HDFC CREDILA
The Education Loan Specialist
www.hdfccredila.com

Date: June 02, 2022

BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai – 400001

Dear Sirs,

Sub.: <u>Notice of 17th Annual General Meeting and Annual Report for the financial year 2021-22</u>

Pursuant to Regulations 53(2) & 50(2) of the Securities and Exchange Board of lndia (Listing Obligations and Disclosure Requirements) Regulations,2015, please find enclosed herewith the Notice convening the 17th Annual General Meeting ("AGM") and Annual Report of HDFC Credila Financial Services Limited ("the Company") for the financial year 2021-22.

The 17th AGM of the Company will be held on Wednesday, June 29, 2022 at 11:00 a.m. at the office of Housing Development Finance Corporation Limited, HDFC House, 165/166, HT Parekh Marg, Backbay Reclamation, Churchgate, Mumbai- 400020 to consider the following business:

1. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on March 31, 2022 and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares for the financial year ended March 31, 2022
3. To resolve not to reappoint Mr.Subodh Salunke, Director, liable to retire by rotation, who does not offer himself for re-appointment and the vacancy so caused on the Board of the Company be not filled-up
4. To increase the borrowing powers of the Company from Rs.15,000 Crores to Rs.20,000 Crores under section 180(1)(c), and other applicable provisions, if any, of the Companies Act, 2013

The Annual Report containing the AGM Notice is also uploaded on the Company's website at https://hdfccredila.com/about/investor-relation.html.

We request you to take note of the above and arrange to bring this to the notice of all concerned.

Thanking you,

For HDFC Credila Financial Services Limited
(Formerly known as HDFC Credila Financial Services Private Limited)

Akanksha Kandoi
Company Secretary & Compliance Officer

Encl: a/a

HDFC Credila Financial Services Limited

(Formerly known as HDFC Credila Financial Services Private Limited)
Regd. Office: B-301, Citi Point, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059 India,
Tel: +91-022-28266636 **Email:** investor@hdfccredila.com **Website:** www.hdfccredila.com
CIN : U67190MH2006PLC159411

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Seventeenth Annual General Meeting of the members of HDFC Credila Financial Services Limited (Formerly known as HDFC Credila Financial Services Private Limited) will be held on Wednesday, June 29, 2022 at 11:00 a.m. at the office of Housing Development Finance Corporation Limited, HDFC House, 165/166, HT Parekh Marg, Backbay Reclamation, Churchgate, Mumbai- 400020 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited financial statements of the Company for the financial year ended on March 31, 2022 and the Reports of the Board of Directors and Auditors thereon.

2. To declare dividend on equity shares for the financial year ended March 31, 2022

Special Business:

3. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

   "**RESOLVED THAT** Mr. Subodh Salunke, DIN 03053815 Director, liable to retire by rotation, who does not offer himself for re-appointment be not re-appointed as a Director of the Company and the vacancy so caused on the Board of the Company be not filled-up."

4. To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution** for approving the limits of borrowing by the Company:

   "**RESOLVED THAT** in supersession of all the Resolutions passed earlier in this regard, consent of the Company be and is hereby accorded in terms of Section 180(1)(c), and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof, for the time being in force) to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) for borrowing any sum or sums of monies for and on behalf of the Company from time to time, which together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed aggregate of its paid up share capital and free reserves, provided that the total amount so borrowed by the Company shall not exceed ₹ 20,000 Crores (Rupees Twenty Thousand Crores) with the following sub-limits:

   i) Non-Convertible Debentures, Perpetual Debt Instruments and Sub Debt: up to ₹ 6,000 Crores
   ii) Commercial Paper: up to ₹ 1,500 Crores
   iii) External Commercial Borrowing: up to ₹ 2,500 Crores
   iv) Balance of the borrowing from Banks, Financial Institutions and other sources: up to ₹ 10,000 Crores

"**RESOLVED FURTHER THAT** for the purpose of giving effect to this Resolution, the Board or any Committee or officer(s) authorized by the Board be and is/are hereby authorised to finalise, settle and execute such documents/ deeds/ writings/ papers/ agreements and to affix common seal, to do all acts, deeds, matters and things, as may be required."

On Behalf of the Board of Directors

Akanksha Kandoi
Company Secretary

Place: Mumbai
Date: June 02, 2022

Registered office:
B 301, Citi Point,
Next to Kohinoor Continental,
Andheri-Kurla Road,
Andheri (East), Mumbai - 400 059

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and on a poll to vote instead of himself and that a proxy need not be a member. The proxy form to be valid and effective should be lodged with the company at its Registered Office, duly completed and signed, not less than 48 hours before the commencement of the AGM.

2. A Proxy shall not have a right to speak at the AGM and shall not be entitled to vote except on a poll.

3. Corporate Members intending to send their authorized representatives to attend the AGM are requested to send to the Company, a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the AGM.

4. All documents referred to in this Notice and other statutory registers are open for inspection by the Members on the date of the AGM at the venue of the meeting and also at the Registered Office of the Company between 10:00 a.m. to 4:00 p.m on all working days except Saturdays, Sundays and national holidays, from the date hereof up to the date of the AGM.

5. Members desiring any information relating to the financial statement of the Company are requested to write to the Company at the earliest, so as to enable the Board of Directors to keep the information ready at the AGM.

6. The relevant Explanatory Statement pursuant to Section 102 of the Companies Act 2013, relating to the Special Business to be transacted at the meeting is annexed hereto.

7. For Resident Members: Tax at source shall be deducted under Section 194 of the Income Tax Act, 1961 at 10% on the amount of dividend declared and paid by the Company during financial year 2022-23, subject to PAN details registered/updated by the Member. If PAN is not registered/updated in the demat account/folio as on the cut-off date, TDS would be deducted @20% as per Section 206AA of the Income Tax Act, 1961.
No tax at source is required to be deducted, if during the financial year, the aggregate dividend paid or likely to be paid to an individual member does not exceed ₹ 5,000 (Rupees Five Thousand Only).

Annexure to the Notice

Explanatory Statement Pursuant to Section 102 of the Companies Act, 2013.

As required under Section 102 of the Companies Act, 2013, the following explanatory statement sets out all material facts relating to the business mentioned under Item No. 3 & 4 of this Notice.

Item No. 3

In accordance with Section 152 of the Companies Act 2013 and the Articles of Association of the Company, Mr. Subodh Salunke, Director, retires by rotation at the ensuing Annual General Meeting.

Mr. Salunke has indicated to the Company that he is not seeking reappointment due to his superannuation from the services of Housing Development Finance Corporation Limited. He has been on the Board since March 2010 The Board places on record its sincere appreciation and recognition of the valuable contribution and services rendered by Mr.Subodh Salunke during his tenure as a Director on the Board of the Company. The Board does not propose to fill the vacancy arising from the retirement of Mr.Subodh Salunke.

None of the other Directors of the Company and key managerial persons of the Company and their relatives may be deemed to be interested or concerned in the proposal contained in the resolutions.

The Board recommends the resolution for your approval

Item No. 4

Considering the business growth of the Company, the Company would be required to borrow money in excess of the current limit of ₹ 15,000 Crores approved by the members. It is proposed to increase this limit up to ₹ 20,000 Crores. In terms of Section 180 (1) (c) of the Companies Act, 2013, consent of members is required for borrowing moneys exceeding the paid up share capital and free reserves of the Company. The approval of the members is sought u/s 180 (1) (c) of the Companies Act 2013 to increase its borrowing powers from ₹15,000 Crores to ₹ 20,000 Crores.

None of the Directors or Key Managerial Personnel of the company or their relatives are interested in the proposed Resolution, financially or otherwise

The Board recommends the resolution for your approval

On Behalf of the Board of Directors

Akanksha Kandoi
Company Secretary

Place: Mumbai
Date: June 02, 2022

Registered office: B 301, Citi Point,
Next to Kohinoor Continental,
Andheri-Kurla Road, Andheri (East),
Mumbai - 400 059

HDFC Credila Financial Services Limited

(Formerly known as HDFC Credila Financial Services Private Limited)
Regd. Office: B-301, Citi Point, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059 India,
Tel: +91-022-28266636 **Email:** investor@hdfccredila.com **Website:** www.hdfccredila.com
CIN : U67190MH2006PLC159411

ATTENDANCE SLIP

(Please hand over at the entrance of the Meeting venue)

Folio No./Client ID	
Name and address of the Member	

I hereby record my presence at the Annual General Meeting of the Members of the Company held at the office of Housing Development Finance Corporation Limited, HDFC House, H. T. Parekh Marg, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020 on Wednesday, June 29, 2022 at 11:00 a.m.

Full name of the Member/ Proxy attending the meeting	
Member's/ Proxy's Signature	

Note: Your entry to the meeting will be regulated by this attendance slip.

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HDFC Credila Financial Services Limited

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Form No. MGT – 11

PROXY FORM

[Pursuant to the provisions of Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s):		E-mail:	
Registered Address:		Folio no./Client ID:	
		DP ID:	

I/We being the Member(s) of _________ equity shares of ₹10 each of HDFC Credila Financial Services Limited, hereby appoint:

1. Name: ____

   Address: ____

   ____

   E-mail:____

   ________________________Signature: __________________, Or failing him /her

2. Name: ____

   Address: ____

   ____

   E-mail:____

   ________________________Signature: __________________, Or failing him / her

3. Name: ____

   Address: ____

   ____

   E-mail:____

   ______________________________________Signature: ____________________

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Members of the Company to be held on Wednesday, June 29, 2022 at 11:00 a.m. at the office of Housing Development Finance Corporation Limited, HDFC House, H. T. Parekh Marg, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020 and at any adjournment(s) thereof, in respect of such resolutions in the manner as indicated below:

Sr. No.	Brief details of the resolution	Optional		
		FOR	AGAINST	ABSTAIN
1.	To receive, consider and adopt the audited financial statements of the Company for the financial year ended on March 31, 2022 and the Reports of the Board of Directors and Auditors thereon.			
2.	To declare dividend on equity shares for the financial year ended March 31, 2022			
3.	To resolve not to reappoint Mr. Subodh Salunke, Director, liable to retire by rotation, who does not offer himself for re-appointment and the vacancy so caused on the Board of the Company be not filled-up			
4.	To increase the borrowing powers of the Company from ₹15,000 Crores to ₹ 20,000 Crores u/s 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013			

Signed this _______________ day of ___________________, 2022

Signature of Member(s): __________________________________

Signature of the Proxy holder(s): _____________________________

Affix
Revenue
Stamp

NOTES:

1. This form of proxy in order to be effective should be duly completed and deposited at the registered office of the company, not less than 48 hours before the commencement of the meeting.

2. A Proxy need not be a Member of the Company.

3. A person appointed as proxy shall act on behalf of not more than fifty (50) members and holding not more than 10% of the total share capital of the company carrying voting rights. However, a Member holding more than 10% of the total share capital of the company carrying voting rights may appoint a single person as Proxy and such person shall not act as proxy for any other person or Member.

4. Optional. Please put a '√' in the appropriate column against the resolutions indicated in the box.

XXXXXXXXXXXXXXXXXXXXXXX

HDFC Credila Financial Services Limited

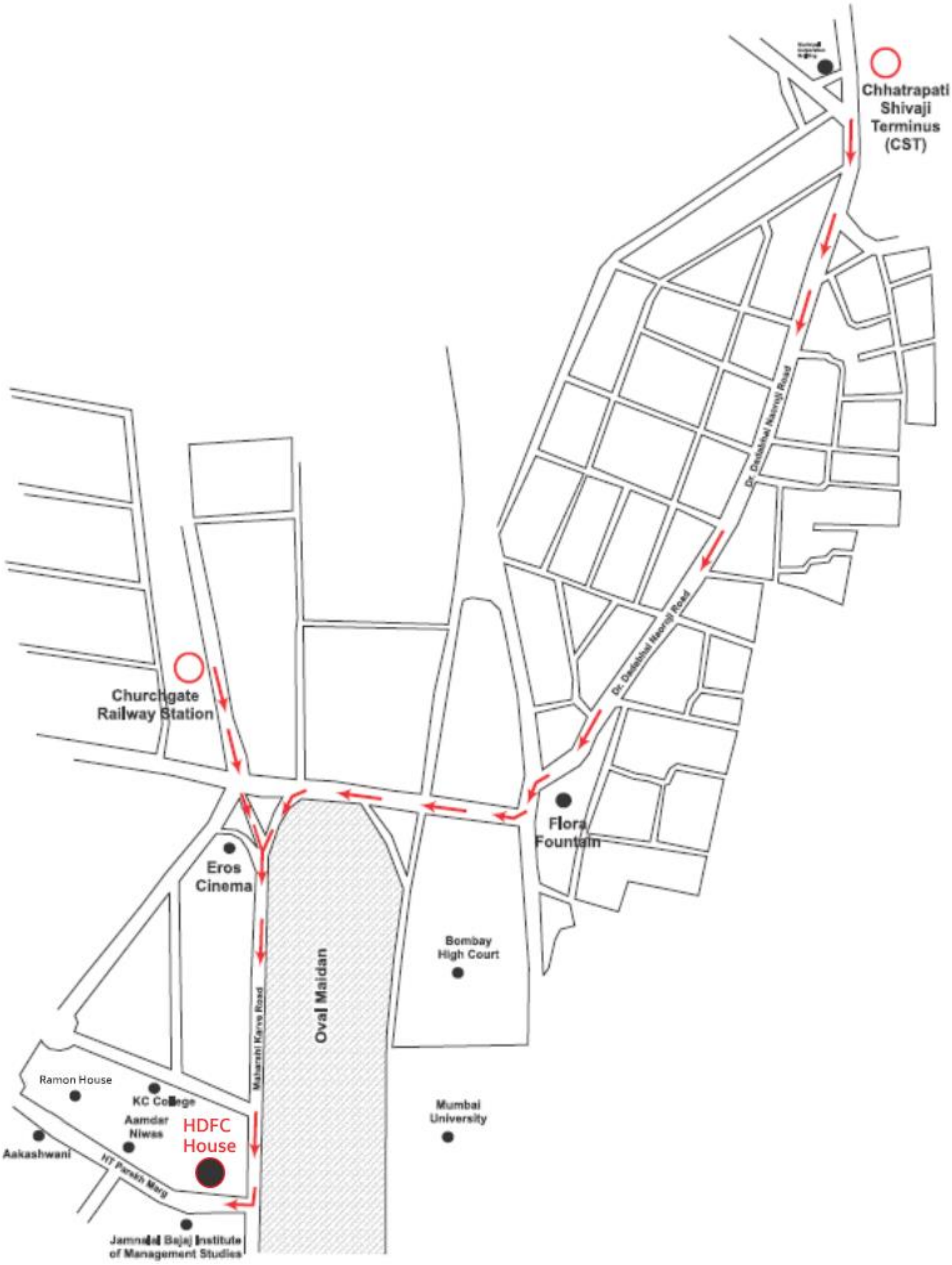
(Formerly known as HDFC Credila Financial Services Private Limited)

Regd. Office: B-301, Citi Point, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059 India,

Tel: +91-022-28266636 **Email:** investor@hdfccredila.com **Website:** www.hdfccredila.com

CIN : U67190MH2006PLC159411

ROUTE MAP TO THE AGM VENUE



HDFC CREDILA FINANCIAL SERVICES LIMITED

(Formerly known as HDFC Credila Financial Services Private Limited)

A Wholly Owned Subsidiary of
Housing Development Finance Corporation Limited

Seventeenth Annual Report 2021-2022

Board of Directors

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

MR. SUBODH SALUNKE
Non-Executive Vice Chairman
(DIN: 03053815)

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)

Senior Executives

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 Trustee

IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17, R. Kamani Marg,
Ballard Estate, Mumbai – 400 001.
Tel No.: + 91 - 22 - 4080 7001

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 • Karur Vysya Bank

Registered Office

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

Registrar & Transfer Agents

Adroit Corporate Services Pvt. Ltd.
17-20, Jafferbhoy Ind. Estate, 1st Floor,
Makwana Road, Marol Naka,
Andheri (E), Mumbai - 400059.
Tel. No.: + 91 - 22 - 4227 0400
Fax No.: + 91 - 22 - 2850 3748

Directors' Report

TO THE MEMBERS

Your directors are pleased to present the Seventeenth Annual Report of the Company with the audited accounts for the year ended on March 31, 2022.

Financial Results	For the year ended March 31, 2022 (₹ in crore)	For the year ended March 31, 2021 (₹ in crore)
Total Income	**823.60**	713.47
Less: Total Operating Expenses	**114.30**	83.83
Gross Profit Before Interest and Depreciation	**709.30**	629.64
Less: Interest and Finance Charges	**427.99**	418.69
Less: Depreciation	**3.79**	3.17
Profit before Tax	**277.53**	207.78
Less: Provision for Taxation	**76.02**	54.14
Less: Provision for Deferred Tax	**(4.87)**	(1.59)
Profit after Tax	**206.38**	155.23
Add: Other Comprehensive Income	**9.93**	2.60
Total Comprehensive Income	**216.31**	157.83
Less: Transfer to Reserve as per Section 45- IC (1) of RBI Act	**41.28**	31.05
Balance carried to Balance Sheet	**175.03**	126.78

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 maiden final dividend of ₹ 1 per equity share of face value of ₹ 10 each.

The dividend pay-out ratio for the year ended March 31, 2022 is 6.4%.

REVIEW OF OPERATIONS

During the Financial year ended on March 31, 2022, the Company earned a profit before tax of ₹ 277.53 crore as compared to the profit before tax of ₹ 207.78 crore in the previous financial year. The Company's loan book and total income have both increased in this financial year. While achieving a robust growth, the Company has continued to maintain its portfolio quality.

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 ₹ 41.28 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, 2022.

LENDING OPERATIONS

During the year in review, education loans disbursed by the Company increased by 173% from ₹ 1,579 crore in FY '21 to ₹ 4,309 crore in FY '22 whereas the repayments of principal including prepayments have increased by 8% from ₹ 1,759 crore during the previous year to ₹ 1,908 in FY '22. The outstanding loan assets have grown by 41% from ₹ 6,267 crore in FY '21 to ₹ 8,838 crore in FY '22.

RESOURCE MOBILISATION

PERPETUAL DEBT

As at March 31, 2022, the Company's outstanding Perpetual Debt stood at ₹ 275 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 'ICRA AA+' and 'CARE AA+' by ICRA and CARE respectively. It is subordinated to the present and future senior indebtedness of the Company and is perpetual in nature with a call option after 10 years from the date of issue. The Company's Perpetual Debt is listed on the BSE Limited.

The Company has been regular in its payment obligation towards Perpetual Debt.

SUBORDINATED DEBT

As at March 31, 2022, the Company's outstanding Subordinated Debt stood at ₹ 350 crore. This debt is subordinated to the present and future senior indebtedness of the Company. It has been assigned a rating of 'CRISIL AAA', 'CARE AAA' and 'ICRA AAA' by CRISIL,

Directors' Report

CARE and ICRA respectively. Based on the balance term to maturity, as at March 31, 2022, ₹ 292 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 Subordinated Debt.

