initiatives, including establishing campuses for international institutes, and seeking alliances from international universities for introducing collaborative training programmes. Offshore campuses to attract and enroll international students as well as encourage them to apply for discounted programmes at Indian campuses is also on the cards.

The Central and State Governments aim to increase public investment in the Education sector to 6% of GDP. Public investment in the education sector was 4.39% of GDP in FY 20[35].

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Annex to Directors' Report - II

CORPORATE SOCIAL RESPONSIBILITY ANNUAL REPORT ON CSR ACTIVITIES

Our Commitment to Corporate Social Responsibility

As a leading financial institution, the Company has always prioritised its Corporate Social Responsibility (CSR) efforts that strive to bring about a positive impact on the society and environment where the Company operates. The Company's philanthropic efforts are focused on improving education, healthcare, empowering girl children, and improving the quality of life for children from marginalised and vulnerable communities.

As a result, the Company has chosen major areas of focus for its CSR initiatives and has worked with twelve non-governmental organisations (NGOs) to carry out projects in six Indian states. Through these CSR efforts, the Company aspires to strengthen the capacities of the disadvantaged and marginalised segments of society, allowing them to access equal opportunities and establishing enabling circumstances for the creation of an equitable and inclusive society.

This year, the Company's CSR efforts have focused on empowering adolescent girls through health, education, career guidance sessions, and personality awareness programmes, rescuing street children and assisting them in breaking the cycle of poverty, providing quality and accessible healthcare, and developing hygienic Water, Sanitation and Hygiene (WASH) facilities in government schools. These activities have benefited nearly 3000 people, which is testament to the Company's commitment to creating a long-lasting impact.

Moreover, the organisation's philanthropic culture is built on the principles of equality, inclusivity, and compassion. The Company is committed to enabling platforms and events where employees can volunteer, interact, and contribute towards creating a better future for society. The Company believes that everyone has a role to play in creating a better future and is dedicated to driving positive change in the communities where it operates.

HEALTHCARE
Project: Save Little Hearts
Implementation Partner: Aishwarya Trust
Project Location: Chennai, Tamil Nadu

The partnership between HDFC Credila and Aishwarya Trust aims to lower the prevalence of congenital heart disease (CHD) in children and provide access to high-quality healthcare services through CHD screening. HDFC Credila, with the assistance of Aishwarya Trust, administers a comprehensive CHD Program in Tamil Nadu to screen children from economically disadvantaged backgrounds for CHD and assist those identified with CHD in receiving the best possible treatment in the country.

Aishwarya Trust regularly runs screening camps under the aegis of the RBSK Program at Medical College Hospitals in Tamil Nadu as well as other locations around the country. The purpose of these camps is to identify children and young adults from marginalised backgrounds who are suffering from CHD and need surgical intervention. A competent, renowned, and committed team of surgeons at Aishwarya Trust provides surgery and care to children. The children are able to resume their normal lives within a week following surgery and can return to school almost immediately. Consequently, their chances of leading a quality life are increased. The Company supported the surgical treatment of 53 children during fiscal year 2022-23.

Project: Cancer Care for Children
Implementation Partner: Access Life Foundation
Project Location: Mumbai, Maharashtra

The Lancet Oncology Commission forecasted in 2020 that over the next three decades, around 13.7 million children will be diagnosed with cancer, with 11.1 million dying if healthcare services and cancer treatment are not prioritised. Every year, nearly 50,000 children in India are diagnosed with cancer, which equates to one child every 11 minutes. Financial constraints, the use of alternative medicines/natural remedies, and widespread misconceptions about cancer being incurable frequently contribute to delayed diagnosis and restricted access to thorough therapy, with 80% of children abandoning treatment.

Annex to Directors' Report - II (Continued)

In response to this critical circumstance, HDFC Credila has partnered with the Access Life Foundation to assist disadvantaged families traveling to Mumbai for cancer treatment for their children. This collaboration includes assistance with accommodation, food, transportation, and counseling services, with the primary purpose of providing high-quality cancer care so that families can focus on their child's treatment.

The Company supports Access Life Foundation's Chembur and Bandra centres that seek to provide continuing therapy, education, and awareness to families, emphasising that children's cancer is curable. Our dedication to this collaboration seeks to alleviate the strain on families during this difficult time and raise the possibility of positive outcomes for their child's health. During FY23, the Company, with the help of Access Life Foundation has supported 258 cancer patients.

Project: Craniofacial, Maxillofacial, and Cleft Surgery Support to Children from Marginalised Backgrounds
Implementation Partner: INGA Health Foundation
Project Location: Maharashtra and Karnataka

Craniofacial and facial deformities can have long-term consequences for children, resulting in social stigma and social exclusion. This can have a negative psychological impact on their early schooling and social functioning, putting them at a substantial disadvantage.

To address this issue, HDFC Credila is collaborating with the INGA Health Foundation with the primary purpose of supporting their vision of attaining a cleft-free India while simultaneously increasing awareness about craniofacial and maxillofacial deformities. The Company's contributions have funded craniofacial and maxillofacial procedures, which are carried out in phases at different ages for the patients. In FY23, the Company supported 103 children that included supporting 46 maxillofacial, 18 craniofacial, and 39 cleft surgeries.

The collaborative aim of this project is to ensure that children with facial or craniofacial deformities receive comprehensive treatment and after surgery care. By raising awareness in society, the Company hopes to eliminate the social stigma associated with facial deformities by enhancing public knowledge and improve the quality of life for the children and enable them to prosper socially and economically.

Project: Eye Care
Implementation Partner: Blind People's Association
Project Location: Ahmedabad, Gujarat

Cataracts, or clouding of the natural lens of the eye, are a major cause of blindness in India, particularly among the poor and vulnerable. However, at the village and rural levels, there is inadequate knowledge regarding cataract surgeries and corrective eye therapies, compounding the problem. To address this, the Company has collaborated with Ahmedabad's Blind People's Association (BPA) to promote eye care for marginalised and underprivileged communities.

The partnership between HDFC Credila and BPA attempts to reduce unnecessary blindness and improve quality of life by treating the underlying causes of blindness and providing access to critical medical equipment and expertise, with a primary focus on retina and cornea procedures. In FY23, HDFC Credila supported 50 keratoplasty and 50 retinopathy procedures. This year, the Company has additionally installed a Drager Anaesthesia Machine, which is an essential component for cataract procedures that will considerably improve the overall quality of care.

EDUCATION

Project: Providing Quality Education to Children from Tribal and Marginalized Communities
Implementation Partner: Aseema Charitable Trust

Project Location: Igatpuri, Maharashtra

HDFC Credila has partnered with Aseema to fund the ABSK Igatpuri School, providing quality education to children from tribal and underprivileged communities. Aseema's educational philosophy emphasises student-centered classrooms, activity-based and experiential learning, cooperation, and collaboration.

During the pandemic, Aseema swiftly responded to the nationwide lockdown with strategies such as delivering and

Annex to Directors' Report - II (Continued)

distributing gadgets to address technology access disparities, recalibrating curricular goals, providing intensive mentorship, and conducting online co-curricular activities to keep students motivated and engaged.

The curriculum at ABSK Igatpuri School includes computer literacy and co-curricular activities like music, arts, and sports, allowing students to discover and develop their abilities across physical, emotional, cognitive, and social domains. Aseema's focus on targeted remediation, accelerated learning models, and continuous professional development levels the playing field for marginalized students in a safe and nurturing environment, achieving equity and quality. In FY23, the Company's support benefited 374 students in ABSK Igatpuri School.

Project: Anando School Empowerment Programme
Implementation Partner: Light of Life Trust (LOLT)
Project Location: Karjat, Maharashtra

With the one of highest number of out-of-school children in the world, India today confronts a big issue. Although the government has made various measures and seen strategies that focus only on students may not be adequate to fulfil overall educational goals. To provide an excellent education, it is critical to include all stakeholders in a child's life. To address this problem, HDFC Credila is working with Light of Life Trust to improve the quality of education at two rural government schools in Karjat, Maharashtra: Janata Vidyalaya Lowjee and Lokmanya Tilak Madhyamik Vidyalaya, Vasrang Khopoli.

The collaboration between HDFC Credila and Light of Life Trust seeks to strengthen interactive classroom procedures for teachers, enhance holistic academic development, and create effective modalities of parent and community connection. The emphasis is on increasing participation of all major stakeholders in a child's life to ensure that they stay in school and finish their basic education. The programme intends to build, activate, and strengthen the partnership between schools, parents, and students to develop responsible citizens of a young and dynamic India.

The Company was to assist 229 students through this project. This initiative demonstrates the Company's strong commitment to enhancing educational quality and the lives of all major stakeholders engaged.

Project: Providing Quality Education in Global Mill Passage Municipal Secondary Section School, Mumbai
Implementation Partner: Muktangan Education Trust (MET)
Project Location: Mumbai, Maharashtra

The significance of systemic change in education has gained widespread recognition, inspiring Muktangan to create a viable model. In collaboration with the Municipal Corporation of Greater Mumbai (MCGM), Muktangan has developed an integrated model of inclusive teacher and school education, encompassing pre-service and in-service teacher training, as well as seven municipal schools which are led by community members and serve 4,000 children aged 4 to 16 years old, particularly from underprivileged populations in Worli, Prabhadevi, and Parel (Mumbai).

HDFC Credila has collaborated with Muktangan Education Trust to support their research and promote a 'total systems approach' that enables marginalised communities to be change agents and bridges the educational divide between the 'haves and the have-nots'. HDFC Credila has supported the operating expenses of Muktangan's Globe Mills Passage Secondary School in Mumbai for FY23, benefiting 434 students. The Muktangan approach is built on child-friendly pedagogy and an Active Constructivist Approach, which promotes a cognitive learning process that allows learners to generate new concepts by comparing and expanding on prior experiences.

Therefore, the collaboration between HDFC Credila and Muktangan aims to provide equal access to education, minimise school dropout rates, promote holistic development in children, and create a nurturing and safe learning environment for underserved communities.

Project Alumni Support Engagement Program
Implementation Partner: The Akanksha Foundation
Project Location: Mumbai and Pune, Maharashtra

HDFC Credila has partnered with The Akanksha Foundation (TAF), a non-profit organization dedicated to empowering underprivileged children through education. Our goal with this partnership is to aid TAF in their Alumni Support

Annex to Directors' Report - II (Continued)

Engagement Programme, which assists former TAF students in keeping focused on their education and attaining their academic and career goals.

One of the programme's key objectives is to ensure that all TAF graduates finish their 12th grade. TAF graduates receive thorough counselling, career coaching, and financial help. The Company's assistance has enabled TAF to increase its efforts and aid more students in reaching their full potential and finishing their 12th standard education. As a result of this partnership, the Company has been able to support scholarships for 222 students to pursue higher education.

In addition, this year HDFC Credila has also extended support to the Harvard Young Leaders Circle (YLC) Program. This initiative promotes equitable access to higher education among vulnerable sections of society and identifies talented individuals who can benefit from personalised academic and career guidance. Through this collaboration with TAF and the Harvard YLC Program, the Company aims to create more opportunities for underprivileged students to achieve their educational and career aspirations.

GIRL CHILD EMPOWERMENT

Project: Kishori Vikas Prakalp - Urjita Programme (Adolescent Girls Development Program).
Implementation Partner: Seva Sahyog Foundation (SSF)
Project Location: Pune, Maharashtra

HDFC Credila has partnered with the Seva Sahyog Foundation to support the Kishori Vikas Prakalp - Urjita Project, an initiative aimed at promoting the holistic development of adolescent girls from low-income families. This programme focuses on nutrition, health, gender education, and personality development to build their confidence and create a platform for self-expression.

This partnership aims to develop an all-encompassing physical and mental support system that improves decision-making abilities and boosts safety awareness in the setting of anti-social circumstances. HDFC Credila hopes to minimise absenteeism during menstruation and increase participation in school and community activities by enhancing personal hygiene practices amongst adolescent girls. In addition, the Company seeks to increase their interest in science, technology, engineering, mathematics, and design by introducing them to more of these subjects.

Through this collaboration, the Company has supported 20 clusters in Pune, benefiting a total of 1074 girls. This support focuses on boosting their confidence and giving them the opportunity to express themselves, allowing them to attain their greatest potential. Therefore, the Company firmly believes that by working together, we can help these girls overcome the challenges they face and provide them with a brighter future.

Project: Naunihal Project
Implementation Partner: Prerana
Project Location: Mumbai, Maharashtra

Naunihal, operated by Prerana, is a girls' home that operates in compliance with the Juvenile Justice Act of 2000. Its primary purpose is to provide emergency shelter for girls from the red-light areas of Mumbai who are vulnerable and at risk of being trafficked for sexual exploitation. As the government's designated initial point of contact for emergency shelter, Naunihal provides round-the-clock care and protection for girls in need, as referred by the Raigad Child Welfare Committee, many of whom have been victims of sexual crimes or human trafficking.

Upon referral to Naunihal, the girls receive care for a duration of six weeks to a year or more, depending on their individual requirements. Prerana ensures that the infrastructure, processes, and practices at Naunihal are child-safe, and it also encourages the girls' access to long-term formal education and career training. The main objective is to nurture physical and mental growth and development in the girls while building confidence in them. The Naunihal team continues to follow up with the girls even after they have been reunited with their parents, offering additional aftercare support services such as educational and vocational links, rehabilitative aid, and personality development activities.

HDFC Credila has partnered with Prerana to assist the Naunihal initiative, which aims to provide a safe haven for girls who have suffered or are at danger of sexual offences, as well as other girls in need of care and protection. With this help of this collaboration, the Company has been able to give secure shelter, care, and protection to 30 girls.

Annex to Directors' Report - II (Continued)

WATER, SANITATION AND HYGIENE (WASH)

Project: School Transformation Programme
Implementation Partner: Yuva Unstoppable
Project Location: New Delhi & Haryana

Water, Sanitation, and Hygiene (WASH) programmes are vital in schools as they play a critical role in improving primary education access, reducing child mortality, promoting gender equality, and enhancing water and sanitation facilities. Access to clean water, age-appropriate bathrooms, and handwashing facilities in schools also aid in illness prevention and enhance children's attendance and learning results.

However, approximately half of India's schools lack basic WASH facilities and clean drinking water, posing a substantial hurdle. Hence, it is critical to address this issue by providing separate restrooms and menstrual hygiene management facilities for females, since this can assist in minimising school dropout rates, absenteeism, early marriage, and pregnancy.

Recognising the significance of clean water, sanitation, and healthy behaviours for children's health, learning, and overall development, HDFC Credila worked with Yuva Unstoppable to assist its School Transformation initiative. This effort focuses on building WASH infrastructure in government high schools, including building toilets, handwashing areas, clean drinking water facilities, mid-day meal spaces, and multi-purpose shade areas. As part of this collaboration, WASH activities have been launched in three government schools, benefiting a total of 222 students so far. The partnership aims to ensure equal access to safe sanitation and clean drinking water, ultimately reducing school drop-out rates caused by the lack of these facilities.

CHILD EMPOWERMENT

Project: Center Support for Children
Implementation Partner: Salaam Baalak Trust
Project Location: Mumbai, Maharashtra

With a population of over 1.2 billion people, India holds the unfortunate record of having the largest population of street children in the world. This is the most vulnerable population, and the challenges surrounding their care affect both industrialised and developing countries, albeit to varying degrees and effects.

The Salaam Baalak Trust (SBT) is dedicated to recognising and protecting the rights of street children by providing them with an integrated 'network of services' to assist them in reaching their developmental objectives. The programmes have developed from a needs-based to a rights-based approach, providing these children with options for a brighter future. This method emphasises comprehensive development and attempts to integrate them as productive individuals into mainstream society. SBT offers a variety of services to both boys and girls who have been rescued from the streets, including housing, education, counselling, healthcare, and nourishment.

HDFC Credila has collaborated with the Salaam Baalak Trust to provide infrastructure and maintenance support to three shelter houses in Andheri East and Kandivali (Boys' Centres), and Malad West (Girls' Center). With this collaboration, we have been able to support 300 street-rescued children by offering educational support, nutritional food, employment help, counselling, healthcare, and housing.

EMPLOYEE ENGAGEMENT

Our philanthropic culture drives us to continuously seek ways to enable various platforms and events wherein our employees can volunteer, interact, and contribute to creating a better world. We believe in working together with our employees, partners, and stakeholders to drive social change and create a more equitable and sustainable world.

We conduct financial literacy classes, arts and crafts sessions, career counselling sessions, and sports events as part of our employee engagement programmes. These events are intended to develop a culture of social responsibility among our workers and motivate them to contribute to society. By doing so, we hope to create a brighter future for generations to come.

Annex to Directors' Report - II (Continued)

Annexure

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

CSR Policy of the Company

The Company believes in conducting its business responsibly, fairly and in a transparent manner. It continually seeks ways to bring about an overall positive impact on the society and environment where it operates, as 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 implementation and monitoring of the CSR Policy are in compliance with the CSR objectives and policy of the Company.

The CSR objectives of the Company include the empowerment of underprivileged children and the girl child, health and education, as well as various activities related to COVID-19 under item nos. (i) and (xii) of Schedule VII of the Companies Act 2013 relating to the promotion of health care, including preventive health care and sanitation, and disaster management and donation to the Prime Minister National Relief Fund (PMNRF) under item no. (viii) of Schedule VII of the Companies Act 2013.

A brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be undertaken:

Over the past few years, the Company's CSR activities have been focused on three key sectors, viz., empowerment of underprivileged children, health, and education. As these sectors are broad-based, the Company has identified and prioritised critical sub-themes within each of these sectors. Apart from these core sectors, the Company has identified a few special projects in specific sectors such as supporting the differently abled.

The Company's CSR activities are not restricted to a particular geographical area and the beneficiaries are from both urban and rural areas.

The Company's projects are based on areas of established need and experience of its implementing partners. The Company's CSR partners are selected based on governance, experience, and quality of implementation.

Composition of the CSR Committee

Sr. No.	Name of Director	Designation/Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Sunil Shah	Independent Director & Chairman	2	2
2	Mr. B. Mahapatra	Independent Director	2	2
3	Mr. V. S. Rangan	Non-Executive Director	2	2
4	Ms. Madhumita Ganguli	Non-Executive Director	2	2

1. Composition of the CSR Committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company and available to view at **www.credila.info/hdfccredila/about/csr-initiatives.html.**

2. Details of the impact assessment of CSR projects carried out in pursuance of Sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014:

   The Company had partnered with an external consulting partner, SoulAce to study the impact created through its partnership with Aseema Charitable Trust. The Impact Assessment Study helped validate effectiveness of Aseema's work in delivering accessible and quality education to children coming from highly marginalized sections through innovative and interactive teaching methods.

   The weblink for the Impact Assessment report can be accessed through the following weblink:

3. Details of the amount available for set off in pursuance of Sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year: Nil

4. Average Net Profit of the Company for last three financial years: ₹ 2,18,70,31,516.00
   a) Two percent of Average Net Profit of the Company as per Section 135(5) : ₹ 4,37,40,360
   b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years : Nil
   c) Amount required to be set off for the financial year : Nil
   d) Total CSR obligation for the financial year (4a+4b-4c) : ₹ 4,37,40,360

5. a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Amount	Amount	Amount	Amount
4,40,13,519	**NA**	**—**	**NA**	**—**	**—**

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

Sr. No.	Name of CSR Project	Sector and items from list of activities in Schedule VII of the Act	Local area (reasons if the same is not being undertaken in the local area)	Location of project		Project Duration	Amount allocated for the project (in case of on-going projects, provide bifurcation of the amount) (in ₹)	Mode of implem-entation (D or through IA)*	Mode of implementation – if through Implementing agency	
				State	District				Name	CSR Registration number
1	Providing supportive care to families for their child's cancer treatment	Promoting Healthcare	Yes	Maharashtra	Mumbai, Pune	April 2022-March 2023	40,00,000	IA	Access Life Foundation	CSR00000715
2	Supporting underprivileged children for conducting Corrective Heart Surgeries	Promoting Healthcare	Yes	Tamil Nadu	Chennai	April 2022-March 2023	49,00,000	IA	Aishwarya Trust	CSR00001299
3	Promoting Rural Education - Supporting schools in tribal regions	Promoting Education	Yes	Maharashtra	Mumbai	April 2022-March 2023	50,00,000	IA	Aseema Charitable Trust	CSR00004000
4	Restoring eyesight and reducing Preventable Blindness	Promoting Healthcare	Yes	Gujarat	Ahmedabad	April 2022-March 2023	35,36,000	IA	Blind People's Association	CSR00000936

Sr. No.	Name of CSR Project	Sector and items from list of activities in Schedule VII of the Act	Local area (reasons if the same is not being undertaken in the local area)	Location of project		Project Duration	Amount allocated for the project (in case of on-going projects, provide bifurcation of the amount) (in ₹)	Mode of implem-entation (D or through IA)*	Mode of implementation – if through Implementing agency	
				State	District				Name	CSR Registration number
5	Treating less fortunate children born with facial deformities of cleft, lip and palate	Promoting Healthcare	Yes	Maharashtra Karnataka	Mumbai Bangalore	April 2022- March 2023	50,00,000	IA	INGA Health Foundation	CSR00001727
6	Facilitating shelter and education support to street children	Eradicating hunger, poverty and promoting education	Yes	Maharashtra	Mumbai	April 2022- March 2023	30,14,368	IA	Salaam Baalak Trust	CSR00000166
7	Promoting Urban Education – Supporting a municipal school	Promoting Education	Yes	Maharashtra	Mumbai	April 2022- March 2023	40,00,000	IA	Muktangan Education Trust	CSR00000732
8	Promoting Education - Providing scholarship for underprivileged children (11th & 12th std)	Promoting Education	Yes	Maharashtra	Mumbai, Pune	April 2022- March 2023	30,00,000	IA	The Akanksha Foundation	CSR00001286
9	Promoting Rural Education - Supporting 2 rural schools	Promoting Education	Yes	Maharashtra	Khalapur Tehsil, Raigad District	April 2022- March 2023	27,83,840	IA	Light of Life Trust	CSR00000156
10	Support holistic development and counselling of adolescent girls	Girl Child Empowe-rment	Yes	Maharashtra	Pune	April 2022- March 2023	28,00,350	IA	Seva Sahyog Foundation	CSR00000756
11	Promoting Education (Infrastructure)- Supporting WASH infrastructure in govt. run schools	Promoting Education	Yes	Delhi	Delhi	April 2022- March 2023	28,75,244	IA	Yuva Unsto-ppable	CSR00000473

Sr. No.	Name of CSR Project	Sector and items from list of activities in Schedule VII of the Act	Local area (reasons if the same is not being undertaken in the local area)	Location of project		Project Duration	Amount allocated for the project (in case of on-going projects, provide bifurcation of the amount) (in ₹)	Mode of implem-entation (D or through IA)*	Mode of implementation – if through Implementing agency	
				State	District				Name	CSR Registration number
12	Providing education, shelter, care to underprivileged and rescued girls	Girl Child Empowe-rment	Yes	Maharashtra	Navi Mumbai	April 2022-March 2023	18,09,000	IA	Prerana	CSR00002012
	TOTAL						**4,27,18,802**			

**D – Direct, IA – Implementing Agency*

d) Amount spent on administrative overheads : ₹ 8,72,316
Amount spent on impact assessment, if applicable : ₹ 4,22,401

f) Total amount spent in the financial year (5b+5c+5d+5e) : ₹ 4,40,13,519.

g) Excess amount for set off, if any : Nil

6. a) Details of Unspent CSR amount for the preceding three financial years: Not Applicable

   b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not Applicable

7. In case of creation or acquisition of capital asset(s), furnish the details relating to the asset(s) so created or acquired through CSR spent in the financial year (asset-wise details): Not Applicable

   a) Date of creation or acquisition of the capital asset(s): Not Applicable

   b) Amount of CSR spent for creation or acquisition of capital asset: Not Applicable

   c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.: Not Applicable

   d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Not Applicable

8. Specify the reason(s), if the Company has failed to spend 2% of the Average Net Profit as per section 135(5): Not Applicable

For HDFC Credila Financial Services Limited

Mumbai
April 17, 2023

V. Srinivasa Rangan
Chairman of the Board

Sunil Shah
Chairman of the CSR Committee

Annex to Directors' Report - III
Report of the Directors on Corporate Governance

CORPORATE GOVERNANCE DISCLOSURES AS PER SECTION 134 OF THE COMPANIES ACT, 2013 AND PART C OF SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The need for good Corporate Governance has intensified due to the 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 realisation that it is a necessary tool for the economic health of a company and for 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 organisation.

The Board of Directors of the Company is responsible for ensuring fairness, transparency and accountability of the Company's business operations. It 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 the creation of stakeholder value and ensures that the Company adopts sound and ethical business practices and that the resources of the Company are optimally used.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

The Company is not only committed to following the Corporate Governance practices embodied in various regulatory provisions but also constantly strives to adopt and adhere to the emerging best practices and benchmarks itself against such practices.

The Company has been identified as a High Value Debt Listed Entity ('HVDLE'), with effect from September 07, 2021, and as such was required to comply with relevant provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') relating to corporate governance, on a 'comply or explain' basis, till March 31, 2023. The extant corporate governance norms have become mandatory, with effect from April 01, 2023. The Company has taken effective steps to ensure compliance with the said corporate governance norms.

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 in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015 amended from time to time.

The Board of Directors have taken cognizance of various regulatory changes in the overall governance framework and remain 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 areas including banking, finance, accountancy, economics, and law.

As on March 31, 2023, the Board comprised of six members, including three Independent Directors, two Non- Executive Non-Independent Directors and one Managing Director and Chief Executive Officer. The two Non-Executive Non-Independent Directors includes one woman director.

Annex to Directors' Report - III (Continued)

None of the Directors of the Company are related to each other. The roles of the Chairperson and the CEO are distinct and separate.

In the opinion of the Board, the Independent Directors continue to fulfil the criteria prescribed for an Independent Director as stipulated in Regulation 16(1)(b) of the Listing Regulations and Section 149(6) of the Companies Act, 2013 and are independent of the management of the Company.

Details of the Board of Directors in terms of their directorships/memberships in committees of public companies as at the date of this report are as under:

Name of the Director & DIN	Directorship Since	Category	Directorships			Number of Committee Positions Held**	
			In Equity Listed Companies	In Unlisted Public Companies*	In Private Limited Companies	Chairperson	Member
Mr. V. Srinivasa Rangan (DIN: 00030248)	December 24, 2009	Non-Executive Director	3	4	2	–	5
Mr. Biswamohan Mahapatra (DIN: 06990345)	March 30, 2015	Independent Director	1	6	–	3	5
Mr. Sunil Shah (DIN: 00137105)	July 05, 2019	Independent Director	–	1	–	–	1
Mr. Rajesh Gupta (DIN: 00229040)	January 17, 2020	Independent Director	1	1	–	1	4
Ms. Madhumita Ganguli (DIN: 00676830)	March 30, 2015	Non-Executive Director	3	1	–	–	3
Mr. Arijit Sanyal (DIN: 08386684)	January 17, 2020	Managing Director & CEO	–	1	–	–	1

**Including Directorship in HDFC Credila Financial Services Limited*

***Disclosure includes Chairmanship/Membership of Committees as required for computation of maximum number of Committees of which Director can be Chairman or Member in terms of Regulation 26 of SEBI Listing Regulations (i.e., Chairmanship/Membership of Audit Committee and Stakeholders Relationship Committee in all Indian public companies including HDFC Credila Financial Services Limited).*

Details of Directorship in other Companies

Name of Director	Name of Listed Entity	Category	Name of the Unlisted Public Company	Category	Name of the Private Limited Company	Category
Mr. V. Srinivasa Rangan	Housing Development Finance Corporation Limited	Executive Director	HDFC Credila Financial Services Limited	Non-Executive Director	HDFC Education and Development Services Private Limited	Director
			HDFC Investments Limited	Director	H T Parekh Foundation	Director
	Atul Limited	Independent Director	HDFC Trustee Company Limited	Director		
	Computer Age Management Services Limited	Director	TVS Credit Services Ltd	Director		

Annex to Directors' Report - III (Continued)

Name of Director	Name of Listed Entity	Category	Name of the Unlisted Public Company	Category	Name of the Private Limited Company	Category
Mr. Biswamohan Mahapatra	Edelweiss Financial Services Limited	Independent Director	HDFC Credila Financial Services Limited	Independent Director	—	
			ECL Finance Limited	Independent Director		
			National Payments Corporation of India	Independent Director		
			NPCI International Payments Limited	Independent Director	—	
			Edelweiss Housing Finance Ltd	Independent Director		
			NPCI Bharat BillPay Limited	Independent Director		
Mr. Sunil Shah	Nil	Not Applicable	HDFC Credila Financial Services Limited	Independent Director	—	—
Mr. Rajesh Gupta	Housing Development Finance Corporation Limited	Independent Director	HDFC Credila Financial Services Limited	Independent Director	—	—
Ms. Madhumita Ganguli	Indraprastha Medical Corporation Limited	Independent Director	HDFC Credila Financial Services Limited	Non-Executive Director	—	—
	CL Educate Limited	Independent Director				
	Campus Activewear Limited	Independent Director				
Mr. Arijit Sanyal	Nil	Not Applicable	HDFC Credila Financial Services Limited	Managing Director & CEO	—	—

In terms of Regulation 26 of Listing Regulations, none of the Directors of the Company were members of more than 10 Committees or acted as the Chairperson of more than 5 Committees across all listed companies in India, in which they are a Director.

Basis the disclosures received from the Directors; it is confirmed that none of the Directors is on the Board of more than:

- 20 (twenty) companies;
- 10 (ten) public limited companies;
- 7 (seven) listed entities;

There is no inter-se relationship between the Directors.

Annex to Directors' Report - III (Continued)

Details of Change in Composition of the Board during the Current and Previous Financial Year.

Sr. No.	Name of Director	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter Nominee/ Independent)	Nature of change (resignation, appointment)	Effective date
1	Subodh Salunke	Nominee Director & Non-Executive Vice Chairman	Ceased to be Director	June 29, 2022

Responsibilities

The responsibilities of the Board of Directors include:

- Disclosure of interest (material or otherwise) in any transaction or matter directly affecting the Company.
- Maintaining high ethical standards.
- Treating all shareholders fairly.
- Conducting in a manner so as to meet the expectations of operational transparency while at the same time maintaining confidentiality of information in order to foster a culture of robust decision-making.
- Providing strategic guidance to the Company, ensuring effective monitoring of the management whilst being accountable to the Company and its shareholders.
- Setting up a corporate culture and the values by which executives throughout the HDFC Group shall conduct themselves.
- Acting on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and its shareholders.
- Encouraging continuing directors' training to ensure that they are kept up to date.
- Ensuring that applicable accounting standards have been followed in the preparation of annual accounts.
- Ensuring that the annual accounts are prepared on a going concern basis.
- Ensuring that the accounting policies selected have been applied consistently.
- Overseeing that proper and sufficient care has been taken for the maintenance of adequate accounting records and for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- Ensuring that the internal financial controls laid down to be followed by the Company are adequate and operating effectively.
- Ensuring that the compliance management systems are adequate and operating effectively.
- Exercising objective independent judgement on corporate affairs.
- Assigning a sufficient number of non-executive members of the Board of Directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- To define and disclose the mandate, composition and working procedures of the committees of the Board of Directors as when they are established.

Directors are expected to attend all Board/Committee meetings. The Company schedules the meetings well in advance and provides necessary assistance to enable the directors to participate in the said meetings, either in person or through audio-visual means.

The Company has an appropriate Directors' & Officers' Liability Insurance Policy, which provides indemnity to its directors and all employees in respect of liabilities incurred as a result of their office.

Board Expertise and Attributes

The Board comprises of directors who bring a wide range of skills, expertise and experience which enhances overall Board effectiveness. The Company has mapped the skills possessed by the directors, based on the information provided by them.

Annex to Directors' Report - III (Continued)

A tabular representation of the same is as below:

Skill Areas	Mr. V. Srinivasa Rangan (Chairman)	Mr. Biswamohan Mahapatra	Mr. Sunil Shah	Mr. Rajesh Gupta	Ms. Madhumita Ganguli	Mr. Arijit Sanyal
Industry experience	✓	✓		✓	✓	✓
Leadership and strategic planning	✓		✓		✓	✓
Legal and regulatory compliance	✓	✓	✓	✓	✓	
Financial expertise	✓	✓	✓			✓
Business operations	✓		✓	✓	✓	✓
Consumer behavior, sales & marketing			✓		✓	✓
Corporate governance	✓	✓		✓		✓
Risk management	✓	✓		✓		✓
Information Technology & Cyber security		✓				

ROLE OF INDEPENDENT DIRECTORS

The independent directors of the Company help in bringing an independent judgment to bear on the Board's deliberations, especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct. They bring an objective view in the evaluation of the performance of the Board and management to safeguard the interests of all stakeholders.

All independent directors have committed and allocated sufficient time to perform their duties effectively.