NON-CONVERTIBLE DEBENTURES (NCD)

During the year in review, the Company issued Secured, Rated, Listed, Redeemable NCDs amounting to ₹ 950 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, 2022, the Company's outstanding NCDs stood at ₹ 2,050 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, 2022, the total term loans outstanding from banks amounted to ₹ 4,059 crore as compared to ₹ 2,081 crore as at March 31, 2021. The Bank Loans have been assigned the highest rating of 'ICRA AAA' by ICRA.

EXTERNAL COMMERCIAL BORROWINGS (ECB)

During FY '20, the Company availed ECB of US$ 100 million for further lending of education loans as per the ECB guidelines issued by Reserve Bank of India ('RBI'). As at March 31, 2022, the ECB outstanding stood at ₹ 756 crore.

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, 2022 was ₹ 100 crore as compared to ₹ 75 crore as at March 31, 2021.

The Company has listed its commercial papers since FY '21 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 ₹ 155,00,00,000, composed of 15,50,00,000 Equity Shares of ₹ 10 each.

The Issued and Subscribed Share Capital of the Company consists of Equity Share Capital of ₹ 131,79,82,260 composed of 13,17,98,226 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.

The scheme is yet to be implemented.

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 the RBI regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, etc.

CAPITAL ADEQUACY RATIO (CAR)

As at March 31, 2022, the CAR stood at 18.93%, of which Tier I capital was 14.84% and Tier II capital was 4.09%. As per regulatory norms, the minimum requirement for the CAR and Tier I capital as at March 31, 2022 is 15% and 10% respectively.

Directors' Report

SUBSIDIARY/ASSOCIATE COMPANY

The Company does not have any subsidiary or associate company.

PARTICULARS OF EMPLOYEES' REMUNERATION

As at March 31, 2022, the Company had 329 employees. During the year, 2 employees employed for part of the year were in receipt of remuneration of ₹ 8.5 lakh or more per month.

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

PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT OF WOMEN AT 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 Whistle Blower 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 whistle blower 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 **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, 2022 (Note 9).

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

Details of other related party transactions are provided in the notes to the Financial Statements.

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

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

During FY '22, the Company expended ₹ 19.49 crore including interest expenses on ECBs and derivatives of ₹ 19.33 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.

Directors' 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) were appointed as the statutory auditors of the Company at the Extra Ordinary General Meeting held on November 19, 2021, for a term of 3 consecutive years to hold office as such until the conclusion of the 19th Annual General Meeting.

The Statutory Auditors 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 fraud to the Audit Committee of Directors.

INTERNAL AUDITORS

The Company has appointed a Head - Internal Audit, in March 2022, in compliance with the RBI's Risk Based Internal Audit (RBIA) Framework for NBFCs dated February 3, 2021.

SECRETARIAL AUDIT

Pursuant to the provisions in Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has 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 financial year, no significant or material orders were passed by any regulator, 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 in 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 the 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 FY '22 and of the profit of the Company for the said period

c) Proper and sufficient care has been taken to maintain 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 have laid down internal financial controls to be followed by the Company, and such internal controls are adequate and operating effectively

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

Directors' Report

ANNUAL RETURN

The Annual Return for FY '22 is uploaded on the Company's website at **www.hdfccredila.com/about/investor-relation.html.**

ACKNOWLEDGEMENTS

The Company acknowledges the role of all its key stakeholders - shareholders, debenture holders, borrowers, channel partners and lenders for their continued support to the Company.

Your directors place on record their gratitude for the support of various regulatory authorities including 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 21, 2022

V. Srinivasa Rangan
Chairman

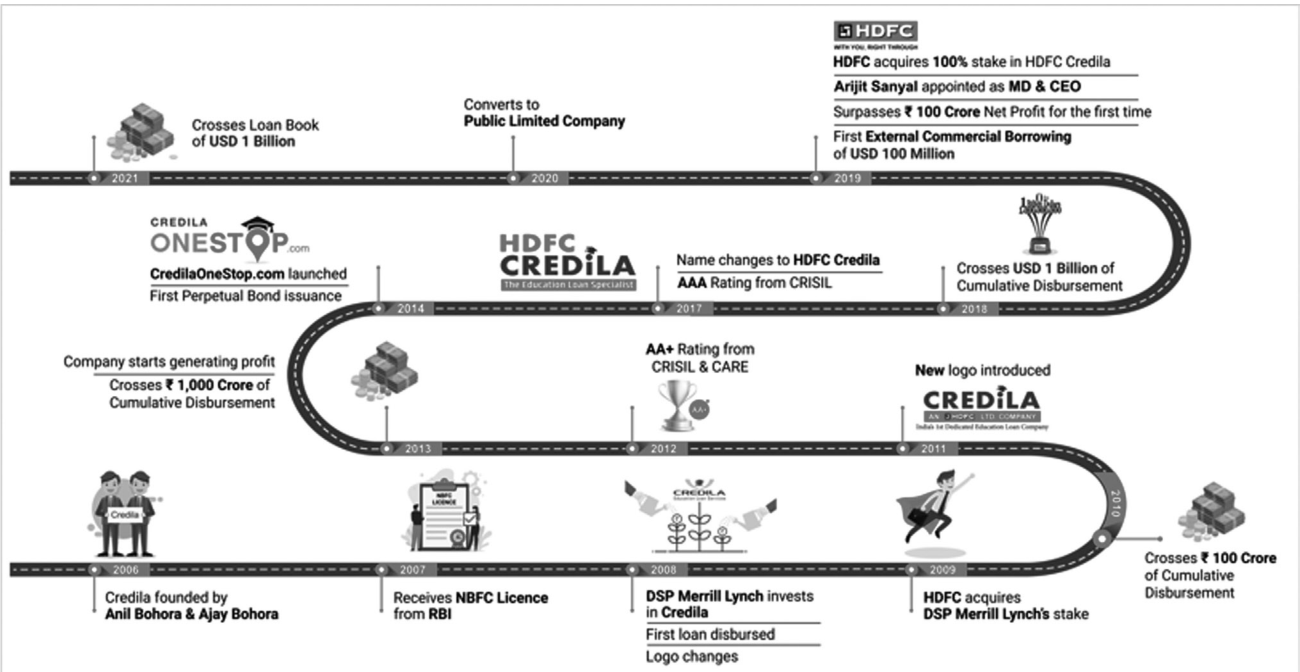
Annex to Directors' Report - I

MANAGEMENT DISCUSSION AND ANALYSIS

HDFC Credila Financial Services Limited (formerly known as "HDFC Credila Financial Services Private 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 education 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.

On October 8, 2020, HDFC Credila Financial Services Limited was converted to a Public Limited Company (from Private Limited) and received a fresh Certificate of Incorporation from the office of the Registrar of Companies, Mumbai.



HDFC Credila has obtained a AAA credit rating 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 whereby customers of the Company can avail benefits of income tax deduction in respect of the interest paid by them on their education loan subject to certain conditions as laid under the Income Tax Act, 1961 and amendments made thereto hereinafter.

MACROECONOMIC OVERVIEW

India is a fast growing and increasingly global economy with its GDP growth rate estimated to be over 8.9% in FY '22.[1] As per the minutes of the Monetary Policy Committee Meeting held from April 6 - 8, 2022, published by the RBI, the projected growth rate in FY '23 is 7.2%.[1] A recovery in economic activity in India is expected to continue to gain strength with gross GST collections of ₹ 1.42 lakh crore[2] in March 2022, an increase of exports by 36.19%[3] for the period April - February 2022 over the previous period, and comfortable Foreign Currency Reserves position of US$ 631.920 billion as on March 4, 2022.[4] Merchandise exports increased by 43.18%[5] to US$ 417.8 billion in the period from April - March 2022.[6]

Whilst inflation in February 2022, measured by CPI, printed at 6.07%[7] - above the upper tolerance limit of 4% (-/+2%) set by the RBI - the broadly accommodative stance continues to support the recovery in the backdrop of deteriorating geopolitical factors and rising crude oil prices. Whilst short term volatility is expected to continue, the long-term fundamentals of the economic growth story of India remain unchanged.

Annex to Directors' Report - I (Continued)

The Government of India has introduced several new initiatives in the Union Budget, in February 2022, to drive GDP growth. The Hon'ble Finance Minister emphasised the increase in Government-led public investment in infrastructure to pump-prime the economy so that private investment is encouraged to participate in FY '23. As per the Union Budget 2022-23 presented by the Hon'ble Finance Minister, the outlay for capital expenditure has been increased by 35.4% from ₹ 5.54 lakh crore in the current year to ₹ 7.5 lakh crore in 2022-23. Further, with support to states for asset creation, the total capital expenditure is ₹ 10.68 lakh crore, or 4.1% of GDP. The newly introduced Productivity Linked Incentive Scheme will make India more self-sufficient in 14 sectors and create ~60 lakh jobs.[8]

A slew of new technology-backed initiatives such as online education, green energy, e-vehicles and battery swapping, post offices linked to core banking, 5G telecommunications, electronic goods and semiconductors, genomics, pharmaceuticals etc. have been introduced to drive job growth. This will also require upgraded education and diverse skillsets. India's burgeoning upper, middle and lower classes have always perceived a premium in higher education and skills, and a large part of the family budget continues to focus on education across disciplines. The tangible benefits of international exposure will ensure that students continue to look outwards to other countries such as the USA, UK, Australia, Canada, Germany, France and Switzerland to enhance learning.

The number of outbound students each year is expected to grow due to the increasing upwardly mobile aspirations of Indians. For hundreds-of-thousands in India, the dream of pursuing an education either in India or overseas is becoming increasingly accessible, and our Company plays an important part in bringing such ambition to fruition.

INDUSTRY STRUCTURE AND SCOPE

India's education sector offers a great opportunity as India has the largest number of people in the 5-to-24-year age group in the world. India's higher education segment is expected to increase to ₹ 2,44,824 crore (US$ 35.03 billion) by the year 2025[9]. India's economy also provides structural support for continued growth and expansion as evidenced by the low Gross Enrollment Ratio (GER). India's young and aspirational population (~53% of the population is <29 years [10]) coupled with a low GER of 28.6%[11] represents significant short-, medium- and long-term growth opportunities. The GER in countries such as USA (87.90%), UK (65.80%) and China (53.80%) is much higher which represents significant headroom for improvement in India's GER.[11]

Education continues to be a priority for Indian families. As per the Ministry of Education's UDISE+ Report 2019-20, there are ~15 lakh schools, ~97 lakh teachers and ~26.5 crore students in the pre-primary to higher secondary level in India. These students are from varied socio-economic backgrounds and constitute a significant pool of talented youth who are expected to enter the Indian higher education system.[12]

Supporting this, India has one of the largest networks of higher education institutions in the world. During 2019-20, India had ~3.85 crore students who were pursuing higher education in over 1,043 universities, 42,343 colleges and 11,779 standalone institutes overseas.[13]

In the year 2021-22, there were 8,997 AICTE-approved institutes – 3,627 undergraduate institutes with an intake of 13.26 lakh, 4,790 postgraduate institutes with an intake of 6.36 lakh and 3,994 diploma institutes with an intake of 10.12 lakh students. 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.[14]

The increasingly upwardly mobile Indian households have been focused on education overseas, for reasons ranging from the availability of a diverse range of study 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 population willing to pursue opportunities abroad.

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

**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)

KEY GROWTH DRIVERS/OPPORTUNITIES

Large population with favourable demographics

In 2019-20, India's higher education enrollment was 3.85 crore, which includes 79.53% students enrolled at the Under-Graduate (UG) level, 11.19% enrolled in Post-Graduate (PG) programmes, 6.94% enrolled in Diploma courses, 0.53% students pursuing Ph.D. and 0.41% pursuing Certificate courses. The balance students are enrolled in integrated Ph.D. programmes and PG Diplomas.[13]

India's young and aspirational population coupled with a relatively low GER represents significant short-, medium- and long-term growth opportunities.

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[15]
- Institutional collaboration is proposed whereby an undergraduate student, upon completion of his/her degree course, need not take another entrance test but would get direct entry in a master's programme of a partner institution[16]
- 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)[17]

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.[17]

The horizon for education is expanding daily - UGC's recent move to recognise bachelor's degrees in sports science and sports management will professionalise the sports talent ecosystem in the country. This provides an opportunity to connect with the US$ 10 billion sports management industry.[18]

Outward-looking aspirational population

Indian students choosing to study abroad is not a new trend, with several factors influencing their decision to do so. An aspirational outlook combined with meaningful opportunities overseas are two of the primary reasons that influence Indian students to pursue their education abroad.

With countries such as the US, UK and Canada implementing policy changes favourable to international students, 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 over the last three years. The number of Indian students overseas was ~770,000 in 2019, which is further expected to reach ~1.8 million students with a total spend of US$ 75 - 85 billion in 2024.[19]

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 courses 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.

EDUCATION LOAN MARKET OPPORTUNITY

There are ~3.85 crore[14] 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 loan outstanding in the USA stood at US$1.58 trillion[20] (₹ 120.61 lakh crore) in December 2021. Given that 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/potential for the Indian education loan industry.

The total education loans outstanding in India as at November 2021 stands at ₹ 88,600 crore, of which ₹ 10,187 crore can be attributed to the NBFC sector.[21]

Annex to Directors' Report - I (Continued)

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 education loan 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

We continue to witness an increased interest amongst parents and children alike to pursue education overseas. There has been, in parallel, an increase in tuition fees both in India and abroad. This has resulted in an enhanced demand for education loans with a correspondingly higher average ticket size.

Consequently, 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 take advantage of 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 ~70-75% of education loans disbursed[21]. 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.

Business Impact of COVID-19

During the first and subsequent waves of the COVID-19 pandemic when lockdowns were enforced, the Company had to operate at limited permissible capacities and/or keep its offices closed as per the directions of local authorities. During such time, the Company diligently adhered to the prescribed mandates, with the health and safety of staff and customers as the primary objective. During this period the Company effectively transitioned to work from home and continued to service its customers seamlessly via digital channels.

A quick view of the Company's continual response to the crisis in FY '22:

- Implemented an ongoing Work from Home (WFH) policy to ensure the health and safety of our employees
- Organised vaccination camps via a tie-up with our group companies
- Enhanced functionality to the online application process

The above is in addition to several initiatives undertaken in FY '21 in response to the COVID-19 crisis, some of which are listed below:

- Extended the benefit of payment deferment to customers as per the Government and RBI's COVID-19 Regulatory Package
- Introduced a process for online loan application to ensure the health and safety of our customers and other stakeholders
- Introduced a 14-day dedicated COVID-19 leave policy as part of a comprehensive approach towards employees' health and well-being in these unprecedented times

With the ebbing of the third wave of COVID-19 in India, the Company's offices were opened progressively and are currently fully functional.

Annex to Directors' Report - I (Continued)

Regulatory and Business Environment

Regulatory Environment

RBI Guidelines for Appointment of Statutory Auditors

During the year, the RBI issued Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) issued on April 27, 2021. NBFCs were required to comply with the requirements of the circular from the second half of FY '22.

The erstwhile statutory auditors of the Company, Messrs. BSR & Co. LLP, Chartered Accountants had completed their term of appointment as per aforesaid guidelines and hence resigned as the statutory auditors of the Company with effect from November 2, 2021.

In line with the guidelines, the Company has put in place a Board-approved Policy on the Appointment of Statutory Auditors and has appointed Messrs. Shah Gupta & Co. Chartered Accountants as the Statutory Auditors of the Company for a tenure of 3 years on the recommendation of the Audit Committee and Board of Directors and post approval of Shareholders of the Company at its Extra Ordinary General Meeting held on November 19, 2021.

RBI Guidelines on Resolution Framework – 2.0

On May 5, 2021, the RBI issued Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses, in response to the disruption caused by the second wave of COVID-19. The Company implemented Resolution Framework 2.0 approved by the Board of Directors of the Company in accordance with the guidelines issued by the RBI. Under the Resolution Framework 2.0, the Company assessed and restructured the repayment schedule of customers (total outstanding of ₹ 23 crore) to give relief in loan servicing obligations to customers who have been financially impacted owing to loss of income during the pandemic.

RBI Guidelines on Distribution of Dividend

The RBI has issued new guidelines on distribution of dividend by NBFCs effective from FY '22. The guidelines specify the matters to be reviewed by the Board while considering the proposal for dividend, the eligibility criteria relating to Capital Adequacy, Net NPA, etc. for declaring dividend and the Dividend Payout Ratio, among other requirements. The Company has proposed a final dividend of ₹ 1 per equity share of face value of ₹ 10 each and the same is in conformance with the RBI guidelines on distribution of dividend.

RBI Guidelines on Risk Based Internal Audit

On February 3, 2021, the RBI had issued new guidelines on Risk-Based Internal Audit (RBIA) for certain classes of NBFCs. The guidelines define that the Company's Internal Audit plan and execution need to be based on risk assessment encompassing all processes of the Company. The guidelines further define roles, responsibilities and the modality of operation of the Internal Audit department (IAD) and expectations from the Audit Committee and Management to ensure the IAD can meet its objectives. Accordingly, the Company has put in place a RBIA policy and framework and appointed a Head of Internal Audit in line with the guidelines.

RBI Guidelines on Scale Based Regulation

With a view to align the regulatory framework of NBFCs with their changing risk profiles, the RBI has issued Scale Based Regulation (SBR), an integrated regulatory framework for NBFCs. The SBR will come into effect from October 1, 2022. This framework segregates NBFCs into the Base, Middle, Upper and Top Layers. 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. Detailed guidelines on the other requirements will be issued by the RBI in due course.

RBI Clarifications on Prudential Norms on Income Recognition, Asset Classification and Provisioning

The RBI has issued certain Clarifications on Prudential Norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances with a view to ensure uniformity in the implementation of IRACP norms across all lending institutions. The Company has complied with the requirements of the Circular and made necessary changes to the loan documentation, SMA & NPA classification, upgradation of NPAs and related requirements.

RBI Guidelines on appointment of an Internal Ombudsman

The RBI has 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. The Company is in the process of appointing an Internal Ombudsman and complying with the other requirements of the guidelines.

Business Strategy

With an increased focus on product(s), efficiencies, and targeted sourcing, the Company was able to achieve (i)

Annex to Directors' Report - I (Continued)

portfolio diversification, (ii) new product launch for top Indian MBA colleges, and (iii) increased productivity of the Sales team. This culminated in the Company achieving its highest ever disbursements in a financial year as on date.

Macro-level developments also played a role in our success in FY 2021-22.

- An increase in student visa issuance in 2021, viz.*,
  - o 298% increase in the number of US student visas issued
  - o 90% increase in the number of UK student visas issued
  - o 110% increase in the number of Canadian visas issued
- Changes in UK visa norms: From July 1, 2021, international students who have successfully completed an undergraduate or master's degree will be able to benefit from a two-year work visa upon graduation. PhD graduates will be allowed to work in the UK for up to 3 years after completion of their degree[22]
- Relaxed admissions criteria for UK and Canadian universities increased overall applications and admissions for Indian students. Further, students who had postponed their higher education plans in FY '21 on account of the COVID-19 pandemic enrolled themselves in FY '22

The Company's marketing and application sourcing strategies were also adapted to connect with potential customers more efficiently. Business sourcing from partners/channels, sourcing via business influencers was enabled through virtual/digital platforms, thus supporting business despite the acute restrictions and lockdowns faced during the pandemic.

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

Segment of Focus and Performance

The Company focuses solely on education loans. The Company has two main product categories - secured education loans and unsecured education loans. Currently, 34% of the Company's education loans portfolio is secured whilst 66% is unsecured. Both these product categories continue to perform well. The Non-Performing Assets (NPAs) of the Company stand at 0.22% and Stage 3 Assets of the Company is 0.57%.

With over 16 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

FY '22 has been a successful year for HDFC Credila. The Company's logins (63,187 files), sanctions (29,862 files) and disbursements (₹ 4,309 crore) grew by 72%, 82% and 173% respectively over the previous financial year.

The Company has diversified its portfolio by way of reduction in contribution of US disbursements from 65% of the total disbursements in FY '20 to 51% of total disbursements in FY '22. Canada's contribution to total disbursements increased from 14% in FY '20 to 23% in FY '22. The UK experienced the largest increase in contribution to total disbursements, increasing from 1% to FY '20 to 10% in FY '22.

Consequently, the US's contribution to our portfolio has reduced from 63% in FY '20 to 52% in FY '22, Canada's contribution has increased from 11% in FY '20 to 22% in FY '22 and the UK's contribution to the overall portfolio has increased from 1% in FY '20 to 6% in FY '22.

One of the highlights of FY '22 was the launch of an India MBA-focused product, targeted at students pursuing their studies at the top 118 MBA colleges in India. The rationale behind this was to develop a competitively priced product, improve process efficiencies, expedite the underwriting process and reduce overall turnaround times. In FY '22, disbursements to students pursuing their studies in India increased to ₹ 301 crore, an increase of 107% over FY '21.

This impressive growth in all our key business parameters validates HDFC Credila's belief that education spending is

Annex to Directors' Report - I (Continued)

inelastic and the demand for overseas education is robust, with the number of pent-up applications mitigating the effects of lockdown.

Cost of Borrowing

HDFC Credila's cost of borrowing has been reducing consistently over the last 2 years. This has enabled us to compete more aggressively on pricing and should help us to better penetrate the India market.

HDFC Credila has reduced its benchmark rate by 100 basis points from 12.55% to 11.55% in the last 2 years, thus passing the benefit of reduction in the form of cost of borrowing to its borrowers.

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 oversight and effective implementation of the overall Risk Management Framework:

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

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 to 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.

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) of the Company, 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. While the Finance team closely manages the liquidity position, 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, research and introducing training exercises for its sales personnel in addition to improving 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

Annex to Directors’ Report - I (Continued)

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

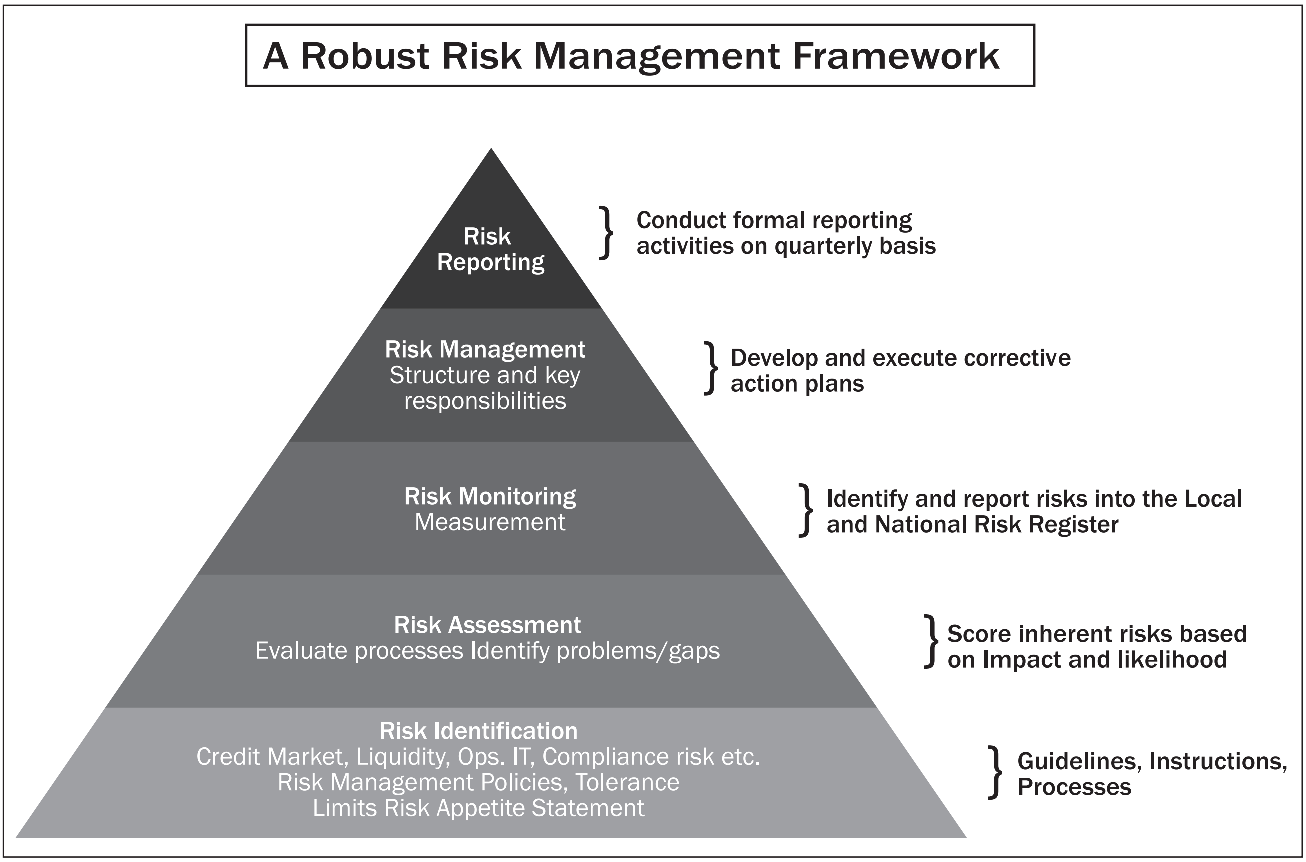
As a lender in the education loans sector, the biggest threat that the Company faces is the dynamic macroeconomic environment in India and overseas. For students to be able to continue to repay their education loans, it is critical to have strong employment and business opportunities.

Geopolitical tensions across 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. For instance, the ongoing war between Ukraine and Russia has left many Indian students pursuing their education in these countries facing an uncertain future, which the Indian government is aiming to address.

Internal Control Mechanisms

The Company has appointed a Head of Internal Audit and instituted a Risk based Internal Audit Policy during the financial year as required per the RBI guidelines on Risk Based Internal Audit. 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 Internal 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:

Data Analytics

The Company has onboarded an Analytics company during the last financial year to help augment the data science capabilities of the Company. This entailed building a data science roadmap and developing analytical/statistical/machine learning models for the Company.

Following are the highlights of the achievements this financial year:

- Development and implementation of an underwriting scorecard model which has gone live in July 2021 post several UAT tests and other checks. This is currently being used as an aid to the current underwriting process and not a substitute for the same. The Company intends to test the scorecard for an extended period of 12 to 18 months before deploying it for real-time decision making
- Serving as a primary risk measurement tool, the portfolio could be further optimised from a risk-reward perspective through the creation of homogeneous risk pools
- Likely to lay the foundation for the Company to proceed on its journey towards risk segmentation, monitoring caps and triggers, risk-based pricing, loss forecasting, prepayment and drawdown forecasting etc.

With this, the Company plans to leverage data and technology to achieve the common goal of improving business outcomes by making credit decisioning more objective and data-driven, thereby increasing efficiency and reducing turnaround times.

Introduction of Fraud Prevention Solution

The Company has implemented a fraud detection/prevention solution at the loan application stage in order to minimise the probability of the Company incurring credit losses owing to frauds. This solution comprises accessing a total database of 160 million records with 8 million transactions occurring every month. The solution dedupes and highlights inconsistencies and checks for validations in applications, enabling the Company to take a more informed decision. The Company has also formed an independent Fraud Containment Unit function under the Risk function and allocated dedicated resources to implement and regulate this activity.

Development of Early Warning Signal System

The Company has defined certain early warning signals of stress which are reviewed periodically to identify potentially vulnerable and stressed borrower accounts. This allows us to monitor the performance of the portfolio in a focused manner whilst ensuring enhanced and timely action from a collections and recovery point of view. The Company is in the process of augmenting its in-house system with other automated solutions to detect errant behaviour of borrowers in a timely manner.

Economic Outlook

The Company tracks important economic indicators such as GDP, inflation, exchange rates and unemployment rates for eight major countries wherein HDFC Credila has significant exposure owing to funding students pursuing their education there. These include the United States of America (USA), Canada, Australia, New Zealand, India, United Kingdom (UK), Ireland and Germany. 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.

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. One such review was completed in Q3 FY 22 and the Risk Appetite Statement has accordingly been modified in line with the Company's business model and market conditions.

Further, the Company periodically monitors the delinquency performance of the portfolio on various parameters including but not limited to coborrower income, CIBIL bands, course category, study country, course discipline, branch location, GRE score band, average monthly salary levels, coborrower occupation, security status, etc. This enables the Company to re-align and review its credit and underwriting parameters when required.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Education loans disbursed by the Company have increased by 173% from ₹ 1,579 crore in the previous year to ₹ 4,309 crore in FY '22. The Company has disbursed education

Annex to Directors' Report - I (Continued)

loans to 20,812 students in FY '22 as against 8,241 students the previous financial year.

The financial and operational performance of the Company for the year ended on March 31, 2022 has been good along with overall economic recovery and an optimistic job market globally.

Below are the performance highlights of FY'22:

- The loan book has grown by 41% to ₹ 8,838 crore and interest income on loans has increased by 15% to ₹ 796.61 crore over the previous year. Correspondingly, borrowings have increased by 43% to ₹ 7,515 crore, while the finance cost has increased by 2% to ₹ 427.99 crore as a result of effective treasury management
- Net Interest Income has grown by 30% due to reduction in the borrowing cost and increase in loan book. During FY '22, the Company has passed on the benefit of reduction in borrowing to all the borrowers by way of reduction of 50 basis points in its benchmark lending rate (H-CBLR)
- Operating Expenses have increased by 31% to ₹ 102.04 crore primarily considering the increase in scale of operations and increase in spends on digital transformation
- Impairment loss allowance of ₹ 16.04 crore was created by the Company including incremental provision pursuant to the change in ECL model arising out of geographic segmentation of the portfolio

Net Profit After Tax has increased by 33% to ₹ 206.38 crore as compared to the previous year. Net profit margin has improved significantly from 21.76% in previous year to 25.06% in current year. The return on average assets was 2.63% while return on equity was 16.48%.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

The Company recognises that training and continuous upgrading of skill sets are essential to ensure a high calibre workforce.

During the year, various training programmes focused on enhancing functional and behavioural skills were held across the Company. These include IT and systems, policy, regulatory, compliance, safety and leadership trainings conducted by both in-house experts and external trainers. Over the period of the year, 100+ training programmes were conducted which covered 4000+ non-unique participants.

Apart from training programmes, the Company rolled out online, self-paced compliance courses on Prevention of Sexual Harassment (POSH), Information Security and KYC/AML policies designed and executed by industry experts to increase awareness amongst employees.

The Company invested in providing self-paced online learning modules for employees to improve and enhance their skillsets. Currently, employees have access to over 106 online courses and 35 hours of learning. During the year, 239+ employees were enrolled in 1,600+ online courses, of which over 30% of the courses have been attempted during the year.

During this year, the Company has rolled out various new learning initiatives, including:

- ***Induction Training:*** An in-depth 7-day induction and assimilation training has been designed and rolled out for all on-roll employees which covers a Company overview and an introduction to all departments and processes. This cross-functional induction programme helps new joinees understand policies, functions, and processes thoroughly. This year the Company has covered 50+ new joinees in the induction programme
- ***Classroom Training on Skill Enhancement:*** Customised training was designed for all front-line Sales, Customer Service, Credit and Operations staff to sensitise them to the needs of customers and help them communicate effectively whilst resolving customer needs and meeting organisational goals. These programmes were designed and delivered along with external facilitators. 17 trainings were conducted covering 480+ on-roll and off-roll participants during the year
- ***External Certification and Training:*** Selected employees went through niche external trainings and seminars focused on regulatory, functional and legal aspects
- ***Weekend Engagement Programmes:*** As part of its 'We Care' initiative, the Company introduced a series of virtual training programmes, talks and webinars for all employees on topics ranging from health, wellness, diet, mental health and wellbeing, guided meditation sessions, yoga sessions, musical bonding sessions, sessions on financial planning to help employees cope with the second wave of COVID-19 and subsequent lockdown, and drive overall engagement
- ***Fire safety drills*** were conducted at all branch locations by certified safety experts.

Annex to Directors' Report - I (Continued)

The Company had 329 employees as of March 31, 2022. 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:[23]

- The combination training method, which involves online learning and games, is expected to grow by 38% in the next 2 to 4 years
- 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 further result in the creation of untapped potential for the Company to explore.

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

Opportunities in E-Learning

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[24]. 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 ~26.5 crore students in the pre-primary to higher secondary level from varied socio-economic backgrounds[12].

Rising school fees and ancillary expenses such as travel, accommodation and related expenses such as 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. Teaching and non-teaching staff form another subset of this ecosystem with their individual requirement for finance.

Work Permits and Immigration Laws

In a bid to attract and retain talent, visa fee refunds, extra time for English language tests and health check-ups, extended stay and work periods are among the many benefits that the Australian government is offering to attract Indian students[25]. 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.[26] The UK boasts of a welcome move for international students – those who have successfully completed an undergraduate or master's degree will be able to benefit from a two-year work visa upon graduation.[27] 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.[28]

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

**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)

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 Centre 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.[29]

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Annex to Directors' Report - II

THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

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 is in compliance with the CSR objective 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 – 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.

INGA Health Foundation (IHF)

HDFC Credila continued to support programmes for treating less fortunate children born with facial deformities such as cleftlip and palate by providing financial assistance to its experienced partner, INGA. Cleft and craniofacial surgeries were performed on children coming from low-income families in Mumbai and Bengaluru. Nearly 86 patients were treated from the support amount.

Aishwarya Trust

A contribution was provided to Aishwarya Trust to perform corrective heart surgeries on underprivileged children from lower income groups. 25 corrective heart surgeries were conducted from the contribution made in Chennai.

Blind People's Association (India) (BPA)

During the year, a major cause supported by HDFC Credila was the prevention and treatment of avoidable blindness. Support was provided to the BPA for restoring eyesight of underprivileged people in remote villages in Gujarat who are not able to get their cataract operations done. A total of 734 cataract eye surgeries were sponsored by HDFC Credila.

In addition, HDFC Credila sponsored purchase of ophthalmic equipment for Porecha Eye Hospital, Bareja and BYP Eye Hospital, Vatrak in Ahmedabad.

This year, HDFC Credila supported the running of Prayas Day Care Centre for Children with Disabilities in Jodhpur. This center was started by BPA in Jodhpur-Mandor, Rajasthan for providing various types of rehabilitation and educational training to children with disabilities. This included their education, therapy and distribution of dry ration kits.

Annex to Directors' Report - II (Continued)

Access Life Foundation

India has a high incidence of cancer and despite several public and private health systems, majority of cancers are detected at an advanced stage. Further, cancer is no longer a disease only affecting people in urban & semi-urban areas. It is deeply entrenched in rural India. Many families come to metros like Mumbai from remote towns and cities across India seeking treatment for their children affected with cancer. While hospitals extend quality medical services, the poorer families have no place to stay during the 5 - 12 months (sometimes extending to 24 months) that it takes to complete the treatment. Many end up living on footpaths or are forced to abandon treatment due to the high cost of accommodation in a metro city like Mumbai. Children battling cancer and without access to proper accommodation and nutrition are 5 times more likely not to survive due to secondary infections, chemotherapy intolerance and treatment abandonment. HDFC Credila supported Access Life Assistance Foundation Centres which offer free accommodation, nutrition, secure transportation etc. to such children who are suffering from cancer.

Salaam Baalak Trust (SBT)

HDFC Credila granted support to Salaam Baalak Trust (SBT).

SBT provides sensitive and caring environment for street and working children and those in difficult circumstances. It seeks to provide a platform for children to realise their full potential, their right to a safe and secure space, education, and health and nutrition.

HDFC Credila sponsored the education expenses with a focus on English literacy and supplementary classes for Salaam Baalak Trust.

Holy Family Hospital, New Delhi

HDFC Credila sponsored the purchase of a surgical opescope acteno for the treatment of needy and underprivileged patients.

Aseema Charitable Trust

HDFC Credila supported Aseema Charitable Trust that provides quality value-based education from pre-primary to Grade 10 inclusive of academics, co-curricular activities, excursions and cultural celebrations and provides on-going support to those enrolled in the formal system so that they do not drop out of school. HDFC Credila's support helped provide education to 766 children from marginalised communities in Mumbai.

Sri Chaitanya Seva Trust

HDFC Credila sponsored the set up of a new chemotherapy unit at Bhaktivedanta Hospital in Mira Road, Thane to provide cancer treatment for the poor and underprivileged sections of our society.

Since the inauguration 86 needy patients have availed chemotherapy free of cost.

HDFC Credila also sponsored the purchase of an arthroscopy shaver and portable ventilator.

The ventilator has helped 33 patients in March 2022, while 3 patients have benefited from the arthroscopy shaver.