APPOINTMENT OF INDEPENDENT DIRECTORS

The Nomination and Remuneration Committee of Directors recommends, and the Board approves the appointment/ re-appointment of independent directors. New directors are inducted after assessing skill requirements of the Board and identifying areas of expertise which would be beneficial for the Company.

FAMILIARISATION PROGRAMME

The Company conducts familiarisation programmes for its directors from time to time. The familiarisation programme ensures that the non-executive directors are updated on the business and regulatory environment and the overall operations of the Company. This enables the non-executive directors to take better informed decisions in the interest of the Company and its stakeholders. The Company also provides directors with a reference manual which inter alia covers a brief about the Company, its products and services offered, the roles, functions, powers and duties of the directors, the detailed charter of various committees, the disclosures/declarations to be submitted by directors and list of various policies/codes adopted by the Company.

Further, on an ongoing basis as a part of the agenda of meetings of the Board/ Committee(s), presentations are regularly made to the Independent Directors on various matters inter alia covering the Company's businesses and operations, strategies, risk management, industry and regulatory updates and other relevant matters. These presentations enable one-on-one interaction between the Independent Directors and the senior management of the Company/ internal auditor of the Company.

An overview of the familiarisation programme along with details of number of programmes and number of hours spent by each of the Independent Directors during the Financial Year 2022-23, in terms of the requirements of SEBI Listing Regulations are available on the website of the Company and can be accessed at Investor Relations | About HDFC Credila.

DECLARATION OF INDEPENDENCE

The Company has received the necessary declaration and confirmation from each of the Independent Directors confirming that they meet the criteria of independence as prescribed under the Act and SEBI Listing Regulations.

Annex to Directors' Report - III (Continued)

Independent Directors have confirmed that they have registered their names in the Independent Directors' Databank. In the opinion of the Board, the Independent Directors continue to fulfil the criteria prescribed for an independent director as stipulated in Regulation 16(1)(b) of the SEBI Listing Regulations and Section 149(6) of the Act and are independent of the management of the Company.

MEETING OF INDEPENDENT DIRECTORS

The Independent Directors met once during the year to evaluate the Directors of the Company, the Chairman, and 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 February 16, 2023. All the Independent Directors attended the meeting and were paid sitting fees of ₹ 1,00,000 each.

BOARD MEETINGS AND PROCEDURES

All Directors participate in discussing the strategy, 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 summarised 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 the participation of Directors in the meeting through videoconferencing (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 the senior management team are invited to attend the Board and Committee meetings to provide additional input on the items under discussion. Urgent matters are also considered and approved by passing a Resolution by Circulation, which are noted at the next meeting. The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. The draft minutes of each Board and Committee meeting are circulated to the members of the Board/Committee within 15 days from the date of the meeting and the comments, if any, on the draft minutes are received within 7 days of its circulation. The minutes are finalised and recorded in the Minutes Book within 30 days of the respective meetings.

Annex to Directors' Report - III (Continued)

During the year under review, the Board met 6 times. The meetings were held on April 21, 2022, July 25, 2022, August 02, 2022, October 18, 2022 January 18, 2023 and March 21, 2023.

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				Attendance at the AGM held on June 29, 2022
	Number of meetings held during their tenure	Number of meetings attended	% of meetings attended	Sitting fees paid (₹)	
Mr. V. Srinivasa Rangan (Chairman)	6	6	100.00%	6,00,000	Yes
Mr. Subodh Salunke	1	1	100.00%	1,00,000	Yes
Mr. Biswamohan Mahapatra	6	6	100.00%	6,00,000	No
Mr. Sunil Shah	6	5	83.33%	5,00,000	Yes
Mr. Rajesh Gupta	6	4	80.00%	4,00,000	Yes
Ms. Madhumita Ganguli	6	6	100.00%	6,00,000	No
Mr. Arijit Sanyal	6	5	83.33%	–	No

Note: Mr. Subodh Salunke ceased to be a Director and Vice Chairman of the Company w.e.f. June 29, 2022.

The Board also met on April 17, 2023, and inter alia considered and approved the audited financial statements for the year ended March 31, 2023.

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.

There have been no instances wherein the Board has not accepted the recommendations of any Committee.

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. Nomination and Remuneration Committee
iii. Stakeholders Relationship Committee
iv. Risk Management Committee
v. Corporate Social Responsibility Committee
vi. IT Strategy Committee
vii. Asset Liability Management Committee
viii. Allotment 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 Chairman of the Committee is an Independent Director. The composition, quorum, powers, role and scope are in accordance with the provisions of Section 177 of the Companies Act, 2013, Regulation 18 of the SEBI Listing Regulations and Reserve Bank of India Master Direction on

Annex to Directors' Report - III (Continued)

Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('RBI Master Directions').

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.

Composition:

The Composition of the Audit Committee as on March 31, 2023 is as under:

Members	Categories
Mr. Biswamohan Mahapatra	Chairman of the Committee, Independent Director
Mr. Sunil Shah	Member, Independent Director
Mr. Rajesh Gupta	Member, Independent Director
Ms. Madhumita Ganguli	Member, Non-Executive Director

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022 due to his cessation as a Member of the Board.

Terms of Reference:

The terms of reference of the Audit Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder, SEBI Listing Regulations and RBI Master Directions as amended from time to time which include:

(i) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

(ii) Recommend to the Board the appointment, remuneration and terms of appointment of auditors of the Company.

(iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

(iv) Review and monitor the auditor's independence and performance and effectiveness of the audit process.

(v) Examination of the financial statement and the auditors' report thereon.

(vi) Approval or any subsequent modification of transactions of the Company with related parties.

(vii) Review status of any long-term (more than one year) or recurring RPTs on an annual basis.

(viii) Scrutiny of inter corporate loans and investments.

(ix) Valuation of undertakings or assets of the Company, wherever it is necessary.

(x) Evaluation of the internal financial controls and risk management systems.

(xi) Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take steps in this matter.

(xii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

(xiii) To look into the reasons for substantial defaults in payments to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Annex to Directors' Report - III (Continued)

(xiv) Approval of the appointment of a Chief Financial Officer (CFO) after assessing the qualifications, experience and background, etc. of the candidate.

(xv) Reviewing the utilisation of loans and/or advances from investment by the holding company in the subsidiary, if any, exceeding Rs.100 crore or 10% of the asset size of the subsidiary, whichever is lower, including existing loans/advances/investments existing as on the date of investments.

(xvi) Consider and comment on rationale, cost benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity company and its shareholders.

(xvii) Ensure establishment and proper functioning of the system for storage, retrieval, display or printout of electronic records in respect of the books of accounts of the Company, maintained in electronic mode.

(xviii) Oversee the vigil mechanism and review the safeguards in place against victimisation of employees and directors who avail of such mechanism and ensure adequate provision to provide direct access to the Chairman of the Audit Committee, in appropriate or exceptional cases.

(xix) Any other issue within terms of reference under the relevant provisions of the Companies Act, 2013 and the Rules made there under, as amended from time to time.

(xx) Oversight of financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.

(xxi) Approve payments to be made in respect of any other services rendered by Auditors.

(xxii) Review with the Management, the annual financial statements and auditor's report, before submission to the Board for its approval, with particular reference to:

- a) Matters to be included in the directors' responsibility statement under Section 134 of the Companies Act, 2013
- b) Changes if any, in accounting policies and practices
- c) Major accounting entries involving estimates based on exercise of judgment management
- d) Significant adjustment made in financial statements arising out of audit findings
- e) Compliance with listing and other legal requirements relating to financial statements
- f) Disclosure of related party transactions
- g) Modified opinion(s) in the draft audit report

(xxiii) Review with management, the quarterly financial statements before submission to the Board for their approval.

(xxiv) Review management discussion and analysis of financial condition and results of operations.

(xxv) Review Management letters/letters of internal control weaknesses issued by the statutory auditors, if any.

(xxvi) Review internal audit reports relating to internal control weaknesses.

(xxvii) Review the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.

(xxviii) Review statement of deviations:

- a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s)
- b) annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/ notice

(xxix) Review with management, the performance of internal/external auditor and adequacy of internal control systems.

(xxx) Discuss with internal auditors' significant findings and follow up thereon.

(xxxi) Review findings of internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.

Annex to Directors' Report - III (Continued)

(xxxii) Discuss with the statutory auditors the nature and scope of audit and post audit discussions relating to any area of concern.

(xxxiii) Review statement of significant related party transactions.

(xxxiv) Review statements to be issued to the Holding Company for preparation of Consolidated Financial Statements.

(xxxv) Recommend to the Board the appointment, remuneration and terms of appointment of Secretarial Auditors of the Company.

(xxxvi) Recommend to the Board the appointment, remuneration and terms of appointment of Internal Auditors of the Company.

(xxxvii) Annual review of results/outcome of updated macroeconomic model and suggesting changes in ECL computations.

(xxxviii)Review the functioning of the whistle blower mechanism.

(xxxix) Oversee the internal audit function in the Company and review the performance of the Risk Based Internal Audit (RBIA).

(xl) Review and recommend/approve the RBIA plan to determine the priorities of the internal audit function based on the level and direction of risk, as consistent with the Company's goals.

(xli) Formulate and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The quality assurance programme may include assessment of the internal audit function at least once a year for adherence to the internal audit policy, objectives and expected outcomes.

(xlii) Review compliance with the provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015 at least once in a financial year and to verify that the systems for internal control are adequate and are operating effectively.

(xliii) Review of adherence to compliance with the KYC & AML Policy of the Company, assess the efficacy of the measures taken by the Company to prevent instances of material non-adherence and review serious lapses or intentional circumvention of prescribed procedures and guidelines laid by the Company in respect of KYC norms, by any employee or branch or department or agent, as the case may be.

In compliance with the provisions of SEBI Circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2019/121 dated November 4, 2019, the Members of the Audit Committee also interact with the Credit Rating Agencies at a separate Meeting to inter alia discuss matters relating to related party transactions, internal financial controls and material disclosures made by the Company.

During FY23, the Board accepted all recommendations of the Audit Committee.

Meetings and Attendance during the year:

During the year, the Committee met 4 times. The meetings were held on April 21, 2022, July 25, 2022, October 18, 2022 and January 18, 2023. The gap between two meetings did not exceed one hundred and twenty days.

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.BiswamohanMahapatra(Chairman)	4	4	100.00%	4,00,000
Mr. Subodh Salunke	1	1	100.00%	1,00,000
Ms. Madhumita Ganguli	4	4	100.00%	4,00,000
Mr. Sunil Shah	4	3	75.00%	3,00,000
Mr. Rajesh Gupta	4	3	75.00%	3,00,000

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022 due to his cessation as a Member of the Board.

Annex to Directors' Report - III (Continued)

The Committee also met on April 17, 2023, to review the audited financial statements for the year ended March 31, 2023 and recommended the same for the approval of the Board.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (NRC) is in place in compliance with the provisions of the Section 178 of the Companies Act, 2013, Regulation 19 of SEBI Listing Regulations and Reserve Bank of India Master Direction on Non- Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('RBI Master Directions').

Composition:

More than 50% members of the Nomination and Remuneration Committee are Independent Directors.

The composition of the Nomination and Remuneration Committee (NRC) as on March 31, 2023 is as follows:

Members	Categories
Mr. Biswamohan Mahapatra	Chairman of the Committee, Independent Director
Mr. V. Srinivasa Rangan	Member, Non-Executive Director
Mr. Sunil Shah	Member, Independent Director

Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Act and Rules made thereunder, SEBI Listing Regulations and RBI Master Directions as amended from time to time which include:

(i) Identify persons who are qualified to become Directors of the Company and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.

(ii) Formulate and recommend to the Board the criteria for determining qualifications, positive attributes and independence of a director and for evaluating their performance and to devise a policy on Board Diversity.

(iii) For every appointment of an independent director, evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

   a) use the services of an external agencies, if required

   b) consider candidates from a wide range of backgrounds, with due regard to diversity

   c) Consider the time commitments of the candidates

(iv) Formulate and recommend to the Board a policy for ascertaining the fit and proper criteria at the time of appointment of Directors and on a continuing basis. The policy should be framed taking into account the guidelines issued by the RBI in this regard.

(v) Ensure that there is no conflict of interest in the appointment of directors on the Board of the company, KMPs and senior management.

(vi) Ensure that the circular/notifications/guidelines issued by the RBI with respect to appointment, qualification, remuneration, etc. of the directors are followed by the Company.

(vii) Carry out evaluation of every Director's performance based on the criteria formulated by it and duly approved by the Board.

(viii) Recommend whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

Annex to Directors' Report - III (Continued)

(ix) Review and ensure that the persons who are proposed to be appointed/re-appointed as the Managing Directors of the Company meet the conditions as set out in Section 166 read with Part I to Schedule V to the Companies Act, 2013 or any re-enactment or amendment or modification thereto.

(x) Formulate and recommend to the Board a Remuneration Policy for all Directors, Key Managerial Personnel, Senior Managerial Personnel and other employees of the Company.

(xi) Review and approve the payment of remuneration of the Managing Directors and ensure that such remuneration is within the overall limits as set out in Sections 197, read with Schedule V and other applicable provisions of the Companies Act, 2013 or any re-enactment or amendment or modification thereto and subject to such terms and conditions, as may be approved by the shareholders of the Company, from time to time.

(xii) Review and recommend to the Board the sitting fees payable to the non-executive directors of the Company for attending meetings of the Board or Committee(s) thereof and any increase thereof, within the overall limits prescribed under the Companies Act, 2013, from time to time.

(xiii) Review and recommend to the Board the payment of profit related commission to the Non-Executive Directors of the Company within the overall limits as may be approved by the shareholders of the Company, in terms of Section 197 of the Companies Act, 2013.

(xiv) Review the disclosure made with regard to the Company's policy on directors' appointment and remuneration including criteria for determining qualification, positive attributes, independence and other matters as specified in Section 178(3) of the Companies Act, 2013, in the Directors' Report, in terms of Section 134 (1) (e) of the Companies Act, 2013.

(xv) Recommend to the board, all remuneration, in whatever form, payable to senior management

(xvi) Ensure that the remuneration payable to the Directors is within the overall limits as set out in Sections 197, read with Schedule V and other applicable provisions of the Companies Act, 2013 or any re-enactment or amendment or modification thereto and the terms as approved by the shareholders of the Company, from time to time.

(xvii) Formulate, adopt, administer, enforce and modify the employee stock option schemes of the Company, including grant of options to eligible employees under the schemes, in accordance with applicable laws.

(xviii) Oversee the framing, review and implementation of compensation policy of the company which should have the approval of the Board.

(xix) Work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks.

(xx) Ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).

(xxi) Perform such other functions as may be required under the relevant provisions of the Companies Act, 2013, the Rules made there under or Circulars and Notifications issued by RBI relating to Corporate Governance or any other applicable laws, as amended from time to time.

Meetings and Attendance during the year:

The Committee met 6 times during the year. The meetings were held on April 13, 2022, July 24, 2022, August 01, 2022, August 03, 2022, October 13, 2022, and March 21, 2023.

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)	6	6	100.00%	6,00,000
Mr. V. Srinivasa Rangan	6	6	100.00%	6,00,000
Mr. Sunil Shah	6	6	100.00%	6,00,000

The Company Secretary is the Secretary to the Committee.

During FY23, the Board accepted all recommendations of the Nomination and Remuneration Committee.

Annex to Directors' Report - III (Continued)

Performance Evaluation Criteria for Independent Directors:

The performance evaluation criteria for Independent Directors were determined by the Nomination & Remuneration Committee of the Board. An indicative list of parameters on which evaluation of performance of Independent Directors was carried out includes their involvement, contribution, knowledge, competency, teamwork, initiative, commitment, integrity, independence and offering guidance to and understanding of the areas which were relevant to them in their capacity as Members of the Board.

STAKEHOLDERS RELATIONSHIP COMMITTEE

In accordance with the provisions of Section 178(5) of the Act and Regulation 20 of Listing Regulations, the Company has in place a Stakeholders Relationship Committee.

Composition:

The composition of the Committee as on March 31, 2023 is as under:

Members	Categories
Mr. Rajesh Gupta	Chairman of the Committee, Independent Director
Ms. Madhumita Ganguli	Member, Non-Executive Director
Mr. Arijit Sanyal	Member, Managing Director & CEO

Mr. Manjeet Bijlani, Chief Financial Officer and Ms. Akanksha Kandoi, Company Secretary are the Compliance Officers.

Terms of Reference:

The terms of reference of this Committee are in line with the Act and SEBI Listing Regulations. The role and responsibilities of the Stakeholders Relationship Committee includes:

(i) Review the mechanism adopted for redressing the grievance of shareholders, debenture holders, other security holders and the status of such redressal.

(ii) Resolve the grievances of the security holders including but not limited to complaints related to transfer/ transmission of securities, non-receipt of annual report, non-receipt of interest/declared dividends, redemption, issue of new/duplicate certificates, meetings etc.

(iii) Review of measures taken for effective exercise of voting rights by security holders.

(iv) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.

(v) Review of the various measures and initiatives taken by the Company for ensuring timely receipt of interest/ dividend/ redemption amount/annual reports/statutory notices by the security holders of the Company as per the regulatory requirements.

Meetings and Attendance during the year:

During the year, the Committee met once on March 26, 2023.

The detail of the attendance of the members of the Committee at the meeting 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. Rajesh Gupta (Chairman)	1	1	100.00%	1,00,000
Ms. Madhumita Ganguli	1	1	100.00%	1,00,000
Mr. Arijit Sanyal	1	1	100.00%	–

The Company Secretary acts as the Secretary to the Stakeholder Relationship Committee.

During FY 2022-23, the Board accepted all recommendations of the Committee.

Annex to Directors' Report - III (Continued)

Details of Investor Complaints:

During the financial year, no complaints were received from the shareholders/other investors (including Stock Exchange/ SEBI SCORES):

Complaints pending as on April 1, 2022	Complaints received during the period from April 1, 2022 to March 31, 2023	Complaints disposed of during the period from April 1, 2022 to March 31, 2023	Complaints pending as on March 31, 2023
Nil	Nil	Nil	Nil

The chairperson of the Committee was present at the AGM held on June 29, 2022

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was formed in compliance with Reserve Bank of India Master Direction on Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('RBI Master Directions') which monitors the risk management strategy of the Company. The composition of the Committee is also in compliance with Regulation 21 of SEBI Listing Regulations.

The Risk Management Committee of the Board meets on a quarterly basis and reports to the Board of Directors.

The minutes of such meetings are tabled before the Board of Directors.

Composition:

The composition of the Risk Management Committee as on March 31, 2023 is as follows:

Members	Categories
Mr. V. Srinivasa Rangan	Chairman of the Committee, Non-Executive Director
Mr. Biswamohan Mahapatra	Member, Independent Director
Mr. Sunil Shah	Member, Independent Director
Mr. Arijit Sanyal	Member, Managing Director & CEO

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022, due to his cessation as a Member of the Board.

Terms of Reference:

The terms of reference of this Committee are in line with SEBI Listing Regulations and RBI Master Directions as amended from time to time. The role and responsibilities of the Risk Management Committee includes:

(i) Ensure formulation and implementation of the Risk Management Framework and Risk Management Policy

(ii) reviewing the risk profile of the Company which shall include:

- a) A framework for identification of internal and external risks specifically faced by the Company in particular, including financial, operational, sectorial, sustainability (particularly, ESG related risks), information, cyber security risks, liquidity risk, reputational risk or any other risk as may be determined by the Committee
- b) Measures for risk mitigation including systems and processes for internal control of identified risks
- c) Business continuity plan

(iii) Ensure that appropriate methodologies, processes, strategies, mechanisms and systems are in place to identify, monitor, assess/evaluate and mitigate the various risks associated with the business of the Company

(iv) Monitor and oversee implementation of the Risk Management Policy, including evaluating the adequacy of Risk Management Systems

(v) Periodically review the Risk Management Policy, at least annually or as and when required, including by considering the changing industry dynamics and evolving complexity

(vi) Keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken

Annex to Directors' Report - III (Continued)

(vii) Review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any)

(viii) Coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the Board of Directors

(ix) Any other matters as may be prescribed by RBI or any other regulatory body, as may be applicable from time to time

Meetings and Attendance during the year

During the year, the Committee met 4 times. The meetings were held on April 20, 2022, July 11, 2022, October 13, 2022 and January 16, 2023.

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)	4	4	100.00%	4,00,000
Mr. Subodh Salunke	1	1	100.00%	1,00,000
Mr. Biswamohan Mahapatra	4	4	100.00%	4,00,000
Mr. Sunil Shah	4	4	100.00%	4,00,000
Mr. Arijit Sanyal	4	4	100.00%	—

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022 due to his cessation as a Member of the Board.

The Company Secretary acts as the Secretary to the Risk Management Committee.

During FY 2022-23, the Board accepted all recommendations of the Risk Management Committee.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In accordance with the provisions of Section 135 of the Companies Act, 2013, the Company has a Corporate Social Responsibility (CSR) Committee of Directors.

Composition:

The composition of the CSR Committee as on March 31, 2023 is as under:

Members	Categories
Mr. Sunil Shah	Chairman of the Committee, Independent Director
Mr. Biswamohan Mahapatra	Member, Independent Director
Mr. V. Srinivasa Rangan	Member, Non-Executive Director
Ms. Madhumita Ganguli	Member, Non-Executive Director

Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The role and responsibilities of the Corporate Social Responsibility Committee includes:

(i) Formulate and recommend to the Board, a Corporate Social Responsibility Policy (CSR Policy) which shall inter alia indicate the activities/projects/programmes that will be undertaken directly by the Company and/or through the Foundation and/or through any other entity involved in CSR activities in any of the areas as specified in Schedule VII to the Companies Act, 2013 in terms of the provisions of Section 135 of the Act and the CSR Rules

(ii) Formulation and recommendation of an Annual Action Plan consisting of the CSR objective for the year, the list of approved projects or programmes to be undertaken within the purview of Schedule VII of the Companies Act, 2013 to the Board, manner of execution of such projects, modalities of fund utilisation and implementation schedules, monitoring and reporting mechanism for the projects, and details of need and impact assessment, if any, for the projects to be undertaken

Annex to Directors' Report - III (Continued)

(iii) Recommend to the Board, the amount of expenditure to be incurred on each of the CSR activities/projects/programmes during each financial year

(iv) Approve and decide the areas where such CSR activities can be adopted, by giving preference to areas where the branches/service centers of the Company are situated, subject to the terms and conditions or limits specified by any statutory/regulatory authority, in this regard

(v) Review/ratify/approve activities/projects/programmes to be undertaken by the Company either directly or through the Foundation and/or through any other entity involved in CSR activities and determine the amounts to be allocated for each such activities/projects/programmes, in such manner and at such frequency, as deemed appropriate

(vi) Formulate and adopt a transparent monitoring mechanism for the activities/projects/programmes undertaken/proposed to be undertaken by the Company or indirectly through the Foundation or through any other entity, in respect of the amounts allocated/spent by it and its end use, in pursuance to the CSR Policy

(vii) Implement and monitor the CSR Policy, the projects undertaken by the Company and/or through the Foundation or other credible partnering organisation(s) and update the Board on the changes/recommendations to the CSR Policy as deemed appropriate from time to time

(viii) Ensure that any recommendations made by the Board with regard to the amounts allocated for each CSR activity, monitoring its end use or any matter connected with and arising out of the CSR Policy is implemented and an action taken report submitted to the Board for their review

(ix) Approve the CSR report containing the disclosures as mandated under the CSR norms, before it is presented to the Board for its approval and inclusion in the Directors' Report

(x) Provide for the manner in which the activities relating to CSR initiated by the Company including end use of funds by the Foundation or other NGOs can be conducted

(xi) Do all such acts, deeds, matters and things to ensure compliance with CSR norms and the CSR Policy, as amended, from time to time

(xii) Review of implementation of the CSR programmes once in a year and issue necessary directions from time to time to ensure orderly and efficient execution of the CSR programmes in accordance with the CSR policy of the Company

(xiii) Annually report to the Board, the status of the CSR activities and contributions made by the Company

Meetings and Attendance during the year:

The Committee met 2 times during the year. The meetings were held on April 20, 2022 and July 11, 2022.

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 (Chairman)	2	2	100.00%	2,00,000
Mr. V. Srinivasa Rangan	2	2	100.00%	2,00,000
Ms. Madhumita Ganguli	2	2	100.00%	2,00,000
Mr. Biswamohan Mahapatra	2	2	100.00%	2,00,000

The Company Secretary acts as the secretary to the CSR Committee.

During FY 2022-23, the Board accepted all recommendations of the CSR Committee.

IT STRATEGY COMMITTEE

The IT Strategy Committee was constituted as per the provisions of RBI Master Direction RBI/DNBS/2016-17/53 DNBS.PPD. No.04/66.15.001/2016-17 dated June 08, 2017 pertaining to the 'Information Technology Framework for the NBFC Sector'.

Annex to Directors' Report - III (Continued)

Composition:

The composition of the committee as on March 31, 2023, is as under:

Members	Categories
Mr. Biswamohan Mahapatra	Chairman of the Committee, Independent Director
Mr. Arijit Sanyal	Member, Managing Director & CEO
Ms. Madhumita Ganguli	Member, Non-Executive Director
Mr. Shashank Agrawal	Member, Chief Technology Officer & Chief Information Officer
Mr. Sebastian Fernandez	Member, Chief Risk Officer
Mr. Manjeet Bijlani	Member, Chief Financial Officer
Mr. Rakesh Ahuja	Member, AVP – Finance & Compliance

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022 due to his cessation as a Member of the Board.

Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The role and responsibilities of the Information Technology Strategy Committee includes:

- 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 to ensure that IT delivers value to the business
- Ensuring investments in IT & Information Security represent a fine balance of risks and benefits and those budgets are acceptable
- Monitoring the methodology 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 the Company's growth and becoming aware about exposure towards IT risks - cyber threats , Information Security risks , and controls
- Working in partnership with other Board committees and Senior Management to provide inputs to establish organization level Information technology and Cyber Security framework. It will also carry-out review and amend IT strategies in line with the Company strategies and objectives
- Reviewing and recommending to the Board necessary changes to the high-level Information Technology, Information Security and Cyber Security Policies and Procedures. Individual business functions should provide necessary inputs based on their individual team requirements
- Reviewing, discussing and directing information security risk mitigation (which includes reporting security incidents) and ensure that risks are accurately reported and appropriately dealt with
- Ensuring compliance to regulatory, contractual and statutory requirements related Information and Cyber Security
- Be responsible to ensure management of cyber security initiatives and incident management

Meetings and Attendance during the year:

During the year, the Committee met 2 times. The meetings were held on May 05, 2022, and November 04, 2022.

Annex to Directors' Report - III (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.BiswamohanMahapatra(Chairman)	2	2	100.00%	2,00,000
Mr. Subodh Salunke	1	1	100.00%	1,00,000
Mr. Arijit Sanyal	2	2	100.00%	—
Ms. Madhumita Ganguli*	1	1	100.00%	1,00,000
Mr. Manjeet Bijlani	2	2	100.00%	—
Mr. Shashank Agrawal	2	2	100.00%	—
Mr. Sebastian Fernandez	2	2	100.00%	—
Mr. Rakesh Ahuja	2	2	100.00%	—

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022 due to his cessation as a Member of the Board.

*Ms. Madhumita Ganguli was appointed as member of the Committee in Board Meeting held on October 18, 2022.

The Company Secretary acts as the secretary to the Information Technology Strategy Committee.

During FY 2022-23, the Board accepted all recommendations of the Information Technology Strategy Committee.

ASSET-LIABILITY MANAGEMENT COMMITTEE (ALCO)

As per the Reserve Bank of India Master Direction on Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the ALCO was formed to oversee the implementation of the Asset Liability Management System and review its functioning periodically.

Composition:

The Composition of the Asset-Liability Management Committee (ALCO) as on March 31, 2023, is as under:

Members	Categories
Mr. Arijit Sanyal	Chairman of the Committee, Managing Director & CEO
Mr. V. Srinivasa Rangan	Member, Non-Executive Director
Mr. Sebastian Fernandez	Member, Chief Risk Officer
Mr. Manjeet Bijlani	Member, Chief Financial Officer
Mr. Yatin Sahasrabudhe	Member, National Credit Manager
Mr. Laxmikant Tople	Member, VP – Accounts & Finance

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022 due to his cessation as a Member of the Board.

Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the Committee include review and management of the asset-liability gap, borrowing position and borrowing mix of the Company. The Committee also reviews HDFC Credila's Benchmark Lending Rate from time to time to ensure that it is in accordance with the RBI Guidelines and the Company's overall objectives.

Meetings and Attendance during the year:

During the year, the Committee met 4 times. The meetings were held on June 20, 2022, September 10, 2022, and December 15, 2022, and March 28, 2023.

Annex to Directors' Report - III (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. Arijit Sanyal (Chairman)	4	4	100.00%	–
Mr. V. Srinivasa Rangan	4	4	100.00%	4,00,000
Mr. Subodh Salunke	1	1	100.00%	1,00,000
Mr. Sebastian Fernandez	4	2	50.00%	–
Mr. Manjeet Bijlani	4	4	100.00%	–
Mr. Yatin Sahasrabudhe	4	3	75.00%	–
Mr. Laxmikant Tople	4	4	100.00%	–

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022 due to his cessation as a Member of the Board.

ALLOTMENT COMMITTEE

Composition

The composition of the Allotment Committee as on March 31, 2023 is as under:

Members	Categories
Mr. V. Srinivasa Rangan	Chairman of the Committee, Non-Executive Director
Mr. Rajesh Gupta	Member, Independent Director
Mr. Arijit Sanyal	Member, Managing Director & CEO

Note: Mr. Subodh Salunke ceased to be a member of the Committee w.e.f. June 29, 2022 due to his cessation as a Member of the Board.

Mr. Rajesh Gupta and Mr. Arijit Sanyal were appointed as members w.e.f. July 25, 2022.

Terms of Reference:

(i) 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

(ii) Oversee the process of application for issue of securities and decide on the allotment of securities

Meetings and Attendance during the year:

During the year, the Committee met 7 times. The Meetings were held on July 04, 2022, July 07, 2022, August 30, 2022, October 14, 2022, November 14, 2022, November 24, 2022 and March 29, 2023.

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)	7	7	100.00%	7,00,000
Mr. Rajesh Gupta	7	2	28.57%	2,00,000
Mr. Arijit Sanyal	7	7	100.00%	–

Annex to Directors' Report - III (Continued)

GENERAL BODY MEETINGS

ANNUAL GENERAL MEETINGS (AGM)

The details of the last three AGMs and Special Resolutions passed are given below:

Financial Year	Meeting	Venue	Date & time	Special Resolutions passed
2021-22	17th AGM	HDFC House, 165/166, HT Parekh Marg, Backbay Reclamation, Churchgate, Mumbai- 400020	June 29, 2022, at 11:00 AM	1. Approval of limits of borrowing of the Company u/s 180(1)(c) of the Companies Act, 2013
2020-21	16th AGM	Meeting through video conferencing	June 28, 2021, at 11.00 AM	1. Reclassification of the Authorized Share Capital and amendment of Clause V of the Memorandum of Association of the Company
2019-20	15th AGM	Meeting through video conferencing	July 29, 2020, at 11.00 AM	1. Re-appointment of Mr. Biswamohan Mahapatra as the Independent Director of the Company. 2. Conversion of the Company from a Private Limited Company to a Public Limited Company and amendment of the Memorandum & Articles of Association of the Company

EXTRA- ORDINARY GENERAL MEETING (EGM)

During FY 2022-23, three Extra-Ordinary General Meetings were held on April 18, 2022, September 14, 2022 and February 28, 2023.

POSTAL BALLOT

There was no postal ballot conducted during the year.

DETAILS OF REMUNERATION TO DIRECTORS

REMUNERATION POLICY

The Remuneration Policy, including the criteria for remunerating non-executive directors and whole-time directors is recommended by the Nomination and Remuneration Committee and approved by the Board.

The Remuneration Policy is placed on the Company's website at Investor Relations | About HDFC Credila.

The remuneration paid to the directors is in line with the remuneration policy of the Company.

REMUNERATION OF DIRECTORS

NON-EXECUTIVE DIRECTORS:

The remuneration for non-executive directors consists of sitting fees. The Board of Directors had approved sitting fees of ₹ 100,000 per meeting w.e.f. April 01, 2022.

Annex to Directors' Report - III (Continued)

Details of remuneration to the Non-Executive Directors for FY 22-23 are as under:

Members	Sitting fees paid (₹)	Commission Payable (₹)	Number of shares and convertible instruments held
Mr. V. Srinivasa Rangan (Chairman)	30,00,000	–	0
Mr. Subodh Salunke*	5,00,000	–	0
Mr. Biswamohan Mahapatra	26,00,000	10,00,000	0
Mr. Sunil Shah	21,00,000	10,00,000	0
Mr. Rajesh Gupta	11,00,000	10,00,000	0
Ms. Madhumita Ganguli	14,00,000	–	0

Note: Mr. Subodh Salunke ceased to be a Director and Vice Chairman of the Company w.e.f. June 29, 2022.