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

Annex to Directors' Report - II (Continued)

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**

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: Not Applicable

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

1. Average Net Profit of the Company for last three financial years : ₹ 178,86,42,039.33
2. a) Two percent of Average Net Profit of the Company as per Section 135(5) : ₹ 3,57,72,841
   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 (7a+7b-7c) : ₹ 3,57,72,841
3. 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
3,57,72,841	**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:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of Activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the Project (in ₹)	Mode of implemen-tation - Direct (Yes/No)	Mode of implementation -Through Implementing Agency	
				State	District			Name	CSR Registration Number of Agency
1	Providing supportive care to families for their child's cancer treatment	Promoting health care	Yes	Maharashtra	Mumbai	42,00,000	No	Access Life Foundation	CSR00000715
2	Supporting underprivileged children by facilitating corrective heart surgeries	Promoting health care	No	Tamil Nadu	Chennai	25,00,000	No	Aishwarya Trust	CSR00001299
3	Promoting education	Promoting education	Yes	Maharashtra	Mumbai	53,44,154	No	Aseema Charitable Trust	CSR00004000
4	Restoring eyesight	Promoting health care	No	Gujarat	Ahmedabad	22,76,909	No	Blind People's Association (India)	CSR00000936

Annex to Directors' Report - II (Continued)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of Activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the Project (in ₹)	Mode of implemen-tation - Direct (Yes/No)	Mode of implementation -Through Implementing Agency	
				State	District			Name	CSR Registration Number of Agency
5	Clinical assessment and therapy for children with disabilities	Promoting special education and health among the differently abled	No	Rajasthan	Jodhpur	18,58,500	No	Blind People's Association (India)	CSR00000936
6	Sponsor purchase of equipment for eye hospital	Promoting healthcare	No	Rajasthan	Jodhpur	62,17,999	No	Blind People's Association	CSR00000936
7	Sponsor purchase of Opescope Acteno (surgical imaging device) for the hospital	Promoting healthcare	Yes	Delhi	Delhi	38,50,000	No	Holy Family Hospital	CSR00004936
8	Treating less fortunate children born with facial deformities of cleft, lip and palate	Promoting health care	Yes	Maharashtra Karnataka	Mumbai Bengaluru	50,00,000	No	INGA Health Foundation	CSR00001727
9	Facilitating shelter, education support and nutrition to street children	Eradicating hunger, poverty and promoting education	Yes	Maharashtra	Mumbai	15,00,000	No	Salaam Baalak Trust	CSR00000166
10	Sponsoring setting up of a chemotherapy unit and purchase of an arthroscopy shaver and ventilator for Bhaktivedanta Hospital	Promoting healthcare	Yes	Maharashtra	Thane	30,25,280	No	Sri Chaitanya Seva Trust	CSR00001017
	TOTAL					**3,57,72,841**			

d) Amount spent on administrative overheads : Nil

e) Amount spent on impact assessment, if applicable : Nil

f) Total amount spent in the financial year (8b+8c+8d+8e) : ₹ 3,57,72,841

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

4. 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

Annex to Directors' Report - II (Continued)

5. 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)
   b) Amount of CSR spent for creation or acquisition of capital asset
   c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.
   d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset)
6. 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
(Formerly known as HDFC Credila Financial Services Private Limited)

Mumbai	**V. Srinivasa Rangan**	**Sunil Shah**
April 21, 2022	Chairman of the Board	Chairman of the CSR Committee

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

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. They must also provide appropriate directions with regard to leadership, vision, strategies, policies, monitoring, supervision and accountability to shareholders and to achieve greater levels of performance on a sustained basis as well as adherence to the best practices of Corporate Governance. The Board plays a pivotal role in creation of stakeholder value and ensures that the Company adopts sound and ethical business practices and that the resources of the Company are optimally used.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company has 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 follow 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 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 banking, finance, accountancy, economics, law, etc.

As on March 31, 2022, the Board comprised of seven members, including three Independent Directors, three Non-Executive Non-Independent Directors and one Managing Director and Chief Executive Officer. The three Non-Executive Non-Independent Directors include one woman director.

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:

Annex to Directors' Report - III (Continued)

Directors	Category of Directorship	No. of Other Directorships[1] (incl. HDFC Credila)	No. of Committees[2] (incl. HDFC Credila)		Directorship in other listed entities as (category of directorship)
			As Member	As Chairman/ Chairperson	
Mr. V. Srinivasa Rangan (Chairman)	Non-Executive Director	7	5	0	1. Housing Development Finance Company Limited (Executive Director) 2. Atul Limited (Independent Director) 3. Computer Age Management Services Limited (Non-Executive - Non-Independent Director)
Mr. Subodh Salunke (Vice Chairman)	Non-Executive Director	1	1	0	—
Mr. Biswamohan Mahapatra	Independent Director	7	5	2	1. Edelweiss Financial Services Limited (Independent Director)
Mr. Sunil Shah	Independent Director	1	1	0	
Mr. Rajesh Gupta	Independent Director	2	4	1	1. Housing Development Finance Company Limited (Independent Director)
Ms. Madhumita Ganguli	Non-Executive Director	6	3	0	1. CL Educate Limited (Independent Director) 2. Indraprastha Medical Company Limited (Independent Director)
Mr. Arijit Sanyal	Managing Director & CEO	1	1	0	—

Notes:
As per disclosure(s) received, the Directors did not hold Memberships in more than ten Committees and Chairpersonship in more than five Committees.
[1]Number of Directorships includes Directorships held in Public Limited Companies excluding Private Limited Companies, Section 8 Companies, and Foreign Companies.
[2]For the purpose of considering the Committee Memberships and Chairpersonship, the Audit Committee and the Stakeholders' Relationship Committee of Public Limited Companies (including HVDLE if the same is a Public Limited Co.) have been considered.

CHANGE IN BOARD COMPOSITION

There were no new appointments or resignations during the year.

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

Annex to Directors' Report - III (Continued)

- 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.

A tabular representation of the same is as below:

Skill Areas	Mr. V. Srinivasa Rangan (Chairman)	Mr. Subodh Salunke (Vice 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 behaviour, sales & marketing		✓		✓		✓	✓
Corporate governance	✓		✓		✓		✓
Risk management	✓		✓		✓		✓
Information Technology & cyber security		✓	✓				

Annex to Directors' Report - III (Continued)

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 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 periodically 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. The Board also meets various functional heads of the Company and is briefed on the performance of the Company in the respective areas. An overview of the familiarisation programme during the year has been placed on the Company's website.

BOARD MEETINGS AND PROCEDURES

All Directors participate in discussing 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 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 inputs 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 5 times. The meetings were held on April 29, 2021, July 26, 2021, October 20, 2021, January 20, 2022 and March 26, 2022.

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 28, 2021
	Number of meetings held during their tenure	Number of meetings attended	% of meetings attended	Sitting fees paid (₹)	
Mr. V. Srinivasa Rangan (Chairman)	5	5	100.00%	3,75,000	Yes
Mr. Subodh Salunke (Vice Chairman)	5	5	100.00%	3,75,000	Yes
Mr. Biswamohan Mahapatra	5	5	100.00%	3,75,000	Yes
Mr. Sunil Shah	5	5	100.00%	3,75,000	Yes
Mr. Rajesh Gupta	5	5	100.00%	3,75,000	Yes
Ms. Madhumita Ganguli	5	5	100.00%	3,75,000	No
Mr. Arijit Sanyal	5	5	100.00%	—	Yes

The Board also met on April 21, 2022 and inter alia considered and approved the audited financial statements for the year ended March 31, 2022.

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. Risk Management Committee
iii. Nomination and Remuneration Committee
iv. Corporate Social Responsibility Committee
v. Allotment Committee
vi. Asset Liability Management Committee
vii. IT Strategy Committee
viii. Stakeholders Relationship 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 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. All the members of the Audit Committee have accounting and financial management expertise as stipulated under the Act.

Annex to Directors' Report - III (Continued)

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, 2022 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
Mr. Subodh Salunke	Member, Non-Executive Director
Ms. Madhumita Ganguli	Member, Non-Executive Director

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 and Part C of Schedule II of the Listing Regulations 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

(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 ₹ 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.

Annex to Directors' Report - III (Continued)

(xvii) Ensure establishment and proper functioning of the system for storage, retrieval, display or printout of the 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

(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

Annex to Directors' Report - III (Continued)

(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 in 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.

Meetings and Attendance during the year:

During the year, the Committee met 5 times. The meetings were held on April 29, 2021, July 26, 2021, October 20, 2021, January 20, 2022 and March 29, 2022. 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. Biswamohan Mahapatra (Chairman)	5	5	100.00%	3,75,000
Mr. Subodh Salunke	5	5	100.00%	3,75,000
Ms. Madhumita Ganguli	5	5	100.00%	3,75,000
Mr. Sunil Shah	5	5	100.00%	3,75,000
Mr. Rajesh Gupta	5	5	100.00%	3,75,000

The Committee also met on April 21, 2022, to review the audited financial statements for the year ended March 31, 2022 and recommended the same for the approval of the Board.

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 which monitors the risk management strategy of the Company. 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.

Annex to Directors' Report - III (Continued)

Composition:

The composition of the Risk Management Committee as on March 31, 2022 is as follows:

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

Terms of Reference:

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

(ii) 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

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

(iv) Periodically review the Risk Management Policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity

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

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

(vii) 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

(viii) 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 29, 2021, July 21, 2021, October 11, 2021 and January 13, 2022.

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%	3,00,000
Mr. Subodh Salunke	4	4	100.00%	3,00,000
Mr. Biswamohan Mahapatra	4	4	100.00%	3,00,000
Mr. Sunil Shah	4	4	100.00%	3,00,000
Mr. Arijit Sanyal	4	4	100.00%	—

Annex to Directors' Report - III (Continued)

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (NRC) was formed in compliance with the provisions of the Section 178 of the Companies Act, 2013 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.

Composition:

The composition of the Nomination and Remuneration Committee (NRC) as on March 31, 2022 is as follows:

Name of the Member	Category
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:

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

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

(vii) 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

(viii) 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 Scheduled V to the Companies Act, 2013 or any re-enactment or amendment or modification thereto

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

(x) 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

Annex to Directors' Report - III (Continued)

(xi) 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

(xii) 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

(xiii) 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

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

(xv) 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

(xvi) 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

(xvii) 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

The Company Secretary is the Secretary to the Committee.

Meetings and Attendance during the year:

The Committee met 3 times during the year. The meetings were held on April 29, 2021, October 20, 2021 and March 25, 2022.

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)	3	3	100.00%	2,25,000
Mr. V. Srinivasa Rangan	3	3	100.00%	2,25,000
Mr. Sunil Shah	3	3	100.00%	2,25,000

The Committee had also met on April 13, 2022 inter alia to approve the ESOP-2022 scheme.

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.

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.

Annex to Directors' Report - III (Continued)

Composition:

The composition of the CSR Committee as on March 31, 2022 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:

(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

(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

Annex to Directors' Report - III (Continued)

Meetings and Attendance during the year:

The Committee met 2 times during the year. The meetings were held on July 21, 2021 and October 11, 2021.

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%	1,50,000
Mr. V. Srinivasa Rangan	2	2	100.00%	1,50,000
Ms. Madhumita Ganguli	2	2	100.00%	1,50,000
Mr. Biswamohan Mahapatra	2	2	100.00%	1,50,000

STAKEHOLDERS RELATIONSHIP COMMITTEE

In accordance with the provisions of the Listing Regulations, the Company has formed a Stakeholders Relationship Committee.

Composition:

The composition of the Committee as on March 31, 2022 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

Terms of Reference:

(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 February 25, 2022. Mr. Manjeet Bijlani, Chief Financial Officer and Ms. Akanksha Kandoi, Company Secretary are the Compliance Officers.

Annex to Directors' Report - III (Continued)

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%	75,000
Ms. Madhumita Ganguli	1	1	100.00%	75,000
Mr. Arijit Sanyal	1	1	100.00%	—

Details of Investor Complaints:

During FY '22, no complaints were received from the shareholders/other investors (including Stock Exchange/ SEBI SCORES):

Complaints pending as on April 1, 2021	Complaints received during the period from April 1, 2021 to March 31, 2022	Complaints disposed of during the period from April 1, 2021 to March 31, 2022	Complaints pending as on March 31, 2022
Nil	Nil	Nil	Nil

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 Asset-Liability Committee (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, 2022 is as under:

Members	Category
Mr. Arijit Sanyal	Chairman of the Committee, Managing Director & CEO
Mr. V. Srinivasa Rangan	Member, Non-Executive Director
Mr. Subodh Salunke	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

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 25, 2021, September 22, 2021, December 15, 2021 and March 16, 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. Arijit Sanyal (Chairman)	4	4	100.00%	–
Mr. V. Srinivasa Rangan	4	4	100.00%	3,00,000
Mr. Subodh Salunke	4	4	100.00%	3,00,000
Mr. Sebastian Fernandez	4	4	100.00%	–
Mr. Manjeet Bijlani	4	4	100.00%	–
Mr. Yatin Sahasrabudhe	4	4	100.00%	–
Mr. Laxmikant Tople	4	4	100.00%	–

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 'Information Technology Framework for the NBFC Sector'.

Composition:

The composition of the committee as on March 31, 2022, is as under:

Members	Category
Mr. Biswamohan Mahapatra	Chairman of the Committee, Independent Director
Mr. Arijit Sanyal	Member, Managing Director & CEO
Mr. Subodh Salunke	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

Terms of Reference:

- 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 IT investments represent a 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 and controls

Meetings and Attendance during the year:

During the year, the Committee met 2 times. The meetings were held on May 13, 2021 and November 10, 2021.

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 theirtenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Biswamohan Mahapatra (Chairman)	2	2	100.00%	1,50,000
Mr. Subodh Salunke	2	2	100.00%	1,50,000
Mr. Arijit Sanyal	2	2	100.00%	–
Mr. Manjeet Bijlani	2	2	100.00%	–
Mr. Shashank Agrawal	2	2	100.00%	–
Mr. Sebastian Fernandez	2	2	100.00%	–
Mr. Prashant Koli[1]	1	1	100.00%	–
Mr. Rakesh Ahuja	2	2	100.00%	–

[1]*Mr. Prashant Koli ceased to be a member of the Committee with effect from November 2021*

ALLOTMENT COMMITTEE

Composition:

The composition of the Allotment Committee as on March 31, 2022 is as under:

Members	Categories
Mr. V. Srinivasa Rangan	Chairman of the Committee, Non-Executive Director
Mr. Subodh Salunke	Member, Non-Executive Director

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 4 times. The Meetings were held on August 02, 2021, November 25, 2021, February 01, 2022 and February 25, 2022.

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%	3,00,000
Mr. Subodh Salunke	4	4	100.00%	3,00,000

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 25, 2022. All the Independent Directors attended the meeting and were paid sitting fees of ₹ 75,000 each.

Annex to Directors' Report - III (Continued)

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. 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 only. The Board of Directors has approved sitting fees of ₹ 100,000 per meeting w.e.f. April 1, 2022. During the year the sitting fee of ₹ 75,000 was paid for each Board and Committee Meeting to the non-executive directors.

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

Members	Sitting fees paid (₹)	Number of shares and convertible instruments held
Mr. V. Srinivasa Rangan (Chairman)	16,50,000	0
Mr. Subodh Salunke (Vice Chairman)	18,00,000	1*
Mr. Biswamohan Mahapatra	16,50,000	0
Mr. Sunil Shah	15,00,000	0
Mr. Rajesh Gupta	9,00,000	0
Ms. Madhumita Ganguli	9,75,000	0

**Nominee shareholder of HDFC Ltd.*

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	Mr. Arijit Sanyal (on deputation from Holding Company (₹)
Salary	60,24,426
Value of perquisites, other benefits, allowances and retirement benefits*	1,96,581
Retiral Benefits	5,37,920
Insurance	36,493
Performance Bonus paid	1,58,17,400*
Total	**2,26,12,820**

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

iii) Performance Bonus: ₹ 1,58,17,400*
* ₹ 1,50,00,000 was paid as a one-time performance bonus for the period December 2019 to March 2022 as recommended by the Nomination and Renumeration Committee basis the business growth and performance of the Company

iv) Service contracts, notice period, severance fees: Full Time Director and MD; Notice Period: 3 months; Severance Fees: Not applicable

v) Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable: Not applicable

**Forms part of deputation cost.*

Annex to Directors' Report - III (Continued)

BOARD EVALUATION

With the objective of enhancing the effectiveness of the Board, the Nomination & Remuneration Committee has formulated the methodology and criteria to evaluate the performance of the Board, committees thereof and each director. The 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.

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.

INVESTOR GRIEVANCES

During the year, the Company has not received any complaint during the year and no complaints are pending as at March 31, 2022.

CODE OF CONDUCT

The code of conduct for non-executive directors, whole-time directors and members of senior management of the Company are 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.

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

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 or its directors, senior management, other than in the normal course of business.

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.

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 are no material related party transactions which require approval of the shareholders of the Company.

Annex to Directors' Report - III (Continued)

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.

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. 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.

During the year in review, no complaints were received under the whistle blower mechanism of the Company and as at March 31, 2022, no complaint was pending.

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

STRICTURES AND PENALTIES

During the year in review, as also 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.

ACCOUNTING STANDARDS

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.

SECRETARIAL STANDARDS

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

PROCEEDS FROM PRIVATE PLACEMENT ISSUES

During the year in review, the Company raised an amount of ₹ 950 crore through secured redeemable 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.

SHAREHOLDERS

The Company had 7 shareholders (6 Nominee shareholders of HDFC Ltd.) as at March 31, 2022. The main channel of communication to the shareholders is through the annual report and half yearly/quarterly financial results published on the website of the Company and newspaper publication. During the year, in view of the COVID-19 pandemic, the AGM was held via a two-way audio-visual means, which enabled shareholders of the Company to participate at the meeting, irrespective of their location, and interact with the Board. Details relating to financial results are disseminated to the shareholders through newspaper publication 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.

Annex to Directors' Report - III (Continued)

ANNUAL GENERAL MEETINGS (AGM)

The details of the last three AGMs held are given below:

Financial Year	Meeting	Venue	Date	Time	Number of Special Resolutions passed
2021-22	16th AGM	Meeting through video conferencing	June 28, 2021	11:00 AM	1
2020-21	15th AGM	Meeting through video conferencing	July 29, 2020	11:00 AM	2
2019-20	14th AGM	HDFC House, 165/166, HT Parekh Marg, Backbay Reclamation, Churchgate, Mumbai- 400020	July 27, 2019	4:00 PM	0

POSTAL BALLOT

There was no postal ballot conducted during the year.

COMPLIANCE

The Company has complied with all the specified corporate governance norms and is in the process of complying with the requirement relating to the composition of the Board and Audit Committee. The Company will ensure compliance before the provisions become mandatory w.e.f. April 1, 2023.

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.

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.

On behalf of the Board of Directors

Mumbai
April 21, 2022

V. Srinivasa Rangan
Chairman of the Board

Compliance with Code of Conduct

I confirm that for the year under review, the Company has received from the directors and senior management, a declaration of compliance with the Code of Conduct as applicable to them.

April 21, 2022
Mumbai

Arijit Sanyal
Managing Director & CEO

Secretarial Audit Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2022
[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

(Formerly known as HDFC Credila Financial Services Private Limited)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HDFC Credila Financial Services Limited ['**Company**'] for the year ended 31st March 2022 ['**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 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, 2022, 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 Debt Securities) Regulations, 2008 (effective till August 15, 2021);

(b) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (w.e.f. August 16, 2021)

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

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

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

(f) 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;

Secretarial Audit Report (Continued)

(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;

(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 SEBI Circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated 22nd October, 2019 on 'Framework for listing of Commercial Paper';

(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 Audit Period the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above. The Company, being a High Value Debt Listed Entity, is in the process of complying with the requirement relating to composition of Board and Audit Committee under the Listing Regulations as the provisions become mandatory from April 1, 2023.

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 and to the Board, 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. There were no changes in the composition of the Board of Directors during the Audit Period.

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 Secured Non-Convertible Debentures ('NCDs'):**

   During the Audit Period, the Company has allotted secured NCDs amounting to INR 950 crores.