The payment of commission to Independent Directors is based on the performance of the Company. The commission payable to Independent Directors is approved by the Board. The commission will be paid to the Independent Directors after the financial statements are adopted by the shareholders at the ensuing Annual General Meeting.

EXECUTIVE DIRECTOR:

Details of the remuneration paid to the Executive Director are as follows:

i) **All elements of remuneration package of individual directors are summarised under major groups, such as salary, benefits, bonuses, stock options, pension etc.**

Particulars of Remuneration	Amount (₹)
Salary	3,21,70,544*
Value of perquisites, other benefits, allowances and retirement benefits	11,01,381
Retiral benefits	3,30,000
Insurance	62,131
Performance bonus paid	9,06,000
Total	**3,45,70,056****

**Mr. Arijit Sanyal has been on the rolls of the Company w.e.f. August 01, 2022. He was on deputation from HDFC Ltd. till July 31, 2022. In consideration of Mr. Arijit Sanyal joining HDFC Credila, he has been paid a one-time joining amount of ₹ 1,53,00,000 being the benefit he has foregone in HDFC Limited.*

ii) **Details of fixed component and performance linked incentives, along with the performance criteria:**

Performance Bonus of ₹ 9,06,000 was paid during the Financial Year

iii) **Service contracts, notice period, severance fees:**

Service Contract: 5-year contract till January 16, 2025

Notice Period: 6 months

Severance Fees: Not applicable

iv) **Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable:**

Number of Stock Options 8,93,141 (21.93% of total Stock Options available for dilution)

Stock Options have been granted at the prevailing fair value and as such the intrinsic value is nil. However, under the IND AS 102 an amount of ₹ 3,42,65,344 /- has been charged to the profit and loss account for the year ended March 31, 2023, as employee share-based payments expense with a corresponding credit to the employee stock options reserve.

Annex to Directors' Report - III (Continued)

SUCCESSION PLANNING

The Company believes that sound succession plans for the Board and senior leadership are very important to create a robust future for the Company. The Company recognises that succession planning is a continuous process rather than a one-time event and has put in place a Policy on Succession Planning that aligns talent management with the objective and endeavours to mitigate critical risks such as vacancy, readiness and transition risk.

DISCLOSURES

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 NRC 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 NRC had sought feedback from the directors through structured questionnaires. Mr. Biswamohan Mahapatra, Independent Director and the Chairman of the NRC had evaluated the feedback and communicated the outcome of the evaluation to the NRC 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.

RELATED PARTY TRANSACTIONS

The Company has a Board approved policy on Related Party Transactions. The policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions entered into between the Company and its related parties. The policy is placed on the Company's website at Investor Relations | About HDFC Credila.

There were no transactions with related parties that may have potential conflict with the interest of the Company.

Details of related party transactions entered into by the Company in the ordinary course of its business are included in the notes forming part of the financial statements uploaded on the Company's website, along with submission to stock exchange on a half-yearly basis. There were no material related party transactions during the year which required prior approval of the shareholders of the Company,

The Audit Committee had provided omnibus approval for the transactions to be entered by the Company with its related parties.

Further, there were no financial or commercial transactions by the senior management where their personal interests may have potential conflict with the interests of the Company.

STRICTURES AND PENALTIES

During the year in review, the Stock Exchange had imposed a penalty of ₹ 1000 for delay in intimation of repayment of commercial paper as per Para 8.4 of Chp. XVII of SEBI Operational Circular dated August 10, 2021. Apart from this, during the reporting period and during the last three years, no penalties or strictures were imposed on the Company by any stock exchange, SEBI or other statutory authority on matters relating to the capital markets.

WHISTLE BLOWER POLICY

The Company has a Board-approved Whistle Blower Policy and vigil mechanism to ensure that all employees/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 or violation of the Company's code of conduct. The policy is placed on the Company's website at Investor Relations|About HDFC Credila.

The policy provides that the whistle blower shall be protected against any detrimental action as a result of any allegations made in good faith and allows direct access to the chairman of the Audit Committee.

Annex to Directors' Report - III (Continued)

During the year in review, one complaint was received under the whistle blower mechanism of the Company related to a fraud committed by an off-rolls employee aggregating to ₹ 10.89 lakh on March 09, 2023 and as at March 31, 2023, the complaint was pending for resolution.

During the year, no person was denied access to the Audit Committee to express concerns or report grievances under the Whistle Blower Policy and/or vigil mechanism.

SUBSIDIARY COMPANY

The Company does not have any Subsidiary Company, hence formulation of a policy for determining Material Subsidiaries as per Regulation 16 of the SEBI Listing Regulations is not applicable to the Company.

COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

The Company does not deal in any commodity and hence is not directly exposed to any commodity price risk. In the past, the Company has entered into derivative transactions with various counter parties to hedge its foreign exchange risks and interest rate risks associated with External Commercial Borrowings (ECBs). The ECBs were fully hedged and posed no foreign exchange risk and the same have been repaid during the year, and there is no outstanding debt in foreign currency.

CERTIFICATE FROM PRACTICING COMPANY SECRETARY REGARDING NON-DEBARMENT AND NON-DISQUALIFICATION OF DIRECTORS

The Company has received a certificate from Messrs. Vinod Kothari & Company, Practicing Company Secretaries, to the effect that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of the Company by SEBI/Ministry of Corporate Affairs or such other statutory authority. The said certificate has been enclosed as Annexure - I.

DETAILS OF RECOMMENDATION OF ANY COMMITTEE OF THE BOARD NOT ACCEPTED BY THE BOARD AND REASONS THEREOF

During the year under review, the Board of your Company has accepted all the recommendations made by its Committee(s), from time to time.

FEES PAID TO STATUTORY AUDITORS

Total fees paid by the Company during the FY 2022-23 to the Statutory Auditors including all entities in their network firm/entity of which they are a part, are given below:

Professional Fees payable to Auditors	Amount (₹)
Statutory Audit Fee	18,00,000
Other Services	19,33,277
Total	**37,33,277**

COMPLAINTS PERTAINING TO SEXUAL HARASSMENT

Disclosure in relation to the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013, for the Financial Year ended March 31, 2023, is as under:

Number of complaints filed	Nil
Number of complaints disposed of	Nil
Number of complaints pending	Nil

DISCLOSURE OF 'LOANS AND ADVANCES IN THE NATURE OF LOANS TO FIRMS/COMPANIES IN WHICH DIRECTORS ARE INTERESTED BY NAME AND AMOUNT':

The Company has not granted any loans and advances in the nature of loans to firms/companies in which the Directors are interested.

Annex to Directors' Report - III (Continued)

CEO/CFO CERTIFICATION

The Managing Director & Chief Executive Officer and Chief Financial Officer have certified to the Board with regard to the financial statements and internal controls relating to financial reporting for the year ended March 31, 2023 as required under the SEBI Listing Regulations.

COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS OF SEBI LISTING REGULATIONS

The Company is a High Value Debt Listed Entity (HVDLE) pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021 dated September 07, 2021. Accordingly, the Regulation 16 to Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of Corporate Governance became applicable to the Company with effect from September 07, 2021. The Company has been submitting the quarterly corporate governance compliance report to the stock exchange as required under Regulation 27(2) of the SEBI Listing Regulations from the applicable period.

The Company has obtained a certificate from M/s. Vinod Kothari & Company, Practicing Company Secretaries regarding compliance with the provisions relating to corporate governance laid down under the SEBI Listing Regulations. This certificate is annexed to the Directors' Report.

CODE OF CONDUCT

The code of conduct for non-executive directors, whole-time directors and members of senior management of the Company is in conformity with the requirements of the Listing Regulations and are placed on the Company's website. The directors and members of senior management have affirmed their adherence to the provisions of the respective codes.

A declaration to this effect signed by the Managing Director and CEO forms part of the Annual Report as Annexure - III.

The code of conduct of the Company reflects the Company's long-standing commitment of doing business with integrity.

DETAILED REASONS FOR THE RESIGNATION OF AN INDEPENDENT DIRECTOR WHO RESIGNS BEFORE THE EXPIRY OF HIS TENURE

None of the Independent Directors of the Company has resigned before the expiry of his/her respective tenure(s) during FY23.

COMPLIANCE OF MANDATORY AND DISCRETIONARY REQUIREMENTS

The Company has complied with all the mandatory requirements of the SEBI Listing Regulations applicable to the Company being a High Value Debt Listed Company. Since at present, the Company does not have any subsidiary, the Policy for determining the material subsidiary has not been formulated.

The Company has complied with the following discretionary requirements, as specified under Part E of Schedule II to Regulation 27(1) of LODR, 2015, detailed as under:

i. The Non-Executive Director is the Chairman of the Company.

ii. Financial statements for the year ended on March 31, 2023, were unmodified.

iii. The Company has separated the post of Chairman and that of the Chief Executive Officer and Managing Director.

iv. The Internal Auditor functionally reports to the Audit Committee.

ADHERENCE TO ACCOUNTING STANDARDS AND COMPANIES ACT, 2013

The Company has complied with the applicable Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs under Section 133 of the Companies Act, 2013 and rules made thereunder.

The financial statements for the year have been prepared in accordance with Schedule III to the Companies Act, 2013.

The Company is in compliance with the requirements of the Companies Act, 2013 and rules made thereunder.

Annex to Directors' Report - III (Continued)

SECRETARIAL STANDARDS

The Company has complied with the applicable provisions of secretarial standards issued by The Institute of Company Secretaries of India.

RISK MANAGEMENT AND INTERNAL CONTROL POLICIES ADOPTED BY THE COMPANY

The Company has a well-defined Risk Management Framework in place. The Company has procedures to periodically place before the Risk Management Committee and the Board, the risk assessment and mitigation plans being followed by the Company.

MEANS OF COMMUNICATION

A dedicated section 'Investor Relations' is maintained on the website of the Company for ease of shareholders. The information required to be disseminated by the Company in terms of SEBI Listing Regulations is uploaded on the website of the Company.

Quarterly, Half-Yearly and Annual Financial Results are intimated to BSE Limited and published in The Free Press Journal and Navshakti Newspaper. The Financial Results are also uploaded on the Website of the Company.

The Annual Report of the Company, the quarterly/half-yearly and the Annual Financial Results are displayed on the Company's website at Investor Relations | About HDFC Credila.

OTHER DISCLOSURES

INVESTOR GRIEVANCES

During the year, the Company has not received any complaints during the year and no complaints are pending as at March 31, 2023.

DEALING WITH UNPUBLISHED PRICE SENSITIVE INFORMATION

The policy on Determination of Materiality and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information are placed on the Company's website and deal with the adequate and timely disclosure of information and events of the Company.

TRANSACTIONS WITH NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company do not have any pecuniary relationships or transactions with the Company, its directors or senior management, other than in the normal course of business.

PROCEEDS FROM PRIVATE PLACEMENT ISSUES

During the year in review, the Company raised an amount of ₹ 1,925 crore through Non-Convertible Debentures (NCDs), issued in various tranches on a private placement basis. The funds raised from the issuance of NCDs were utilised for regular business activities including utilisation of proceeds for disbursement to meet the finance requirements of the borrowers of the Company and other associated business objectives such as discharging existing debt obligations which were generally undertaken for business operations.

COMPLIANCE

The Company has complied with all the specified corporate governance norms.

The Company has also disclosed the information corporate governance norms applicable to the Company in this report.

Messrs. Vinod Kothari & Co., practicing company secretaries, have certified that the Company has complied with the mandatory requirements as stipulated under the Listing Regulations. The said certificate and various other certificates issued by other practicing company secretaries on other matters relating to compliance are annexed to this report.

Annex to Directors' Report - III (Continued)

BREACH OF COVENANT

There were no instances of breach of covenant of loan availed or debt securities issued.

CERTIFICATION OF FINANCIAL REPORTING AND INTERNAL CONTROLS

In accordance with the Listing Regulations, a certificate confirming the correctness of the financial statements, adequacy of internal control measures and matters to be reported to the Audit Committee was taken on record at the Board meeting convened for approval of the audited financial statements of the Company for the year under review.

GOING CONCERN

The Board is satisfied that the Company has adequate resources to continue its business for the foreseeable future and consequently considers it appropriate to adopt the going concern basis in preparing the financial statements.

GENERAL SHAREHOLDER INFORMATION

SHAREHOLDERS

The Company had 7 shareholders (6 Nominee shareholders of HDFC Limited) as at March 31, 2023. The main channel of communication with the shareholders is through the annual report and half yearly/quarterly financial results published on the website of the Company and newspaper publications. Details relating to financial results are disseminated to the shareholders through newspaper publications and uploaded on the Company's website. The financial results are inter alia published in The Free Press Journal and Navshakti.

The Management statement on the integrity and fair presentation of the financial statements is provided as a part of the annual report in the Management Discussion and Analysis Report.

GENERAL SHAREHOLDER INFORMATION

18th Annual General Meeting

Day and Date: Tuesday, June 06, 2023

Time: 04:00 PM

Venue/Mode of AGM: Video conferencing

Financial Year: April 01, 2022 to March 31, 2023

Dividend Payment Date: June 07, 2023 onwards

LISTING ON STOCK EXCHANGE

The non-convertible securities and Commercial Papers of the Company are listed on the debt market segment of BSE Limited.

Name of the Stock Exchange	Address
BSE Limited	P. J. Towers, Dalal Street, Mumbai – 400 001, Maharashtra

Annual listing fees, as prescribed, have been paid to the said stock exchanges up to March 31, 2023.

STOCK CODE

The equity shares of the Company are not listed on the Stock Exchange; hence the Stock code is not applicable.

MARKET PRICE DATA AND PERFORMANCE IN COMPARISON TO BROAD-BASED INDICES SUCH AS BSE SENSEX, CRISIL INDEX ETC.

Not applicable, as the equity shares of the Company are not listed.

Annex to Directors' Report - III (Continued)

SUSPENSION OF SECURITIES FROM TRADING

During FY23, none of the securities of the Company were suspended from trading.

REGISTRAR AND SHARE TRANSFER AGENT AND SHARE TRANSFER SYSTEM

In terms of Regulation 7 of the SEBI Listing Regulations, Adroit Corporate Services Private Limited continues to be the Registrar and Share Transfer Agent and handles all relevant share registry services.

All the securities of the Company are in dematerialised form, hence there is no physical transfer of securities.

Name	Address	Contact Details
Adroit Corporate Services Private Limited	18, 1st Floor, Jafferbhoy Industrial Estate, Makwana Road, Marol Naka, Andheri, Mumbai – 400 059, Maharashtra	Website: www.adroit.co.in

DISTRIBUTION OF SHAREHOLDING

Shareholding Pattern of the Company as at March 31, 2023:

Name of Shareholder	No. of Equity Shares held	Percentage
Housing Development Finance Corporation Limited	14,77,99,719	100
Mr. Vinayak Mavinkurve*	1	0
Mr. Suresh Menon*	1	0
Mr. Conrad D'Souza*	1	0
Mr. Sudhir Kumar Jha*	1	0
Mr. Dipta Bhanu Gupta	1	0
Mr. Ajay Agarwal*	1	0
Total (Issued & Paid Up)	**14,77,99,725**	**100**

* Nominee Shareholders of HDFC Limited

DEMATERIALISATION OF SHARES AND LIQUIDITY

As on March 31, 2023, the total equity capital of the Company was held in dematerialised form with National Securities Depository Limited. As the equity shares of the Company are not listed on the Stock Exchange, the shares were not traded on the Stock Exchange.

OUTSTANDING GLOBAL DEPOSITORY RECEIPTS (GDRs)/AMERICAN DEPOSITORY RECEIPTS (ADRs)/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

The Company does not have GDRs/ADRs/Warrants or any Convertible Instruments.

Address for Correspondence
HDFC Credila Financial Services Limited
B 301, Citi Point,
Andheri-Kurla Road, Andheri (East),
Mumbai - 400 059
Tel Nos.: +91 22-5045 3000, +91 22-2825 6636
Email: investor@hdfccredila.com

Plant Locations/Offices:

As of March 31, 2023, the Company has 26 branches in India.

Annex to Directors' Report - III (Continued)

RATINGS

The credit rating details are disclosed in the Directors Report forming part of this Annual Report.

UNCLAIMED DIVIDEND

Pursuant to Sections 124 and 125 of the Act, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (IEPF Rules), including amendment thereto, dividend, if not claimed within seven years from the date of transfer to Unpaid Dividend Account of the Company, is liable to be transferred to the Investor Education and Protection Fund (IEPF).

There is no unclaimed dividend payable by the Company as on March 31, 2023.

On behalf of the Board of Directors

Mumbai
April 17, 2023

V. Srinivasa Rangan
Chairman of the Board

Compliance with the Code of Conduct

I confirm that for the year under review, the Company has received from the Directors and the Senior Management, a declaration of compliance with the code of conduct as applicable to them.

April 17, 2023
Mumbai

Arijit Sanyal
Managing Director & CEO

Secretarial Audit Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2023

[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 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 Limited [‘**Company**’] for the year ended 31st March, 2023 [‘**Audit Period**’]. The secretarial audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct/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 listed in Annexure III and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the Audit Period, 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 year ended on 31st March, 2023, according to the provisions of the following, to the extent applicable:

(i) The Companies Act, 2013 (‘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 Borrowings;

(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 Non-Convertible Securities) Regulations, 2021;

(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;

Secretarial Audit Report (Continued)

(j) Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs read with other applicable circular issued thereunder;

(k) Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs);

(vii) RBI Commercial Paper Directions, 2017, effective from 10th August, 2017 (as amended from time to time) w.r.t. issue of commercial papers and applicable Operating Guidelines issued by FIMMDA (Fixed Income Money Market and Derivatives Association of India), and Chapter XVII of SEBI Operational Circular no. SEBI/HO/DDHS/P/CIR/2021/613 dated 10th August, 2021;

(viii) 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.

During the Review Period, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, operational circular etc. mentioned above except for the points detailed under **Annexure II**.

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 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 Audit Period were carried out in compliance with the provisions of the Act.

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

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations 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. **Private Placement of Non-Convertible Debentures ('NCDs'):**

   During the Audit Period, the Company issued NCDs aggregating to ₹ 1,925 crore detailed as under:

   a. Perpetual debt instruments amounting to ₹ 300 crore;

   b. Subordinated debt amounting to ₹ 375 crore;

   c. Secured debentures amounting to ₹ 1,250 crore;

2. **Receipt of approval from the Reserve Bank of India (RBI) for the proposed change in control of the Company:**

   During the Audit Period, RBI vide letter dated June 29, 2022 granted approval to the Company for the proposed takeover or acquisition of control of the Company and change in shareholding exceeding 26% of the paid-up equity capital, pursuant to the composite scheme of amalgamation of HDFC Investments Limited and HDFC Holdings Limited, wholly-owned subsidiaries of Housing Development Finance Corporation Limited (HDFC Limited) into HDFC Limited and HDFC Limited, with and into HDFC Bank Limited. RBI vide letter dated December 12, 2022 extended the validity period of the approval till June 29, 2023.

3. **Increase in borrowing limits under Section 180(1)(c) of the Act:**

   During the Audit Period, the Company increased the borrowing limits of the Company from the existing limit of ₹ 15,000 crore to ₹ 20,000 crore pursuant to the special resolution passed in terms of section

Secretarial Audit Report (Continued)

180(1)(c) of the Act in the Annual General Meeting held on June 29, 2022 read with partial modification made in the Extraordinary General Meeting held on February 28, 2023.

4. **Increase in Authorised Share Capital and consequential change in the MOA:**

   The Company increased its Authorised Share Capital by obtaining shareholder approval vide a special resolution passed at the Extraordinary General Meeting held on February 28, 2023, from existing ₹ 155 crore divided into 15.50 crore Equity Shares of ₹ 10/- each to ₹ 200 crore divided into 20 crore Equity Shares of ₹ 10/- each by creation of additional 4.5 crore Equity Shares of ₹ 10/- each, ranking pari passu in all respect with the existing Equity Shares of the Company. However, we understand that due to technical difficulty on MCA's v3 portal, the Company has not been able to file the requisite eform i.e. eForm SH-7 with the Registrar for giving notice of alteration of authorised share capital as required under Section 64 of the Act.

5. **Issue of further shares on rights basis:**

   During the Audit Period, the Company has made the following issuances on rights basis for consideration in cash:

   61,58,267 equity shares of ₹ 10 per share at a premium of ₹ 477.15 per share amounting to approx. ₹ 300 crore on November 14, 2022 to Housing Development Finance Corporation Limited.

   98,43,232 equity shares of ₹ 10 per share at a premium of ₹ 497.96 per share amounting to approx. ₹ 500 crore on March 21, 2023 to Housing Development Finance Corporation Limited.

   We understand that due to technical difficulty on MCA's v3 portal, the Company has not been able to file the requisite eForm i.e. eForm SH-7 with the Registrar for giving notice of alteration of authorised share capital as required under Section 64 of the Act. Consequently, the Company has not been able to file the return of allotment in eForm PAS-3 for the allotment done on March 21, 2023 as required under Section 39 (4) of the Act.

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

Vinita Nair
Senior Partner
Membership No.: F10559
C P No.: 11902
UDIN: F010559E000041799
Peer Review Certificate No.: 781/2020

Place: Mumbai
Date: April 9, 2023

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

ANNEXURE I

ANNEXURE TO SECRETARIAL AUDIT REPORT (NON-QUALIFIED)

To,

The Members,

HDFC Credila Financial Services Limited

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit. The list of documents for the purpose, as seen by us, is listed in **Annexure II**;
2. 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-check basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion;
3. Our Audit examination is restricted only upto legal compliances of the applicable laws to be done by the Company, we have not checked the practical aspects relating to the same.
4. Wherever our Audit has required our examination of books and records maintained by the Company, we have also relied upon electronic versions of such books and records, as provided to us through online communication. Considering the effectiveness of information technology tools in the audit processes, we have conducted online verification and examination of records, as facilitated by the Company, for the purpose of issuing this Report. In doing so, we have followed the guidance as issued by the Institute.
5. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company as well as correctness of the values and figures reported in various disclosures and returns as required to be submitted by the Company under the specified laws, though we have relied to a certain extent on the information furnished in such returns.
6. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulation and happening of events etc.
7. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedure on test-check basis.
8. Due to the inherent limitations of an audit including internal, financial, and operating controls, there is an unavoidable risk that some misstatements or material non-compliances may not be detected, even though the audit is properly planned and performed in accordance with audit practices.
9. The contents of this Report has to be read in conjunction with and not in isolation of the observations, if any, in the report(s) furnished/to be furnished by any other auditor(s)/agencies/authorities with respect to the Company.
10. 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.

ANNEXURE II
LIST OF OBSERVATIONS

Sr. No.	Regulation No.	Particulars of the Provision	Observations
SEBI (Prohibition of Insider Trading) Regulations, 2015			
1.	Reg. 3 (5).	The structured digital database ('SDD') is required to be maintained with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.	The Company is presently maintaining the SDD in excel format and ensuring time stamping and audit trail by converting into pdf and digitally signing the same on a quarterly basis. As confirmed, the Company is in the process of purchasing the software for maintenance of SDD.

ANNEXURE II

LIST OF DOCUMENTS

1. Scanned copies of signed Minutes for the meetings of the following held during the Audit Period were provided (except for few meetings held in Q4):
   1.1 Board of Directors;
   1.2 Audit Committee;
   1.3 Nomination and Remuneration Committee;
   1.4 Corporate Social Responsibility Committee;
   1.5 Risk Management Committee;
   1.6 Asset Liability Management Committee;
   1.7 IT Strategy Committee;
   1.8 Annual General Meeting;
   1.9 Extraordinary General Meetings.
2. Notice for Board Meeting and Committee (s) Meeting;
3. Annual Report 2021-22;
4. Disclosures under Act, 2013 and Rules made thereunder;
5. Selected policies framed under applicable laws to the Company;
6. Documents pertaining to applicable SEBI Regulations;
7. Forms and returns filed with the ROC & RBI;
8. Documents relating to issue of Non-Convertible Debentures and Commercial Papers;
9. Documents relating to Corporate Agents under IRDA Regulations.
10. Memorandum and Articles of Association.

SECRETARIAL COMPLIANCE REPORT OF HDFC CREDILA FINANCIAL SERVICES LIMITED FOR THE YEAR ENDED MARCH 31, 2023

We have examined:

(a) all the documents and records made available to us and explanation provided by **HDFC Credila Financial Services Limited ("the listed entity"),**

(b) the filings/ submissions made by the listed entity to the stock exchanges,

(c) website of the listed entity,

(d) any other document/ filing, as may be relevant, which has been relied upon to make this certification, for the year ended March 31, 2023 **("Review Period")** in respect of compliance with the provisions of:

  (a) the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**") and the Regulations, circulars, guidelines issued there under; and

  (b) the Securities Contracts (Regulation) Act, 1956 **("SCRA")**, rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India **("SEBI")**;

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:-

(a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('**Listing Regulations**');

(b) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

(c) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('**PIT Regulations**');

(d) Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to obligations of Issuer Company)

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

and circulars/ guidelines issued thereunder;

and based on the above examination, we hereby report that, during the Review Period:

(a) The listed entity has complied with the provisions of the above Regulations and circulars/guidelines issued thereunder, except in respect of matters specified below:

Sr. No.	Compliance Requirement (Regulations/Circulars/ Guidelines including specific clause)	Regulation/ Circular No.	Deviations	Action taken by	Type of action	Details of violation*	Fine amount	Observations/ Remarks of the PCS	Management response	Remarks
1.	As per Para 8.4 of SEBI Operational Circular issuers are required to submit a certificate confirming fulfilment of payment obligations, within 2 days of payment becoming due.	Para 8.4 of Chp. XVII of SEBI Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated August 10, 2021.	Delay in the intimation of the repayment obligation.	BSE Limited	Fine	There was a delay of 1 day in the intimation of the repayment obligation.	₹ 1000	The penalty has been paid by the Company.	This has been brought to the notice of the concerned official. The Company is ensuring that no such incidence is repeated.	NA
2.	As per Reg. 3 (5) of PIT Regulations Structured Digital Database ('SDD') is required to be maintained with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.	Reg. 3 (5) of PIT Regulations	SDD is not tamper proof.	NA	NA	The Company is presently maintaining the SDD in excel format and ensuring time stamping and audit trail by converting into pdf and digitally signing the same on a quarterly basis	NA	We understand that the Company is in the process of purchasing the software for maintenance of SDD.	The Company will start maintaining the SDD from Q1 FY 23-24 in the SDD software.	NA

* There were no instances of action taken against the promoters/directors/~~material subsidiaries~~ by the Stock Exchange or SEBI under the aforesaid Acts/Regulations and circulars/guidelines issued thereunder.

(b) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Compliance Requirement (Regulations/ circulars / guidelines including specific clause)	Regulation/ circular no.	Deviations	Action taken by	Type of action	Details of violation	Fine amount	Observations/ remark of the PCS	Management response	Remarks
1.	Where the regular non-Executive chairperson is related to any promoter, at least half of the board of directors of the listed entity shall consist of independent directors.	Reg. 17(1) (b) of Listing Regulations (applicable on comply-or-explain basis till March 31, 2023)	Mr. V.S Rangan is the Chairperson of the Company and is a whole-time director of the promoter listed entity and is therefore, related to the promoter, under Listing Regulations. As on March 31, 2022 3 out of 7 directors are independent directors, which is less than one half.	NA	NA	The Company is a 'high value debt listed entity' and the said provision is applicable on a 'comply or explain' basis till March 31, 2023. The Company has reported the deviation in the quarterly compliance report filed under Reg. 27 (2) (a) of the Listing Regulations.	NA	As on March 31, 2023 the listed entity is in compliance with the said provision as the Board comprises of 6 directors of which 3 are independent directors.	NA	NA
2.	Atleast two-thirds of the members of the Audit Committee should be independent directors.	Reg. 18 (1) of Listing Regulations (applicable on comply-or-explain basis till March 31, 2023)	As on March 31, 2022 3 out of 5 members of the Audit Committee are independent directors, which is less than two-thirds.	NA	NA	The Company is a 'high value debt listed entity' and the said provision is applicable on a 'comply or explain' basis till March 31, 2023. The Company has reported the deviation in the quarterly compliance report filedunder Reg. 27 (2) (a) of the Listing Regulations.	NA	As on March 31, 2023 the Committee consisted of 4 members of which 3 are independent directors.	NA	NA

(c) The listed entity has complied with the following requirements of SEBI Regulations, circulars and guidelines:

Sr. no.	Particulars	Compliance Status (Yes/No NA)	Observations/ Remarks by PCS
1	Secretarial Standard The compliances of the listed entity are in accordance with the Secretarial Standards issued by ICSI mandatorily applicable to the listed entity, namely SS-1 and SS-2.	Yes	—
2	Adoption and timely updation of the Policies: • All applicable policies under SEBI Regulations are adopted with the approval of board of directors of the listed entity • All the policies are in conformity with SEBI Regulations and has been reviewed & timely updated as per the regulations /circulars /guidelines issued by SEBI.	Yes	The listed entity has formulated the policies and codes in line with SEBI Regulations.
3	Maintenance and disclosure on website • The listed entity is maintaining a functional website. • Timely dissemination of the documents/ information under a separate section on the website. • Web-links provided in annual corporate governance reports under Regulation 27(2) are accurate and specific which redirects to the relevant document(s)/ section of the website	Yes Yes NA	—
4	Disqualification of Director None of the Director of the Company are disqualified under section 164 of the Companies Act, 2013,	Yes	We have verified the same basis the declarations furnished by Directors, details of filing on MCA website and list of disqualified directors as uploaded by the Registrar of Companies from time to time.
5	To examine details related to Subsidiaries of the listed entity: a. Identification of material subsidiary companies b. Requirements with respect to disclosure of material as well as other subsidiaries.	NA	The listed entity does not have any subsidiary.
6	Preservation of Documents: The listed entity is preserving and maintaining records as prescribed under SEBI Regulations and disposal of records as per Policy of Preservation of Documents and Archival policy prescribed under the Listing Regulations.	Yes	Basis the checking carried out on sample basis.
7	Performance Evaluation The listed entity has conducted performance evaluation of the Board, Independent Directors and the Committees at the start of every financial year as prescribed in SEBI Regulations	Yes	Noted in the Board Meeting dated April 21, 2022 and disclosed in the annual report for FY 2021-22.

Sr. no.	Particulars	Compliance Status (Yes/No NA)	Observations/ Remarks by PCS
8	Related Party Transactions a. The listed entity has obtained prior approval of Audit Committee for all related party transaction b. In case no prior approval obtained, the listed entity shall provide the detailed reasons along with confirmation whether the transactions were subsequently approved/ ratified/rejected by the Audit committee	 Yes NA	—
9	Disclosure of events or information: The listed entity has provided all the required disclosure(s) under Regulation 51 along with Schedule III of Listing Regulations within the time limits prescribed thereunder.	Yes	—
10	Prohibition of Insider Trading The listed entity is in compliance with the Regulation 3(5) & 3(6) SEBI (Prohibition of Insider Trading) Regulations, 2015	No	The Company is presently maintaining the SDD in excel format and ensuring time stamping and audit trail by converting into pdf and digitally signing the same on a quarterly basis. As confirmed, the Company is in the process of purchasing the software for maintenance of SDD.
11	Actions taken by SEBI or Stock Exchange(s), if any: No Actions taken against the listed entity/ its/ promoters/ directors/ subsidiaries either by SEBI or by the stock exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars/ guidelines issued thereunder.	No	Refer details of action taken by BSE Limited against the listed entity in the table above. There were no instance of action taken against the promoters/ directors.
12	Additional Non-Compliances, if any: No. any additional non-compliance observed for all SEBI regulation/ circular/ guidance note etc.	No	Not found

For **M/s Vinod Kothari & Company**
Practicing Company Secretaries
Unique Code: P1996WB042300

Vinita Nair
Senior Partner
Membership No.: F10559
CP No.: 11902
UDIN: F010559E000041810
Peer Review Certificate No.:781/2020

Place: Mumbai
Date: April 9, 2023

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
HDFC Credila Financial Services Limited

We have examined the compliance of Corporate Governance by HDFC Credila Financial Services Limited ("**the Company**") for the financial year ending on March 31, 2023, as stipulated in Regulations 15 to 27 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") applicable on a 'comply or explain' basis to the Company, being a 'high value debt listed entity, on the basis of examination of documents provided in **Annexure I.**

The compliance of conditions of Corporate Governance is the responsibility of the Management of the Company. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted its affairs.

For **M/s Vinod Kothari & Company**
Practicing Company Secretaries
Unique Code: P1996WB042300

Vinita Nair
Senior Partner
Membership No.: F10559
CP No.: 11902
UDIN: F010559E000041810
Peer Review Certificate No.: 781/2020

Place: Mumbai
Date: April 9, 2023

ANNEXURE I
LIST OF DOCUMENTS

1. Scanned copies of signed Minutes for the meetings of the following held during the Audit Period were provided (except for few meetings held in Q4):
   - Board Meetings;
   - Audit Committee Meetings;
   - Nomination and Remuneration Committee Meetings;
   - Risk Management Committee Meetings;
   - Corporate Social Responsibility Committee Meetings;
   - Annual General Meeting and Extraordinary General Meetings;
2. Policies framed under the Listing Regulations as available on the website;
3. Terms of reference of Committees of the Board;
4. Annual Disclosures received from Directors pursuant to Section 184(1);
5. Declaration by Independent Directors;
6. Details of other directorship as reflecting in Director's Master Data on MCA and stock exchange filing for corporate governance under Reg. 27 (2).

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[Pursuant to BSE Circular dated January 07, 2022 and Para C (10)(i) of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Members of
HDFC CREDILA FINANCIAL SERVICES LIMITED
B 301, Citi Point, Andheri-Kurla Road,
Andheri (East), Mumbai - 400 059, India.

We have examined the relevant registers, records, forms, returns, and disclosures received from the Directors of HDFC CREDILA FINANCIAL SERVICES LIMITED having CIN U67190MH2006PLC159411 and having registered office at B 301, Citi Point, Andheri-Kurla Road, Andheri (East), Mumbai-400 059 India.(hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with BSE Circular dated January 07, 2022 read with clause 10(i) of Para C of Schedule V to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended March 31, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India or the Ministry of Corporate Affairs or by the Reserve Bank of India or by Insurance Regulatory and Development Authority.

Details of Directors:

Sr. No.	Name of the Director as on March 31, 2023	DIN	Category of Directorship as on March 31, 2023	Date of Appointment
1.	Mr. V.S. Rangan	00030248	Chairman, Nominee Director	December 24, 2009
2.	Mr. Biswamohan Mahapatra	06990345	Independent Director	March 30, 2015
3.	Mr. Sunil M Shah	00137105	Independent Director	July 05, 2019
4.	Mr. Rajesh Gupta	00229040	Independent Director	January 17, 2020
5.	Ms. Madhumita Ganguli	00676830	Nominee Director	March 30, 2015
6.	Mr. Arijit Sanyal	08386684	Managing Director	January 17, 2020

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **M/s Vinod Kothari & Company**
Practicing Company Secretaries
Unique Code: P1996WB042300

Vinita Nair
Senior Partner
Membership No.: F10559
CP No.: 11902
UDIN: F010559E000041810
Peer Review Certificate No.: 781/2020

Place: Mumbai
Date: April 9, 2023

Independent Auditors' Report

To the Members of
HDFC Credila Financial Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HDFC Credila Financial Services Limited** ("the Company"), which comprise the balance sheet as at March 31, 2023, and the statement of Profit and Loss (including the statement of other comprehensive income), 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 significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

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 March 31, 2023, and its 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 sub-section (10) of Section 143 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 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 obtained by us is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment of loans and advances, including off-balance sheet elements
Charge: INR 1,010.51 lakhs for year ended March 31, 2023
Provision: INR 6,220.54 lakhs on March 31, 2023</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 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) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's estimation of ECLs are:
• Data inputs – The application of the 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.
• Model estimations – Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Company's modelling approach.
• Economic scenarios – Ind AS 109 requires the Company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weights applied to them especially when considering the current uncertain economic environment arising from ongoing geo-political conflicts and persistent inflation across the global economies.</td><td>Our key audit procedures included:
Design / controls
We performed process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant manual, general IT and application controls over key systems used in the ECL process.
Key aspects of our controls testing involved the following:
• Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions made into the Ind AS 109 impairment models.
• Testing the 'Governance Framework' controls over validation, implementation and model monitoring in line with the RBI guidance.
• Testing the design and operating effectiveness of the key controls over the application of the staging criteria of the EAD.
• Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and application of probability weights.
• Testing management's controls over authorisation and calculation of post model adjustments and management overlays.
• Testing management's controls on compliance with Ind AS 109 disclosures related to ECL.
• Testing key controls operating over the information technology in relation to loan management systems, including system access and system change management and computer operations.</td></tr>
</table>

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances, including off—balance sheet elements	
• Qualitative adjustments — Adjustments to the model-driven ECL results are recorded by management to address known impairment model limitations or emerging trends as well as risks not captured by models. This aggregates to Rs.2,224.89 lakhs of the ECL balances as at March 31, 2023. These adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the prevailing economic uncertainty to reflect among other things an increased risk of deterioration in macro-economic factors caused by the ongoing geo-political conflicts, disruptions in global supply chains, sticky inflation leading to fears of recession across major global economies. Given the unique nature and scale of the economic impact on the global economies, the management overlay is based on various uncertain variables, which could result in actual credit loss being different than that being estimated. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, including off balance sheet elements, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Note 8.1 to the financial statements provide necessary details in relation to the credit risk associated with the loan portfolio of the Company including relevant details of the ECL provision recognized in the financial statements. **Disclosures** The disclosures regarding the Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results. Further, disclosures to be provided as per RBI circulars with regards to non—performing assets and provisions are an area of focus, and are related to an area of significant estimate.	Involvement of specialists - we involved specialists for the following: • Evaluating the appropriateness of the Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used (including management overlays). • For models which were updated during the year, evaluating whether the updates were appropriate. • The reasonableness of the Company's considerations of the impact of the current economic environment on the ECL determination. **Test of details** Key aspects of our testing included: • Testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied. • Model calculations testing through re-performance, where possible. • Test of details of post model adjustments, considering the size and complexity of management overlays with a focus on prevailing macro-economic factors related overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions and inspecting the calculation methodology and tracing of the data used back to source data. • Assessing disclosures — We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. As part of this we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
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 and Oracle, 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.	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 and Oracle. • 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 and Oracle; • Understood IT application controls covering – – user access and roles, segregation of duties, and – reports; • 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); • Performed testing for the program development controls and migration controls over setting up, implementation and building up of the IT application for Oracle

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.

Responsibilities of the Management and Board of directors for the Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in sub-section (5) of Section 134 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 financial performance including other comprehensive income, change in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act

Independent Auditors' Report (Continued)

Responsibilities of the Management and Board of directors for the Financial Statements (Continued)

for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 clause (i) of sub-section (3) of Section 143 of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of financial statement and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Independent Auditors' Report (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 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. As required by sub-section (3) of Section 143 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 the statement of other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

   d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.

   e. On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act.

   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".

   g. In our opinion, the managerial remuneration for the year ended March 31, 2023 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act

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

      i. The Company does not have any pending litigations which would impact its financial position – Refer Note 44 of 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 43 to the financial statements; and

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

      iv. (a) The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entities, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether,:

         - directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Company or

Independent Auditors' Report (Continued)

- provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;

(b) The Management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall:

- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or
- provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on the audit procedures that have been considered reasonable and appropriate on the circumstances, nothing has come to our notice that has caused us to believe that the representation under sub-clause (a) and (b) contain any material misstatement.

v. The Board of Director of the Company have proposed dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The Amount of dividend proposed is in accordance with Section 123 of the Act, as applicable.

For **SHAH GUPTA & CO.,**
Chartered Accountants
Firm Registration No.: 109574W

Vipul K Choksi
M. No. 37606
Unique Document Identification Number (UDIN) for this document is 23037606BGYDWB5266

Place: Mumbai
Date: April 17, 2023

Appendix A to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of HDFC Credila Financial Services Limited of even date)

(i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment (PPE) on the basis of available information.

(B) The Company has maintained proper records showing full particulars of Intangible assets.

(b) The Company has a programme of physical verification of its PPE by which all PPE are verified over a period of once in three years in line with its policy. In accordance with this programme, the few items of PPE have been physically verified by the management during the year and no material discrepancies have been noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) The Company does not hold any immovable property (other than properties where the Company is the lessee, and the lease agreement are duly executed in the favour of the Company). Accordingly, reporting under paragraph 3 (i) (c) of the Order is not applicable.

(d) The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets during the year ended March 31, 2023.

(e) Based on the information and explanations furnished to us, no proceedings have been initiated during the year or are pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

(ii) (a) The Company is a Non—Banking Finance Company (NBFC), engaged in the business of lending. Accordingly, it does not hold any physical inventories. Accordingly, reporting under paragraph 3 (ii) (a) of the Order is not applicable.

(b) On the basis of our examination of the records of the Company, the Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks on the basis of security of current assets. Based on the information and explanations given to us, the Company has not submitted the monthly returns or statements with such banks or financial statements. The management has represented to us that the banks providing such working capital limits have not demanded any statement or return for the security created on the loan receivables of the Company.

(iii) According to the information and explanations given to us and based on the audit procedures conducted by us, the Company has not granted loans, secured or unsecured to companies, firms, limited liability partnerships, or other parties except granting of education loans to customers in the ordinary course of business in respect of which:

(a) The Company has its principal business of giving loan. Accordingly, reporting under paragraph 3 (iii) (a) of the Order is not applicable to the Company.

(b) The terms and conditions of the grant of such loans and investment made are, in our opinion, prima facie, not prejudicial to the Company's interest.

(c) In respect of the aforesaid loans granted by the Company, 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 except in respect of non-performing loans.

(d) In respect of the following loans/advances in nature of loans, the total amount overdue for more than ninety days as at March 31, 2023 is ₹ 1,850.59 lakhs. In such instances, in our opinion, reasonable steps have been taken by the Company for the recovery of the principal amounts and interest thereon.

(₹ in Lakhs)

No. of cases	Principal Amount Overdue	Interest Overdue	Total Overdue	Remarks (if any)
90	1,630.38	2,20.21	1,850.59	NA

(e) The Company has its principal business of giving loan. Accordingly, reporting under paragraph 3 (iii) (e) of the Order is not applicable to the Company.

(f) There were no loans/advances in nature of loans which were granted during the year to promoters/related parties. The Company has

Appendix A to the Independent Auditors' Report (Continued)

not granted any loans or advances in nature of loans either repayable on demand or without specifying any terms or period of repayment.

(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, reporting under 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 or amounts which are deemed to be deposits from the public within the meaning of Section 73 to Section 76 of the Act and the Rules framed there under to the extent notified.

(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, reporting under paragraph 3 (vi) of the Order is not applicable.

(vii) (a) According to the information and explanations given to us, and the records of the Company examined by us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, service tax, goods and service tax, cess and other material statutory dues applicable to it. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, service tax, goods and service tax, cess and other material statutory dues which were outstanding, at the year end, 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 sales tax, wealth tax, service tax, goods and service tax, income tax, duty of excise, duty of excise, value added tax, and cess which have not been deposited on account of any dispute.

(viii) According to the information and explanations given to us and the records of the Company examined by us, there is no income surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

(ix) (a) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest to any lender.

(b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared Wilful Defaulter by any bank or financial institution or government or any government authority.

(c) 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 other than temporary deployment pending application of proceeds.

(d) In our opinion and according to the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, other than Rs.15,155 lakhs which remain unutilized as at March 31, 2023 because the funds were received towards the end of the year. The Company has temporarily invested such unutilized balance in Mutual Funds

(e) The Company does not hold any investment in any subsidiary, associate or joint venture (as defined under the Act) during the year ended March 31, 2023. Accordingly, reporting under paragraph 3 (ix) (e) of the Order is not applicable.

(f) The Company does not hold any investment in any subsidiary, associate or joint venture (as defined under the Act) during the year ended March 31, 2023. Accordingly, reporting under paragraph 3 (ix) (f) of the Order is not applicable.

(x) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the reporting under paragraph 3 (x) (a) of the Order is not applicable to the Company.

(b) On the basis of 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

Appendix A to the Independent Auditors' Report (Continued)

during the year. Accordingly, the reporting under paragraph 3 (x) (b) of the Order is not applicable to the Company.

(xi) (a) 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 information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the year except that we have been informed by the management that one case of fraud at the branch office amounting to Rs.10.89 Lakhs has been committed by an employee of the Company.

(b) 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 information and explanations given to us, a report under sub-clause (12) of Section 143 of the Act, in Form ADT-4, was not required to be filed. Accordingly, reporting under paragraph 3 (xi) (b) of the Order is not applicable to the Company.

(c) 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 information and explanations given to us, and as represented to us by the management, no whistle—blower complaints have been received during the year by the Company. Accordingly, reporting under paragraph 3 (xi) (c) of the Order is not applicable to the Company.

(xii) As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the reporting under paragraph 3 (xii) of the Order is not applicable to the Company.

(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) (a) In our opinion and according to the information and explanation given to us, the Company has an internal audit system commensurate with the size and nature of its business.

(b) The reports of the Internal Auditor for the period under audit have been considered by us.

(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, reporting under paragraph 3 (xv) of the Order is not applicable.

(xvi) (a) 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.

(b) The Company has conducted non-banking financial activities during the year and the Company holds a valid Certificate of Registration from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.

(c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, reporting under paragraph 3 (xvi) (c) of the Order is not applicable to the Company.

(d) Based on the information and explanations provided by the management of the Company, the Group does not have any CICs, which are part of the Group. We have not, however, separately evaluated whether the information provided by the management is accurate and complete. Accordingly, reporting under paragraph 3 (xvi) (d) of the Order is not applicable to the Company.

(xvii) The Company has not incurred any cash losses in the financial year or in the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year and accordingly, reporting under paragraph (xviii) is not applicable to the Company.

(xix) On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our

Appendix A to the Independent Auditors' Report (Continued)

knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) (a) There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the said Act. Accordingly, reporting under paragraph 3 (xx) (a) of Order is not applicable to the Company.

(b) There are no unspent amounts towards Corporate Social Responsibility (CSR) on ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (6) of Section 135 of the said Act. Accordingly, reporting under paragraph 3 (xx) (b) of Order is not applicable to the Company.

(xxi) The reporting under paragraph 3 (xxi) of the Order is not applicable in respect of the audit of Standalone Financial Statements. Accordingly, no comment in respect of the said clause has been included in this report.

For **SHAH GUPTA & CO.,**
Chartered Accountants
Firm Registration No.: 109574W

Vipul K Choksi
M. No. 37606
Unique Document Identification Number (UDIN) for this document is 23037606BGYDWB5266

Place: Mumbai
Date: April 17, 2023

Annexure B to the Independent Auditors' Report

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 Act

We have audited the internal financial controls over financial reporting of **HDFC Credila Financial Services Limited** ("the Company") as of March 31, 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements of the Company based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under sub-section (10) of Section 143 of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting with reference to these Financial Statements

A Company's internal financial control over financial reporting with reference to these 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 control over financial reporting with reference to these financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with reference to these Financial Statements

Because of the inherent limitations of internal financial

Annexure B to the Independent Auditors' Report (Continued)

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls with reference to these financial statements and such internal financial controls were operating effectively as at March 31, 2023, 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.

For **SHAH GUPTA & CO.,**
Chartered Accountants
Firm Registration No.: 109574W

Vipul K Choksi
M. No. 37606
Unique Document Identification Number
(UDIN) for this document is
23037606BGYDWB5266

Place: Mumbai
Date: April 17, 2023

Balance sheet as at 31 March 2023

(Currency: INR in Lakhs)

Particulars	Note no	As at 31 March 2023	As at 31 March 2022
ASSETS			
1. Financial assets			
(a) Cash and cash equivalents	4	**41,734.74**	2,730.33
(b) Bank balances other than (a) above	5	**10,071.73**	142.54
(c) Derivative financial instruments	6	**—**	3,048.08
(d) Trade receivables	7	**143.84**	48.50
(e) Loans	8	**1,523,890.06**	878,684.22
(f) Investments	9	**59,198.98**	18,901.13
(g) Other financial assets	10	**1,933.94**	3,122.06
Total financial assets		**1,636,973.29**	906,676.86
2. Non-financial assets			
(a) Current tax assets (net)	11	**228.18**	279.55
(b) Deferred tax assets (net)	12	**3,137.29**	1,778.77
(c) Property, plant and equipment	13	**2,232.04**	1,324.31
(d) Other intangible assets	13	**1.59**	12.29
(e) Intangible assets under development	13	**1,138.11**	174.47
(f) Other non-financial assets	14	**893.92**	454.72
Total non-financial assets		**7,631.13**	4,024.11
Total assets		**1,644,604.42**	910,700.97
LIABILITIES AND EQUITY			
LIABILITIES			
1. Financial liabilities			
(a) Derivative financial instruments	6	**7,440.14**	7,157.05
(b) Payables			
(i) Trade payables			
– Total outstanding dues of micro enterprises and small enterprises	15	**18.64**	64.71
– Total outstanding dues of creditors other than micro enterprises and small enterprises	15	**3,529.31**	2,155.27
(c) Debt securities	16	**352,400.71**	210,177.80
(d) Borrowings (other than debt securities)	17	**886,273.61**	481,537.99
(e) Subordinated liabilities	18	**126,847.82**	59,787.61
(f) Other financial liabilities	19	**19,983.66**	12,079.34
Total financial liabilities		**1,396,493.89**	772,959.77
2. Non-financial liabilities			
(a) Current tax liabilities (net)	20	**506.84**	—
(b) Provisions	21	**749.30**	444.83
(c) Other non-financial liabilities	22	**3,345.28**	1,235.97
Total non-financial liabilities		**4,601.42**	1,680.80
Total liabilities		**1,401,095.31**	774,640.57
EQUITY			
(a) Equity share capital	23	**14,779.97**	13,179.82
(b) Other equity	24	**228,729.14**	122,880.58
Total equity		**243,509.11**	136,060.40
Total liabilities and equity		**1,644,604.42**	910,700.97

See accompanying notes to the financial statements

As per our report of even date attached.

For **Shah Gupta & Co.**
Chartered Accountants
Firm's Registration No: 109574W

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 17 April 2023

For and on behalf of Board of Directors of
HDFC Credila Financial Services Limited
CIN No: U67190MH2006PLC159411

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 : 17 April 2023

Statement of profit and loss for the year ended 31 March 2023

(Currency: INR in Lakhs)

	Particulars	Note no	For the year ended 31 March 2023	For the year ended 31 March 2022
	Revenue from operations			
	(a) Interest income	25	**131,584.01**	79,769.52
	(b) Fees and commission income	26	**2,922.86**	2,055.23
	(c) Net gain on fair value changes	27	**710.49**	534.42
I.	**Total revenue from operations**		**135,217.36**	82,359.17
II.	**Other income**		**0.26**	0.54
III.	**Total income (I + II)**		**135,217.62**	82,359.71
IV.	**Expenses**			
	(a) Finance costs	28	**81,327.72**	42,798.55
	(b) Impairment on financial instruments (Expected credit loss)	31	**1,010.51**	1,604.29
	(c) Employee benefit expense	29	**8,743.92**	4,974.46
	(d) Depreciation and amortisation	13	**678.66**	378.72
	(e) Other expenses	30	**6,436.18**	4,850.82
	Total expenses		**98,196.99**	54,606.84
V.	**Profit before Tax (III - IV)**		**37,020.63**	27,752.87
	Tax expense			
	– Current tax		**10,632.24**	7,602.22
	– Deferred Tax	12	**(1,204.02)**	(487.06)
VI.	**Total tax expense**		**9,428.22**	7,115.16
VII.	**Net profit after tax (V- VI)**		**27,592.41**	20,637.71
	Other comprehensive income			
	(a) Items that will not be reclassified to profit or loss			
	– Remeasurement of the defined benefit plans		**(31.52)**	4.49
	– Income tax relating to the above item that will not be reclassified to profit or loss		**7.93**	(1.13)
	(b) Items that will be reclassified to profit or loss			
	– Cash flow hedge reserves		**389.62**	1,391.32
	– Income tax relating to the above item that will be reclassified to profit or loss		**(98.76)**	(350.25)
	– Fair value of investments		**(347.78)**	(68.63)
	– Income tax relating to the above item that will be reclassified to profit or loss		**87.53**	17.27
VIII.	**Other comprehensive income**		**7.02**	993.07
IX.	**Total comprehensive income (VII + VIII)**		**27,599.43**	21,630.78
X.	**Earnings per equity share:**			
	(a) Basic (in ₹)	34	**20.56**	15.66
	(b) Diluted (in ₹)	34	**20.47**	15.66
	(c) Face value per share (in ₹)		**10**	10

See accompanying notes to the financial statements

As per our report of even date attached.

For **Shah Gupta & Co.**
Chartered Accountants
Firm's Registration No: 109574W

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 17 April 2023

For and on behalf of Board of Directors of
HDFC Credila Financial Services Limited
CIN No: U67190MH2006PLC159411

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 : 17 April 2023

Statement of cash flow for the year ended 31 March 2023

(Currency: INR in Lakhs)

Particulars		**For the year ended 31 March 2023**	For the year ended 31 March 2022
A.	**Operating activities**		
	Profit before tax	**37,020.63**	27,752.87
	Adjustments to reconcile profit before tax to net cash flows :		
	Depreciation & amortisation	**678.66**	378.72
	Impairment on financial instruments (Expected credit loss)	**1,010.51**	1,604.29
	(Profit)/loss on property, plant and equipment sold/discarded	**(0.18)**	2.72
	Interest income	**(131,584.01)**	(79,769.52)
	Interest expense	**81,141.14**	42,662.66
	Provision for employee benefits	**38.03**	(77.39)
	Employee share based payments expense	**1,171.58**	–
	Net gain on fair value changes	**(710.49)**	(534.42)
		(11,234.13)	(7,980.07)
	Cash inflow towards interest received	**73,460.22**	60,746.27
	Cash outflow towards interest paid	**(69,236.25)**	(42,394.70)
	Cash inflow/(outflow) from derivative financial instruments	**(905.30)**	846.80
	Cash (utilised in) / generated from operations before working capital changes	**(7,915.46)**	11,218.30
	Working capital changes		
	(Increase) / Decrease in financial assets and non financial assets	**(539.46)**	(165.84)
	Increase / (Decrease) in financial and non financial liabilities	**3,538.41**	1,304.72
	Net cash from Operations	**(4,916.51)**	12,357.18
	Loans disbursed (net)	**(588,453.12)**	(238,163.81)
	(Investment)/Redemption in/from cash management schemes of mutual funds (net)	**(12,096.57)**	11,221.20
	Income tax paid	**(10,237.36)**	(7,792.35)
	Net cash flows from/(used in) operating activities	**(615,703.56)**	(222,377.78)
B.	**Investing activities**		
	Investments (net)	**(36,940.95)**	(8,711.16)
	Purchase of property, plant and equipment and intangible assets	**(1,502.78)**	(271.00)
	Proceeds from sale of property, plant and equipment	**0.28**	0.73
	Net cash flows from/(used in) investing activities	**(38,443.45)**	(8,981.43)
C.	**Financing activities**		
	Proceeds from issue of equity shares (including securities premium)	**79,999.68**	–
	Debt securities & subordinated liabilities issued	**386,619.89**	178,608.18
	Debt securities & subordinated liabilities repaid	**(180,000.00)**	(152,500.00)
	Borrowings (other than debt securities) taken	**594,645.40**	293,141.53
	Borrowings (other than debt securities) repaid	**(186,223.69)**	(95,597.78)
	Lease payments	**(571.88)**	(303.99)
	Dividend paid	**(1,317.98)**	–
	Net cash flows from/(used in) financing activities	**693,151.42**	223,347.94
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**39,004.41**	(8,011.27)
	Cash and cash equivalents at the beginning of the period	**2,730.33**	10,741.60
	Cash and cash equivalents at the end of the period [Refer note no 4]	**41,734.74**	2,730.33

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 **Shah Gupta & Co.**
Chartered Accountants
Firm's Registration No: 109574W

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 17 April 2023

For and on behalf of Board of Directors of
HDFC Credila Financial Services Limited
CIN No: U67190MH2006PLC159411

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 : 17 April 2023

Statement of changes in equity for the year ended 31 March 2023

A. Equity share capital

(Currency: INR in Lakhs)

FY 2022-23

Balance at the beginning of the current reporting period	Changes in equity share capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period
13,179.82	–	13,179.82	1,600.15	14,779.97

FY 2021-22

Balance at the beginning of the previous reporting period	Changes in equity share capital due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in equity share capital during the previous year	Balance at the end of the previous reporting period
13,179.82	–	13,179.82	–	13,179.82

B. Other equity

	Reserves and surplus						Other comprehensive income			Total
	Capital reserve	Securities premium	Retained earnings	Statutory reserve	Employee stock options reserve	Impairment reserve	Employee benefit expenses	Effective portion of cash flow hedges	Fair value of investments	
Balance as at 01 April 2022	**109.46**	**43,236.51**	**63,173.62**	**16,801.14**	**–**	**–**	**(43.06)**	**(290.85)**	**(106.24)**	**122,880.58**
Profit for the year	–	–	27,592.41	–	–	–	–	–	–	27,592.41
Other comprehensive income for the year	–	–	–	–	–	–	(23.58)	290.85	(260.25)	7.02
Total comprehensive income for the year	**–**	**–**	**27,592.41**	**–**	**–**	**–**	**(23.58)**	**290.85**	**(260.25)**	**27,599.43**
Transfer to Statutory reserve and Impairment reserve	–	–	(6,794.95)	5,518.51	–	1,276.44	–	–	–	–
Expenses incurred in respect of issue of equity capital	–	–	(4.00)	–	–	–	–	–	–	(4.00)
Dividend on equity shares	–	–	(1,317.98)	–	–	–	–	–	–	(1,317.98)
Employees share based payments expenses	–	–	–	–	1,171.58	–	–	–	–	1,171.58
Securities premium received during the year	–	78,399.53	–	–	–	–	–	–	–	78,399.53
Balance as at 31 March 2023	**109.46**	**121,636.04**	**82,649.10**	**22,319.65**	**1,171.58**	**1,276.44**	**(66.64)**	**–**	**(366.49)**	**228,729.14**

	Reserves and surplus				Other comprehensive income			Total
	Capital reserve	Securities premium	Retained earnings	Statutory reserve	Employee benefit expenses	Effective portion of cash flow hedges	Fair value of investments	
Balance as at 01 April 2021	**109.46**	**43,236.51**	**46,663.48**	**12,673.57**	**(46.42)**	**(1,331.92)**	**(54.88)**	**101,249.80**
Profit for the year	–	–	20,637.71	–	–	–	–	20,637.71
Other comprehensive income for the year	–	–	–	–	3.36	1,041.07	(51.36)	993.07
Total comprehensive income for the year	**–**	**–**	**20,637.71**	**–**	**3.36**	**1,041.07**	**(51.36)**	**21,630.78**
Transfer to Statutory reserve	–	–	(4,127.57)	4,127.57	–	–	–	–
Balance as at 31 March 2022	**109.46**	**43,236.51**	**63,173.62**	**16,801.14**	**(43.06)**	**(290.85)**	**(106.24)**	**122,880.58**

See accompanying notes to the financial statements

As per our report of even date attached.

For **Shah Gupta & Co.**
Chartered Accountants
Firm's Registration No: 109574W

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 17 April 2023

For and on behalf of Board of Directors of
HDFC Credila Financial Services Limited
CIN No: U67190MH2006PLC159411

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 : 17 April 2023

Notes to the financial statements for the year ended 31 March 2023 (Continued)

1. Company Overview

HDFC Credila Financial Services 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. The Company is a wholly owned subsidiary of Housing Development Finance Corporation Limited ("HDFC"/ "Holding Company").

The Company is a Systemically Important Non-deposit taking Non-Banking Financial Company ("NBFC") registered with the Reserve Bank of India ("RBI"), with Registration No. N-13.01857. The Company is classified as NBFC-Investment and Credit Company (NBFC-ICC) as per the RBI guidelines.

The Company is domiciled in India as a Limited Company having its Registered Office at B 301, Citi Point, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059. The Company's Debt Securities are listed on BSE Limited.

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 Companies (Indian Accounting Standards) Rules, 2015 as per section 133 of the Companies Act, 2013 (the "Act") and relevant amendment rules issued thereafter ("Ind AS").

The financial statements have been prepared and presented on going concern basis and on historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained below, the relevant provisions of the Act and the guidelines issued by the RBI to the extent applicable.

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.

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 17 April 2023.

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 year ended 31 March 2023 (Continued)

Fair value is the price that would be received on sale of 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 for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102 Share based payment, leasing transactions that are within the scope of Ind AS 116 Leases.

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 model that are considered accounting judgements and estimates include:

   - The Company's criteria for assessing whether there has been a significant increase in credit risk for financial assets and if so the same should be measured on a Lifetime ECL basis and the qualitative assessment.
   - Selection of forward—looking macroeconomic scenarios as applicable and their probability weights, to imbibe the economic inputs into the ECL model.

Notes to the financial statements for the year ended 31 March 2023 (Continued)

- Development of ECL model, including choice of inputs / assumptions used.

The various inputs used and process followed by the Company in measurement of ECL has been detailed in Note 8.1.

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 and unutilised tax breaks can be used – Note 12

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

3. Significant Accounting Policies

3.1 Revenue recognition

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

3.1.1 Interest income - EIR method

Interest income on financial instruments is recognised on a time proportion basis taking into account the amount outstanding and the EIR applicable.

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 or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets measured 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).

3.1.2 Net Gain or Loss on Fair Value Changes

The capital gain/loss on mutual fund is recognised in the statement of profit and loss in net gain on fair value changes as and when units of mutual funds are sold. The unsold units of mutual funds are fair valued on reporting date and unrealised gain/loss is recognised in the statement of profit and loss in net gain on fair value changes.

For qualifying fair value hedges, the cumulative change in the fair value of hedging derivatives is recognised in the statement of profit and loss in net gain on fair value changes. The cumulative change in the fair

Notes to the financial statements for the year ended 31 March 2023 (Continued)

value of the hedged item attributable to the risk hedged is also recognised in the statement of profit and loss in net gain on fair value changes.

3.1.3 Commission income

Income from commission includes [i] fees received from the authorised dealers on referral for foreign exchange services, [ii] income on sourcing of insurance business, [iii] income on sourcing of fixed deposits. The Company recognises commission income in accordance with the terms of the relevant agreement and when it is probable that the Company will collect the consideration.

3.1.4 Other fees

Other fees represent documentation charges, ACH/ECS swap charges, cheque bouncing charges, prepayment charges, penal interest charges and these are recognised as income when the amounts 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 ("FVOCI")
- Fair value through profit and loss ("FVTPL")

Business model assessment

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

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

Notes to the financial statements for the year ended 31 March 2023 (Continued)

- 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 reassesses its business models at each reporting period to determine whether the business models have changed since the preceding period.

- **Amortised cost**

  The Company measures cash and bank balances, loans, trade receivables and other financial assets at amortised cost if the following condition is met:

  - Financial Assets that are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows, and that have contractual cash flows that are SPPI.

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.

All the lending arrangements of the Company, have contractual cash flows that are SPPI. 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 investments in Government and other debt securities, held for the purpose of maintaining the minimum levels of High Quality Liquid Assets required by RBI guidelines at FVOCI.

- **Fair Value through Profit and Loss**

  Financial assets at FVTPL are:

  - assets with contractual cash flows that do not meet the SPPI test; 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 year ended 31 March 2023 (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.
Debt Instruments at FVOCI	These assets are subsequently measured at fair value. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on subsequent measurement is recognised in OCI and on derecognition the cumulative gain or loss recognised in OCI is recycled to 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 face value and proceeds received in excess of the face value are recognised as Securities Premium.

- **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 as hedged items and are classified and measured at FVTPL or FVOCI.

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.

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

Notes to the financial statements for the year ended 31 March 2023 (Continued)

the date of the first tranche loan draw down till the study period is over or the amount is fully drawn down, whichever is earlier. Undrawn loan commitments form part of the exposure at default considered for the ECL provisions.

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.

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.

Considering the disruption caused by the COVID-19 pandemic the Company had offered one time restructuring to loans eligible under the RBI's Resolution Framework 1.0 and 2.0 for COVID-19-related Stress ("Framework"). The financial assets modified due to said Framework were based on terms and conditions which did not result in substantial modifications in the cash flows and hence were not derecognised.

The financial assets restructured under the Framework were financially impacted due to the Covid-19 pandemic and have been classified as having significant increase in credit risk or as credit impaired based on the Company's Expected Credit Loss Model.

Where a modification does not lead to derecognition, the Company calculates and recognises in the statement of profit and loss, the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance).

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.

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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).

For certain loans that do not have significant payment obligations in the next 12 months, the Company uses a higher period instead of 12 months to determine the ECL applicable on such loans till the time significant payment obligations are due in the next 12 months. The Company continues to classify these loans as Stage 1 based on its credit risk on the reporting date.

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, subject to the above exception.

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. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime expected credit loss. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the lifetime expected credit loss.

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

Measurement of expected credit losses

The Company measures ECL on a collective basis for portfolios of loans that share similar economic

Notes to the financial statements for the year ended 31 March 2023 (Continued)

risk characteristics. The Company calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the portfolio 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.

When estimating ECL for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

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

Probability of Default ("PD") is the probability of whether the borrowers will default on their obligations in the future which is calculated based on historical default rate summary of past years using the Roll Rate analysis.

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, and expected drawdowns on committed facilities after considering the expected disbursement.

The Loss Given Default ("LGD") is an estimate of the loss from a financial asset given that a default occurs The LGD is computed using the Company's own loss and recovery experience. It is usually expressed as a percentage of the EAD.