2. **Reclassification of Authorized Share Capital:**

   During the Audit Period, the Company reclassified its authorized share capital thereby amending the Capital Clause of its Memorandum of Association, pursuant to a resolution passed in terms of section 13 read with section 61 of the Act, in the Annual General Meeting ('AGM') held on June 28, 2021, in the manner provided hereunder:

Particulars	Equity Share Capital Component	Preference Share Capital Component	Total Authorised Share Capital
Authorized Share Capital prior to re-classification	₹ 1,33,00,00,000 divided into 13,30,00,000 Equity Shares of ₹ 10/- each	₹ 22,00,00,000 divided into 2,20,00,000 Compulsorily Convertible Preference Shares of ₹ 10/- each	₹ 1,55,00,00,000
Revised Authorized Share Capital	₹ 1,55,00,00,000 divided into 15,50,00,000 Equity Shares of ₹ 10/- each	Nil	₹ 1,55,00,00,000

Secretarial Audit Report (Continued)

3. **Alteration in the Articles of Association of the Company**

   During the Audit Period, the Company amended Article 168 of the Articles of Association of the Company dealing with affixation of common seal pursuant to a resolution passed at the Extraordinary General meeting held on November 19, 2021.

4. **Approval of Employee Stock Option Plan of the Company**

   During the Audit Period, approval of shareholders was obtained at the Extraordinary General meeting held on March 31, 2022 for approving ESOP-22 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.

5. **Redemption of NCDs**

   During the Audit Period, the Company redeemed NCDs amounting to INR 700 crores pursuant to maturity.

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

Vinita Nair
Senior Partner
Membership No.: F10559
C P No.: 11902
UDIN: F010559D000115862

Place: Mumbai
Date: April 14, 2022

ANNEXURE I

ANNEXURE TO SECRETARIAL AUDIT REPORT (NON-QUALIFIED)

To,

The Board of Directors,

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 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. Wherever for the purposes of our Audit, there was a need for physical access to any of the places of business of the Company, the same was not possible due to the lockdowns and travel restrictions imposed by Central and State Governments respectively. We have conducted online verification & examination of records, as facilitated by the Company, due to Covid 19 and subsequent lockdown situation for the purpose of issuing this Report.
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/ confirmation 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 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.

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

Vinita Nair
Senior Partner
Membership No.: F10559 CP No.: 11902
UDIN: F010559D000115862

Place: Mumbai
Date: April 14, 2022

ANNEXURE II

LIST OF DOCUMENTS

1. Minutes' books for the meetings of the following held during the Audit Period were provided:
   - 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, Extraordinary General meetings.
2. Notice and Agenda papers for Board Meeting and Committee (s) Meeting;
3. Annual Report 2020-21;
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.

SECRETARIAL COMPLIANCE REPORT OF HDFC CREDILA FINANCIAL SERVICES LIMITED FOR THE YEAR ENDED MARCH 31, 2022

To,
The Board of Directors,
HDFC Credila Financial Services Limited
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, 2022 ("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 (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (effective till August 15, 2021);

(d) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (w.e.f. August 16, 2021);

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

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

(g) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018; 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, subject to the following matters specified below: -

(b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from my/our examination of those records.

Sr. No	Compliance Requirement (Regulations/ circulars / guidelines including specific clause)	Deviations	Observations/ Remarks of the Practicing Company Secretary
1	Reg. 17 (1)(b) of the Listing Regulations: 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.	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.Presently, this is **NOT** a non-compliance as theprovisions become mandatory from April 1, 2023.	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.
2	Reg. 18 (1) of the Listing Regulations: Atleast two- thirds of the members of the Audit Committee should be independent directors.	As on March 31, 2022 3 out of 5 members of the Audit Committee are independent directors, which is less than two-thirds.Presently, this is **NOT** a non-compliance as the provisions become mandatory from April 1, 2023.	

(c) The following are the details of actions taken against the listed entity/its promoters/directors/material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/Regulations and circulars/guidelines issued thereunder:

Sr. No.	Action taken by	Details of violation	Details of action taken e.g. fines, warning letter, debarment, etc.	Observations/remarks of the Practicing Company Secretary, if any.
None				

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

Sr. No.	Observations of the Practicing Company Secretary in the previousreports	Observations made in the secretarial compliance report for the year ended... (The years are tobe mentioned)	Actions taken by the listed entity, if any	Comments of the Practicing Company Secretary on the actions taken by the listed entity
None				

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

Vinita Nair
Senior Partner
Membership No.: F10559 CP No.: 11902
UDIN: F010559D000116687

Place: Mumbai
Date: April 14, 2022

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
HDFC Credila Financial Services Limited
(Formerly HDFC Credila Financial Services Private 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, 2022, 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, except for the composition of the Board and Audit Committee in terms of number of independent directors.

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 the affairs

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

Vinita Nair
Senior Partner
Membership No.: F10559 CP No.: 11902
UDIN: F010559D000116709

Place: Mumbai
Date: April 14, 2022

ANNEXURE I
LIST OF DOCUMENTS

1. Signed Minutes of following (except for few meetings held in March, 2022):
    - 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. Annual Disclosures received from Directors pursuant to Section 184(1);
4. Declaration by Independent Directors;
5. 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 Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

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

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, Next to Kohinoor Continental Andheri - Kurla Road, Andheri (East) Mumbai 400059 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of 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 ending on 31st March, 2022 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India and Ministry of Corporate Affairs, or any such other Statutory Authority.

Details of Directors:

Sr. No.	Name of Director	DIN	Date of appointment in Company	Disqualified under section 164 of Companies Act, 2013	Disqualification of DIN due to non-filing of DIR-3 KYC
1.	Vedanthachari Srinivasa Rangan	00030248	24-12-2009	NO	NO
2.	Sunil Manubhai Shah	00137105	05-07-2019	NO	NO
3.	Rajesh Narain Gupta	00229040	17-01-2020	NO	NO
4.	Madhumita Ganguli	00676830	30-03-2015	NO	NO
5.	Subodh Kamalakar Salunke	03053815	26-03-2010	NO	NO
6.	Biswamohan Mahapatra	06990345	30-03-2015	NO	NO
7.	Arijit Sanyal	08386684	17-01-2020	NO	NO

Ensuring the eligibility of 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.

Sujata R. Rajebahadur
Company Secretary
Membership No: F5728

Independent Auditor's Report

To the Members of
HDFC Credila Financial Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HDFC Credila Financial Services Limited** ("the Company"), which comprise the balance sheet as at March 31, 2022, and the statement of Profit and Loss including the statement of other comprehensive income, the cash flows statement and the statement of changes in equity 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, 2022, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under sub-section (10) of Section 143 of the Act. Our responsibilities under those Standards 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 we have obtained is sufficient and appropriate to provide a basis for our audit 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)

Key Audit Matters (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 1,604.29 lakhs for year ended 31 March 2022
Provision: INR 5,230.85 lakhs on 31 March 2022</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 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 COVID-19.</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 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.

• 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)

<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</td></tr>
<tr><td>• 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 ₹ 2,304.14 of the ECL balances as at March 31, 2022. These adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to economic uncertainty as a result of COVID-19.

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 will also be an area of focus, and are related to an area of significant estimate.</td><td>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 due to COVID-19 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 COVID-19 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 sufficient clear.</td></tr>
</table>

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; • Performed procedures around Cybersecurity and COVID-19 related remote working scenario and the impact (if any) on financial statements

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the 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 during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management for the Financial Statements

The Company's management and Board of Directors is 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 financial position, financial performance including other comprehensive income, cash flows and changes in

Independent Auditors’ Report (Continued)

Responsibilities of the Management for the Financial Statements (Continued)

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under 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’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to

Independent Auditors' Report (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

1 As required by 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.

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 other comprehensive income, the statement of cash flow and the statement of changes in equity dealt with by this report are in agreement with the books of account.

   d. In our opinion, the aforesaid financial statements comply with the 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, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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 over financial reporting with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to this report.

   g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of sub-section (16) of Section 197 of the Act, as amended:

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

   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 42 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 (which are either material either individually or in aggregate) have been advanced or loaned or invested (either from borrowed funds or share

Independent Auditors' Report (Continued)

premium or any other sources or kind of funds) by the Company to or in any other person or entity, 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 by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The Management has represented that, to the best of its knowledge and belief, no funds (which are either material either individually or in aggregate) 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, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") 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-cluse (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v. The Board of Director of the Company have proposed final 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
UDIN: 22037606AHMVGY3598

Place: Mumbai
Date: April 21, 2022

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 on the basis of available information.

(B) The Company is maintaining 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 PPE have been physically verified by 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) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable property during the year. Accordingly, 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.

(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) of the Order is not applicable.

(b) During the year, the Company has been sanctioned working capital limits in excess of ₹ 5 crores, in aggregate, from bank on the basis of security of education loan. The Company has filed quarterly statements with such bank, which are in agreement with the unaudited books of account.

(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, 2022 is ₹ 5,061.57 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)
205	4,851.08	210.49	5,061.57	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.

(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.

Appendix A to the Independent Auditors' Report (Continued)

(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 explanation 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) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.

(e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.

(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 clause 3 (x) (a) of the Order is not applicable to the Company.

(b) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, reporting under paragraph 3 (x) (b) of the Order is not applicable.

(xi) (a) During the course of our examination of the books and records of the Company, carried

Appendix A to the Independent Auditors' Report (Continued)

out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

(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 clause 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 clause 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 clause 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 clause 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 clause 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 clause (xviii) is not applicable.

(xix) According to the information and explanations given to us and on the basis of the financial ratios (Also refer Note 35 to the financial statements), ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our 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 Company is not capable of

Appendix A to the Independent Auditors' Report (Continued)

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 clause 3(xx)(a) of Order is not applicable for the year.

(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 clause 3(xx)(b) of Order is not applicable for the year.

(xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of 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
UDIN: 22037606AHMVGY3598

Place: Mumbai
Date: April 21, 2022

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, 2022 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.

Annexure B to the Independent Auditors' Report (Continued)

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

Because of the inherent limitations of internal financial 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, 2022, 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
UDIN: 22037606AHMVGY3598

Place: Mumbai
Date: April 21, 2022

Balance sheet as at 31 March 2022

(Currency: INR in Lakhs)

Particulars	Note no	As at 31 March 2022	As at 31 March 2021
ASSETS			
1. Financial assets			
(a) Cash and cash equivalents	4	**2,730.33**	10,741.60
(b) Bank balances other than (a) above	5	**142.54**	276.10
(c) Derivative financial instruments	6	**3,048.08**	1,647.15
(d) Trade receivables	7	**48.50**	29.56
(e) Loans	8	**878,684.22**	623,041.77
(f) Investments	9	**18,901.13**	20,877.90
(g) Other financial assets	10	**3,122.06**	699.50
Total financial assets		**906,676.86**	657,313.58
2. Non-financial assets			
(a) Current tax assets (net)	11	**279.55**	85.22
(b) Deferred tax assets (net)	12	**1,778.77**	1,698.00
(c) Property, plant and equipment	13	**1,324.31**	837.48
(d) Other intangible assets	13	**12.29**	25.02
(e) Intangible assets under development	13	**174.47**	—
(f) Other non-financial assets	14	**454.72**	345.34
Total non-financial assets		**4,024.11**	2,991.06
Total assets		**910,700.97**	660,304.64
LIABILITIES AND EQUITY			
LIABILITIES			
1. Financial liabilities			
(a) Derivative financial instruments	6	**7,157.05**	5,593.50
(b) Payables			
(i) Trade payables			
— Total outstanding dues of micro enterprises and small enterprises	15	**64.71**	169.04
— Total outstanding dues of creditors other than micro enterprises and small enterprises	15	**2,155.27**	1,316.60
(c) Debt securities	16	**210,177.80**	185,143.87
(d) Borrowings (other than debt securities)	17	**481,537.99**	281,373.21
(e) Subordinated liabilities	18	**59,787.61**	60,543.26
(f) Other financial liabilities	19	**12,079.34**	10,481.33
Total financial liabilities		**772,959.77**	544,620.81
2. Non-financial liabilities			
(a) Current tax liabilities (net)	20	**—**	67.31
(b) Provisions	21	**444.83**	435.40
(c) Other non-financial liabilities	22	**1,235.97**	751.50
Total non-financial liabilities		**1,680.80**	1,254.21
Total liabilities		**774,640.57**	545,875.02
EQUITY			
(a) Equity share capital	23	**13,179.82**	13,179.82
(b) Other equity	24	**122,880.58**	101,249.80
Total equity		**136,060.40**	114,429.62
Total liabilities and equity		**910,700.97**	660,304.64

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 : 21 April 2022

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 : 21 April 2022

Statement of profit and loss for the year ended 31 March 2022

(Currency: INR in Lakhs)

	Particulars	Note no	For the year ended 31 March 2022	For the year ended 31 March 2021
	Revenue from operations			
	(a) Interest income	25	**80,074.51**	69,705.90
	(b) Fees and commission income	26	**1,750.24**	879.89
	(c) Net gain on fair value changes	27	**534.42**	760.75
I.	**Total revenue from operations**		**82,359.17**	71,346.54
II.	**Other income**		**0.54**	0.01
III.	**Total income (I + II)**		**82,359.71**	71,346.55
IV.	**Expenses**			
	(a) Finance costs	28	**42,798.55**	41,869.15
	(b) Impairment on financial instruments (Expected credit loss)	31	**1,604.29**	884.55
	(c) Employee benefit expense	29	**4,974.46**	3,543.51
	(d) Depreciation and amortisation	13	**378.72**	316.79
	(e) Other expenses	30	**4,850.82**	3,954.81
	Total expenses		**54,606.84**	50,568.81
V.	**Profit before Tax (III - IV)**		**27,752.87**	20,777.74
	Tax expense			
	— Current tax	33	**7,602.22**	5,414.00
	— Deferred Tax	12	**(487.06)**	(159.09)
VI.	**Total tax expense**		**7,115.16**	5,254.91
VII.	**Net profit after tax (V - VI)**		**20,637.71**	15,522.83
	Other comprehensive income			
	(a) Items that will not be reclassified to profit or loss			
	— Remeasurement of the defined benefit plans		**4.49**	(7.60)
	— Income tax relating to the above item that will not be reclassified to profit or loss		**(1.13)**	1.91
	(b) Items that will be reclassified to profit or loss			
	— Cash flow hedge reserves		**1,391.32**	428.08
	— Income tax relating to the above item that will be reclassified to profit or loss		**(350.25)**	(107.00)
	— Fair value of investments		**(68.63)**	(73.88)
	— Income tax relating to the above item that will be reclassified to profit or loss		**17.27**	19.00
VIII.	**Other comprehensive income**		**993.07**	260.51
IX.	**Total comprehensive income (VII + VIII)**		**21,630.78**	15,783.34
X.	**Earnings per equity share:**			
	(a) Basic (in ₹)	34	**15.66**	11.78
	(b) Diluted (in ₹)	34	**15.66**	11.78
	(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 : 21 April 2022

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 : 21 April 2022

Statement of cash flow for the year ended 31 March 2022

(Currency: INR in Lakhs)

	Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
A.	**Operating activities**		
	Profit before tax	**27,752.87**	20,777.74
	Adjustments to reconcile profit before tax to net cash flows :		
	Depreciation & amortisation	**378.72**	316.79
	Impairment on financial instruments (Expected credit loss)	**1,604.29**	884.55
	(Profit)/loss on property, plant and equipment sold/discarded	**2.72**	(0.01)
	Interest income	**(80,074.51)**	(69,705.90)
	Interest expense	**42,662.66**	41,329.07
	Provision for employee benefits	**(77.39)**	76.31
	Net gain on fair value changes	**(534.42)**	(760.75)
		(8,285.06)	(7,082.20)
	Cash inflow towards interest received	**60,746.27**	49,230.75
	Cash outflow towards interest paid	**(42,394.70)**	(42,070.10)
	Cash inflow from derivative financial instruments	**846.80**	58.50
	Cash generated from operations before working capital changes	**10,913.31**	136.95
	Working capital changes		
	(Increase) / Decrease in financial assets and non financial assets	**(165.84)**	(75.19)
	Increase / (Decrease) in financial and non financial liabilities	**1,304.72**	901.33
	Net cash from Operations	**12,052.19**	963.09
	Loans disbursed (net)	**(237,858.82)**	19,391.79
	(Investment)/Redemption in/from cash management schemes of mutual funds (net)	**11,221.20**	14,254.26
	(Investment)/Redemption in/from treasury activities (net)	**(8,711.16)**	(3,143.77)
	Income tax paid	**(7,792.35)**	(5,360.04)
	Income tax refund	**—**	16.18
	Net cash flows from/(used in) operating activities	**(231,088.94)**	26,121.51
B.	**Investing activities**		
	Purchase of property, plant and equipment and intangible assets	**(271.00)**	(206.01)
	Proceeds from sale of property and equipment	**0.73**	0.66
	Net cash flows from/(used in) investing activities	**(270.27)**	(205.35)
C.	**Financing activities**		
	Debt securities issued	**178,608.18**	76,903.36
	Debt securities repaid	**(152,500.00)**	(112,500.00)
	Borrowings (other than debt securities) taken	**293,141.53**	153,400.43
	Borrowings (other than debt securities) repaid	**(95,597.78)**	(170,850.23)
	Lease payments	**(303.99)**	(267.38)
	Net cash flows from/(used in) financing activities	**223,347.94**	(53,313.82)
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(8,011.27)**	(27,397.66)
	Cash and cash equivalents at the beginning of the year	**10,741.60**	38,139.26
	Cash and cash equivalents at the end of the year [Refer note no 4]	**2,730.33**	10,741.60

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 : 21 April 2022

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 : 21 April 2022

Statement of changes in equity for the year ended 31 March 2022

A. Equity share capital

(Currency: INR in Lakhs)

FY 2021-22

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	—	13,179.82

FY 2020-21

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

(Currency: INR in Lakhs)

	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 from retained earnings	–	–	(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**

	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 2020	**109.46**	**43,236.51**	**34,245.25**	**9,568.97**	**(40.73)**	**(1,653.00)**	**—**	**85,466.46**
Profit for the year	–	–	15,522.83	–	–	–	–	15,522.83
Other comprehensive income for the year	–	–	–	–	(5.69)	321.08	(54.88)	260.51
Total comprehensive income for the year	–	–	**15,522.83**	**—**	**(5.69)**	**321.08**	**(54.88)**	**15,783.34**
Transfer from retained earnings	–	–	(3,104.60)	3,104.60	–	–	–	–
Balance as at 31 March 2021	**109.46**	**43,236.51**	**46,663.48**	**12,673.57**	**(46.42)**	**(1,331.92)**	**(54.88)**	**101,249.80**

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 : 21 April 2022

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 : 21 April 2022

Notes to the financial statements for the year ended 31 March 2022

1. COMPANY OVERVIEW

HDFC Credila Financial Services Limited, formerly known as HDFC Credila Financial Services Private Limited (the "Company") is engaged in the business of originating, funding and servicing loans for the education of Indian students and in providing ancillary services related to the said business activities. 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 21 April 2022.

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.