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 more than 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is classified in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

The Company had provided one time restructuring benefit to its eligible customers as per the RBI's Resolution Framework (1.0 and 2.0) for Covid 19 related stress. The loans restructured under the Framework were financially impacted due to the Covid-19 pandemic and have been classified as having significant increase in credit risk or as credit impaired based on the Company's Expected Credit Loss Model. The loans where significant financial stress was visible have been considered as Credit Impaired and others have been classified as having significant increase in credit risk.

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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.

Loans restructured under RBI's Resolution Framework for Covid 19 related stress where significant financial stress was visible have been considered as Credit Impaired. Such loans continue to be in Stage 3 until they exhibit regular payment of renegotiated principal and interest over a minimum observation of period, typically 12 months-post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to Stage 1 or 2 and a fresh assessment of the risk of default be done for such loans.

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.

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.

Loans restructured under the RBI's Resolution Framework 1.0 and 2.0 for COVID-19-related Stress are not included in the definition of default given that this is a result of disruption caused by the COVID—19 pandemic and is exceptional in nature.

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

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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 collateral assets and recovers the amount due against the loan. Any surplus funds are returned to the customers/obligors.

3.2.7 Write-off

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

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

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

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

3.2.9 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 remeasured 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.

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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 derivative is 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.

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 is 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 is 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 other equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately 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 upto that time remains in OCI and is recognised in the statement of profit and loss when the underlying hedged item is matured/expired. 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.

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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 are expected to 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. PPE held for use are stated in the balance sheet at original cost net of tax / duty credits availed, less accumulated depreciation and accumulated impairment losses. Administrative or other general overhead expenses and borrowing costs that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the PPE.

PPE 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 the statement of profit and loss. PPE not ready for the intended use on the date of the Balance Sheet is disclosed as "capital work-in-progress".

Depreciation

Depreciation is recognised using straight line method so as to write off the cost of the assets less their residual values over their estimated useful lives as specified in Schedule II to the Act or in case of assets where the estimated useful life was determined by technical evaluation, over the useful life so determined. 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. The useful life of the property, plant and equipment held by the Company is as follows:

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

* For the above class of assets, based on technical advice and the internal assessment done, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the 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.

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.

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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.

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.

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”).

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.

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

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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 and at the present value of the defined benefit obligation as at the balance sheet date as determined basis Actuarial valuation. The same is charged to the statement of profit and loss.

v) Share-based Payment Arrangements

Estimating fair value for share-based payment transactions requires use of an appropriate valuation model. The Company measures the cost of equity-settled transactions with Option holders using Black-Scholes Model to determine the fair value of the options on the grant date. Inputs into the valuation model, includes assumption such as the expected life of the share option, volatility and dividend yield. The stock options granted to employees pursuant to the Company's Stock Options Schemes, are measured at the fair value of the options at the grant date using Black Scholes Model. The fair value of the options determined at grant date is accounted as employee compensation cost over the vesting period on a straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity. On cancellation or lapse of option granted to employees, the compensation cost charged to statement of profit & loss is credited with corresponding decrease in equity.

3.8 Provisions, contingent liabilities and contingent assets

<u>Provisions are recognised only when:</u>

- 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.

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.

<u>Contingent liability is disclosed in case of:</u>

- 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.

Notes to the financial statements for the year ended 31 March 2023 (Continued)

Contingent Assets:

Contingent assets are not recognised in the financial statements. 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.

3.9 Taxes on Income

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 other equity).

Current tax

Current income taxes are determined based on taxable income of the Company. Current tax comprises the expected tax payable 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 is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted by the balance sheet 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.

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 asset 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,

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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.

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 Borrowing costs

Borrowing costs include interest expense calculated using the EIR method and finance charges in respect of assets acquired on finance lease. EIR includes interest and 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.

3.12 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.

3.13 Segments

The Company's main business is providing education loans for higher education in India and abroad. All other activities of the Company revolve around the main business. This in the context of Ind AS 108 – Operating Segments reporting is considered to constitute one reportable segment.

3.14 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.

3.15 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.

3.16 Statement of Cash Flows

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

- changes during the period in operating receivables and payables transactions of a non-cash nature;
- non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses; and
- all other items for which the cash effects are investing or financing cash flows.

Notes to the financial statements for the year ended 31 March 2023 (Continued)

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.

3.17 Lease accounting

The Company's leases consists primarily of 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.

For lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Company remeasures the lease liability by discounting the revised lease payments using the interest rate implicit in the lease for remainder of the lease term or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. The Company accounts for the remeasurement of lease liability by (i) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in the statement of profit or loss, (ii) making corresponding adjustment to the right-of-use asset in all other lease modifications.

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

Notes to the financial statements as at 31 March 2023 (Continued)

(Currency: INR in Lakhs)

4 Cash and Cash Equivalents

See accounting policy in note no 3.3

	As at 31 March 2023	As at 31 March 2022
Balances with bank		
— In current accounts	**1,081.09**	2,730.33
— In deposits accounts having original maturity less than 3 months	**40,653.65**	—
Total	**41,734.74**	2,730.33

Balances with banks in current account does not earn any interest. Balance in deposit account earns interest at fixed rates for varying periods between seven days and three months. The Company places deposits as per the liquidity management requirement.

Balances with bank in current accounts includes amount with related parties ₹ 1,079.01 lakhs (as at 31 March 2022: ₹ 2,725.77 lakhs) and in deposits accounts having original maturity less than 3 months includes amount with related parties ₹ 7,131.17 lakhs (as at 31 March 2022: Nil) [Refer note 37].

5 Bank Balances other than Cash and Cash Equivalents

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
In deposits accounts having original maturity more than 3 months	**10,018.97**	88.22
Deposits with banks to the extent held as security against the borrowings and guarantees*	**52.76**	54.32
Total	**10,071.73**	142.54

* Deposits of ₹ 25 lakhs (as at 31 March 2022: ₹ 27.66 lakhs) are marked as lien for bank guarantee given to Unique Identification Authority of India (UIDAI) and deposits of ₹ 25 lakhs (as at 31 March 2022: ₹ 25 lakhs) are marked as lien for bank guarantee given to BSE Limited.

Amount in deposit accounts having original maturity more than 3 months includes amount with related parties ₹ 10 lakhs (as at 31 March 2022: ₹ 85 lakhs) [Refer note 37].

Fixed deposits with banks earn interest at fixed rate.

6 Derivative Financial Instruments

See accounting policy in note no 3.2

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 end of the period and are not indicative of either the market risk or credit risk.

Notes to the financial statements as at 31 March 2023 (Continued)

(Currency: INR in Lakhs)

	As at 31 March 2023			As at 31 March 2022		
	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)	—	—	—	75,900.00	2,813.55	—
Subtotal (i)	**—**	**—**	**—**	**75,900.00**	**2,813.55**	**—**
(ii) Interest rate derivatives						
- Interest Rate Swaps (USD/USD)	—	—	—	75,900.00	234.53	—
- Interest Rate Swaps (INR/INR)	187,500.00	—	7,440.14	167,500.00	—	7,157.05
Subtotal (ii)	**187,500.00**	**—**	**7,440.14**	**243,400.00**	**234.53**	**7,157.05**
Total Derivative financial instruments (i)+(ii)	**187,500.00**	**—**	**7,440.14**	**319,300.00**	**3,048.08**	**7,157.05**
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	187,500.00	—	7,440.14	167,500.00	—	7,157.05
Subtotal (i)	**187,500.00**	**—**	**7,440.14**	**167,500.00**	**—**	**7,157.05**
(ii) Cash flow hedging:						
- Currency derivatives	—	—	—	75,900.00	2,813.55	—
- Interest rate derivatives	—	—	—	75,900.00	234.53	—
Subtotal (ii)	**—**	**—**	**—**	**151,800.00**	**3,048.08**	**—**
Total Derivative financial instruments (i)+(ii)	**187,500.00**	**—**	**7,440.14**	**319,300.00**	**3,048.08**	**7,157.05**

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 38.3.2.2 for foreign currency risk.

(Currency: INR in Lakhs)

7 Trade Receivables

See accounting policy in note no 3.2

	As at 31 March 2023	As at 31 March 2022
Trade receivables - unsecured; considered good	**143.84**	48.50
Trade receivables - unsecured; which have significant increase in credit risk	**—**	—
Sub total	**143.84**	48.50
Impairment loss allowance	**—**	—
Total	**143.84**	48.50

Trade receivables includes amounts due from the related parties ₹ 41.76 lakhs (as at 31 March 2022: ₹ 7.31 lakhs) [Refer note 37].

Notes to the financial statements as at 31 March 2023 (Continued)

7 Trade Receivables (Continued)

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
31 March 2023	Estimated total gross carrying amount	96.19	47.65	–	–	–	–	143.84
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	96.19	47.65	–	–	–	–	143.84
31 March 2022	Estimated total gross carrying amount	48.47	–	–	–	0.03	–	48.50
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	48.47	–	–	–	0.03	–	48.50

Trade receivables ageing schedule

As at 31 March 2023

Sr. No.	Particulars	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Undisputed trade receivables - considered good	143.84	–	–	–	–	143.84
ii.	Undisputed trade receivables - which have significant increase in credit risk	–	–	–	–	–	–
iii.	Undisputed trade receivables -credit impaired	–	–	–	–	–	–
iv.	Disputed trade receivables - considered good	–	–	–	–	–	–
v.	Disputed trade receivables - which have significant increase in credit risk	–	–	–	–	–	–
vi.	Disputed trade receivables - credit impaired	–	–	–	–	–	–

* Includes unbilled dues of ₹ Nil

As at 31 March 2022

Sr. No.	Particulars	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Undisputed trade receivables - considered good *	48.50	–	–	–	–	48.50
ii.	Undisputed trade receivables - which have significant increase in credit risk	–	–	–	–	–	–
iii.	Undisputed trade receivables - credit impaired	–	–	–	–	–	–
iv.	Disputed trade receivables - considered good	–	–	–	–	–	–
v.	Disputed trade receivables - which have significant increase in credit risk	–	–	–	–	–	–
vi.	Disputed trade receivables - credit impaired	–	–	–	–	–	–

* Includes unbilled dues of ₹ 6.5 lakhs

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

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 recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

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

Notes to the financial statements as at 31 March 2023 (Continued)

8 Loans and Advances (at amortised cost)

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Term loans:		
Individual loans	**1,529,765.98**	883,805.37
Total – Gross	**1,529,765.98**	883,805.37
Less: Impairment loss allowance	**5,875.92**	5,121.15
- Stage 1 & 2	**4,849.61**	3,391.05
- Stage 3	**1,026.31**	1,730.10
Total – Net	**1,523,890.06**	878,684.22
(a) Secured by tangible assets	**395,726.81**	294,570.66
(b) Secured by fixed deposits and marketable securities	**14,793.80**	9,777.67
(c) Unsecured	**1,119,245.37**	579,457.04
Total – Gross (B)	**1,529,765.98**	883,805.37
Less: Impairment loss allowance*	**5,875.92**	5,121.15
- Stage 1 & 2	**4,849.61**	3,391.05
- Stage 3	**1,026.31**	1,730.10
Total – Net (B)	**1,523,890.06**	878,684.22
(I) Loans in India		
(i) Public sector	—	—
(ii) Others		
- Education loans to individuals	**1,529,765.98**	883,805.37
Total – Gross (C) (I)	**1,529,765.98**	883,805.37
Less: Impairment loss allowance*	**5,875.92**	5,121.15
- Stage 1 & 2	**4,849.61**	3,391.05
- Stage 3	**1,026.31**	1,730.10
Total – Net (C) (I)	**1,523,890.06**	878,684.22
(II) Loans outside India	—	—
Total (C) (I + II)	**1,523,890.06**	878,684.22

8 Loans and Advances (at amortised cost)

a. Loans details

Particulars	Principal	Instalment / Interest O/s	EIR adjustment	Total
As at 31 March 2023				
Individual loans	1,449,425.77	84,372.75	(4,032.54)	1,529,765.98
Total	**1,449,425.77**	**84,372.75**	**(4,032.54)**	**1,529,765.98**
As at 31 March 2022				
Individual loans	844,102.25	42,548.98	(2,845.86)	883,805.37
Total	**844,102.25**	**42,548.98**	**(2,845.86)**	**883,805.37**

*Impairment loss allowance does not include ₹ 344.62 lakhs (as at 31 March 2022 ₹ 109.70 lakhs) towards loan commitments. [Refer note 21]

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.

Notes to the financial statements as at 31 March 2023 (Continued)

8 Loans and Advances (at amortised cost) (continued)

Loans granted by the Company aggregating to ₹ 4,10,520.61 lakhs (as at 31 March 2022: ₹ 3,04,348.33 lakhs) are secured or partly secured by one or a combination of the following collaterals:

a. Immovable property

b. Fixed deposit and marketable securities

Loans given as security against secured borrowings from banks & financial institutions and non-convertible debentures ₹ 13,45,690.56 lakhs (as at 31 March 2022: ₹ 7,56,694.41 lakhs).

The quarterly asset cover statements filed by the Company with banks and financial institutions as per sanctioned terms and conditions are in agreement with the books of accounts.

The Company has not granted any loans or advances to promoters, directors, KMPs and the related parties that are repayable on demand or without specifying any terms or period of repayment.

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 computed taking into account the portfolio specific macroeconomic factors having statistically significant correlation with the default rate of the Company and that capture the economic conditions of the country of study of the borrowers. During the year, the Company has updated its macro economic model and it now factors in macro economic variables of India, USA, Canada and UK for the respective portfolio. The Company uses management judgement to determine the weights attributable to the three scenarios considered; i.e. a base case, an upside and a downside. The scalar rates applied to the PD have been computed using statistical and regression analysis.

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.

Loans restructured under the RBI's Resolution Framework for COVID-19-related Stress are not included in the definition of default given that this is a result of disruption caused by the COVID-19 pandemic and is exceptional in nature. The same has been excluded from the computation of the ECL model.

Notes to the financial statements as at 31 March 2023 (Continued)

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

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 or whether the asset is credit impaired 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 — No Overdue	Principal or interest payment not overdue
Standard Restructured	Accounts restructured under RBI's Resolution Framework for COVID 19 related Stress
SMA-0	Principal or interest payment overdue between 1-30 days
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 to the base expected credit loss provision due to macro-economic factors:

As the global economies were slowly returning to normalcy after waging a two year long war with the deadly Covid 19 pandemic they were faced with the Russia-Ukraine conflict and the Zero Covid policy adopted by China. Cumulatively these events have led to disruption of the global supply chains, long term impact on prices of key commodities and energy pushing several economies in a hyper-inflationary state. Central Banks world over have taken policy actions by raising interest rates to tame inflation albeit at the cost of growth and continue to maintain a hawkish stance leading to fears of recession.

The final impact of the ongoing geo-political conflicts, disrupted supply chains and the deteriorated macro-economic factors continues to be uncertain and the actual impact of these on the credit quality of the loan portfolio may be different than the that estimated in the base Expected Credit Loss model as at the date of approval of these financial statements. Given the dynamic nature of these conditions the management will continue to closely monitor the material changes in the macro-economic factors impacting the operations of the Company.

The Company has created a Management overlay of Rs. 1800.49 lakhs on the loan portfolio wherein, the students are expected to start servicing of their full equated monthly instalments (EMIs) on completion of their moratorium period (study period + grace period of 12 month) in the next 18 months who may face delays in seeking gainful employment in the prevailing economic scenario.

Notes to the financial statements as at 31 March 2023 (Continued)

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

g. Other Management overlay

The Company has identified certain cases as Doubtful Assets and Loss Assets, based on the loans being unsecured in nature and requiring 100% provision under the applicable Income Recognition and Asset Classification norms of the RBI. The maximum provision as per the ECL model is limited to the percentage of Loss Given Default, hence the Company has created additional management overlay to provide for 100% provision against these unsecured doubtful and loss Assets.

h. One time restructuring under RBI Resolution Framework

During the year ended 31 March 2022, the Company had restructured loan accounts in accordance with the Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses as per the RBI Circular dated 05 May 2021 (Resolution Framework 2.0). These accounts were reviewed and assessed as having a significant increase in credit risk and were classified as Stage 2 and Stage 3 in accordance with the Company's provisioning policy under the ECL framework.

Details of resolution plan implemented under the Resolution Framework 1.0 as per RBI circular dated 06 August 2020 and Resolution Framework 2.0 as per RBI circular dated 05 May 2021 are disclosed in note 8.1 (i) and note 40.27.

i. Credit quality of assets

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

(Currency: INR in Lakhs)

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Standard - No Overdue	1,516,877.50	5,088.76	–	1,521,966.27	872,981.38	2,279.46	–	875,260.84
Standard Restructured[1]	–	561.28	689.68	1,250.96	–	2,366.01	3,136.12	5,502.13
SMA - 0	4,449.04	12.82	–	4,461.86	921.56	–	–	921.56
SMA - 1	–	188.56	–	188.56	–	171.94	–	171.94
SMA - 2	–	47.75	–	47.75	–	23.45	–	23.45
Non Performing Assets	–	–	1,850.58	1,850.58	–	–	1,925.45	1,925.45
Total	1,521,326.54	5,899.18	2,540.26	1,529,765.98	873,902.94	4,840.86	5,061.57	883,805.37

[1] Considering the disruption caused by the COVID-19 pandemic the Company had offered one time restructuring to loans eligible under the RBI's Resolution Framework 1.0 & 2.0 during the previous year. The financial assets mentioned above were modified due to said Frameworks and were based on terms and conditions which did not result in substantial modifications in the cash flows and hence, were not derecognised.

The exposure of such accounts; amounting to ₹ 561.28 lakhs (as at 31 March 2022 ₹ 2,366.01 lakhs) and ₹ 689.68 lakhs (as at 31 March 2022 ₹ 3,136.12 lakhs) is presented in Stage 2 and Stage 3 respectively.

Notes to the financial statements as at 31 March 2023 (Continued)

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

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

Reconciliation of the gross carrying amount:

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**873,902.94**	**4,840.86**	**5,061.57**	**883,805.37**	618,860.52	4,100.10	3,735.10	626,695.72
Transfers during the year								
transfers to Stage 1	**7,778.72**	**(5,462.57)**	**(2,316.15)**	**–**	3,898.61	(3,020.23)	(878.38)	–
transfers to Stage 2	**(9,350.23)**	**9,424.94**	**(74.71)**	**–**	(6,438.43)	6,653.26	(214.83)	–
transfers to Stage 3	**(488.54)**	**(330.06)**	**818.60**	**–**	(1,500.43)	(1,289.81)	2,790.24	–
	(2,060.05)	**3,632.31**	**(1,572.26)**	**–**	(4,040.25)	2,343.22	1,697.03	–
Increase in EAD – new assets originated or purchased/ further increase in existing assets (net)	**872,598.25**	**521.33**	**291.00**	**873,410.58**	468,082.54	338.21	406.26	468,827.00
Assets repaid in part or full (excluding write offs)	**(223,114.60)**	**(3,095.32)**	**(1,219.23)**	**(227,429.15)**	(208,999.87)	(1,940.67)	(731.03)	(211,671.57)
Amounts written off [1]	**–**	**–**	**(20.82)**	**(20.82)**	–	–	(45.79)	(45.79)
Gross carrying amount closing balance	**1,521,326.54**	**5,899.18**	**2,540.26**	**1,529,765.97**	873,902.94	4,840.86	5,061.57	883,805.37

[1] The amounts written off presented above are subject to enforcement activity.

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

Particulars	For the year ended 31 March 2023				For the year ended 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	**2,527.39**	**863.66**	**1,730.10**	**5,121.15**	2,028.67	404.94	1,220.34	3,653.95
Changes in ECL due to -								
Transfers during the year								
transfers to Stage 1	**1,592.75**	**(1,023.14)**	**(569.61)**	**–**	600.00	(375.04)	(224.96)	–
transfers to Stage 2	**(7.19)**	**30.03**	**(22.84)**	**–**	(349.34)	405.29	(55.94)	–
transfers to Stage 3	**(0.31)**	**(49.47)**	**49.78**	**–**	(0.70)	(196.77)	197.47	–
	1,585.25	**(1,042.57)**	**(542.67)**	**–**	249.95	(166.52)	(83.43)	–
ECL remeasurements due to changes in EAD / assumptions [Net]	**(606.40)**	**1,570.41**	**(130.00)**	**834.01**	179.70	784.18	409.24	1,373.12
Management Overlay	**(48.12)**	**–**	**(31.12)**	**(79.24)**	69.07	(158.94)	183.96	94.09
Impairment loss allowance - closing balance	**3,458.11**	**1,391.50**	**1,026.31**	**5,875.92**	2,527.39	863.66	1,730.10	5,121.15

The increase in impairment loss allowance of the portfolio was driven by an increase in the gross size of the portfolio, movements between stages as a result of increase in credit risk and changes to the PD and LGD methodology during the year.

Notes to the financial statements as at 31 March 2023 (Continued)

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

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

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2023				For the year ended 31 March 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	**92.01**	**17.69**	–	**109.70**	17.66	0.16	0.58	18.39
Transfers during the year								
transfers to Stage 1	**9.35**	**(9.35)**	–	–	0.08	(0.08)	–	–
transfers to Stage 2	**(23.08)**	**23.08**	–	–	(13.46)	13.46	–	–
transfers to Stage 3	–	**(0.06)**	**0.06**	–	(0.00)	–	0.00	–
	(13.73)	**13.68**	**0.06**	–	(13.38)	13.38	0.00	–
ECL remeasurements due to changes in EAD / assumptions [Net]	**235.77**	**(0.79)**	**(0.06)**	**234.92**	87.73	4.16	(0.58)	91.31
Impairment loss allowance – closing balance	**314.04**	**30.58**	–	**344.62**	92.01	17.69	–	109.70

The provision referred above was computed based on amount of undisbursed commitment of ₹ 2,13,627.69 lakhs (as at 31 March 2022 ₹ 1,21,453.13 lakhs).

9 Investments

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023			As at 31 March 2022		
	At fair value			At fair value		
	Through other comprehensive income	Through profit or loss	Total	Through other comprehensive income	Through profit or loss	Total
Investment in mutual funds	–	**20,162.60**	**20,162.60**	–	7,099.08	7,099.08
Investment in Government Securities	**39,036.38**	–	**39,036.38**	11,802.05	–	11,802.05
Total – Gross (A)	**39,036.38**	**20,162.60**	**59,198.98**	11,802.05	7,099.08	18,901.13
Investments in India	**39,036.38**	**20,162.60**	**59,198.98**	11,802.05	7,099.08	18,901.13
Investments outside India	–	–	–	–	–	–
Total – Gross (B)	**39,036.38**	**20,162.60**	**59,198.98**	11,802.05	7,099.08	18,901.13
Less: Allowance for impairment loss (Expected credit loss) (**C**)	–	–	–	–	–	–
Total – Net (D) = (A – C)	**39,036.38**	**20,162.60**	**59,198.98**	11,802.05	7,099.08	18,901.13

10 Other Financial Assets

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Security deposits – unsecured; considered good	**262.78**	232.81
Other loan & advances – advances to employees	**23.38**	24.81
Amounts receivable on swaps and other derivatives	**1,647.78**	2,864.44
Total	**1,933.94**	3,122.06

11 Current Tax Assets (NET)

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Advance tax (net of provision)	**228.18**	279.55
Total	**228.18**	279.55

Notes to the financial statements as at 31 March 2023 (Continued)

12 Deferred Tax

See accounting policy in note no 3.9

The following table shows deferred tax assets (net) recorded in the balance sheet and changes in deferred tax recorded in the statement of profit and loss and other comprehensive income:

a. FY 2022–23

(Currency: INR in Lakhs)

Particulars	Deferred tax assets	Deferred tax liabilities	Changes in deferred tax recorded in statement of profit and loss	Changes in deferred tax recorded in other comprehensive income
	As at 31 March 2023	As at 31 March 2023	for the year ended 31 March 2023	for the year ended 31 March 2023
Depreciation on property, plant and equipment and intangible assets	–	4.56	(10.46)	–
Application of effective interest rate on financial assets	1,731.21	–	855.41	–
Application of effective interest rate on financial liabilities	–	581.95	(280.24)	–
Impairment on financial instruments	1,337.06	–	254.08	–
Provisions for employee benefits	101.84	–	9.56	7.93
Right of use assets & lease liabilities	28.09	–	12.20	–
Derivative financial assets	–	–	–	59.03
Derivative financial liabilities	1,872.13	–	71.24	–
Employee share based payments expenses	294.86	–	294.86	–
Fair valuation / revaluation of financial liabilities	–	1,757.75	(6.70)	–
Unrealised (gain) / loss on investments	–	7.45	4.07	–
Fair valuation of investments	123.81	–	–	87.54
Total	**5,489.00**	**2,351.71**	**1,204.02**	**154.50**
Net deferred tax asset as at 31 March 2023		**3,137.29**		

b. FY 2021–22

(Currency: INR in Lakhs)

Particulars	Deferred tax assets	Deferred tax liabilities	Changes in deferred tax recorded in statement of profit and loss	Changes in deferred tax recorded in other comprehensive income
	As at 31 March 2022	As at 31 March 2022	for the year ended 31 March 2022	for the year ended 31 March 2022
Depreciation on property, plant and equipment and intangible assets	5.90	–	(1.10)	–
Application of effective interest rate on financial assets	875.80	–	269.80	–
Application of effective interest rate on financial liabilities	–	301.71	(57.71)	–
Impairment on financial instruments	1,082.98	–	323.98	–
Provisions for employee benefits	84.35	–	(19.52)	(1.13)
Right of use assets & lease liabilities	15.89	–	1.89	–
Derivative financial assets	–	59.03	–	(59.03)
Derivative financial liabilities	1,800.89	–	756.29	(363.40)
Fair valuation / revaluation of financial liabilities	–	1,751.05	(781.05)	–
Unrealised (gain) / loss on investments	–	11.52	(5.52)	–
Fair valuation of investments	36.27	–	–	17.27
Total	**3,902.08**	**2,123.31**	**487.06**	**(406.29)**
Net deferred tax asset as at 31 March 2022		**1,778.77**		

Notes to the financial statements as at 31 March 2023 (Continued)

13 Property, Plant and Equipment & Intangible Assets

The changes in the carrying value of property, plant and equipment & intangible assets for the period ended 31 March 2023 are as follows:

(Currency: INR in Lakhs)

Particulars		Gross Block				Accumulated depreciation/amortisation				Net Block	
		As at 01 April 2022	Additions during the year	Deletions/ Write-offs during the year	As at 31 March 2023	As at 01 April 2022	For the year	Deletions/ Write-offs during the year	As at 31 March 2023	As at 31 March 2023	As at 31 March 2022
A	**Tangible assets:**										
	Office equipment	97.44	59.03	1.34	155.13	74.27	17.11	1.28	90.11	65.03	23.17
	Computers	370.36	354.05	20.89	703.51	169.93	113.52	20.88	262.57	440.94	200.43
	Furniture & fixtures	81.62	84.32	0.10	165.83	34.44	13.33	0.08	47.70	118.14	47.18
	Vehicles	–	41.74	–	41.74	–	2.87	–	2.87	38.87	–
	Right of use assets (Buildings)	1,647.94	1,101.44	147.66	2,601.73	594.41	521.12	82.86	1,032.67	1,569.06	1,053.53
	Sub-total (A)	**2,197.36**	**1,640.58**	**169.99**	**3,667.95**	**873.05**	**667.96**	**105.09**	**1,435.92**	**2,232.04**	**1,324.31**
B	**Intangible assets:**										
	Other software	84.50	–	–	84.50	72.21	10.69	–	82.90	1.60	12.29
	Sub-total (B)	**84.50**	**–**	**–**	**84.50**	**72.21**	**10.69**	**–**	**82.90**	**1.60**	**12.29**
C	**Intangible assets under development (C)**	174.47	963.64	–	1,138.11	–	–	–	–	1,138.11	174.47
	Total (A+B+C)	**2,456.33**	**2,604.22**	**169.99**	**4,890.56**	**945.26**	**678.66**	**105.09**	**1,518.83**	**3,371.75**	**1,511.07**

The changes in the carrying value of property, plant and equipment & intangible assets for the year ended 31 March 2022 are as follows:

(Currency: INR in Lakhs)

Particulars		Gross Block				Accumulated depreciation/amortisation				Net Block	
		As at 01 April 2021	Additions during the year	Deletions/ Write-offs during the year	As at 31 March 2022	As at 01 April 2021	For the year	Deletions/ Write-offs during the year	As at 31 March 2022	As at 31 March 2022	As at 31 March 2021
A	**Tangible assets:**										
	Office equipment	95.37	7.49	5.42	97.44	61.67	17.76	5.16	74.27	23.17	33.70
	Computers	316.52	71.03	17.19	370.36	124.25	62.76	17.08	169.93	200.43	192.28
	Furniture & fixtures	84.57	4.27	7.22	81.62	29.84	8.74	4.14	34.44	47.18	54.73
	Right of use assets (Buildings)	983.26	917.59	252.91	1,647.94	426.49	276.72	108.80	594.41	1,053.53	556.77
	Sub-total (A)	**1,479.72**	**1,000.38**	**282.74**	**2,197.36**	**642.25**	**365.98**	**135.18**	**873.05**	**1,324.31**	**837.48**
B	**Intangible assets:**										
	Other software	84.50	–	–	84.50	59.47	12.74	–	72.21	12.29	25.02
	Sub-total (B)	**84.50**	**–**	**–**	**84.50**	**59.47**	**12.74**	**–**	**72.21**	**12.29**	**25.02**
C	**Intangible assets under development (C)**	–	174.47	–	174.47	–	–	–	–	174.47	–
	Total (A+B+C)	**1,564.22**	**1,174.85**	**282.74**	**2,456.33**	**701.72**	**378.72**	**135.18**	**945.26**	**1,511.07**	**862.50**

Notes to the financial statements as at 31 March 2023 (Continued)

13.1 Intangible assets under development aging schedule

As at 31 March 2023

(Currency: INR in Lakhs)

Sr. No.	Particulars	Amount in intangible assets under development for a period of				Total
		Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Projects in progress	125.54	1,012.57	—	—	1,138.11
ii.	Projects temporarily suspended	—	—	—	—	—

Note: There are no intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan.

As at 31 March 2022

(Currency: INR in Lakhs)

Sr. No.	Particulars	Amount in intangible assets under development for a period of				Total
		Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Projects in progress	174.47	—	—	—	174.47
ii.	Projects temporarily suspended	—	—	—	—	—

Note: There are no intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan.

14 Other non Financial Assets

See accounting policy in note no 3.6 & 3.10

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Unsecured; considered good		
Prepaid expenses*	**245.97**	80.29
Receivable from government authorities	**617.53**	367.09
Others#	**30.42**	7.34
Total	**893.92**	454.72

* Prepaid expenses includes ₹ 42.04 lakhs (as at 31 March 2022 ₹ 40.31 lakhs) towards related parties [Refer note 37].

Others includes ₹ 1.31 lakhs (as at 31 March 2022 ₹ 0.34 lakhs) due from related parties [Refer note 37].

15 Trade Payables

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Total outstanding dues of micro enterprises and small enterprises	**18.64**	64.71
Total outstanding dues of creditors other than micro enterprises and small enterprises		
— Payable to vendors	**233.08**	251.04
— Accrued expenses	**3,296.23**	1,904.23
Total	**3,547.95**	2,219.98

Trade payables includes ₹ 633.46 lakhs (as at 31 March 2022 ₹ 398.86 lakhs) due to related parties [Refer note 37].

Trade payables include ₹ 18.64 lakhs (as at 31 March 2022 ₹ 64.71 lakhs) payable to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006. The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. The amount of principal and interest outstanding during the year is given below.

Notes to the financial statements as at 31 March 2023 (Continued)

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
a) Amount outstanding but not due as at year end	**—**	—
b) Amount due but unpaid as at the year end	**18.64**	64.71
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	**18.64**	64.71

Trade payables aging schedule

As at 31 March 2023

Sr. No.	**Particulars**	**Outstanding for following periods from due date of payment**				**Total**
		Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Micro, Small and Medium Enterprises ("MSME")	18.64	—	—	—	**18.64**
ii.	Others	233.08	—	—	—	**233.08**
iii.	Disputed dues - MSME	—	—	—	—	**—**
iv.	Disputed dues - Others	—	—	—	—	**—**
v.	Accrued expenses	3,212.87	44.03	20.65	18.68	**3,296.23**
vi.	**Total**	**3,464.59**	**44.03**	**20.65**	**18.68**	**3,547.95**

As at 31 March 2022

Sr. No.	**Particulars**	**Outstanding for following periods from due date of payment**				**Total**
		Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Micro, Small and Medium Enterprises ("MSME")	64.71	—	—	—	**64.71**
ii.	Others	251.04	—	—	—	**251.04**
iii.	Disputed dues - MSME	—	—	—	—	**—**
iv.	Disputed dues - Others	—	—	—	—	**—**
v.	Accrued expenses	1,855.24	21.16	27.83	—	**1,904.23**
vi.	**Total**	**2,170.99**	**21.16**	**27.83**	**—**	**2,219.98**

Notes to the financial statements as at 31 March 2023 (Continued)

16 Debt Securities

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023		As at 31 March 2022	
	FVTPL	**Amortised Cost**	FVTPL	Amortised Cost
Secured non convertible debentures [Refer note 16.1]	**130,647.15**	**194,771.28**	110,435.20	89,916.98
Commercial paper [Refer note 16.1]	**—**	**26,982.27**	—	9,825.62
Total (A)	**130,647.15**	**221,753.55**	110,435.20	99,742.60
Debt securities in India	**130,647.15**	**221,753.55**	110,435.20	99,742.60
Debt securities outside India	**—**	**—**	—	—
Total (B) to tally with (A)	**130,647.15**	**221,753.55**	110,435.20	99,742.60

16.1 **Terms of nominal value of debentures and repayment terms as at 31 March 2023** (Currency: INR in Lakhs)

Particulars	**0-1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Debt securities					
Secured non-convertible debentures					
5.99% - 7.00%	19,997.53	—	19,983.85	—	**39,981.38**
7.01% - 8.00%	—	19,977.52	—	79,904.64	**99,882.16**
8.01% - 9.00%	—	9,988.21	29,940.44	119,823.28	**159,751.93**
9.01% - 10.00%	—	—	—	—	**—**
Benchmark linked (3 months T-Bill)	—	29,985.33	—	—	**29,985.33**
Total	**19,997.53**	**59,951.06**	**49,924.29**	**199,727.92**	**329,600.80**
Commercial paper					
4.00% - 8.00%	9,727.91	—	—	—	**9,727.91**
8.01% - 10.00%	17,254.36	—	—	—	**17,254.36**
Total	**26,982.27**	**—**	**—**	**—**	**26,982.27**
Total debt securities	**46,979.80**	**59,951.06**	**49,924.29**	**199,727.92**	**356,583.07**

The above table does not include unrealised gain of ₹ 4,182.36 lakhs on fair valuation of non-convertible debentures designated at FVTPL.

Notes to the financial statements as at 31 March 2023 (Continued)

16.1 Terms of nominal value of debentures and repayment terms as at 31 March 2022

(Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Debt securities					
Secured non-convertible debentures					
5.99% - 7.00%	–	19,990.40	–	19,980.28	**39,970.68**
7.01% - 8.00%	–	19,966.54	–	64,917.59	**84,884.13**
8.01% - 9.00%	–	9,979.28	–	39,922.58	**49,901.86**
9.01% - 10.00%	–	–	–	–	**–**
Benchmark linked (3 months T-Bill)	–	29,975.89	–	–	**29,975.89**
Total	**–**	**79,912.11**	**–**	**124,820.44**	**204,732.55**
Commercial paper					
4.00% - 8.00%	9,825.62	–	–	–	**9,825.62**
8.01% - 10.00%	–	–	–	–	**–**
Total	**9,825.62**	**–**	**–**	**–**	**9,825.62**
Total debt securities	**9,825.62**	**79,912.11**	**–**	**124,820.44**	**214,558.17**

The above table does not include unrealised gain of ₹ 4,380.37 lakhs on fair valuation of non-convertible debentures designated at FVTPL.

All secured non convertible debentures are secured by pari-passu charge on education loan receivables and have bullet repayment on maturity date.

All commercial papers are unsecured and have bullet repayment on maturity date.

During the year, the Company raised ₹ 1,25,000 lakhs (previous year ₹ 95,000 lakhs) through issue of long term, secured, non-convertible debentures.

The Company has used the funds raised through debt securities for the purpose for which it was taken.

17 Borrowings (other than Debt Securities) - at amortised cost

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Secured [Refer note 17.1]		
Term loans from banks	**846,298.38**	393,421.61
Term loans from other parties	**39,975.23**	12,495.28
External commercial borrowing	**–**	75,621.10
Total (A)	**886,273.61**	481,537.99
Borrowings in India	**886,273.61**	405,916.89
Borrowings outside India	**–**	75,621.10
Total (B) to tally with (A)	**886,273.61**	481,537.99

Notes to the financial statements as at 31 March 2023 (Continued)

17.1 **Terms of borrowings and repayment as at 31 March 2023** (Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Borrowings (Other than debt securities)					
Term loans from banks					
5.00% - 6.00%	–	–	–	–	**–**
6.01% - 7.00%	–	–	–	–	**–**
7.01% - 8.00%	13,281.98	75,967.30	55,308.93	24,976.55	**169,534.76**
8.01% - 9.00%	84,274.58	321,503.44	237,596.62	73,364.21	**716,738.85**
Total	**97,556.56**	**397,470.74**	**292,905.55**	**98,340.76**	**886,273.61**
Total borrowings (Other than debt securities)	**97,556.56**	**397,470.74**	**292,905.55**	**98,340.76**	**886,273.61**

Terms of borrowings and repayment as at 31 March 2022 (Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Borrowings (Other than debt securities)					
Term loans from banks					
5.00% - 6.00%	9,862.75	35,667.32	41,663.96	9,995.21	**97,189.24**
6.01% - 7.00%	52,271.16	126,412.05	99,432.58	30,611.86	**308,727.65**
7.01% - 8.00%	–	–	–	–	**–**
8.01% - 9.00%	–	–	–	–	**–**
Total	**62,133.91**	**162,079.37**	**141,096.54**	**40,607.07**	**405,916.89**
Total borrowings (Other than debt securities)	**137,755.01**	**162,079.37**	**141,096.54**	**40,607.07**	**481,537.99**

All term loans from banks and financial institutions, working capital demand loans and ECBs are secured by pari-passu charge on the education loan receivables of the Company.

The borrowings have not been guaranteed by directors or others. Also there is no default in repayment of borrowings and interest thereon.

Term loans and working capital demand loans are borrowed at floating rate of interest.

Term loans are repayable in quarterly/half yearly installments after moratorium period and ECBs had bullet repayment on maturity date.

The Company has repaid ECBs of USD 100 million in FY 2022-23. ECBs were borrowed for further lending of education loans as per the ECB guidelines issued by RBI from time to time. In terms of RBI guidelines, borrowings were swapped into rupees by way of principal only swaps. The coupon on the borrowing was hedged through interest rate swap. The currency exposure on the interest on ECBs was not hedged.

The Company has used the borrowings from the banks and the financial institutions for the purpose for which it was taken.

Notes to the financial statements as at 31 March 2023 (Continued)

18 Subordinated Liabilities

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023		As at 31 March 2022	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Subordinated Tier II non convertible debentures [Refer note 18.1]	**32,921.16**	**37,406.74**	33,040.89	–
Perpetual debt instruments to the extent that do not qualify as equity [Refer note 18.1]	**16,670.09**	**39,849.83**	16,757.49	9,989.23
Total (A)	**49,591.25**	**77,256.57**	49,798.38	9,989.23
Subordinated liabilities in India	**49,591.25**	**77,256.57**	49,798.38	9,989.23
Subordinated liabilities outside India	**–**	**–**	–	–
Total (B) to tally with (A)	**49,591.25**	**77,256.57**	49,798.38	9,989.23

18.1 **Terms of borrowings and repayment as at 31 March 2023**

(Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Subordinated liabilities					
Subordinated debts					
8.10% - 9.00%	–	–	9,982.53	37,406.74	**47,389.27**
9.01% - 10.00%	–	9,988.66	–	14,952.68	**24,941.34**
Total	**–**	**9,988.66**	**9,982.53**	**52,359.42**	**72,330.61**
Perpetual debt instruments					
8.00% - 9.00%	–	–	4,988.22	29,857.77	**34,845.99**
9.01% - 10.00%	–	–	–	7,485.48	**7,485.48**
10.01% - 11.00%	–	9,991.54	–	–	**9,991.54**
11.01% - 12.00%	–	4,995.92	–	–	**4,995.92**
Total	**–**	**14,987.46**	**4,988.22**	**37,343.25**	**57,318.93**
Total subordinated liabilities	**–**	**24,976.12**	**14,970.75**	**89,702.67**	**129,649.54**

The above table does not include unrealised gain of ₹ 2,002.71 lakhs on fair valuation of subordinated debts designated at FVTPL and unrealised gain of ₹ 799.01 lakhs on fair valuation of perpetual debt instruments designated at FVTPL.

18.1 **Terms of borrowings and repayment as at 31 March 2022**

(Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Subordinated liabilities					
Subordinated debts					
8.10% - 9.00%	–	–	–	9,979.60	**9,979.60**
9.01% - 10.00%	–	–	9,985.47	14,947.14	**24,932.61**
Total	**–**	**–**	**9,985.47**	**24,926.74**	**34,912.21**
Perpetual debt instruments					
8.00% - 9.00%	–	–	–	4,986.25	**4,986.25**
9.01% - 10.00%	–	–	–	7,483.38	**7,483.38**
10.01% - 11.00%	–	4,994.30	4,993.62	–	**9,987.92**
11.01% - 12.00%	–	4,994.93	–	–	**4,994.93**
Total	**–**	**9,989.23**	**4,993.62**	**12,469.63**	**27,452.48**
Total subordinated liabilities	**–**	**9,989.23**	**14,979.09**	**37,396.37**	**62,364.69**

The above table does not include unrealised gain of ₹ 1,871.32 lakhs on fair valuation of subordinated debts designated at FVTPL and unrealised gain of ₹ 705.76 lakhs on fair valuation of perpetual debt instruments designated at FVTPL.

All subordinated liabilities are unsecured and have bullet repayment on maturity date.

Notes to the financial statements as at 31 March 2023 (Continued)

₹ 20,097.08 lakhs (previous year ₹ 16,903 lakhs) of perpetual debt instrument qualifies as Tier I capital under RBI guidelines.

As at 31 March 2023, the Company's outstanding subordinated debt is ₹ 70,327.90 lakhs (as at 31 March 2022: ₹ 33,040.89 lakhs). These debentures are subordinated to present and future senior indebtedness of the Company and qualify as Tier II capital under RBI guidelines for assessing capital adequacy. Based on balance term to maturity as at 31 March 2023, 89% (as at 31 March 2022: 88%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of the capital adequacy computation.

19 Other Financial Liabilities

See accounting policy in note no 3.2 & 3.17

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Interest accrued but not due on borrowing	**17,815.21**	10,358.71
Amounts payable on swaps and other derivatives	**—**	221.28
Instalments on education loans received in advance (including interest received in advance)	**235.36**	198.10
Lease liabilities [Refer note 19.1]	**1,680.66**	1,116.66
Other financial liabilities	**252.43**	184.59
Total	**19,983.66**	12,079.34

19.1 Operating leases:

See accounting policy in note no 3.17

In accordance with the Ind AS 116 on "Leases", the following disclosures in respect of operating leases are made:

The Company has acquired its office premises on operating lease basis for periods ranging from 1 year to 9 years.

The Company has recognised lease liabilities and right to use assets as follows:

(Currency: INR in Lakhs)

	Particulars	**As at 31 March 2023**	As at 31 March 2022
I.	**Lease liabilities**		
	Opening balance	1,116.66	608.66
	Add: Lease liabilities recognised during the year	1,095.93	907.96
	Less: Lease liabilities written off during the year	(66.26)	(148.21)
	Add: Interest accrued on lease liabilities	106.21	52.24
	Less: Lease payments	(571.88)	(303.99)
	Closing balance of lease liabilities	**1,680.66**	**1,116.66**
II.	**Right of use assets (RoU assets)**		
	Opening balance	1,053.53	556.77
	Add: RoU assets recognised during the year	1,101.44	917.59
	Less: RoU assets written off during the year	(64.79)	(144.11)
	Less: Depreciation on RoU assets	(521.12)	(276.72)
	Closing balance of RoU assets	**1,569.06**	**1,053.53**

Notes to the financial statements as at 31 March 2023 (Continued)

19.1 **Operating leases:** (Continued)

Lease liabilities and lease cash flows

(Currency: INR in Lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Maturity analysis - contractual undiscounted cash flows		
Less than one year	761.26	361.56
One to five years	1,152.30	908.25
More than five years	1.58	68.23
Total undiscounted lease liabilities	**1,915.14**	1,338.04
Lease liabilities included in the financial statements	**1,680.66**	1,116.66

Amount recognised in statement of profit or loss

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest on lease liabilities charged to finance cost	**106.21**	52.24
Depreciation charge for the period on RoU assets	**521.12**	276.72
Expense relating to short-term leases	**69.77**	90.26
Total	**697.10**	419.22

Cash out flow on account of lease payments is ₹ 641.65 lakhs (for previous year ₹ 394.25 lakhs)

20 Current Tax Liability (NET)

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

	A s at 31 March 2023	As at 31 March 2022
Provision for income tax (Net of advance tax)	**506.84**	—
Total	**506.84**	—

21 Provisions

See accounting policy in note no 3.8

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Provision for employee benefits		
— Gratuity [Refer note 32.2]	**366.51**	312.39
— Compensated absences [Refer note 32.2]	**38.17**	22.74
	404.68	335.13
Provision for expected credit loss on undisbursed commitment	**344.62**	109.70
	344.62	109.70
Total	**749.30**	444.83

Notes to the financial statements as at 31 March 2023 (Continued)

22 Other Non Financial Liabilities

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Origination fees received in advance*	**2,781.87**	959.23
Statutory dues	**563.41**	276.74
Total	**3,345.28**	1,235.97

*This amount pertains to origination fees which is currently not forming integral part of the financial assets - loans and not getting amortized as per effective interest rate method.

23 Share Capital

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Authorised		
15,50,00,000 (previous year 15,50,00,000) Equity shares of ₹ 10 each	**15,500.00**	15,500.00
Total	**15,500.00**	15,500.00
Issued, subscribed and fully paid up		
14,77,99,725 (previous year 13,17,98,226) Equity shares of ₹ 10 each	**14,779.97**	13,179.82
Total	**14,779.97**	13,179.82

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

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number	₹ in lakh	Number	₹ in lakh
Equity shares				
At the beginning of the year	**131,798,226**	**13,179.82**	131,798,226	13,179.82
Issued during the year against Rights Issue	16,001,499	1,600.15	–	–
At the end of the year	**147,799,725**	**14,779.97**	131,798,226	13,179.82
Issued and subscribed share capital	**147,799,725**	**14,779.97**	131,798,226	13,179.82

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

(Currency: INR in Lakhs)

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number	% shareholding	Number	% shareholding
Equity shares held by				
Housing Development Finance Corporation Limited*	**147,799,725**	**100.00%**	131,798,226	100.00%
Total	**147,799,725**	**100.00%**	131,798,226	100.00%

* including the shares held by nominee shareholders on behalf of Housing Development Finance Corporation Limited

Notes to the financial statements as at 31 March 2023 (Continued)

23 Share Capital (Continued)

23.3 Details of shareholding of promoters are given below:

As at 31 March 2023

(Currency: INR in Lakhs)

Sr. No.	Shares held by promoters at the end of the year			% Change during the year
	Promoter name	No. of shares	% of total shares	
i.	Housing Development Finance Corporation Limited*	147,799,725	100%	Nil
	Total	**147,799,725**	100%	Nil

* including the shares held by nominee shareholders on behalf of Housing Development Finance Corporation Limited

As at 31 March 2022

(Currency: INR in Lakhs)

Sr. No.	Shares held by promoters at the end of the year			% Change during the year
	Promoter name	No. of shares	% of total shares	
i.	Housing Development Finance Corporation Limited*	131,798,226	100%	Nil
	Total	**131,798,226**	100%	Nil

* including the shares held by nominee shareholders on behalf of Housing Development Finance Corporation Limited

23.4 *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 shares 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 five financial years.

24 Other Equity

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2023	As at 31 March 2022
Capital reserve	**109.46**	109.46
Securities premium	**121,636.04**	43,236.51
Statutory reserve	**22,319.65**	16,801.14
Retained earnings	**82,649.10**	63,173.62
Employee stock options reserve	**1,171.58**	—
Impairment reserve	**1,276.44**	—
Other comprehensive income		
— Remeasurement of the defined benefit plans	**(66.64)**	(43.06)
— Effective portion of cash flow hedges	**—**	(290.85)
— Fair value of investments	**(366.49)**	(106.24)
Total	**228,729.14**	122,880.58

Notes to the financial statements as at 31 March 2023 (Continued)

24 Other Equity (Continued)

24.1 Nature of reserves

Capital reserve: It was created on account of non convertible debentures issue cost which were transferred to securities premium account (during the financial year 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.

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

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

Employee stock options reserve: The Company has employee stock options scheme under which the eligible employees and key management personnel are granted stock options. Stock options granted are measured at fair value on the grant date using Black-Scholes model and amortised over the vesting period as employees share based payments expenses with corresponding credit in employee stock options reserve.

Impairment reserve: In terms of RBI notification on Implementation of Indian Accounting Standards, dated 13 March 2020 (as amended), Company has to create impairment reserve. This reserve represents the difference where impairment allowance under Ind AS 109 is lower than the provisioning required under income recognition, asset classification and provisioning ("IRACP") norms (including standard asset provisioning).

Other comprehensive income:-

Remeasurement of the defined benefit plans: It represents the gain/ (loss) on account of actuarial valuation of defined benefit obligation.

Effective portion of cash flow hedges: It represents the cumulative gains/(losses) arising on revaluation of the hedging instruments and hedged item designated as cash flow hedges through OCI.

Fair value of investments: The Company recognises changes in the fair value of its investments in debt instruments held with a dual business objective of collect and sell in other comprehensive income. These changes are accumulated in the FVOCI debt investments reserve. The Company transfers amounts from this reserve to profit or loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the statement of profit and loss.

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

Particulars	Amount
Risk category	
Derivative instruments	
Cash flow hedging reserve	
As at 31 March 2021	**(1,331.92)**
Add: Revaluation of external commercial borrowings	(2,300.00)
Add: Changes in fair value of interest rate swaps	1,678.11
Add: Changes in fair value of principal only swaps*	2,013.21
Less: Income tax relating to above (net)	(350.25)
As at 31 March 2022	**(290.85)**
Add: Revaluation of external commercial borrowings	4,343.00
Add: Changes in fair value of interest rate swaps	(3,718.85)
Add: Changes in fair value of principal only swaps*	(234.53)
Less: Income tax relating to above (net)	(98.77)
As at 31 March 2023	**(0.00)**

* Changes in fair value of principal only swaps also include realised loss of ₹ 905.30 lakhs (previous year realised gain ₹ 846.80 lakhs) on rollover of principal only swap deals.

Notes to the financial statements as at 31 March 2023 (Continued)

25 Interest Income

See accounting policy in note no 3.1.1

(Currency: INR in Lakhs)

	For the year ended 31 March 2023	For the year ended 31 March 2022
On financial assets measured at amortised cost		
Interest on education loans	**130,139.91**	79,356.06
Interest on fixed deposits with banks	**62.89**	12.39
Sub total	**130,202.80**	79,368.45
On financial assets measured at fair value through other comprehensive income		
Interest income from investments	**1,381.21**	401.07
Total	**131,584.01**	79,769.52

Interest income includes ₹ 1,613.78 lakhs (previous year ₹ 1,347.79 lakhs) of origination fees (net of DSA commission expenses) which is amortized as per 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 ₹ 14.35 lakhs (previous year ₹ 32.40 lakhs).

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 2023	For the year ended 31 March 2022
Type of service		
Commission*	**2,235.99**	1,683.59
Origination fees	**541.96**	304.99
Other fees	**144.91**	66.65
Total	**2,922.86**	2,055.23
Geographical markets		
India	**2,922.86**	2,055.23
Outside India	**—**	—
Total	**2,922.86**	2,055.23
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	**2,922.86**	2,055.23
Performance obligation satisfied over a period of time	**—**	—
Total	**2,922.86**	2,055.23

*Commission includes ₹ 390.07 lakhs (previous year ₹ 212.66 lakhs) from related parties [Refer note 37].

Notes to the financial statements as at 31 March 2023 (Continued)

26 Fees and Commission Income (Continued)

Trade receivables

(Currency: INR in Lakhs)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Trade receivables	**143.84**	48.50
Total	**143.84**	48.50

No revenue from transactions with a single external customer amounted to 10 percent or more of the Company's total revenue during the year ended 31 March 2023 or 31 March 2022.

27 Net Gain on Fair Value Changes

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Net gain/(loss) on financial instruments at fair value through profit or loss		
— Investments	**966.96**	436.72
Net gain/(loss) on financial instruments designated at fair value through profit or loss		
— Derivatives	**(256.47)**	97.70
Total	**710.49**	534.42
Fair value changes :		
— Realised	**983.13**	414.25
— Unrealised	**(272.64)**	120.17
Total	**710.49**	534.42

28 Finance Costs

See accounting policy in note no 3.11

(Currency: INR in Lakhs)

	For the year ended 31 March 2023	For the year ended 31 March 2022
On Financial liabilities measured at amortised cost		
Interest on		
— Debt securities	**11,515.09**	7,292.47
— Borrowing (other than debt securities) [Refer note 30.1.3]	**49,368.94**	22,892.61
— Subordinated liabilities	**4,117.37**	1,116.10
— Lease liabilities [Refer note 19.1]	**106.21**	52.24
Other charges	**186.58**	135.88
Sub total	**65,294.19**	31,489.30
On Financial liabilities measured at fair value through profit or loss		
Interest on		
— Debt securities	**10,900.11**	7,276.63
— Subordinated liabilities	**5,133.42**	4,032.62
Sub total	**16,033.53**	11,309.25
Total	**81,327.72**	42,798.55

Notes to the financial statements as at 31 March 2023 (Continued)

29 Employee Benefit Expenses

See accounting policy in note no 3.7

(Currency: INR in Lakhs)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Salaries and bonus [Refer note 37.2]	**7,009.84**	4,605.88
Employees share based payments expenses	**1,171.58**	–
Contribution to provident fund	**238.43**	149.57
Gratuity [Refer note 32.2]	**85.56**	70.58
Compensated absences [Refer note 32.2]	**24.57**	24.23
Staff welfare expenses [Refer note 37.2 & 30.1.3]	**213.94**	124.20
Total	**8,743.92**	4,974.46

30 Other Expenses

(Currency: INR in Lakhs)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Advertisements and publicity [Refer note 30.1.3]	**212.81**	168.73
Computer expenses [Refer note 30.1.3]	**875.66**	469.94
Outsourcing charges	**1,877.81**	1,679.80
Legal and professional charges [Refer note 30.1.3]	**1,305.62**	881.53
Auditor’s fees and expenses [Refer note 30.1.1]	**37.33**	38.30
Communication costs	**121.04**	104.67
Travelling and conveyance [Refer note 30.1.3]	**200.87**	125.42
Printing and stationery	**48.02**	39.76
Electricity expenses	**86.97**	47.77
Rent [Refer note 19.1]	**69.77**	90.26
Repairs and maintenance	**140.22**	95.57
Rates and taxes	**150.01**	107.72
Directors’ sitting fees [Refer note 37.2]	**107.00**	84.75
Directors’ liability insurance	**1.10**	0.91
Loss on property, plant and equipment sold or discarded	**0.09**	3.26
Corporate social responsibility expenses [Refer note 30.1.2]	**440.14**	357.73
Other expenditure [Refer note 30.1.3]	**761.72**	554.70
Total	**6,436.18**	4,850.82

30.1 Other expenses

30.1.1 Payments to auditors

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Audit fees	**18.00**	15.00
Internal control over financial reporting fees	**3.00**	3.00
Limited reviews	**11.25**	13.00
Other matters and certification	**3.75**	6.25
Reimbursement of expenses	**1.33**	1.05
Total	**37.33**	38.30

Auditor’s remuneration above is excluding Goods and service tax.

Notes to the financial statements as at 31 March 2023 (Continued)

30 Other Expenses (Continued)

30.1.2 Expenditure incurred for corporate social responsibility

a. Gross amount required to be spent by the Company during the year is ₹ 437.41 lakhs (previous year ₹ 357.73 lakhs)

b. The details of amounts spent towards corporate social responsibility are as under:

During the financial year 2022-23 (Currency: INR in Lakhs)

Particulars		In cash	Yet to be paid
a)	Construction/acquisition of any asset	—	—
b)	On purposes other than (a) above	**440.14**	—

During the financial year 2021-22 (Currency: INR in Lakhs)

Particulars		In cash	Yet to be paid
a)	Construction/acquisition of any asset	—	—
b)	On purposes other than (a) above	**357.73**	—

c. Additional disclosures in respect of corporate social responsibility (Currency: INR in Lakhs)

Particulars	FY 2022-23	FY 2021-22
Shortfall at the end of the year	**Nil**	Nil
Total of previous years shortfall	**Nil**	Nil
Reason for shortfall	**Not applicable**	Not applicable
Amount paid to related party	**Nil**	Nil

d. Nature of CSR activities (Currency: INR in Lakhs)

Sr. No.	Nature of CSR activity	FY 2022-23	FY 2021-22
1	Eradicating hunger, poverty and promoting education	**30.14**	15.00
2	Girl child empowerment	**46.10**	—
3	Promoting education	**176.59**	53.44
4	Promoting health care	**174.36**	270.70
5	Promoting special education and health among the differently abled	—	18.59
6	Administrative overheads	**8.73**	—
7	Impact assessment	**4.22**	—
	Total	**440.14**	**357.73**

30.1.3 Expenditure in foreign currency (Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest on borrowings (other than debt securities)	**1,693.75**	1,885.03
Other finance costs	**4.33**	14.96
Legal and professional charges	**13.73**	6.75
Advertisement and publicity	**3.71**	2.98
Computer expenses	**7.70**	2.69
Staff welfare expenses	**0.33**	0.38
Other expenditure	**4.60**	2.83

Notes to the financial statements as at 31 March 2023 (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 2023	For the year ended 31 March 2022
On financial assets measured at amortised cost		
Loans (including ECL on undisbursed commitment)	**1,010.51**	1,604.29
Trade receivables	**—**	—
Total	**1,010.51**	1,604.29

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	2022-23				2021-22			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	**978.85**	**527.84**	**(672.68)**	**834.01**	429.65	617.66	325.80	1,373.11
Loans written off	**—**	**—**	**20.82**	**20.82**	—	—	45.79	45.79
Loan commitments	**222.03**	**12.89**	**—**	**234.92**	74.35	17.53	(0.58)	91.30
Trade receivables	**—**	**—**	**—**	**—**	—	—	—	—
Management overlay	**(48.12)**	**—**	**(31.12)**	**(79.24)**	69.07	(158.94)	183.96	94.09
Total impairment loss allowance	**1,152.76**	**540.73**	**(682.98)**	**1,010.51**	573.07	476.25	554.97	1,604.29

32 Employee Benefit Expenses

See accounting policy in note no 3.7

As required by Ind AS 19 — "Employee Benefits", the following disclosures have been made:

1 Defined contribution plans

The Company makes provident fund contribution which is 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 ₹ 238.43 lakhs (previous year ₹ 149.57 lakhs) for provident fund 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 as at 31 March 2023 (Continued)

32 Employee Benefit Expenses (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 of the plan are as under:

Type of plan	—	Post employment benefit
Benefits offered	—	15/ 26 × salary × duration of service
Salary definition	—	Last drawn 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.

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.

Notes to the financial statements as at 31 March 2023 (Continued)

32 Employee Benefit Expenses (Continued)

v. Legislative risk:

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

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

I Components of employer expense (Currency: INR in Lakhs)

		Gratuity	
		2022-23 ₹	2021-22 ₹
1	Current service cost	**63.07**	52.05
2	Net interest cost	**22.49**	19.40
3	Expected return on plan assets	**—**	—
4	Actuarial loss/(gain)	**—**	—
5	Losses/(gains) on curtailments & settlement	**—**	—
6	Total expense recognised in the statement of profit and loss	**85.56**	71.45

II Net liability recognised in the balance sheet (Currency: INR in Lakhs)

		Gratuity	
		2022-23 ₹	2021-22 ₹
1	Present value of defined benefit obligation	**393.57**	327.64
2	Fair value of plan assets	**(27.06)**	(15.25)
3	Unrecognised past service cost		
4	Net liability recognised in the balance sheet	**366.51**	312.39
	— Short-term provisions	**77.44**	54.09
	— Long-term provisions	**289.07**	258.30

III Changes in defined benefit obligation (Currency: INR in Lakhs)

		Gratuity	
		2022-23 ₹	2021-22 ₹
1	Present value of defined benefit obligation as at the beginning of the year	**327.64**	313.54
2	Current service cost	**63.07**	52.05
3	Interest cost	**24.13**	19.40
4	Actuarial loss/(gain)	**30.99**	(4.63)
5	Prior year charges		
6	Benefits paid	**(52.26)**	(52.72)
7	Present value of defined benefit obligation as at the end of the year	**393.57**	327.64

Notes to the financial statements as at 31 March 2023 (Continued)

32 Employee Benefit Expenses (Continued)

IV Reconciliation of Liability

(Currency: INR in Lakhs)

		Gratuity	
		2022-23 ₹	2021-22 ₹
1	Opening net liability	**312.39**	305.63
2	Expenses recognised	**85.56**	70.58
3	Other comprehensive income	**31.52**	(4.49)
4	Benefits paid		
5	Contribution to plan assets	**(62.96)**	(59.33)
6	Amount recognised in the balance sheet under provision for employee benefits	**366.51**	312.39
	— Short—term provisions	77.44	54.09
	— Long—term provisions	289.07	258.30

V Reconciliation of Plan Assets

(Currency: INR in Lakhs)

		Gratuity	
		2022-23 ₹	2021-22 ₹
1	Opening value of plan assets	**15.25**	7.91
2	Expenses incurred in the fund	—	—
3	Expected return	**1.63**	0.87
4	Actuarial gains\(losses)	**(0.52)**	(0.14)
5	Contribution by employer	**62.96**	59.33
6	Benefits paid	**(52.26)**	(52.72)
7	Closing value of plan assets	**27.06**	15.25

VI Actual return on Plan Assets

(Currency: INR in Lakhs)

		Gratuity	
		2022-23 ₹	2021-22 ₹
1	Expected return on plan assets	**1.63**	0.87
2	Actuarial gain on plan assets	**(0.52)**	(0.14)
3	Actual return on plan assets	**—**	—

VII Actuarial assumptions

(Currency: INR in Lakhs)

		Gratuity	
		2022-23 ₹	**2021-22 ₹**
1	Discount rate	**7.35%**	6.70%
2	Return on plan assets	**7.35%**	6.70%
3	Attrition rate	**15%**	15%
4	Salary escalation rate	**7.00%**	7.00%
5	Mortality rate	Indian Assured Lives Mortality (2012—14) Table	

Notes to the financial statements as at 31 March 2023 (Continued)

32 Employee Benefit Expenses (Continued)

VIII Sensitivity analysis for actuarial assumptions

Sensitivity to key assumptions (Currency: INR in Lakhs)

Particulars	31 March 2023 (12 months)	31 March 2022 (12 months)
Discount rate sensitivity	₹	₹
Increase by 0.5%	**383.53**	319.03
(% change)	**(2.55%)**	(2.63%)
Decrease by 0.5%	**404.11**	336.71
(% change)	**2.68%**	2.77%
Salary growth rate sensitivity		
Increase by 0.5%	**401.70**	335.12
(% change)	**2.07%**	2.28%
Decrease by 0.5%	**385.29**	320.30
(% change)	**(2.10%)**	(2.24%)
Withdrawal rate (W.R.) Sensitivity		
W.R. x 110%	**393.61**	327.34
(% change)	**(0.01%)**	(0.09%)
W.R. x 90%	**393.07**	327.72
(% change)	**0.13%**	0.02%

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 Securities as at the balance sheet date for the estimated term of the obligations.

X Experience adjustments:

Gratuity (Currency: INR in Lakhs)

		Gratuity				
		2022-23	2021-22	2020-21	2019-20	2018-19
		₹	₹	₹	₹	₹
1	Present value of defined benefit obligation	**393.57**	327.64	313.54	266.17	219.08
2	Present value of defined benefit assets	**(27.06)**	(15.25)	(7.91)	(8.40)	(35.00)
3	Experience adjustment on plan liabilities	**43.51**	3.44	8.46	4.87	3.22
4	Experience adjustment on plan assets	**(0.52)**	(0.14)	0.18	0.65	0.78
5	Unrecognised past service cost	**—**	—	—	—	—
6	(Excess)/short of obligation over plan assets	**366.51**	312.39	305.63	257.77	184.08

The Company expects to contribute approximately ₹ 366.51 lakhs (previous year ₹ 312.39 lakhs) to the gratuity fund.