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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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.
   - 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

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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 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 home loan and 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, 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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
- 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

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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 (HQLA) required by RBI guidelines at FVOCI.

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

- **Fair Value through Profit and Loss**

  Financial assets at FVTPL are:

  – assets with contractual cash flows that 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.

  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.
Equity Instrument at FVOCI	Gains and losses on equity instruments at FVOCI are never recycled to the statement of profit and loss. Dividends are recognised in profit or loss as dividend income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

Financial liabilities and equity instruments

- **Classification as debt or equity**

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

- **Equity instruments**

  An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the 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 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. In addition, the introduction or adjustment of existing covenants of an existing loan

Notes to the financial statements for the year ended 31 March 2022 (Continued)

would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

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

The Company, as a practise, does not renegotiate loans to customers in financial difficulty. However, considering the disruption caused by the COVID-19 pandemic the Company has 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).

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

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

Financial Liabilities

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

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

3.2.5 Impairment

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

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

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

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Company categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12-month 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 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

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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 has 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.

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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

Hedge Accounting

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

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

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

Fair Value Hedges

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

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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.

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 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

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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.

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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in statement of profit and loss.

When the benefits of a plan are changed or a plan is curtailed, the resulting change in benefit that relates to past service (‘past service cost’ or ‘past service gain’) or the gain or loss in curtailment is recognised immediately in statement of profit and loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iv) Other long term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability 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.

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.

<u>Contingent Assets:</u>

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).

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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, 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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.

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

Notes to the financial statements for the year ended 31 March 2022 (Continued)

(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 for the year ended 31 March 2022 (Continued)

(Currency: INR in Lakhs)

4 CASH AND CASH EQUIVALENTS

See accounting policy in note no 3.3

	As at 31 March 2022	As at 31 March 2021
Balances with bank		
— In current accounts	**2,730.33**	7,236.32
— In deposits accounts having original maturity less than 3 months	**—**	3,505.28
Total	**2,730.33**	10,741.60

Balances with banks in current account does not earn any interest. Balance in deposit account earns interest at fixed rates for varying periods of between one day and three months. The Company places deposits as per the requirement.

Balances with bank in current accounts includes amount with related parties ₹ 2,725.77 lakhs (as at 31 March 2021: ₹ 7,212.56 lakhs) [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 2022	As at 31 March 2021
In deposits accounts having original maturity more than 3 months	**88.22**	117.40
Deposits with banks to the extent held as security against the borrowings and guarantees*	**54.32**	158.70
Total	**142.54**	276.10

* Deposits of ₹ Nil lakhs (as at 31 March 2021 ₹ 106.60 lakhs) are marked as lien for overdraft facility from Punjab National Bank, deposits of ₹ 27.66 lakhs (as at 31 March 2021 ₹ 27.10 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 2021 ₹ 25 lakhs) are marked as lien for bank guarantee given BSE Limited.

Amount in deposit accounts having original maturity more than 3 months includes amount with related parties ₹ 85 lakhs (as at 31 March 2021: ₹ 10 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 year end and are not indicative of either the market risk or credit risk.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

(Currency: INR in Lakhs)

	As at 31 March 2022			As at 31 March 2021		
	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	—	73,600.00	1,647.15	—
Subtotal (i)	**75,900.00**	**2,813.55**	**—**	**73,600.00**	**1,647.15**	**—**
(ii) Interest rate derivatives						
- Interest Rate Swaps (USD/USD)	75,900.00	234.53	—	73,600.00	—	1,443.58
- Interest Rate Swaps (INR/INR)	167,500.00	—	7,157.05	142,500.00	—	**4,149.92**
Subtotal(ii)	**243,400.00**	**234.53**	**7,157.05**	**216,100.00**	**—**	**5,593.50**
Total Derivative financial instruments (i)+(ii)	**319,300.00**	**3,048.08**	**7,157.05**	**289,700.00**	**1,647.15**	**5,593.50**
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	167,500.00	—	7,157.05	142,500.00	—	4,149.92
Subtotal (i)	**167,500.00**	**—**	**7,157.05**	**142,500.00**	**—**	**4,149.92**
(ii) Cash flow hedging:						
- Currency derivatives	75,900.00	2,813.55	—	73,600.00	1,647.15	—
- Interest rate derivatives	75,900.00	234.53	—	73,600.00	—	1,443.58
Subtotal (ii)	**151,800.00**	**3,048.08**	**—**	**147,200.00**	**1,647.15**	**1,443.58**
Total Derivative financial instruments (i)+(ii)	**319,300.00**	**3,048.08**	**7,157.05**	**289,700.00**	**1,647.15**	**5,593.50**

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.

7 TRADE RECEIVABLES

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Trade receivables - unsecured; considered good	**48.50**	29.56
Trade receivables - unsecured; which have significant increase in credit risk	**—**	—
Sub total	**48.50**	29.56
Impairment loss allowance	**—**	—
Total	**48.50**	29.56

Trade receivables includes amounts due from the related parties ₹ 13.81 lakhs (as at 31 March 2021: ₹ 8.96 lakhs) [Refer note 37].

Notes to the financial statements for the year ended 31 March 2022 (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 2022	ECL Rate							
	Estimated total gross carrying amount at default	48.47	–	–	–	0.03	–	48.50
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	48.47	–	–	–	0.03	–	48.50
31 March 2021	Estimated total gross carrying amount at default	29.56	–	–	–	–	–	29.56
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	29.56	–	–	–	–	–	29.56

Trade receivables ageing schedule

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

As at 31 March 2021

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	29.56	–	–	–	–	29.56
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	–	–	–	–	–	–

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 for the year ended 31 March 2022 (Continued)

8 LOANS AND ADVANCES (at amortised cost)

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Term loans:		
Individual loans	**883,805.37**	626,695.72
Total – Gross (A)	**883,805.37**	626,695.72
Less: Impairment loss allowance*	**5,121.15**	3,653.95
- Stage 1 & 2	**3,391.05**	2,433.61
- Stage 3	**1,730.10**	1,220.34
Total – Net (A)	**878,684.22**	623,041.77
(a) Secured by tangible assets	**294,570.66**	252,582.08
(b) Secured by fixed deposits and marketable securities	**9,777.67**	7,486.88
(c) Unsecured	**579,457.04**	366,626.76
Total – Gross (B)	**883,805.37**	626,695.72
Less: Impairment loss allowance*	**5,121.15**	3,653.95
- Stage 1 & 2	**3,391.05**	2,433.61
- Stage 3	**1,730.10**	1,220.34
Total – Net (B)	**878,684.22**	623,041.77
(I) Loans in India		
(i) Public sector	—	—
(ii) Others		
- Education loans to individuals	**883,805.37**	626,695.72
Total - Gross (C) (I)	**883,805.37**	626,695.72
Less: Impairment loss allowance*	**5,121.15**	3,653.95
- Stage 1 & 2	**3,391.05**	2,433.61
- Stage 3	**1,730.10**	1,220.34
Total - Net (C) (I)	**878,684.22**	623,041.77
(II) Loans outside India	—	—
Total (C) (I + II)	**878,684.22**	623,041.77

*Impairment loss allowance does not include ₹ 109.70 lakhs (as at 31 March 2021 ₹ 18.39 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.

Loans granted by the Company aggregating to ₹ 304,348.33 lakhs (as at 31 March 2021: ₹ 260,068.96 lakhs) are secured or partly secured by one or a combination of the following collaterals:

a. Immovable property

b. Fixed deposit

Loans given to related parties as at 31 March 2022 ₹ Nil (as at 31 March 2021 ₹ 108.49 lakhs) [Refer note 37]

Loans given as collateral against secured borrowings from Banks & Financial institutions and non-convertible debentures ₹ 756,694.41 lakhs (as at 31 March 2021: ₹ 506,160.45 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

8 Loans and advances (at amortised cost) (continued)

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 and Canada 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 and a separate management overlay has been created to provide for the impact of the COVID-19 pandemic.

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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

8.1 Expected credit loss (continued)

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 the traditional expected credit loss due to COVID-19

The COVID-19 pandemic has had a considerable impact on economic activities across the globe. The two waves of COVID-19 in FY 2021-22, led to re-imposition of partial regional lockdowns and with the ebbing of pandemic in quarter 4 there are early signs of return to normalcy, but newer variants have emerged in China and Europe and some parts of India.

The impact of COVID-19 had led to changes in customer behavior, travel restrictions both domestic & international and decrease in economic activities. The final impact of the global health pandemic continues to be uncertain and the actual impact on these financial results may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results. Given the dynamic and evolving nature of pandemic, the management will continue to closely monitor the material changes in the macro-economic factors impacting the operations of the Company.

The Company continues to hold management overlay in relation to COVID-19 aggregating ₹ 1,848.62 lakhs (previous year ₹ 1,779.55 lakhs) in this regard.

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 has 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 have been reviewed and assessed as having a significant increase in credit risk and have been classified as Stage 2 and Stage 3 in accordance with the Company's provisioning policy under the ECL framework.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

8.1 Expected credit loss (continued)

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 39.21.

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 2022				As at 31 March 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Standard - No Overdue	**872,981.38**	**2279.46**	**–**	**875,260.84**	615,917.67	547.36	–	616,465.03
Standard Restructured	**–**	**2,366.01**	**3,136.12**	**5,502.13**	–	2,046.97	2,064.24	4,111.21
SMA - 0	**921.56**	**–**	**–**	**921.56**	2,942.85	5.95	–	2,948.80
SMA - 1	**–**	**171.93**	**–**	**171.93**	–	911.44	–	911.44
SMA - 2	**–**	**23.45**	**–**	**23.45**	–	588.38	–	588.38
Non Performing Assets	**–**	**–**	**1,925.45**	**1,925.45**	–	–	1,670.85	1,670.85
Total	**873,902.94**	**4,840.86**	**5,061.57**	**883,805.37**	618,860.52	4,100.10	3,735.10	626,695.72

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:

(Currency: INR in Lakhs)

Particulars	As at 31 March 2022				As at 31 March 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**618,860.52**	**4,100.10**	**3,735.10**	**626,695.72**	623,866.49	1,043.11	756.55	625,666.15
Transfers during the year								
transfers to Stage 1	**3,898.61**	**(3,020.23)**	**(878.38)**	**–**	2,358.27	(2,146.24)	(212.02)	–
transfers to Stage 2	**(6,438.43)**	**6,653.26**	**(214.83)**	**–**	(6,149.50)	6,324.41	(174.91)	–
transfers to Stage 3	**(1,500.42)**	**(1,289.81)**	**2,790.24**	**–**	(2,921.36)	(597.29)	3,518.65	–
	(4,040.25)	**2,343.22**	**1,697.03**	**–**	(6,712.60)	3,580.87	3,131.72	–
Increase in EAD - new assets originated or purchased/ further increase in existing assets (net)	**468,082.54**	**338.21**	**406.26**	**468,827.00**	189,172.73	456.06	468.39	190,097.18
Assets repaid in part or full (excluding write offs)	**(208,999.87)**	**(1,940.67)**	**(731.03)**	**(211,671.57)**	(187,466.09)	(979.94)	(603.27)	(189,049.31)
Amounts written off	**–**	**–**	**(45.79)**	**(45.79)**	–	–	(18.30)	(18.30)
Gross carrying amount closing 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

1. The amounts written off presented above are subject to enforcement activity.
2. 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 during the previous year and Resolution Framework 2.0 during the current 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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

8.1 Expected credit loss (continued)

The exposure of such accounts; amounting to ₹ 2,366.01 lakhs and ₹ 3,136.12 lakhs is presented in Stage 2 and Stage 3 respectively.

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

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2022				For the year ended 31 March 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance-opening balance	**2,028.67**	**404.94**	**1,220.34**	**3,653.95**	2,497.83	150.14	128.24	2,776.22
Changes in ECL due to -								
Transfers during the year								
transfers to Stage 1	**600.00**	**(375.04)**	**(224.96)**	**–**	293.11	(254.87)	(38.24)	–
transfers to Stage 2	**(349.34)**	**405.29**	**(55.94)**	**–**	(361.79)	392.35	(30.56)	–
transfers to Stage 3	**(0.70)**	**(196.77)**	**197.47**	**–**	(14.76)	(97.68)	112.43	–
	249.95	**(166.52)**	**(83.43)**	**–**	(83.44)	39.81	43.63	–
ECL remeasurements due to changes in EAD / assumptions [Net]	**179.70**	**784.18**	**409.24**	**1,373.12**	(92.38)	56.05	776.91	740.58
Management Overlay	**69.07**	**(158.94)**	**183.96**	**94.09**	(293.34)	158.94	271.55	137.15
Impairment loss allowance-closing balance	**2,527.39**	**863.66**	**1,730.10**	**5,121.15**	2,028.67	404.94	1,220.34	3,653.95

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 change the PD and LGD methodology during the year.

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

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2022				For the year ended 31 March 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	**17.66**	**0.16**	**0.58**	**18.39**	29.79	0.09	–	29.88
Transfers during the year								
transfers to Stage 1	**0.08**	**(0.08)**	**–**	**–**	0.09	(0.09)	–	–
transfers to Stage 2	**(13.46)**	**13.46**	**–**	**–**	(0.14)	0.14	–	–
transfers to Stage 3	**(0.00)**	**–**	**0.00**	**–**	(0.01)	–	0.01	–
	(13.38)	**13.38**	**0.00**	**–**	(0.07)	0.06	0.01	–
ECL remeasurements due to changes in EAD / assumptions [Net]	**87.73**	**4.16**	**(0.58)**	**91.31**	(12.07)	0.01	0.56	(11.49)
Impairment loss allowance - closing balance	**92.01**	**17.69**	**(0.00)**	**109.70**	17.66	0.16	0.58	18.39

The provision referred above was computed based on amount of undisbursed commitment of ₹ 1,21,453 lakhs (as at 31 March 2021 ₹ 73,956 lakhs).

Notes to the financial statements for the year ended 31 March 2022 (Continued)

9 INVESTMENTS

See accounting policy in note no 3.2 (Currency: INR in Lakhs)

	As at 31 March 2022 At fair value			As at 31 March 2021 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	—	7,099.08	7,099.08	—	17,883.56	17,883.56
Investment in Government Securities	11,802.05	—	11,802.05	2,994.34	—	2,994.34
Total - Gross (A)	11,802.05	7,099.08	18,901.13	2,994.34	17,883.56	20,877.90
Investments in India	11,802.05	7,099.08	18,901.13	2,994.34	17,883.56	20,877.90
Investments outside India	—	—	—	—	—	—
Total - Gross (B)	11,802.05	7,099.08	18,901.13	2,994.34	17,883.56	20,877.90
Less: Allowance for impairment loss (Expected credit loss) (C)	—	—	—	—	—	—
Total – Net (D) = (A - C)	11,802.05	7,099.08	18,901.13	2,994.34	17,883.56	20,877.90

10 OTHER FINANCIAL ASSETS

See accounting policy in note no 3.2 (Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Security deposits - unsecured; considered good	232.81	202.88
Other loan & advances - advances to employees	24.81	17.22
Amounts receivable on swaps and other derivatives	2,864.44	479.40
Total	3,122.06	699.50

11 CURRENT TAX ASSETS (net)

See accounting policy in note no 3.9 (Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Advance tax (net of provision)	279.55	85.22
Total	279.55	85.22

Notes to the financial statements for the year ended 31 March 2022 (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:

(Currency: INR in Lakhs)

a. FY 2021-22

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	2021-22	2021-22
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**		

b. FY 2020-21

(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 2021	As at 31 March 2021	2020-21	2020-21
Depreciation on property, plant and equipment and intangible assets	7.00	–	(4.00)	–
Application of effective interest rate on financial assets	606.00	–	(105.00)	–
Application of effective interest rate on financial liabilities	–	244.00	89.00	–
Impairment on financial instruments	759.00	–	83.00	–
Provisions for employee benefits	105.00	–	19.09	1.91
Right of use assets & lease liabilities	14.00	–	6.00	–
Derivative financial assets	–	–	227.00	1,001.00
Derivative financial liabilities	1,408.00	–	1,045.00	(159.00)
Fair valuation / revaluation of financial liabilities	–	970.00	(1,195.00)	(1,035.00)
Unrealised (gain) / loss on investments	–	**6.00**	**(6.00)**	**–**
Fair valuation of investments	**19.00**	–	–	**19.00**
Total	**2,918.00**	**1,220.00**	**159.09**	**(172.09)**
Net deferred tax asset as at 31 March 2021		**1,698.00**		

Notes to the financial statements for the year ended 31 March 2022 (Continued)

13 PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

See accounting policy in note no 3.4 & 3.5

The changes in the carrying value of property, plant and equipment & intangible assets for the 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	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	59.48	12.74	–	72.22	12.29	25.02
	Sub-total (B)	**84.50**	–	–	**84.50**	**59.48**	**12.74**	–	**72.22**	**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**	**701.73**	**378.72**	**135.18**	**945.27**	**1,511.06**	**862.50**

The changes in the carrying value of property, plant and equipment & intangible assets for the year ended 31 March 2021 are as follows:

(Currency: INR in Lakhs)

Particulars		Gross Block					Accumulated depreciation/ amortisation			Net Block	
		As at 01 April 2020	Additions during the year	Deletions/ Write-offs during the year	As at 31 March 2021	As at 01 April 2020	For the year	Deletions/ Write- offs during the year	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
A	**Tangible assets:**										
	Office equipment	87.15	8.73	0.51	95.37	43.19	18.57	0.09	61.67	33.70	43.96
	Computers	124.00	192.76	0.24	316.52	88.28	36.19	0.22	124.25	192.28	35.72
	Furniture & fixtures	90.79	4.06	10.28	84.57	27.96	9.37	7.49	29.84	54.73	62.84
	Right of use assets	741.28	317.08	75.10	983.26	216.18	239.07	28.76	426.49	556.77	525.10
	Sub-total (A)	**1,043.22**	**522.63**	**86.13**	**1,479.72**	**375.61**	**303.20**	**36.56**	**642.25**	**837.48**	**667.62**
B	**Intangible assets:**										
	Other software	84.03	0.47	–	84.50	45.89	13.59	–	59.48	25.02	38.14
	Sub-total (B)	**84.03**	**0.47**	**–**	**84.50**	**45.89**	**13.59**	**–**	**59.48**	**25.02**	**38.14**
	Total (A+B)	**1,127.25**	**523.10**	**86.13**	**1,564.22**	**421.50**	**316.79**	**36.56**	**701.73**	**862.50**	**705.76**

Notes:

- The Company has not revalued any of its property, plant and equipment & intangible assets during the current and previous financial year.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

13.1 Intangible assets under development aging schedule

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 2022	As at 31 March 2021
Prepaid expenses*	**80.29**	66.33
Receivable from government authorities	**367.09**	270.08
Others#	**7.34**	8.93
Total	**454.72**	345.34

* Prepaid expenses includes ₹ 40.31 lakhs (as at 31 March 2021 ₹ 22.80 lakhs) towards related parties [Refer note 37].

Others includes ₹ 0.34 lakhs (as at 31 March 2021 ₹ 0.21 lakhs) due from related parties [Refer note 37].