Notes to the financial statements as at 31 March 2023 (Continued)

32 Employee Benefit Expenses (Continued)

XI Investment pattern

(Currency: INR in Lakhs)

	Gratuity	
	2022-23	2021-22
Government of India securities	**0%**	0%
State government securities	**0%**	0%
High quality corporate bonds	**0%**	0%
Equity shares of listed companies	**0%**	0%
Property	**0%**	0%
Special deposit scheme	**0%**	0%
Policy of insurance*	**100%**	100%
Bank balance	**0%**	0%
Other investments	**0%**	0%
Total	**100%**	100%

* Components of investment by the insurance company are:

	Gratuity	
	2022-23	2021-22
Government Securities	**46.93%**	38.10%
Corporate bonds —		
AAA	**34.45%**	48.31%
AA+	**13.94%**	8.20%
AA	**1.98%**	2.78%
Cash, deposits, MMI	**2.70%**	2.61%
Total	**100.00%**	100.00%

Compensated absences

The actuarial liability of compensated absences of privilege leave of the employees of the Company is ₹ 38.17 lakhs (previous year ₹ 22.74 lakhs)

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 2023**	For the year ended 31 March 2022
Current tax		
In respect of the current year	**10,586.44**	7,600.11
In respect of prior years	**45.80**	2.11
Total current tax	**10,632.24**	7,602.22
Deferred tax		
In respect of the current year: origination & reversal of temporary differences	**(1,204.02)**	(487.06)
Total income tax expense recognised in the current year relating to continuing operations	**9,428.22**	7,115.16

Notes to the financial statements as at 31 March 2023 (Continued)

33 Income Taxes (Continued)

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

(Currency: INR in Lakhs)

Sr. No.	Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
(i)	**Profit before tax**	**37,020.63**	27,752.87
(ii)	Income tax expense calculated at 25.168% on (i) above	**9,317.35**	6,984.84
(iii)	Effect of expenses that are not deductible in determining taxable profit	**110.77**	90.04
(iv)	Adjustments in respect of current income tax of prior years	**45.80**	2.11
(v)	Others	**(45.70)**	38.17
(vi)	**Income tax expense recognised in statement of profit and loss [(ii) + (iii) + (iv) + (v)]**	**9,428.22**	7,115.16
(vii)	**Effective tax rate [(vi) / (i)]**	**25.47%**	25.64%

The tax rate used for the reconciliations above is the corporate tax rate of 25.168% payable by the corporate entities in India on taxable profits under tax law in Indian jurisdiction.

34 Earnings Per Share ("EPS")

See accounting policy in note no 3.14

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.

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

(Currency: INR in Lakhs)

Particulars	Units	2022-23	2021-22
Profit after tax	₹ in lakhs	**27,592.41**	20,637.71
Less: Dividend on preference shares and attributable tax thereon	₹ in lakhs	—	—
Profit after tax for basic EPS	₹ in lakhs	**27,592.41**	20,637.71
Weighted average number of equity shares for calculating basic earnings per share	Numbers	**134,207,460**	131,798,226
Face value of equity shares	₹	**10**	10
Basic earnings per share	₹	**20.56**	15.66
Profit after tax for diluted EPS	₹ in lakhs	**27,592.41**	20,637.71
Weighted average number of equity shares for calculating diluted earnings per share	Numbers	**134,802,909**	131,798,226
Face value of equity shares	₹	**10**	10
Diluted earnings per share	₹	**20.47**	15.66

Notes to the financial statements as at 31 March 2023 (Continued)

34 Earnings Per Share ("EPS") (Continued)

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

Particulars	2022-23	2021-22
	Numbers	Numbers
Weighted average number of shares of ₹ 10 each outstanding during the year – for calculating basic earnings per share	**134,207,460**	131,798,226
Add: Diluted effect of outstanding stock options	**595,449**	–
Weighted average number of shares of ₹ 10 each outstanding during the year – for calculating diluted earnings per share	**134,802,909**	131,798,226

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

Particulars	2022-23	2021-22
Basic earnings per share	**20.56**	15.66
Effect of dilution of outstanding stock options	**(0.09)**	–
Diluted earnings per share	**20.47**	15.66

35 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 prepayment and refinance assumptions approved by the Asset Liability Management Committee of the Company.

(Currency: INR in Lakhs)

	As at 31 March 2023			As at 31 March 2022		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	**41,734.74**	–	**41,734.74**	2,730.33	–	2,730.33
Bank balance other than (a) above	**10,071.73**	–	**10,071.73**	142.54	–	142.54
Derivative financial instruments	–	–	–	3,048.08	–	3,048.08
Trade receivables	**143.84**	–	**143.84**	48.50	–	48.50
Loans	**257,185.43**	**1,266,704.63**	**1,523,890.06**	180,608.31	698,075.91	878,684.22
Investments	**47,765.78**	**11,433.20**	**59,198.98**	7,099.08	11,802.05	18,901.13
Other financial assets	**1,723.28**	**210.66**	**1,933.94**	2,966.91	155.15	3,122.06
Non-financial assets						
Current tax asset	–	**228.18**	**228.18**	–	279.55	279.55
Deferred tax assets (net)	–	**3,137.29**	**3,137.29**	–	1,778.77	1,778.77
Property, plant and equipment	–	**2,232.04**	**2,232.04**	–	1,324.31	1,324.31
Other intangible assets	–	**1.59**	**1.59**	–	12.29	12.29
Intangible assets under development	–	**1,138.11**	**1,138.11**	–	174.47	174.47
Other non-financial assets	**893.92**	–	**893.92**	454.72	–	454.72
Total assets	**359,518.72**	**1,285,085.70**	**1,644,604.42**	197,098.47	713,602.50	910,700.97

Notes to the financial statements as at 31 March 2023 (Continued)

35 Maturity Analysis of Assets and Liabilities (Continued)

(Currency: INR in Lakhs)

	As at 31 March 2023			As at 31 March 2022		
	Within 12 months	**After 12 months**	**Total**	Within 12 months	After 12 months	Total
Liabilities						
Financial liabilities						
Derivative financial instruments	**–**	**7,440.14**	**7,440.14**	–	7,157.05	7,157.05
Trade payables						
(i) Total outstanding dues of creditors micro enterprises and small enterprises	**18.64**	**–**	**18.64**	64.71	–	64.71
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	**3,529.31**	**–**	**3,529.31**	2,155.27	–	2,155.27
Debt securities	**46,979.80**	**305,420.91**	**352,400.71**	9,825.62	200,352.18	210,177.80
Borrowings (other than debt securities)	**97,556.56**	**788,717.05**	**886,273.61**	137,755.01	343,782.98	481,537.99
Subordinated liabilities	**–**	**126,847.82**	**126,847.82**	–	59,787.61	59,787.61
Other financial liabilities	**18,945.40**	**1,038.26**	**19,983.66**	11,248.67	830.67	12,079.34
Non-financial liabilities						
Current tax liability	**506.84**	**–**	**506.84**	–	–	–
Provisions	**83.88**	**665.42**	**749.30**	62.62	382.21	444.83
Other non–financial liabilities	**3,345.28**	**–**	**3,345.28**	1,235.97	–	1,235.97
Total liabilities	**170,965.70**	**1,230,129.60**	**1,401,095.31**	162,347.87	612,292.70	774,640.57
Net	**188,553.02**	**54,956.10**	**243,509.11**	34,750.60	101,309.80	136,060.40

36 Change in Liabilities arising from Financing Activities

See accounting policy in note no 3.2 & 3.12

36.1 For the period ended 31 March 2023

(Currency: INR in Lakhs)

Particulars	31 March 2022	Cash flows	Fair Value Impact	Forex Impact	Others*	31 March 2023
Debt securities	210,177.80	139,363.11	198.02	–	2,661.78	352,400.71
Borrowings other than debt securities	481,537.99	408,421.72	–	(4,343.00)	656.90	886,273.61
Subordinated Liabilities	59,787.61	67,256.77	(224.64)	–	28.08	126,847.82
Total liabilities from financing activities	**751,503.40**	**615,041.60**	**(26.62)**	**(4,343.00)**	**3,346.76**	**1,365,522.14**

36.2 For the period ended 31 March 2022

(Currency: INR in Lakhs)

Particulars	31 March 2021	Cash flows	Fair Value Impact	Forex Impact	Others*	31 March 2022
Debt securities	185,143.87	26,108.18	(2,330.51)	–	1,256.26	210,177.80
Borrowings other than debt securities	281,373.21	197,543.75	–	2,300.00	321.03	481,537.99
Subordinated Liabilities	60,543.26	–	(774.33)	–	18.68	59,787.61
Total liabilities from financing activities	**527,060.34**	**223,651.93**	**(3,104.84)**	**2,300.00**	**1,595.97**	**751,503.40**

*Others column includes effect of amortisation of initial issue cost as per Ind AS.

Notes to the financial statements as at 31 March 2023 (Continued)

37 Related Party Disclosures

As per Ind AS 24 — “Related Party Disclosures”, following disclosure are made:

37.1 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 Associates of Holding Company

HDFC Bank Limited

HDFC Securities Limited

4 Key Management Personnel

Mr. V. Srinivasa Rangan, Chairman

Mr. Subodh Salunke, Non Executive Vice Chairman (upto 28 June 2022)

Ms. Madhumita Ganguli, Non-Executive Director

Mr. B. Mahapatra, Independent Director

Mr. Sunil Shah, Independent Director

Mr. Rajesh Gupta, Independent Director

Mr. Arijit Sanyal, Managing Director & CEO

Mr. Manjeet Bijlani, Chief Financial Officer

Ms. Akanksha Kandoi, Company Secretary

5 Key Management Personnel of Holding Company

Mr. Deepak S. Parekh, 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. P R Ramesh, Non-Executive Director of Holding Company

Mr. Rajesh Gupta, 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

Notes to the financial statements as at 31 March 2023 (Continued)

37 Related Party Disclosures (Continued)

37.2 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		Total	
		2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1	Commission received for sourcing home loans	–	0.02	–	–	–	–	–	–	–	–	–	0.02
2	Commission received for sourcing fixed deposits	77.92	50.14	–	–	–	–	–	–	–	–	77.92	50.14
3	Commission received for sourcing insurance	–	–	312.15	162.50	–	–	–	–	–	–	312.15	162.50
4	Interest income on deposits	–	–	–	–	30.11	3.23	–	–	–	–	30.11	3.23
5	Staff expenses of Managing Director & CEO on deputation	31.10	224.16	–	–	–	–	–	–	–	–	31.10	224.16
6	Staff expenses of employees on deputation	113.67	158.64	–	–	–	–	–	–	–	–	113.67	158.64
7	Staff welfare expenses of employees on deputation	–	2.19	–	–	–	–	–	–	–	–	–	2.19
8	Employee's health insurance premium	–	–	34.98	37.54	–	–	–	–	–	–	34.98	37.54
9	Employee's group term insurance premium	–	–	16.20	3.67	–	–	–	–	–	–	16.20	3.67
10	Reimbursement of GST expenses on brand usage	93.40	3.96	–	–	–	–	–	–	–	–	93.40	3.96
11	Reimbursement of expenses	0.45	9.09	–	–	–	–	–	–	–	–	0.45	9.09
12	Rent expenses	246.48	91.50	–	–	–	–	–	–	–	–	246.48	91.50
13	Directors' liability insurance premium	–	–	1.10	0.95	–	–	–	–	–	–	1.10	0.95
14	Cyber security insurance premium	–	–	25.00	20.29	–	–	–	–	–	–	25.00	20.29
15	Technology support charges	26.20	26.20	–	–	–	–	–	–	–	–	26.20	26.20
16	Bank charges	–	–	–	–	8.99	3.55	–	–	–	–	8.99	3.55
17	Commission paid on sourcing of education loans	–	–	336.70	147.06	1,967.75	1,270.38	–	–	–	–	2,304.45	1,417.44
18	Contribution to group gratuity policy	–	–	62.95	59.33	–	–	–	–	–	–	62.95	59.33
19	Forex transactions	–	–	–	–	2,423.70	–	–	–	–	–	2,423.70	–
20	Remuneration	–	–	–	–	–	–	534.22	156.92	–	–	534.22	156.92
21	Share based payments*	–	–	–	–	–	–	442.40	–	–	–	442.40	–
22	Directors' sitting fees	–	–	–	–	–	–	107.00	84.75	–	–	107.00	84.75
23	Commission to Director's	–	–	–	–	–	–	30.00	–	–	–	30.00	–

*Employee related share based payment charged to Statement of Profit and Loss over the vesting period in accordance with Ind AS 102 is reported above. Accordingly, transactions relating to grant and exercise of ESOPs and allotment of shares is not reported as a related party transaction.

Notes to the financial statements as at 31 March 2023 (Continued)

37 Related Party Disclosures (Continued)

37.3 Balance outstanding at the end of the year

	Particulars	Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Total	
		2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1	Commission receivable for sourcing home loans	–	0.03	–	–	–	–	–	–	–	–	–	0.03
		–	(0.03)	–	–	–	–	–	–	–	–	–	(0.03)
2	Commission receivable for sourcing fixed deposits	9.92	0.73	–	–	–	–	–	–	–	–	9.92	0.73
		(10.30)	(0.73)	–	–	–	–	–	–	–	–	(10.30)	(0.73)
3	Commission receivable for sourcing insurance	–	–	31.84	6.55	–	–	–	–	–	–	31.84	6.55
		–	–	(77.61)	(23.80)	–	–	–	–	–	–	(77.61)	(23.80)
4	Staff welfare expenses of employee on deputation payable	–	2.38	–	–	–	–	–	–	–	–	–	2.38
		–	(2.38)	–	–	–	–	–	–	–	–	–	(2.38)
5	Reimbursement of GST on brand usage payable	21.90	–	–	–	–	–	–	–	–	–	21.90	–
		(21.90)	–	–	–	–	–	–	–	–	–	(21.90)	–
6	Reimbursement of expenses payable	–	8.57	–	–	–	–	–	–	–	–	–	8.57
		–	(8.57)	–	–	–	–	–	–	–	–	–	(8.57)
7	Technology support charges payable	–	28.30	–	–	–	–	–	–	–	–	–	28.30
		(14.15)	(28.30)	–	–	–	–	–	–	–	–	(14.15)	(28.30)
8	Advance employees' insurance premium	–	–	1.31	0.34	–	–	–	–	–	–	1.31	0.34
9	Employee insurance premium (prepaid expense)	–	–	16.55	14.82	–	–	–	–	–	–	16.55	14.82
10	Cyber security insurance premium (prepaid expense)	–	–	24.52	24.52	–	–	–	–	–	–	24.52	24.52
11	Directors' liability insurance premium (prepaid expense)	–	–	0.97	0.97	–	–	–	–	–	–	0.97	0.97
12	Balance in current accounts	–	–	–	–	1,079.01	2,725.77	–	–	–	–	1,079.01	2,725.77
		–	–	–	–	(1,092.36)	(2,725.77)	–	–	–	–	(1,092.36)	(2,725.77)
13	Interest accrued on deposits	–	–	–	–	4.96	3.23	–	–	–	–	4.96	3.23
14	Commission payable on sourcing of education loans	–	–	14.44	10.45	567.12	349.16	–	–	–	–	581.56	359.61
		–	–	(46.35)	(16.84)	(1,554.52)	(1,021.07)	–	–	–	–	(1,600.87)	(1,037.90)
15	Deposits held	–	–	–	–	7,141.17	85.00	–	–	–	–	7,141.17	85.00
		–	–	–	–	(7,141.17)	(85.00)	–	–	–	–	(7,141.17)	(85.00)
16	Security deposit placed	–	–	2.00	2.00	–	–	–	–	–	–	2.00	2.00
		–	–	(2.00)	(2.00)	–	–	–	–	–	–	(2.00)	(2.00)
17	Commission payable to Directors'	–	–	–	–	–	–	30.00	–	–	–	30.00	–
		–	–	–	–	–	–	(30.00)	–	–	–	(30.00)	–

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter end.

Notes: 1. There were no guarantees 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 as at 31 March 2023 (Continued)

38 Financial Instruments

See accounting policy in note no 3.2

38.1 Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the minimum capital adequacy requirements stipulated by the Reserve Bank of India (RBI) for NBFCs. The Company is required to maintain minimum capital adequacy ratio of 15% and minimum Tier I capital of 10%.

(Currency: INR in Lakhs)

Capital to risk assets ratio (CRAR)	31 March 2023	31 March 2022
CRAR (%)	**20.42**	18.93
CRAR - Tier I capital (%)	**14.60**	14.84
CRAR - Tier II capital (%)	**5.82**	4.09

The Company also monitors capital using debt-equity ratio, which is total debt divided by total equity.

(Currency: INR in Lakhs)

Particulars	31 March 2023	31 March 2022
Net debt*	**1,323,787.40**	748,773.07
Total equity	**239,232.12**	134,094.87
Net debt to equity ratio	**5.53**	5.58

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

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

The Company is also in the process of implementing ICAAP as part of RBI's Scale Based Regulatory framework for NBFCs (Non-Banking Finance Companies). The Company has a board-approved ICAAP policy and framework in place, to be used for assessment of existing capital adequacy and future capital requirements based on business growth and risks encompassing credit risk, market risk, operational risk, reputation risk, strategic risk and other material risks. The Company is in the process of finalizing its first ICAAP document.

Loan covenants

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

38.2 Categories of financial instruments

(Currency: INR in Lakhs)

Particulars	31 March 2023			31 March 2022		
	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost
Financial assets						
Derivative financial assets	–	–	–	–	3,048.08	–
Trade receivables	–	–	143.84	–	–	48.50
Loans	–	–	1,523,890.06	–	–	878,684.22
Investments	20,162.60	39,036.38	–	7,099.08	11,802.05	–
Other financial assets	–	–	1,933.94	–	–	3,122.06
Total financial assets	**20,162.60**	**39,036.38**	**1,525,967.84**	**7,099.08**	**14,850.13**	**881,854.78**

Notes to the financial statements as at 31 March 2023 (Continued)

38.2 Categories of financial instruments (Continued) (Currency: INR in Lakhs)

Particulars	31 March 2023			31 March 2022		
	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost
Financial liabilities						
Derivative financial liabilities	7,440.14	–	–	7,157.05	–	–
Trade payables	–	–	3,547.95	–	–	2,219.98
Debt securities	130,647.15	–	221,753.55	110,435.20	–	99,742.60
Borrowings (other than debt securities)	–	–	886,273.61	–	–	481,537.99
Subordinated liabilities	49,591.25	–	77,256.57	49,798.38	–	9,989.23
Other financial liabilities	–	–	19,983.66	–	–	12,079.34
Total financial liabilities	**187,678.54**	–	**1,208,815.34**	**167,390.63**	**–**	**605,569.14**

38.2.1 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 2023				
Financial assets				
Financial Investments at FVTPL				
Mutual Funds	20,162.60	–	–	20,162.60
Financial Investments at FVOCI				
Government Securities	39,036.38	–	–	39,036.38
Total financial assets	**59,198.98**	**–**	**–**	**59,198.98**
Financial liabilities				
Financial Investments at FVTPL				
Non-Convertible Debentures	–	180,238.40	–	180,238.40
Derivatives designated as fair value hedges				
Interest Rate Swaps - INR OIS	–	7,440.14	–	7,440.14
Derivatives designated as cash flow hedges				
Interest rate swaps - USD IRS	–	–	–	–
Total financial liabilities	**–**	**187,678.54**	**–**	**187,678.54**

Notes to the financial statements as at 31 March 2023 (Continued)

38.2.1 Fair value hierarchy (Continued)

(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 2022				
Financial assets				
Financial Investments at FVTPL				
Mutual Funds	7,099.08	–	–	7,099.08
Financial Investments at FVOCI				
Government Securities	11,802.05	–	–	11,802.05
Derivatives designated as fair value hedges				
Interest Rate Swaps	–	234.54	–	234.54
Derivatives designated as cash flow hedges				
Currency swaps - Principal Only swaps	–	2,813.55	–	2,813.55
Total financial assets	**18,901.13**	**3,048.09**	**–**	**21,949.22**
Financial liabilities				
Financial Investments at FVTPL				
Non-Convertible Debentures	–	160,233.57	–	160,233.57
Derivatives designated as fair value hedges				
Interest Rate Swaps - INR OIS	–	7,157.06	–	7,157.06
Derivatives designated as cash flow hedges				
Interest rate swaps - USD IRS	–	–	–	–
Total financial liabilities	**–**	**167,390.63**	**–**	**167,390.63**

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 maximize 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 2023 and 31 March 2022.

38.2.2 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.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Notes to the financial statements as at 31 March 2023 (Continued)

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.

38.2.3 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 2023			31 March 2022		
	Carrying Value	Fair Value	Fair Value Hierarchy	Carrying Value	Fair Value	Fair Value Hierarchy
Financial liabilities at amortised cost						
Non convertible debentures	200,591.74	197,184.99	Level 2	91,443.17	88,766.34	Level 2
Perpetual debt instruments	41,124.91	41,228.38	Level 2	10,509.44	11,106.80	Level 2
Subordinated liabilities	39,642.95	38,983.97	Level 2	–	–	–
Total financial liabilities	**281,359.60**	**277,397.34**		101,952.61	99,873.14	

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 ₹ 15,29,765.98 lakhs (as at 31 March 2022 ₹ 8,83,805.37 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.

38.3 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 foreign exchange exposures and other parameters. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein. Liquidity risks are managed through a combination of strategies like managing liability tenors in line with the maturity of assets and adequate liquidity cover in the form of High Quality Liquid Assets (HQLAs), is maintained in line with the RBI's Liquidity Risk Management Framework.

Interest rate risks are managed by entering into interest rate swaps. The foreign exchange risk on the borrowings is actively managed mainly through 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 entered into interest rate swaps, wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to market benchmarks.

Notes to the financial statements as at 31 March 2023 (Continued)

38.3.1 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, the underwriting criteria, the credit approval process and limits and the deviations and associated approval matrix.

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.

38.3.1.1 Education Loans

Our customers for retail loans are low, middle and high-income, salaried and self-employed individuals. The Company's credit officers evaluate credit proposals on the basis of active credit policy 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 earning potential of 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.

The various process controls such as PAN check, Credit bureau report analysis, bank statement analysis, personal discussion with the borrower and co-borrowers, fraud check (through subscription to industry database), AML database scrubbing among the others 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 residences.

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	India	USA	Canada	UK	Other Countries
As at 31 March 2023	**7%**	**53%**	**20%**	**10%**	**10%**
As at 31 March 2022	8%	52%	22%	6%	12%

The Company has introduced risk tolerance limits in terms of threshold limits for unsecured loans by geographic segments based on country of study of the students seeking education loans.

Notes to the financial statements as at 31 March 2023 (Continued)

38.3.1.2 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 life insurance policy which covers in case of death of student during the term of the loan.

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.

38.3.1.3 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 including second charge and fixed deposits. 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.

38.3.2 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 and foreign exchange rates.

38.3.2.1 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, market conditions, 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 ("LRMF"), Asset Liability Management ("ALM") & Financial Risk Management ("FRM") Policy.

Notes to the financial statements as at 31 March 2023 (Continued)

38 Financial Instruments (Continued)

38.3.2.1 Interest rate risk (Continued)

(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 2023	31 March 2022
Variable rate borrowing	78%	75%
Fixed rate borrowing	22%	25%
Total borrowing	100%	100%

(2) Interest rate sensitivity

The impact of 10 bps change in interest rates on financial assets and liabilities on the profit after tax for the year ended 31 March 2023 is ₹ 307.55 lakhs (previous year ₹ 221.96 lakhs).

38.3.2.2 Foreign currency exchange rate risk

The Company's has repaid external commercial borrowing of USD 100 million in the current year and hence the Company was 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 was to minimize 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 used 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 years ended 31 March 2023 and 31 March 2022, 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 2023	31 March 2022
	USD	USD
Financial liabilities		
Foreign currency loan	—	(75,900.00)
Interest accrued on foreign currency loan	—	(26.09)
Exposure to foreign currency risk (liabilities) (a)	**—**	**(75,926.09)**
Derivative financial instruments		
Foreign exchange derivative contracts	—	75,900.00
Exposure to foreign currency risk (assets) - (b)	**—**	**75,900.00**
Net exposure to foreign currency risk (c) = (a) + (b)	**—**	**(26.09)**

Notes to the financial statements as at 31 March 2023 (Continued)

38.3.2.2 Foreign currency exchange rate risk (continued)

(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.

Particulars	Impact on profit after tax		Impact on other components of equity	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
USD sensitivity				
INR/USD — increase by 1%*	–	–	–	28.14
INR/USD — decrease by 1%*	–	–	–	(28.14)

* 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 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 ofthe hedging instrument	Change in fair value used for measuring in effectiveness for the period - profit / (loss)
As at 31 March 2023			Derivative financial instrument		
INR USD - Principal only swaps	–	–		–	(2,813.55)
INR USD - Interest rate swap	–	–		–	(234.53)
Total	**–**	**–**		**–**	**(3,048.08)**

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 in effectiveness for the period - profit / (loss)
As at 31 March 2022			Derivative Financial Instrument		
INR USD - Principal only swaps	75,900.00	2,813.55		72.46	1,166.41
INR USD - Interest rate swap	75,900.00	234.53		–	1,678.11
Total	**151,800.00**	**3,048.08**		**72.46**	**2,844.52**

Notes to the financial statements as at 31 March 2023 (Continued)

38.3.2.2 Foreign currency exchange rate risk (continued)

A. Cash flow hedge (continued)

Hedged Item

(Currency: INR in Lakhs)

Particulars	Change in the value of hedged item used as the basis for recognising hedge in effectiveness - profit / (loss)		Cash flow hedge reserve as at	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
External commercial borrowings	4,343.00	(2,300.00)	–	(4,343.00)
Total	**4,343.00**	**(2,300.00)**	**–**	**(4,343.00)**

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 that includes hegde in effectiveness
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	
External Commercial Borrowings and related derivatives (Principal Only Swap and USD-INR Interest rate swap)	389.62	1,391.32	–	–	Not applicable

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/(Liability)	Line item in the statement of financial position	Change in fair value used for measuring in effectiveness for the period
Interest rate swap as at				
31 March 2023	187,500.00	(7,440.14)	Derivative Financial Instruments	(283.09)
31 March 2022	167,500.00	(7,157.05)		(3,007.13)

Hedged item

(Currency: INR in Lakhs)

Particulars	Notional amount	Accumulated fair value adjustment - Asset/(Liability)	Line item in the statement of financial position	Change in fair value used for measuring in effectiveness for the period
Non-convertible debentures				
31 March 2023	187,500.00	6,984.08	Debt securities and Subordinated liabilities	26.63
31 March 2022	167,500.00	6,957.45		3,104.84

Notes to the financial statements as at 31 March 2023 (Continued)

B. Fair value hedge (Continued)

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 loss profit/(loss)		Line item in the statement of profit or loss
	31 March 2023	31 March 2022	
Non-Converitble Debentures and related hedges (Interest Rate Swap)	(256.47)	97.70	Net gain on fair value changes

(4) Hedge ratio

The foreign exchange currency swap contracts are denominated in the same currency as the highly probable foreign currency cash flow on principal 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.

38.3.3 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.

The amounts disclosed in the table are the contractual undiscounted cash flows. (Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2023	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-derivatives					
Trade payables	3,547.95	–	–	–	3,547.95
Debt securities at amortised cost	46,979.80	29,985.33	29,940.44	114,847.98	221,753.55
Debt securities at FVTPL	–	29,171.11	18,736.20	82,739.84	130,647.15
Borrowings (other than debt securities)	97,556.57	397,470.75	292,905.55	98,340.74	886,273.61
Subordinated liabilities at amortised cost	–	9,992.06	–	67,264.51	77,256.57
Subordinated liabilities at FVTPL	–	14,458.48	14,140.54	20,992.23	49,591.25
Other financial liabilities	18,945.40	792.88	243.81	1.58	19,983.66
Total non-derivatives liabilities	**167,029.72**	**481,870.61**	**355,966.54**	**384,186.88**	**1,389,053.75**
Derivatives (net settled)					
Currency swaps - principal only swaps	–	–	–	–	–
Interest rate swaps	–	1,370.73	2,637.26	3,432.15	7,440.14
Total derivatives liabilities	**–**	**1,370.73**	**2,637.26**	**3,432.15**	**7,440.14**

Notes to the financial statements as at 31 March 2023 (Continued)

38.3.3 Liquidity risk (Continued)

(1) **Maturities of financial liabilities** (Continued)

(Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2022	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-derivatives					
Trade payables	2,219.98	–	–	–	2,219.98
Debt securities at amortised cost	9,825.62	49,966.29	–	39,950.69	99,742.60
Debt securities at FVTPL	–	29,303.24	–	81,131.96	110,435.20
Borrowings (other than debt securities)	137,755.01	162,079.37	141,096.54	40,607.07	481,537.99
Subordinated liabilities at amortised cost	–	9,989.23	–	–	9,989.23
Subordinated liabilities at FVTPL	–	–	14,562.04	35,236.34	49,798.38
Other financial liabilities	11,248.67	437.90	350.38	42.39	12,079.34
Total non-derivatives liabilities	**161,049.28**	**251,776.03**	**156,008.96**	**196,968.45**	**765,802.72**
Derivatives (net settled)					
Currency swaps — principal only swaps	–	–	–	–	–
Interest rate swaps	–	536.11	721.57	5,899.37	7,157.05
Total derivatives liabilities	**–**	**536.11**	**721.57**	**5,899.37**	**7,157.05**

39 Share-based Payments

The shareholders have at its Extraordinary General meeting held on 31 March 2022 approved ESOP-2022 scheme with a total stock option of 40,72,565 towards an equal number of equity shares of face value ₹ 10 each of the Company. The revised ESOP-2022 scheme has been approved by the shareholders at its Extraordinary General meeting held on 18 April 2022.

The details of the stock options granted to employees pursuant to the Company's stock options schemes and stock options outstanding as on date are as under:

39.1 Plan description

Plan Name	HDFC Credila Employees Stock Option Plan 2022 [ESOP 2022]
Grant Date	August 3, 2022 & October 13, 2022
Vesting Conditions	Service only, with an option of performance rating.
Term of Options including vesting	1 - 2 years with an additional condition of completion of 3 years of service at the date of grant
Payout	Equity-settled
Plan Period	2022-24
Quantum of Options	40,72,565
Equivalent Number of shares of FV of ₹ 10 per share	40,72,565
Method of Accounting	Fair Value
Exercise Period	5 Years from date of vesting
Grant / Exercise price (₹ Per share)	419.64
Value of Equity Shares as on date of Grant of Original Option (₹ Per share)	419.64

Notes to the financial statements as at 31 March 2023 (Continued)

39.2 Method used for accounting for share based payment plan

The stock options granted to employees pursuant to the Company's Stock Options Schemes, are measured at the fair value of the options at the grant date using Black-Scholes model for grants given. The fair value of the options determined at grant date is recognised as employee compensation cost over the vesting period on straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity.

39.3 Movement of Number of Options for FY 2022-23

(Currency: INR in Lakhs)

Number of options	ESOP 2022
Outstanding at the start of the year	—
Granted during the year	3,561,491
Exercised during the year	—
Lapsed/ cancelled during the year	(136,850)
Outstanding at the end of the year	**3,424,641**
Unvested at the end of the year	**3,424,641**
Exercisable at the end of the year	**—**

39.4 Weighted Average Exercise price for FY 2022-23

(Currency: INR in Lakhs)

Weighted Average Exercise Price (Rs)	ESOP 2022
Outstanding at the start of the year	**—**
Granted during the year	419.64
Exercised during the year	—
Lapsed/ cancelled during the year	419.64
Outstanding at the end of the year	**419.64**
Exercisable at the end of the year	NA
Weighted Average Share price at the exercise date	NA

39.5 Outstanding Options as at 31 March 2023

(Currency: INR in Lakhs)

Particulars	ESOP 2022
Number of options outstanding	3,424,641
Weighted average strike price (₹)	419.64
Weighted average remaining lifetime of options (in years)	1.19
Number of employees covered under the scheme	365

39.6 Options granted during FY 2022-23

(Currency: INR in Lakhs)

Particulars	ESOP 2022
Number of options granted	3,561,491
Weighted average strike price (in ₹)	419.64
Weighted average remaining lifetime of options (in years)	1.19
Number of employees covered under the scheme	389
Weighted Average Fair value per option (in ₹)	104.51
Weighted Average Intrinsic value per option (in ₹)	—

Notes to the financial statements as at 31 March 2023 (Continued)

39 Share-based Payments (Continued)

39.7 Assumptions for Fair Value for FY 2022-23

(Currency: INR in Lakhs)

Particulars	ESOP 2022
Weighted average share price (in ₹)	419.64
Weighted average strike price (in ₹)	419.64
Weighted average remaining lifetime of options (in years)	1.19
Expected volatility (% p.a.)	25% p.a.
Risk-free discount rate (% p.a.)	6.3% p.a. – 7.1% p.a.
Expected dividend yield (% p.a.)	–

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company

The Company has prepared financial statements for the year ended 31 March 2023, in accordance with Ind AS. Accordingly, the relevant disclosures are based on the carrying values as reflected in the financial statements prepared as per requirements of Ind AS.

40.1 Capital to risk assets ratio (CRAR)

(Currency: INR in Lakhs)

Items	2022-23	2021-22
CRAR (%)	**20.42**	18.93
CRAR - Tier I capital (%)	**14.60**	14.84
CRAR - Tier II capital (%)	**5.82**	4.09
Amount of subordinated debt raised as Tier-II capital	**37,500**	–
Amount raised by issue of Perpetual Debt Instrument	**30,000**	–

The CRAR has been computed in accordance with requirements of Annex XXVI of Master Direction DNBR. PD.008/03.10.119/ 2016-17 dated 01 September 2016 (as amended) ("RBI Master Directions") i.e. "Regulatory Guidance on Implementation of Indian Accounting Standards by NBFCs" read with guidelines in Chapter IV of the RBI Master Directions.

40.2 Investments

(Currency: INR in Lakhs)

Items				Current Year (2022-23)	Previous Year (2021-22)
1	**Value of investments**				
	i)	Gross value of investments		59,198.98	18,901.13
		a)	In India	59,198.98	18,901.13
		b)	Outside India	–	–
	ii)	Provision for depreciation		–	–
		a)	In India	–	–
		b)	Outside India	–	–
	iii)	Net value of investments		59,198.98	18,901.13
		a)	In India	59,198.98	18,901.13
		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		–	–

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.3 Derivatives

40.3.1 Forward Rate Agreement / Interest Rate Swap

(Currency: INR in Lakhs)

Particulars		Current Year (2022-23)	Previous Year (2021-22)
(i)	The notional principal of swap agreements*	**187,500.00**	319,300.00
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**763.40**	3,010.96
(iii)	Collateral required by the applicable NBFC upon entering into swaps	**—**	—
(iv)	Concentration of credit risk arising from the swaps**	**100%**	100%
(v)	The fair value of the swap book	**(7,440.14)**	(4,108.97)

* Includes USD IRS - Notional of USD 100 millions converted at year end exchange rate for the previous year.

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

Benchmark	Current Year (2022-23)	Previous Year (2021-22)	Terms
Notional Principal (INR in Lakhs)			
OIS	**187,500.00**	167,500.00	Fixed Receivable V/s Floating Payable
Notional Principal (USD Millions)			
USD LIBOR	**—**	100.00	Fixed Payable V/s Floating Receivable

40.3.2 Exchange Traded Interest Rate Derivatives

The Company has not entered into any exchange traded derivatives.

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 management of interest rate risk, 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.

Notes to the financial statements as at 31 March 2023 (Continued)

40.3.3 Disclosures on Risk Exposure in Derivatives (Continued)

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.

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 loss of ₹ 7,440.14 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 (2022-23)	Previous Year (2021-22)
Opening balance	**(290.85)**	(1,331.92)
(Credits) / debit in the cash flow hedge reserve	**290.85**	1,041.07
Closing balance	**—**	(290.85)

b. Quantitative disclosures

(Currency: INR in Lakhs)

Sl.No.	Particular	Currency derivatives*		Interest rate derivatives**	
		Current Year (2022-23)	Previous Year (2021-22)	Current Year (2022-23)	Previous Year (2021-22)
(i)	Derivatives (notional principal amount)	—	75,900.00	**187,500.00**	243,400.00
(ii)	Marked to market positions				
	a) Asset (+)	—	2,813.55	—	234.53
	b) Liability (—)	—	—	**(7,440.14)**	(7,157.05)
(iii)	Credit exposure	—	1,518.00	**3,625.00**	4,104.50
(iv)	Unhedged exposures	—	26.09	—	—

* Currency Derivatives includes Principal Only swaps.

** Includes USD IRS - Notional of USD 100 Millions converted at year end exchange rate in previous year.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

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

The Company does not have any direct / indirect exposure to real estate as the primary purpose of the loan is for education.

40.5.2 The Company does not have any capital market exposure.

40.6 Details of Financing of Parent Company Products

There is no financing during the current year.

40.7 The Company has not exceeded single borrower limit ("SGL") and nor has exceeded the group borrower limit ("GBL").

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

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

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

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

Sr. No.	Rating agency	Programme	Ratings Assigned
1	CRISIL Limited	Commercial paper	**CRISIL A1+ / Stable**
		Perpetual debt instrument	**CRISIL AAA / Stable**
		Subordinated debt	**CRISIL AAA / Stable**
		Non-convertible debenture	**CRISIL AAA / Stable**
2	ICRA Limited	Bank loans	**ICRA AAA / Stable**
		Commercial paper	**ICRA A1+ / Stable**
		Perpetual debt instrument	**ICRA AA+ / Stable**
		Subordinated debt	**ICRA AAA / Stable**
		Non-convertible debenture	**ICRA AAA / Stable**
3	CARE Ratings Limited	Perpetual debt instrument	**CARE AAA / Stable**
		Non-convertible debenture	**CARE AAA / Stable**
		Subordinated debt	**CARE AAA / Stable**

Ratings assigned by CARE Ratings Limited to Perpetual debt instruments upgraded from CARE AA+/Stable to CARE AAA/ Stable during the year.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.12 Remuneration of Directors

Details of remuneration given to non-executive directors are disclosed below: (Currency: INR in Lakhs)

Name	Designation	Remuneration for FY 2022-23
Mr. V. Srinivasa Rangan	Chairman	30.00
Mr. Subodh Salunke	Vice Chairman (resigned w.e.f 29 June 2022)	5.00
Mrs. Madhumita Ganguli	Non-Executive Director	14.00
Mr. B. Mahapatra	Independent Director	36.00
Mr. Sunil Shah	Independent Director	31.00
Mr. Rajesh Gupta	Independent Director	21.00
Total		**137.00**

40.13 Provisions and contingencies

Break up of 'provisions and contingencies' shown under the head expenses in statement of profit and loss

(Currency: INR in Lakhs)

	Current Year (2022-23)	Previous Year (2021-22)
Provisions for depreciation on investment	—	—
Provision towards NPAs*	**(703.80)**	509.18
Provision for Standard Assets#	**1,693.49**	1,049.32
Provision made towards tax expenses	**9,428.22**	7,115.16
Other provision and contingencies (with details)		
Provision for employee benefits		
— Compensated absences	**24.57**	24.23
— Gratuity	**85.56**	70.58

* Represents reduction in impairment loss allowance on stage 3 loans.

Represents impairment loss allowance on stage 1 and stage 2 loans.

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

40.15 Concentration of advances, exposures and NPAs*:

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

40.15.2 Concentration of advances (Currency: INR in Lakhs)

	Current Year (2022-23)	Previous Year (2021-22)
Total advances to twenty largest borrowers	**2,251.57**	1,982.45
Percentage of advances to twenty largest borrowers to total advances of the NBFC	**0.15%**	0.22%

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.15.3 Concentration of exposures [on limit basis or outstanding basis whichever is higher]

(Currency: INR in Lakhs)

	Current Year (2022-23)	Previous Year (2021-22)
Total exposure to twenty largest borrowers / customers	**2,553.13**	2,150.43
Percentage of exposures to twenty largest borrowers/ customers to Total exposure of the NBFC on borrowers / customers	**0.15%**	0.21%

‘

40.15.4 Concentration of NPAs*

(Currency: INR in Lakhs)

	Current Year (2022-23)	Previous Year (2021-22)
Total exposure to top four NPA accounts	**257.43**	263.69

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

40.15.5 Movement of NPAs*

(Currency: INR in Lakhs)

Sr. No.	**Particulars**	**Current Year (2022-23)**	Previous Year (2021-22)
(i)	Net NPAs to net advances	**0.10%**	0.38%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	**5,061.57**	3,735.10
	(b) Additions during the year	**1,259.36**	3,133.73
	(c) Reductions during the year	**(3,780.67)**	(1,807.26)
	(d) Closing balance	**2,540.26**	5,061.57
(iii)	Movement of Net NPAs		
	(a) Opening balance	**3,331.47**	2,514.76
	(b) Additions during the year	**916.78**	1,979.32
	(c) Reductions during the year	**(2,734.30)**	(1,162.61)
	(d) Closing balance	**1,513.95**	3,331.47
(iv)	Movement of provisions for NPAs* (excluding provisions on standard assets)		
	(a) Opening balance	**1,730.10**	1,220.34
	(b) Provisions made during the year	**342.58**	1,154.41
	(c) Write-off / write-back of excess provisions	**(1,046.37)**	(644.65)
	(d) Closing balance	**1,026.31**	1,730.10

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.16 Sectoral exposure disclosure as per Scale Based Regulations (Currency: INR in Lakhs)

Sectors	Current Year			Previous Year		
	Total Exposure (₹ lakhs)	**Gross NPAs* (₹ lakhs)**	**Percentage of Gross NPAs to total exposure in that sector**	Total Exposure (₹ lakhs)	Gross NPAs* (₹ lakhs)	Percentage of Gross NPAs to total exposure in that sector
1. Agriculture and Allied Activities	–	–	–	–	–	–
2. Industry	–	–	–	–	–	–
3. Services	–	–	–	–	–	–
4. Personal Loans						
i. Education Loans	1,529,765.98	2,540.26	0.17%	883,805.37	5,061.57	0.57%
ii. Others	–	–	–	–	–	–
Total of Personal Loans	**1,529,765.98**	**2,540.26**	**0.17%**	883,805.37	5,061.57	0.57%
5. Others, if any	–	–	–	–	–	–

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

40.17 Intra-group exposures (Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2022-23)	Previous Year (2021-22)
i)	Total amount of intra-group exposures	**Nil**	Nil
ii)	Total amount of top 20 intra-group exposures	**Nil**	Nil
iii)	Percentage of intra-group exposures to total exposure of the Company on borrowers/ customers	**Nil**	Nil

40.18 The Company does not have any overseas assets.

40.19 The Company has not sponsored any off-balance sheet Special Purpose Vehicles.

40.20 Customer complaints (Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2022-23)	Previous Year (2021-22)
Complaints received by the NBFC from its customers			
1	Number of complaints pending at beginning of the year	**–**	4
2	Number of complaints received during the year	**1,560**	336
3	Number of complaints disposed during the year	**1,558**	340
3.1	Of which, number of complaints rejected by the NBFC	**11**	6
4	Number of complaints pending at the end of the year	**2**	–

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.20 Customer complaints (Continued)

(Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2022-23)	Previous Year (2021-22)
Maintainable complaints received by the NBFC from Office of Ombudsman			
5	Number of maintainable complaints received by the NBFC from Office of Ombudsman	**26**	16
5.1	Of 5, number of complaints resolved in favour of the NBFC by Office of Ombudsman	**11**	10
5.2	Of 5, number of complaints resolved through conciliation/mediation/ advisories issued by Office of Ombudsman	**4**	–
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the NBFC	**–**	–
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	**Not applicable**	Not applicable

(Currency: INR in Lakhs)

Grounds of complaints, (i.e. complaints relating to) (1)	Number of complaints pending at the beginning of the year (2)	Number of complaints received during the year (3)	% increase/ decrease in the number of complaints received over the previous year (4)	Number of complaints pending at the end of the year (5)	Of 5, number of complaints pending beyond 30 days (6)
Current Year					
Sanction	**–**	**700**	**329%**	**1**	**–**
Service	**–**	**311**	**640%**	**–**	**–**
Disbursement	**–**	**254**	**274%**	**–**	**–**
Credit decline	**–**	**101**	**248%**	**–**	**–**
Origination Fee	**–**	**91**	**355%**	**1**	**–**
Others	**–**	**103**	**636%**	**–**	**–**
Total	**–**	**1,560**	**364%**	**–**	**–**
Previous Year					
Sanction	–	163	527%	–	–
Disbursement	2	68	224%	–	–
Service	–	42	- 42%	–	–
Credit decline	2	29	16%	–	–
Origination Fee	–	20	900%	–	–
Others	–	14	- 42%	–	–
Total	4	336	94%	–	–

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.21 Disclosure of Restructured Accounts As on 31 March 2023 (Currency: INR in Lakhs)

Type of Restructuring		Others*				
Asset Classification		Standard	Sub-standard	Doubtful	Loss	Total
Details						
Restructured accounts as on 1st April, 2022 (Opening figures)	No. of borrowers	–	–	–	–	–
	Amt. outstanding	–	–	–	–	–
	Provision thereon	–	–	–	–	–
Fresh restructuring during the year	No. of borrowers	–	4	–	–	4
	Amt. outstanding	–	186.16	–	–	186.16
	Provision thereon	–	45.57	–	–	45.57
Upgradations of restructured accounts toStandard category	No. of borrowers	–	–	–	–	–
	Amt. outstanding	–	–	–	–	–
	Provision thereon	–	–	–	–	–
Restructured advances which ceases to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	–	–	–	–	–
	Amt. outstanding	–	–	–	–	–
	Provision thereon	–	–	–	–	–
Downgradations of restructured accounts during the FY	No. of borrowers	–	–	–	–	–
	Amt. outstanding	–	–	–	–	–
	Provision thereon	–	–	–	–	–
Write-offs / settlements / recoveries ofrestructured accounts during the FY	No. of borrowers	–	4	–	–	4
	Amt. outstanding	–	0.96	–	–	0.96
	Provision thereon	–	0.23	–	–	0.23
Restructured accounts as on 31st Mar, 2023(Closing figures)	No. of borrowers	–	4	–	–	–
	Amt. outstanding	–	185.21	–	–	185.21
	Provision thereon	–	45.34	–	–	45.34

* excludes loans restructured under the Covid-19 Resolution Framework 1.0 & 2.0 which are separately disclosed in Note 40.22. No loans restructured under CDR Mechanism, SME Debt Restructuring Mechanism.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.22 Related Party Transactions and Policy on dealing with Related Party Transactions

Details of the related party transactions are provided in the note 37. The Company's Policy on related party transactions is available on its website.

40.23 Asset liability management (Currency: INR in Lakhs)

Maturity pattern of certain items of assets and liabilities as at 31 March 2023:

Particulars	1 day to 7 days	8 days to 14 days	15 days to 30 days	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 *	4,366.19	–	468.67	690.45	31,930.63	57,270.25	67,625.39	481,077.73	355,722.74	384,185.30	1,383,337.35
Foreign currency liabilities	–	–	–	–	–	–	–	–	–	–	–
Assets											
Advances	3,908.54	11,700.68	9,616.73	22,525.29	22,205.02	64,826.08	122,403.09	441,907.55	321,159.87	508,486.82	1,528,739.67
Investments	–	–	3,050.05	–	12,500.00	7,308.45	24,907.28	6,107.23	5,325.97	–	59,198.98
Foreign currency assets	–	–	–	–	–	–	–	–	–	–	–

The above statements are prepared based on the prepayment assumptions approved by the ALCO.

Maturity pattern of certain items of assets and liabilities as at 31 March 2022: (Currency: INR in Lakhs)

Particulars	1 day to 7 days	8 days to 14 days	15 days to 30 days	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 *	45.01	–	1,333.33	690.48	13,618.21	28,840.39	37,764.73	251,338.14	155,658.57	196,926.06	686,214.92
Foreign currency liabilities	–	–	26.09	–	–	–	75,621.10	–	–	–	75,647.19
Assets											
Advances	2,576.06	8,089.46	7,164.95	15,824.47	15,584.50	45,543.73	85,825.14	295,341.80	197,470.88	208,654.27	882,075.26
Investments	–	–	–	–	–	–	7,099.08	2,088.47	8,302.93	1,410.65	18,901.13
Foreign currency assets	–			–	–	–	–	–	–	–	–

The above statements are prepared based on the prepayment assumptions approved by the ALCO.

* The above tables as at 31 March 2023 and 31 March 2022 include interest accrued but not due on borrowings.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.24 Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 19 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 2023**		As at 31 March 2022	
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	**336,506.79**	**–**	207,006.26	–
	- Unsecured	**133,474.98**	**–**	63,421.14	–
	(Other than falling within the meaning of public deposit)				
	b) Deferred credit	**–**	**–**	–	–
	c) Term loan	**886,373.30**	**–**	481,609.09	–
	d) Inter - corporate loans and borrowing	**–**	**–**	–	
	e) Commercial paper	**26,982.27**	**–**	9,825.62	–
	f) Other loan	**–**	**–**	–	–
	g) Book overdraft	**–**	**–**	–	–

Asset side :		**As at 31 March 2023**		As at 31 March 2022	
2)	**Break-up of loans and advances including bills receivables [other than those included in (4) below] :**	**Amount outstanding**		Amount outstanding	
	a) Secured		**410,520.61**		304,348.33
	b) Unsecured		**1,119,245.37**		579,457.04
3)	**Break up of leased assets and stock on hire and other assets counting**				
	towards Asset Financing 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 as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.24 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 2023	As at 31 March 2022
4)	**Break of investments:**			
	Current investments:			
	1.	Quoted:		
		(i) Shares: (a) Equity		–
		(b) Preference	–	–
		(ii) Debentures and bonds	–	–
		(iii) Units of mutual funds	**20,162.60**	7,099.08
		(iv) Government securities	**27,603.18**	–
		(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	**11,433.20**	11,802.05
		(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 as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.24 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)

				As at 31 March 2023		As at 31 March 2022	
5)	**Borrower group-wise classification of assets financed as in (2) and (3) above :**						
	Category	**Amount outstanding**			Amount outstanding		
		Secured	**Unsecured**	**Total**	Secured	Unsecured	Total
	1. Related parties						
	(a) Subsidiaries	–	–	–	–	–	–
	(b) Companies in the same group	–	–	–	–	–	–
	(c) Other related parties	–	–	–	–	–	–
	2. Other than related parties	**410,520.61**	**1,119,245.37**	**1,529,765.98**	304,348.33	579,457.04	883,805.37
	Total	**410,520.61**	**1,119,245.37**	**1,529,765.98**	304,348.33	579,457.04	883,805.37

(Currency: INR in Lakhs)

6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):				
Category	**Market value / break**	**Book value**	Market value / break	Book value
	up or fair value or NAV	**(Net of provisions)**	up or fair value or NAV	(Net of provisions)
1. Related parties				
(a) Subsidiaries	–	–	–	–
(b) Companies in the same group	–	–	–	–
(c) Other related parties	–	–	–	–
2. Other than related parties	**59,198.98**	**59,198.98**	**18,901.13**	**18,901.13**
Total	**59,198.98**	**59,198.98**	**18,901.13**	**18,901.13**

(Currency: INR in Lakhs)

7)	**Other information**	**As at 31 March 2023**	As at 31 March 2022
	Particulars	**Amount**	Amount
	i) Gross non performing assets (NPAs)*		
	a) Related parties	–	–
	b) Other than related parties	**2,540.26**	5,061.57
	ii) Net non performing assets (NPAs)*		
	a) Related parties	–	–
	b) Other than related parties	**1,513.95**	3,331.47
	iii) Assets acquired in satisfaction of debt	–	–

* NPAs presented above reflect credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.25 Disclosure pursuant to Para 15A of the RBI Master Direction on "Guidelines on Liquidity Risk Management Framework":

40.25.1 Public Disclosure on Liquidity Risk

A. As at 31 March 2023

i. Funding Concentration based on significant counterparty [1]

Number of Significant Counterparties	Amount	% of Total Deposits	% of Total Liabilities
21 (Twenty One)	1,046,521.53	NA	75%

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

Amount	% of Total Borrowings
433,605.24	32%

iv. Funding Concentration based on significant instrument/product [2]

Name of the instrument/product	Amount	% of Total Liabilities
Secured non convertible debentures	325,418.43	23%
Commercial paper	26,982.27	2%
Term loans from banks & financial institutions	886,273.61	63%
External commercial borrowings	–	0%
Overdrafts and working capital facilities	–	0%
Subordinated tier II non convertible debentures	70,327.90	5%
Perpetual debt instruments to the extent that do not qualify as equity	56,519.92	4%
Total Borrowings	**1,365,522.13**	**97%**
Total Liabilities [3]	**1,401,095.31**	

v. Stock Ratios:

Particulars	as a % of total public funds [4]	as a % of total liabilities [3]	as a % of total assets
Commercial papers	2%	2%	2%
Non-convertible debentures (original maturity of less than one year)	0%	0%	0%
Other short-term liabilities	11%	10%	9%

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.25.1 Public Disclosure on Liquidity Risk (Continued)

vi. Institutional set-up for liquidity risk management

The Liquidity Risk Management of the Company is governed by the Liquidity Risk Management Framework ("LRMF"), 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:**

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 (as per Balance Sheet) 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.

40.25.2 LCR Disclosure as at 31 March 2023

(Currency: INR in Lakhs)

Particulars		For the quarter ended 30 June 2022		For the quarter ended 30 September 2022		For the quarter ended 31 December 2022		For the quarter ended 31 March 2023	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
A	**High Quality Liquid Assets (HQLA)**								
1	Balance in Current Accounts	1,151	1,151	2,301	2,301	1,389	1,389	2,163	2,163
2	Investment in Government Securities	12,732	12,732	24,520	24,520	21,139	21,139	34,809	34,810
	Total HQLA	**13,883**	**13,883**	**26,821**	**26,821**	**22,528**	**22,528**	**36,973**	**36,973**

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.25.2 LCR Disclosure as at 31 March 2023 (Continued)

(Currency: INR in Lakhs)

Particulars		For the quarter ended 30 June 2022		For the quarter ended 30 September 2022		For the quarter ended 31 December 2022		For the quarter ended 31 March 2023	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
B	**Cash Outflows**								
1	Unsecured wholesale funding	2,661	3,060	13,620	15,663	16,674	19,175	30,640	35,236
2	Secured wholesale funding	9,896	11,381	9,538	10,968	19,593	22,532	30,136	34,657
3	Additional requirements, of which	–	–	–	–	–	–	–	–
	Outflows related to derivative exposures and other collateral requirements	277	318	231	266	363	418	77	89
	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
	Credit and liquidity facilities	–	–	–	–	–	–	–	–
4	Other contractual funding obligations	32,014	36,816	79,991	91,990	50,957	58,600	56,727	65,236
5	Other contingent funding obligations	1,455	1,674	1,314	1,511	1,130	1,299	1,389	1,597
	TOTAL CASH OUTFLOWS	**46,303**	**53,249**	**104,694**	**120,398**	**88,717**	**102,024**	**118,969**	**136,814**
C	**Cash Inflows**								
1	Secured lending	–	–	–	–	–	–	–	–
2	Inflows from fully performing exposures	20,948	15,710	22,797	17,098	22,192	16,644	22,632	16,973
3	Other cash inflows	50,554	37,916	113,179	84,884	106,152	79,614	140,050	105,038
	TOTAL CASH INFLOWS	**71,502**	**53,626**	**135,976**	**101,982**	**128,344**	**96,258**	**162,682**	**122,011**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value	
	TOTAL HQLA		**13,883**		**26,821**		**22,528**		**36,973**
	TOTAL NET CASH OUTFLOWS [Stressed Outflows - (Minimum of Stressed Inflows OR 75% of Stressed Outflows)]		**13,312**		**30,099**		**25,506**		**34,204**
	LIQUIDITY COVERAGE RATIO (%)		**104%**		**89%**		**88%**		**108%**

* Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

* Weighted values are calculated after the application of respective haircuts (for HQLA) and stress factors on inflow and outflow.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.25.2 LCR Disclosure as at 31 March 2023 (Continued)

E Qualitative Disclosure on LCR

As per Para 15B of the RBI Master Direction, applicable NBFCs are required to maintain a liquidity buffer in terms of LCR which will promote their resilience to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (HQLA) to survive any acute liquidity stress scenario lasting for 30 days.

Road Map for all non-deposit taking NBFCs with asset size of ₹ 5,000 crore and above but less than ₹ 10,000 crore to adhere the LCR is as per the table (as prescribed by RBI).

From	01/Dec/20	01/Dec/21	01/Dec/22	01/Dec/23	01/Dec/24
Minimum LCR	30%	50%	60%	85%	100%

Road Map for all non-deposit taking NBFCs with asset size of ₹ 10,000 crore and above to adhere the LCR is as per the table (as prescribed by RBI).

From	01/Dec/20	01/Dec/21	01/Dec/22	01/Dec/23	01/Dec/24
Minimum LCR	50%	60%	70%	85%	100%

As required under above requirements, the Company was required to maintain LCR at 50% during 01 December 2021 to 31st July 2022; at 60% during 01 August 2022 to 30 November 2022 and at 70% w.e.f 01 December 2022. The LCR for the quarter ended 31 March 2023 is at 108% based on daily average for the quarter ended 31 March 2023 as agaist 78% for the quarter ended 31 March 2022. The company was compliant with maintenance of stipulated LCR.

LCR has been defined as : Stock of high quality liquid assets (HQLAs) divided by Total net cash outflow over the next 30 calendar days.

Composition of HQLA :

Liquid assets comprise of high quality assets that can be readily encashed or used as collateral to obtain cash in a range of stress scenarios. There are three categories of assets included in the stock of HQLAs, viz. assets with 0%, 15% and 50% haircuts. The HQLA maintained by the Company comprises Government securities (including G—Sec, State Development Loans & Treasury bills) and bank balance maintained in current account. The average HQLAs for the quarter ended 31 March 2023 were ₹ 36,973 lakhs, of which, investment in Government securities constituted ₹ 34,810 lakhs and balance with banks of ₹ 2,163 lakhs.

Main drivers to the LCR : All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Total expected cash outflows (stressed outflows) are calculated by multiplying the outstanding balances of various categories or types of liabilities and off—balance sheet commitments by 115% (15% being the rate at which they are expected to run off further or be drawn down). Total expected cash inflows (stressed inflows) are calculated by multiplying the outstanding balances of various categories of contractual receivables by 75% (25% being the rate at which they are expected to under—flow). However, total cash inflows are subjected to an aggregate cap of 75% of total expected cash outflows.

The total net cash outflow is the total expected stressed cash outflows minus total expected stressed cash inflows for the subsequent 30 calendar days. The net stressed cash outflow for the quarter ended 31 March 2023 were at ₹ 34,204 lakhs as against ₹ 17,970 lakhs for the quarter ended 31 March 2022. The increase in cash outflow was mainly driven by increase in scheduled repayment of borrowings and increase in the projected disbursements. The Company had hedged foreign exchange

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.25.2 LCR Disclosure as at 31 March 2023 (Continued)

risks and interest rate risks by using derivatives instruments viz., principal only swap (POS), USD — INR interest rate swap and INR — OIS interest rate swap.

Liquidity Management in the Company is driven by the LRMF, FRM and ALM Policy of the Company and other regulatory prescriptions. The ALCO has been empowered by the Company's Board to formulate the funding strategies to ensure that the funding sources are well diversified and is consistent with the requirements of the Company. In addition to the LCR reporting, the Company prepares Structural Liquidity statements to assess the liquidity needs of the Company on an ongoing basis. The Management is of the view that the Company has sufficient liquidity cover to meet its likely future short term requirements.

40.26 Disclosure as per Annexure XXVI on "Regulatory Guidance on Implementation of Indian Accounting Standards by NBFCs"

A. As at 31 March 2023 (Currency: INR in Lakhs)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	1,521,326.54	3,458.11	1,517,868.43	6,332.00	(2,873.89)
	Stage 2	5,337.90	1,289.59	4,048.31	21.40	1,268.19
Standard restructured	Stage 2	561.28	101.91	459.37	53.50	48.41
	Stage 3	689.68	176.42	513.26	61.26	115.16
Subtotal for Performing Assets		**1,527,915.40**	**5,026.03**	**1,522,889.37**	**6,468.16**	**(1,442.13)**
Non-Performing Assets (NPA)						
Substandard	Stage 3	678.84	162.63	516.20	93.22	69.41
Doubtful - up to 1 year	Stage 3	338.55	75.15	263.40	211.14	(135.99)
1 to 3 years	Stage 3	443.30	275.03	168.27	349.56	(74.53)
More than 3 years	Stage 3	64.40	11.59	52.82	49.40	(37.81)
Subtotal for doubtful		846.25	361.77	484.48	610.10	(248.33)
Loss	Stage 3	325.49	325.49	–	325.49	0.00
Subtotal for NPA		**1,850.58**	**849.89**	**1,000.69**	**1,028.81**	**(178.92)**
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	–	314.04	(314.04)	–	314.04
	Stage 2	–	30.58	(30.58)	–	30.58
	Stage 3	–	–	–	–	–
	Subtotal	**–**	**344.62**	**(344.62)**	**–**	**344.62**
Total	**Stage 1**	**1,521,326.54**	**3,772.15**	**1,517,554.38**	**6,332.00**	**(2,559.85)**
	Stage 2	**5,899.18**	**1,422.08**	**4,477.11**	**74.90**	**1,347.18**
	Stage 3	**2,540.26**	**1,026.31**	**1,513.95**	**1,090.07**	**(63.76)**
Total		**1,529,765.98**	**6,220.54**	**1,523,545.44**	**7,496.97**	**(1,276.43)**

* Provisions required as per IRACP norms amount to ₹ 7,276.80 lakhs. The amounts tabulated above include ₹ 220.18 lakhs towards unrealised interest on NPAs.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.26 Disclosure as per Annexure XXVI on "Regulatory Guidance on Implementation of Indian Accounting Standards by NBFCs" (Continued)

B. As at 31 March 2022

(Currency: INR in Lakhs)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	873,902.94	2,527.39	871,375.55	3,506.66	(979.27)
	Stage 2	2,474.84	522.68	1,952.16	9.92	512.76
Standard restructured	Stage 2	2,366.02	340.98	2,025.04	227.04	113.94
	Stage 3	3,136.12	782.82	2,353.30	292.98	489.84
Subtotal for Performing Assets		**881,879.92**	**4,173.87**	**877,706.05**	**4,036.60**	**137.27**
Non-Performing Assets (NPA)						
Substandard	Stage 3	843.58	220.68	622.90	106.63	114.05
Doubtful – up to 1 year	Stage 3	459.30	312.29	147.01	330.35	(18.06)
1 to 3 years	Stage 3	293.93	85.67	208.26	165.86	(80.19)
More than 3 years	Stage 3	–	–	–	–	–
Subtotal for doubtful		753.23	397.96	355.27	496.21	(98.25)
Loss	Stage 3	328.64	328.64	–	328.64	–
Subtotal for NPA		**1,925.45**	**947.28**	**978.17**	**931.48**	**15.80**
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	–	92.01	(92.01)	–	92.01
	Stage 2	–	17.69	(17.69)	–	17.69
	Stage 3	–	–	–	–	–
Subtotal		**–**	**109.70**	**(109.70)**	**–**	**109.70**
Total	**Stage 1**	**873,902.94**	**2,619.40**	**871,283.54**	**3,506.66**	**(887.26)**
	Stage 2	**4,840.86**	**881.35**	**3,959.51**	**236.96**	**644.39**
	Stage 3	**5,061.57**	**1,730.10**	**3,331.47**	**1,224.46**	**505.64**
Total		**883,805.37**	**5,230.85**	**878,574.52**	**4,968.08**	**262.77**

* Provisions required as per IRACP norms amount to ₹ 4,808.65 lakhs. The amounts tabulated above include ₹ 159.43 lakhs towards unrealised interest on NPAs.

Notes to the financial statements as at 31 March 2023 (Continued)

40 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

40.27 Disclosure pursuant to RBI notification on "Resolution Framework for COVID-19-related Stress" dated August 6, 2020 and on "Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses" dated May 5, 2021

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end 31 March 2022	Of (A), aggregate debt that slipped into NPA during the year ended 31 March 2023	Of (A) amount written off during the year ended 31 March 2023	Of (A) amount paid by the borrowers during the year ended 31 March 2023^	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this year ended 31 March 2023
Personal Loans	5,502.13	225.36	–	4,025.81	1,250.96
Corporate persons*	–	–	–	–	–
Of which, MSMEs	–	–	–	–	–
Others	–	–	–	–	–
Total	**5,502.13**	**225.36**	**–**	**4,025.81**	**1,250.96**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

^ Amount paid by borrower during the half year in net of additions in the account including additions due to interest capitalisation.

40.28 The disclosures as required by the Master Direction - Monitoring of frauds in NBFCs issued by RBI dated 29 September 2016

The frauds detected and reported for the year amounted to ₹ 10.89 lakhs (Previous year ₹ Nil).

40.29 Breach of covenant

The Company has not breached any covenant of loans availed or debt securities issued.

40.30 Divergence in the asset classification and provisioning

Nil

41 Capital expenditures contracted for as at the balance sheet date but not recognized in the financial statements amount to ₹ 1,031.25 (previous year ₹ 27.40) towards purchase of Computers.

42 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.

43 Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

44 The Company does not have any contingent liabilities as on the balance sheet date.

Notes to the financial statements as at 31 March 2023 (Continued)

45 The Parliament has approved the Code on Social Security, 2020 ('Code') which may impact the contribution by the Company towards Provident Fund and Gratuity. The effective date from which the Code and its provisions would be applicable is yet to be notified and the rules which would provide the details based on which financial impact can be determined are yet to be framed. The Company will complete its evaluation and will give appropriate impact, if any, in the financial result following the Code becoming effective and the related rules being framed and notified. The Company has taken professional opinion in this regard and will ensure that it makes adequate provisions to remain compliant with all requirements.

46 Events after the reporting period

There have been no events after the reporting date that require disclosure in these financial statements.

As per our report of even date attached.

For **Shah Gupta & Co.**
Chartered Accountants
Firm's Registration No: 109574W

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 17 April 2023

For and on behalf of Board of Directors of
HDFC Credila Financial Services Limited
CIN No: U67190MH2006PLC159411

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 : 17 April 2023