15 TRADE PAYABLES

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Total outstanding dues of micro enterprises and small enterprises	**64.71**	169.04
Total outstanding dues of creditors other than micro enterprises and small enterprises		
— Payable to vendors	**251.04**	284.05
— Accrued expenses	**1,904.23**	1,032.55
Total	**2,219.98**	1,485.64

Trade payables include ₹ 64.71 lakhs (as at 31 March 2021 ₹ 169.04 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 and the Auditors have placed reliance on the same. The amount of principal and interest outstanding during the year is given below.

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
a) Amount outstanding but not due as at year end	—	—
b) Amount due but unpaid as at the year end	**64.71**	169.04
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	**64.71**	169.04

Trade payables includes ₹ 398.85 lakhs (as at 31 March 2021 ₹ 171.80 lakhs) due to related parties [Refer note 37].

Notes to the financial statements for the year ended 31 March 2022 (Continued)

Trade payables aging schedule

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	1,857.32	19.09	27.83	—	**1,904.23**
vi.	**Total**	**2,173.07**	**19.09**	**27.83**	**—**	**2,219.98**

As at 31 March 2021

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")	169.04	—	—	—	**169.04**
ii.	Others	280.33	0.64	1.27	1.80	**284.05**
iii.	Disputed dues - MSME	—	—	—	—	—
iv.	Disputed dues - Others	—	—	—	—	—
v.	Accrued expenses	991.08	28.31	6.14	**7.02**	**1,032.55**
vi.	**Total**	**1,440.45**	**28.95**	**7.41**	**8.82**	**1,485.64**

16 DEBT SECURITIES

See accounting policy in note no 3.2 (Currency: INR in Lakhs)

	As at 31 March 2022		As at 31 March 2021	
	FVTPL	**Amortised Cost**	FVTPL	Amortised Cost
Secured non convertible debentures [Refer note 16.1]	**110,435.20**	**89,916.98**	87,770.78	89,941.26
Commercial paper [Refer note 16.1]	—	**9,825.62**	—	7,431.83
Total (A)	**110,435.20**	**99,742.60**	87,770.78	97,373.09
Debt securities in India	**110,435.20**	**99,742.60**	87,770.78	97,373.09
Debt securities outside India	—	—	—	—
Total (B) to tally with (A)	**110,435.20**	**99,742.60**	87,770.78	97,373.09

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	—	—	**19,990.40**
7.01% - 8.00%	—	—	19,966.54	84,897.86	**104,864.40**
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	**—**	**59,945.57**	**19,966.54**	**124,820.44**	**204,732.55**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

16.1 **Terms of nominal value of debentures and repayment terms as at 31 March 2022** (Continued)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
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**	**59,945.57**	**19,966.54**	**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.

Terms of nominal value of debentures and repayment terms as at 31 March 2021 (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%	–	19,983.68	–	19,977.98	**39,961.65**
7.01% - 8.00%	39,969.34	–	19,956.38	–	**59,925.72**
8.01% - 9.00%	29,988.24	–	9,971.07	39,915.20	**79,874.52**
9.01% - 10.00%	–	–	–	–	–
Benchmark linked (3 months T-Bill)	–	–	–	–	–
Total	**69,957.58**	**19,983.68**	**29,927.45**	**59,893.18**	**179,761.89**
Commercial paper					
5.75% - 8.00%	7,431.83	–	–	–	**7,431.83**
8.01% - 10.00%	–	–	–	–	–
Total	**7,431.83**	–	–	–	**7,431.83**
Total debt securities	**77,389.41**	**19,983.68**	**29,927.45**	**59,893.18**	**187,193.72**

The above table does not include unrealised gain of ₹ 2,049.86 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 ₹ 95,000 lakhs (previous year ₹ 40,000 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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 2022	As at 31 March 2021
Secured [Refer note 17.1]		
Term loans from banks	**393,421.61**	208,099.07
Term loans from other parties	**12,495.28**	—
External commercial borrowing	**75,621.10**	73,043.25
Loans repayable on demand from banks	—	230.89
Total (A)	**481,537.99**	281,373.21
Borrowings in India	**405,916.89**	208,329.96
Borrowings outside India	**75,621.10**	73,043.25
Total (B) to tally with (A)	**481,537.99**	281,373.21

17.1 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
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**
6.00% - 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**
Overdrafts & working capital demand loans from banks					
7.01% - 8.00%	–	–	–	–	**–**
8.01% - 9.00%	–	–	–	–	**–**
Total	–	–	–	–	**–**
External commercial borrowing (ECBs)					
1 Month LIBOR + 100 bps to 140 bps	75,621.10	–	–	–	**75,621.10**
Total	**75,621.10**	–	–	–	**75,621.10**
Total borrowings (Other than debt securities)	**137,755.01**	**162,079.37**	**141,096.54**	**40,607.07**	**481,537.99**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

Terms of borrowings and repayment as at 31 March 2021 (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%	—	—	—	—	—
6.00% - 7.00%	21,869.55	32,014.00	8,571.05	6,781.19	**69,235.79**
7.01% - 8.00%	39,857.46	68,515.60	14,638.08	15,852.14	**138,863.28**
8.01% - 9.00%	—	—	—	—	—
Total	**61,727.01**	**100,529.60**	**23,209.13**	**22,633.33**	**208,099.07**
Overdrafts & working capital demand loans from banks					
7.01% - 8.00%	230.89	—	—	—	**230.89**
8.01% - 9.00%	—	—	—	—	—
Total	**230.89**	—	—	—	**230.89**
External commercial borrowing (ECBs)					
1 Month LIBOR + 100 bps to 140 bps	—	73,043.25	—	—	**73,043.25**
Total	—	**73,043.25**	—	—	**73,043.25**
Total borrowings (Other than debt securities)	**61,957.90**	**173,572.85**	**23,209.13**	**22,633.33**	**281,373.21**

All term loans from banks and financial institutions, bank overdrafts, 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, bank overdrafts 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 have bullet repayment on maturity date.

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

The Company has used the borrowings from banks and financial institutions for the purpose for which it was taken.

18 Subordinated liablities

See accounting policy in note no 3.2 (Currency: INR in Lakhs)

	As at 31 March 2022		As at 31 March 2021	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Subordinated Tier II non convertible debentures [Refer note 18.1]	**33,040.89**	—	33,551.76	—
Perpetual debt instruments to the extent that do not qualify as equity [Refer note 18.1]	**16,757.49**	**9,989.23**	17,005.87	9,985.63
Total (A)	**49,798.38**	**9,989.23**	50,557.63	9,985.63
Subordinated liabilities in India	**49,798.38**	**9,989.23**	50,557.63	9,985.63
Subordinated liabilities outside India	—	—	—	—
Total (B) to tally with (A)	**49,798.38**	**9,989.23**	50,557.63	9,985.63

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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%	–	–	–	9,979.59	**9,979.59**
9.01% - 10.00%	–	–	9,985.46	14,947.15	**24,932.61**
Total	–	–	**9,985.46**	**24,926.74**	**34,912.20**
Perpetual debt instruments					
8.75% - 10.00%	–	–	–	12,469.63	**12,469.63**
10.01% - 11.00%	–	–	9,987.93	–	**9,987.93**
11.01% - 11.75%	–	–	4,994.93	–	**4,994.93**
Total	–	–	**14,982.86**	**12,469.63**	**27,452.49**
Total subordinated liabilities	–	–	**24,968.32**	**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.

Terms of borrowings and repayment as at 31 March 2021 (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%	–	–	–	9,976.88	**9,976.88**
9.01% - 10.00%	–	–	9,983.52	14,942.08	**24,925.60**
Total	–	–	**9,983.52**	**24,918.96**	**34,902.48**
Perpetual debt instruments					
8.75% - 10.00%	–	–	–	12,465.89	**12,465.89**
10.01% - 11.00%	–	–	9,984.65	–	**9,984.65**
11.01% - 11.75%	–	–	4,992.99	–	**4,992.99**
Total	–	–	**14,977.64**	**12,465.89**	**27,443.53**
Total subordinated liabilities	–	–	**24,961.16**	**37,384.85**	**62,346.01**

The above table does not include unrealised gain of ₹ 1,350.72 lakhs on fair valuation of subordinated debts designated at FVTPL and unrealised gain of ₹ 452.04 lakhs on fair valuation of perpetual debt instruments designated at FVTPL.

All subordinated liabilities are unsecured and have bullet repayment on maturity date.

₹ 16,903 lakhs (previous year ₹ 14,772 lakhs) of perpetual debt instrument qualifies as Tier I capital under RBI guidelines.

As at 31 March 2022, the Company's outstanding subordinated debt is ₹ 33,040.89 lakhs (as at 31 March 2021 ₹ 33,551.76 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 2022, 88% (as at 31 March 2021 94%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of the capital adequacy computation.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

19 OTHER FINANCIAL LIABILITIES

See accounting policy in note no 3.2 & 3.17

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Interest accrued but not due on borrowing	**10,358.71**	9,343.22
Amounts payable on swaps and other derivatives	**221.28**	231.99
Instalments on education loans received in advance (including interest received in advance)	**198.10**	195.90
Lease liabilities [Refer note 19.1]	**1,116.66**	608.66
Other financial liabilities	**184.59**	101.56
Total	**12,079.34**	10,481.33

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 2022	As at 31 March 2021
I.	**Lease liabilities**		
	Opening balance	**608.66**	557.45
	Add: Lease liabilities recognised during the year	**907.96**	316.24
	Less: Lease liabilities written off during the year	**(148.21)**	(48.46)
	Add: Interest accrued on lease liabilities	**52.24**	50.81
	Less: Lease payments	**(303.99)**	(267.38)
	Closing balance of lease liabilities	**1,116.66**	608.66
II.	**Right of use assets (RoU assets)**		
	Opening balance	**556.77**	525.10
	Add: RoU assets recognised during the year	**917.59**	317.08
	Less: RoU assets written off during the year	**(144.11)**	(46.34)
	Less: Depreciation on RoU assets	**(276.72)**	(239.07)
	Closing balance of RoU assets	**1,053.53**	556.77

Notes to the financial statements for the year ended 31 March 2022 (Continued)

19.1 **Operating leases:** (Continued)

Lease liabilities and lease cash flows

(Currency: INR in Lakhs)

Particulars	As at 31 March 2022	As at 31 March 2021
Maturity analysis- contractual undiscounted cash flows		
Less than one year	**352.61**	238.84
One to five years	**899.32**	448.50
More than five years	**43.50**	27.12
Total undiscounted lease liabilities	**1,295.43**	714.46
Lease liabilities included in the financial statements	**1,116.66**	608.66

Amount recognised in statement of profit or loss

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest on lease liabilities charged to finance cost	**52.24**	50.81
Depreciation charge for the period on RoU assets	**276.72**	239.07
Total	**328.96**	289.88

Cash out flow on account of lease payments is ₹ 303.98 lakhs (for previous year ₹ 267.38 lakhs)

20 CURRENT TAX LIABILITY (NET)

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Provision for income tax (Net of advance tax)	—	67.31
Total	—	67.31

21 PROVISIONS

See accounting policy in note no 3.8

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Provision for employee benefits		
— Gratuity [Refer note 32.2]	**312.39**	305.63
— Compensated absences [Refer note 32.2]	**22.74**	111.38
	335.13	417.01
Provision for expected credit loss on undisbursed commitment	**109.70**	18.39
	109.70	18.39
Total	**444.83**	435.40

Notes to the financial statements for the year ended 31 March 2022 (Continued)

22 OTHER NON FINANCIAL LIABILITIES

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Front end origination fees received in advance*	**959.23**	570.62
Statutory dues	**276.74**	180.88
Total	**1,235.97**	751.50

*This amount pertains to front end 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 2022	As at 31 March 2021
Authorised		
15,50,00,000 (previous year 13,30,00,000) Equity shares of ₹ 10 each	**15,500.00**	13,300.00
Nil (previous year 2,20,00,000) Compulsorily convertible preference shares ("CCPS") of ₹ 10 each	**—**	2,200.00
Total	**15,500.00**	15,500.00
Issued, subscribed and fully paid up		
13,17,98,226 (previous year 13,17,98,226) Equity shares of ₹ 10 each	**13,179.82**	13,179.82
Total	**13,179.82**	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 2022		As at 31 March 2021	
	Number	₹ in lakh	Number	₹ in lakh
Equity shares				
At the beginning of the year	**13,17,98,226**	**13,179.82**	13,17,98,226	13,179.82
At the end of the year	**13,17,98,226**	**13,179.82**	13,17,98,226	13,179.82
Issued and subscribed share capital	**13,17,98,226**	**13,179.82**	13,17,98,226	13,179.82

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

Particulars	As at 31 March 2022		As at 31 March 2021	
	Number	% shareholding	Number	% shareholding
Equity shares held by				
Housing Development Finance Corporation Limited*	**13,17,98,226**	**100.00%**	13,17,98,226	100.00%
Total	**13,17,98,226**	**100.00%**	13,17,98,226	100.00%

* including the shares held by nominee shareholders on behalf of Housing Development Finance Corporation Limited

Notes to the financial statements for the year ended 31 March 2022 (Continued)

23 SHARE CAPITAL (Continued)

23.3 Details of shareholders of promoters are given below:

As at 31 March 2022

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*	**13,17,98,226**	100%	Nil
	Total	**13,17,98,226**	100%	Nil

* including the shares held by nominee shareholders on behalf of Housing Development Finance Corporation Limited

As at 31 March 2021

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*	**13,17,98,226**	100%	Nil
	Total	**13,17,98,226**	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.

23.5 HDFC Credila Employees Stock Option Plan 2022 ("ESOP–2022")

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 scheme is yet to be implemented.

24 OTHER EQUITY

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Capital reserve	**109.46**	109.46
Securities premium	**43,236.51**	43,236.51
Statutory reserve	**16,801.14**	12,673.57
Retained earnings	**63,173.62**	46,663.48
Other comprehensive income		
— Remeasurement of the defined benefit plans	**(43.06)**	(46.42)
— Effective portion of cash flow hedges	**(290.85)**	(1,331.92)
— Fair value of investments	**(106.24)**	(54.88)
Total	**122,880.58**	101,249.80

Notes to the financial statements for the year ended 31 March 2022 (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.

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). Currently, Company carries higher impairement allowance under Ind AS 109 than the specified requirement under IRACP norms.

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 2020	(1,653.00)
Add: Revaluation of external commercial borrowings	2,070.00
Add: Changes in fair value of interest rate swaps	630.34
Add: Changes in fair value of principal only swaps*	(2,272.26)
Less: Income tax relating to above (net)	(107.00)
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)**

* Changes in fair value of principal only swaps also include realised gain of ₹ 846.80 lakhs (previous year ₹ 58.50 lakhs) on rollover of principal only swap deals.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

25 INTEREST INCOME

See accounting policy in note no 3.1.1

(Currency: INR in Lakhs)

	For the year ended 31 March 2022	For the year ended 31 March 2021
On financial assets measured at amortised cost		
Interest on education loans	**79,661.05**	69,388.12
Interest on fixed deposits with banks	**12.39**	267.23
Sub total	**79,673.44**	69,655.35
On financial assets measured at fair value through other comprehensive income		
Interest income from investments	**401.07**	50.55
Total	**80,074.51**	69,705.90

Interest income includes ₹ 1,347.79 lakhs (previous year ₹ 1,839.70 lakhs) of origination fees (net of DSA commission) 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 ₹ 32.40 lakhs (previous year ₹ 110.33 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 2022	For the year ended 31 March 2021
Type of service		
Commission [Refer note 37.2]	**1,683.59**	866.58
Other fees	**66.65**	13.31
Total	**1,750.24**	879.89
Geographical markets		
India	**1,750.24**	879.89
Outside India	**—**	—
Total	**1,750.24**	879.89
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	**1,750.24**	879.89
Performance obligation satisfied over a period of time	**—**	—
Total	**1,750.24**	879.89

Trade receivables

(Currency: INR in Lakhs)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Trade receivables	**48.50**	29.56
Total	**48.50**	29.56

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 2022 or 31 March 2021.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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 2022	For the year ended 31 March 2021
Net gain/(loss) on financial instruments at fair value through profit or loss		
— Investments	**436.72**	1,064.83
— Derivatives	**97.70**	(304.08)
Total	**534.42**	760.75
Fair value changes:		
— Realised	**414.25**	1,105.10
— Unrealised	**120.17**	(344.35)
Total	**534.42**	760.75

28 FINANCE COSTS

See accounting policy in note no 3.11

(Currency: INR in Lakhs)

	For the year ended 31 March 2022	For the year ended 31 March 2021
On Financial liabilities measured at amortised cost		
Interest on		
— Debt securities	**7,292.47**	9,943.60
— Borrowing (other than debt securities) [Refer note 30.1.3]	**22,892.61**	19,636.91
— Subordinated liabilities	**1,116.10**	1,114.11
— Lease liabilities [Refer note 19.1]	**52.24**	50.81
Other charges	**135.88**	540.09
Sub total	**31,489.30**	31,285.52
On Financial liabilities measured at fair value through profit or loss		
Interest on		
— Debt securities	**7,276.63**	5,939.36
— Subordinated liabilities	**4,032.62**	4,644.27
Sub total	**11,309.25**	10,583.63
Total	**42,798.55**	41,869.15

29 EMPLOYEE BENEFIT EXPENSES

See accounting policy in note no 3.7

(Currency: INR in Lakhs)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Salaries and bonus [Refer note 37.2]	**4,605.88**	3,264.11
Contribution to provident fund	**149.57**	122.82
Gratuity [Refer note 32.2]	**70.58**	60.26
Compensated absences [Refer note 32.2]	**24.23**	41.99
Staff welfare expenses [Refer note 37.2 & 30.1.3]	**124.20**	54.34
Total	**4,974.46**	3,543.51

Notes to the financial statements for the year ended 31 March 2022 (Continued)

30 OTHER EXPENSES

(Currency: INR in Lakhs)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Advertisements and publicity [Refer note 30.1.3]	**168.73**	137.07
Computer expenses [Refer note 30.1.3]	**469.94**	284.35
Outsourcing charges	**1,679.80**	1,822.94
Legal and professional charges [Refer note 30.1.3]	**881.53**	522.89
Auditor's fees and expenses [Refer note 30.1.1]	**38.30**	41.05
Communication costs	**104.67**	82.57
Travelling and conveyance [Refer note 30.1.3]	**125.42**	61.98
Printing and stationery	**39.76**	25.61
Electricity expenses	**47.77**	31.39
Rent [Refer note 19.1]	**90.26**	32.94
Repairs and maintenance	**95.57**	61.91
Rates and taxes	**107.72**	49.76
Directors' sitting fees [Refer note 37.2]	**84.75**	70.50
Directors' liability insurance [Refer note 37.2]	**0.91**	0.99
Loss on property, plant and equipment sold or discarded	**3.26**	2.56
Corporate social responsibility expenses [Refer note 30.1.2]	**357.73**	307.42
Other expenditure [Refer note 30.1.3]	**554.70**	418.88
Total	**4,850.82**	3,954.81

30.1 Other expenses

30.1.1 Payments to auditors

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Audit fees	**15.00**	17.00
Internal control over financial reporting fees	**3.00**	3.00
Limited reviews	**13.00**	13.50
Other matters and certification	**6.25**	5.98
Reimbursement of expenses	**1.05**	1.57
Total	**38.30**	41.05

Auditor's remuneration above is excluding Goods and service tax.

30.1.2 Expenditure incurred for corporate social responsibility

a. Gross amount required to be spent by the Company during the year is ₹ 357.73 lakhs (previous year ₹ 307.42 lakhs)

b. The details of amounts spent towards corporate social responsibility are as under:

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**	—

Notes to the financial statements for the year ended 31 March 2022 (Continued)

30 OTHER EXPENSES (Continued)

During the financial year 2020-21

(Currency: INR in Lakhs)

Particulars	In cash	Yet to be paid
a) Construction/acquisition of any asset	—	—
b) On purposes other than (a) above	**307.42**	—

c. Additional disclosures in respect of corporate social responsibility

(Currency: INR in Lakhs)

Particulars	FY 2021-22	FY 2020-21
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 2021-22	FY 2020-21
1	Eradicating hunger, poverty and promoting education	**15.00**	32.79
2	Promoting education	**53.44**	56.84
3	Promoting health care	**270.70**	203.50
4	Promoting special education among the differently abled	—	14.29
5	Promoting special education and health among the differently abled	**18.59**	—
	Total	**357.73**	307.42

30.1.3 Expenditure in foreign currency

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest on borrowings (other than debt securities)	**1,885.03**	1,873.89
Other finance costs	**14.96**	15.73
Legal and professional charges	**6.75**	5.62
Advertisement and publicity	**2.98**	9.11
Computer expenses	**2.69**	16.12
Staff welfare expenses	**0.38**	—
Other expenditure	**2.83**	**1.33**

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 2022	For the year ended 31 March 2021
On financial assets measured at amortised cost		
Loans	**1,604.29**	884.55
Trade receivables	—	—
Total	**1,604.29**	884.55

Notes to the financial statements for the year ended 31 March 2022 (Continued)

31 IMPAIRMENT ON FINANCIAL INSTRUMENTS (Continued)

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	2021-22				2020-21			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	429.65	617.66	325.80	1,373.11	(175.82)	95.86	820.54	740.58
Loans written off	—	—	45.79	45.79	—	—	18.30	18.30
Loan commitments	74.35	17.53	(0.58)	91.30	(12.14)	0.07	0.58	(11.49)
Trade receivables	—	—	—	—	—	—	—	—
Management overlay	69.07	(158.94)	183.96	94.09	(293.34)	158.94	271.56	137.16
Total impairment loss allowance	573.07	476.25	554.97	1,604.29	(481.30)	254.88	1,110.97	884.55

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 ₹ 149.57 lakhs (previous year ₹ 122.82 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.

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

Notes to the financial statements for the year ended 31 March 2022 (Continued)

32 EMPLOYEE BENEFIT EXPENSES (Continued)

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.

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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

32 EMPLOYEE BENEFIT EXPENSES (Continued)

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	
		2021-22 ₹	2020-21 ₹
1	Current service cost	**52.05**	44.82
2	Interest cost	**19.40**	15.91
3	Expected return on plan assets	**—**	(0.47)
4	Actuarial loss/(gain)	—	—
5	Losses/(gains) on curtailments & settlement	—	—
6	Total expense recognised in the statement of profit and loss	**71.45**	60.26

II Net liability recognised in the balance sheet

(Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Present value of defined benefit obligation	**327.64**	313.54
2	Fair value of plan assets	**(15.25)**	(7.91)
3	Unrecognised past service cost		
4	Net liability recognised in the balance sheet	**312.39**	305.63
	— Short-term provisions	**54.09**	47.84
	— Long-term provisions	**258.30**	257.79

III Changes in defined benefit obligation

(Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Present value of defined benefit obligation as at the beginning of the year	**313.54**	266.17
2	Current service cost	**52.05**	44.82
3	Interest cost	**19.40**	15.91
4	Actuarial loss/(gain)	**(4.63)**	7.78
5	Prior year charges	**—**	—
6	Benefits paid	**(52.72)**	(21.14)
7	Present value of defined benefit obligation as at the end of the year	**327.64**	313.54

Notes to the financial statements for the year ended 31 March 2022 (Continued)

32 EMPLOYEE BENEFIT EXPENSES (Continued)

IV Reconciliation of Liability

(Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Opening net liability	**305.63**	257.77
2	Expenses recognised	**70.58**	60.26
3	Other comprehensive income	**(4.49)**	7.60
4	Benefits paid	**—**	—
5	Contribution to plan assets	**(59.33)**	(20.00)
6	Amount recognised in the balance sheet under provision for employee benefits	**312.39**	305.63
	— Short-term provisions	**54.09**	47.84
	— Long-term provisions	**258.30**	257.79

V Reconciliation of Plan Assets

(Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Opening value of plan assets	**7.91**	8.40
2	Expenses incurred in the fund	**—**	—
3	Expected return	**0.87**	0.47
4	Actuarial gains\(losses)	**(0.14)**	0.18
5	Contribution by employer	**59.33**	20.00
6	Benefits paid	**(52.72)**	(21.14)
7	Closing value of plan assets	**15.25**	7.91

VI Actual return on Plan Assets

(Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Expected return on plan assets	**0.87**	0.47
2	Actuarial gain on plan assets	**(0.14)**	0.18
3	Actual return on plan assets	**—**	—

VII Actuarial assumptions

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Discount rate	**6.70%**	6.25%
2	Return on plan assets	**6.70%**	6.25%
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 for the year ended 31 March 2022 (Continued)

32 EMPLOYEE BENEFIT EXPENSES (Continued)

VIII Sensitivity analysis for actuarial assumptions

Sensitivity to key assumptions (Currency: INR in Lakhs)

Particulars	**31 March 2022 (12 months)**	31 March 2021 (12 months)
Discount rate sensitivity	₹	₹
Increase by 0.5%	**319.03**	305.10
(% change)	**(2.63)%**	(2.69)%
Decrease by 0.5%	**336.71**	322.45
(% change)	**2.77%**	2.84%
Salary growth rate sensitivity		
Increase by 0.5%	**335.12**	321.03
(% change)	**2.28%**	2.39%
Decrease by 0.5%	**320.30**	305.99
(% change)	**(2.24)%**	(2.41)%
Withdrawal rate (W.R.) Sensitivity		
W.R. x 110%	**327.34**	312.33
(% change)	**(0.09)%**	(0.39)%
W.R. x 90%	**327.72**	314.68
(% change)	**0.02%**	0.36%

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)

		2021-22 ₹	2020-21 ₹	2019-20 ₹	2018-19 ₹	2017-18 ₹
1	Present value of defined benefit obligation	**327.64**	313.54	266.17	219.08	177.13
2	Present value of defined benefit assets	**(15.25)**	(7.91)	(8.40)	(35.00)	(38.86)
3	Experience adjustment on plan liabilities	**3.44**	8.46	4.87	3.22	5.82
4	Experience adjustment on plan assets	**(0.14)**	0.18	0.65	0.78	0.56
5	Unrecognised past service cost	–	–	–	–	–
6	(Excess)/short of obligation over plan assets	**312.39**	305.63	257.77	184.08	138.27

The Company expects to contribute approximately ₹ 312.39 lakhs (previous year ₹ 305.63 lakhs) to the gratuity fund.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

32 EMPLOYEE BENEFIT EXPENSES (Continued)

XI Investment pattern

(Currency: INR in Lakhs)

	Gratuity	
	2021-22	2020-21
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	
	2021-22	2020-21
Government Securities	**38.10%**	32.90%
Corporate bonds -		
AAA	**48.31%**	50.18%
AA+	**8.20%**	10.40%
AA	**2.78%**	2.78%
Cash, deposits, MMI	**2.61%**	3.74%
Total	**100.00%**	100.00%

Compensated absences

The actuarial liability of compensated absences of privilege leave of the employees of the Company is ₹ 22.74 lakhs (previous year ₹ 111.38 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 2022	For the year ended 31 March 2021
Current tax		
In respect of the current year	**7,600.11**	5,476.18
In respect of prior years	**2.11**	(62.18)
Total current tax	**7,602.22**	5,414.00
Deferred tax		
In respect of the current year: origination & reversal of temporary differences	**(487.06)**	(159.09)
Total income tax expense recognised in the current year relating to continuing operations	**7,115.16**	5,254.91

Notes to the financial statements for the year ended 31 March 2022 (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 2022	For the year ended 31 March 2021
(i)	**Profit before tax**	**27,752.87**	20,777.74
(ii)	Income tax expense calculated at 25.168% on (i) above	**6,984.84**	5,229.34
(iii)	Effect of expenses that are not deductible in determining taxable profit	**90.04**	71.75
(iv)	Adjustments in respect of current income tax of prior years	**2.11**	(62.18)
(v)	Others	**38.17**	16.00
(vi)	**Income tax expense recognised in statement of profit and loss [(ii) + (iii) + (iv) + (v)]**	**7,115.16**	5,254.91
(vii)	**Effective tax rate [(vi) / (i)]**	**25.64%**	25.29%

The tax rate used for the reconciliations above is the corporate tax rate of 25.168% for the year 2021-22 and for the year 2020-21 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:

Particulars	Units	2021-22	2020-21
Profit after tax	₹ in lakhs	**20,637.71**	15,522.83
Less: Dividend on preference shares and attributable tax thereon	₹ in lakhs	**—**	—
Profit after tax for basic EPS	₹ in lakhs	**20,637.71**	15,522.83
Weighted average number of equity shares for calculating basic earnings per share	Numbers	**13,17,98,226**	13,17,98,226
Face value of equity shares	₹	**10**	10
Basic earnings per share	₹	**15.66**	11.78
Profit after tax for diluted EPS	₹ in lakhs	**20,637.71**	15,522.83
Weighted average number of equity shares for calculating diluted earnings per share	Numbers	**13,17,98,226**	13,17,98,226
Face value of equity shares	₹	**10**	10
Diluted earnings per share	₹	**15.66**	11.78

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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)

	31 March 2022			31 March 2021		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	2,730.33	–	2,730.33	10,741.60	–	10,741.60
Bank balance other than (a) above	142.54	–	142.54	251.06	25.04	276.10
Derivative financial instruments	3,048.08	–	3,048.08	118.80	1,528.35	1,647.15
Trade receivables	48.50	–	48.50	29.56	–	29.56
Loans	180,608.31	698,075.91	878,684.22	125,089.50	497,952.27	623,041.77
Investments	7,099.08	11,802.05	18,901.13	17,883.56	2,994.34	20,877.90
Other financial assets	2,966.91	155.15	3,122.06	602.13	97.37	699.50
Non-financial assets						
Current tax asset	–	279.55	279.55	–	85.22	85.22
Deferred tax assets (net)	–	1,778.77	1,778.77	–	1,698.00	1,698.00
Property, plant and equipment	–	1,324.31	1,324.31	–	837.48	837.48
Other intangible assets	–	12.29	12.29	–	25.02	25.02
Intangible assets under development	–	174.47	174.47	–	–	–
Other non-financial assets	454.72	–	454.72	345.34	–	345.34
Total assets	197,098.47	713,602.50	910,700.97	155,061.55	505,243.09	660,304.64
Liabilities						
Financial liabilities						
Derivative financial instruments	–	7,157.05	7,157.05	–	5,593.50	5,593.50
Trade payables						
(i) Total outstanding dues of creditors micro enterprises and small enterprises	64.71	–	64.71	169.04	–	169.04
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	2,155.27	–	2,155.27	1,315.13	–	1,315.13
Debt securities	9,825.62	200,352.18	210,177.80	23,216.82	161,927.05	185,143.87
Borrowings (other than debt securities)	137,755.01	343,782.98	481,537.99	18,749.00	262,624.21	281,373.21
Subordinated liabilities	–	59,787.61	59,787.61	–	60,543.26	60,543.26
Other financial liabilities	11,248.67	830.67	12,079.34	9,874.11	607.22	10,481.33
Non-financial liabilities						
Current tax liability	–	–	–	67.31	–	67.31
Provisions	62.62	382.21	444.83	65.95	369.45	435.40
Other non-financial liabilities	1,235.97	–	1,235.97	752.97	–	752.97
Total liabilities	162,347.87	612,292.70	774,640.57	54,210.33	491,664.69	545,875.02
Net	34,750.60	101,309.80	136,060.40	100,851.22	13,578.40	114,429.62

Notes to the financial statements for the year ended 31 March 2022 (Continued)

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 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)	–	1,256.27	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**	**1,595.98**	**751,503.40**

36.2 For the period ended 31 March 2021

(Currency: INR in Lakhs)

Particulars	31 March 2020	Cash flows	Fair Value Impact	Forex Impact	Others*	31 March 2021
Debt securities	222,912.41	(35,596.64)	(2,943.07)	–	771.17	185,143.87
Borrowings other than debt securities	300,603.29	(17,414.98)	–	(2,070.00)	254.90	281,373.21
Subordinated Liabilities	62,327.90	–	(1,802.76)	–	18.12	60,543.26
Total liabilities from financing activities	**585,843.60**	**(53,011.62)**	**(4,745.83)**	**(2,070.00)**	**1,044.19**	**527,060.34**

*Others column includes effect of amortisation of initial issue cost as per Ind AS.

Notes to the financial statements for the year ended 31 March 2022 (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

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

5 Key Management Personnel of Holding Company

Mr. Deepak S. Parekh, Non-Executive Chairman of Holding Company

Mr. Keki M. Mistry, Vice Chairman & CEO of Holding Company

Ms. Renu Sud Karnad, Managing Director of Holding Company

Mr. V. Srinivasa Rangan, Executive Director of Holding Company

Mr. Nasser Munjee, Independent Director of Holding Company

Dr. Jamshed J. Irani, Independent Director of Holding Company

Mr. Upendra K. Sinha, Independent Director of Holding Company

Mr. Jalaj Ashwin Dani, Independent Director of Holding Company

Dr. Bhaskar Ghosh, Independent Director of Holding Company

Ms. Ireena Vittal, Independent Director of Holding Company

Notes to the financial statements for the year ended 31 March 2022 (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: (Currency: INR in Lakhs)

	Particulars	Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Total	
		2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1	Commission received for sourcing home loans	0.02	(2.35)	–	–	–	–	–	–	–	–	0.02	(2.35)
2	Commission received for sourcing fixed deposits	50.14	22.28	–	–	–	–	–	–	–	–	50.14	22.28
3	Commission received for sourcing insurance	–	–	162.50	62.20	–	–	–	–	–	–	162.50	62.20
4	Interest income on deposits	–	–	–	–	3.23	55.88	–	–	–	–	3.23	55.88
5	Interest income on education loans	–	–	–	–	–	–	–	–	–	7.94	–	7.94
6	Staff expenses of non executive vice chairman on deputation	–	17.70	–	–	–	–	–	–	–	–	–	17.70
7	Staff expenses of managing director & CEO on deputation	224.16	63.90	–	–	–	–	–	–	–	–	224.16	63.90
8	Staff expenses of employees on deputation	158.64	86.53	–	–	–	–	–	–	–	–	158.64	86.53
9	Staff welfare expenses of employees on deputation	2.19	1.05	–	–	–	–	–	–	–	–	2.19	1.05
10	Employee's health insurance premium	–	–	37.54	14.28	–	–	–	–	–	–	37.54	14.28
11	Employee's group term insurance premium	–	–	3.67	1.07	–	–	–	–	–	–	3.67	1.07
12	Reimbursement of GST expenses on brand usage	3.96	4.44	–	–	–	–	–	–	–	–	3.96	4.44
13	Reimbursement of expenses	9.09	–	–	–	–	–	–	–	–	–	9.09	–
14	Rent expenses	91.50	63.90	–	–	–	–	–	–	–	–	91.50	63.90
15	Interest paid on non convertible debentures	–	–	–	–	–	5,520.00	–	–	–	–	–	5,520.00
16	Directors' liability insurance premium	–	–	0.95	0.99	–	–	–	–	–	–	0.95	0.99
17	Cyber security insurance premium	–	–	20.29	16.69	–	–	–	–	–	–	20.29	16.69
18	Technology support charges	26.20	–	–	–	–	–	–	–	–	–	26.20	–
19	Education loan given	–	–	–	–	–	–	–	–	–	107.89	–	107.89
20	Bank charges	–	–	–	–	3.55	4.81	–	–	–	–	3.55	4.81
21	Commission paid on sourcing of education loans	–	–	147.06	32.08	1,270.38	447.58	–	–	–	–	1,417.44	479.66
22	Contribution to group gratuity policy	–	–	59.33	20.00	–	–	–	–	–	–	59.33	20.00
23	Directors' sitting fees	–	–	–	–	–	–	84.75	70.50	–	–	84.75	70.50

Notes to the financial statements for the year ended 31 March 2022 (Continued)

37 RELATED PARTY DISCLOSURES (continued)

37.3 Balance outstanding at the end of the year

(Currency: INR in Lakhs)

	Particulars	Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Total	
		2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1	Commission receivable for sourcing home loans	**0.03**	–	–	–	–	–	–	–	–	–	**0.03**	–
2	Commission receivable for sourcing fixed deposits	**0.73**	0.11	–	–	–	–	–	–	–	–	**0.73**	0.11
3	Commission receivable for sourcing insurance	–	–	6.55	8.85	–	–	–	–	–	–	**6.55**	8.85
4	Staff welfare expenses of employee on deputation payable	2.38	–	–	–	–	–	–	–	–	–	**2.38**	–
5	Reimbursement of expenses payable	8.57	–	–	–	–	–	–	–	–	–	**8.57**	–
6	Technology support charges payable	28.30	–	–	–	–	–	–	–	–	–	28.30	–
7	Advance employees' insurance premium	–	–	0.34	0.21	–	–	–	–	–	–	**0.34**	0.21
8	Employee insurance premium (prepaid expense)	–	–	14.82	2.32	–	–	–	–	–	–	**14.82**	2.32
9	Cyber security insurance premium (prepaid expense)	–	–	24.52	19.81	–	–	–	–	–	–	**24.52**	19.81
10	Directors' liability insurance premium (prepaid expense)	–	–	0.97	0.67	–	–	–	–	–	–	**0.97**	0.67
11	Education loan	–	–	–	–	–	–	–	–	–	108.49	**–**	108.49
12	Balance in current accounts	–	–	–	–	2,725.77	7,212.56	–	–	–	–	**2,725.77**	7,212.56
13	Interest accrued on deposits	–	–	–	–	3.23	0.63	–	–	–	–	**3.23**	0.63
14	Trade payables	–	–	10.45	7.67	**349.16**	164.13	–	–	–	–	**359.61**	171.80
15	Deposits held	–	–	–	–	85.00	10.00	–	–	–	–	**85.00**	10.00
16	Security deposit placed	–	–	**2.00**	2.00	–	–	–	–	–	–	**2.00**	2.00

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

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

Notes to the financial statements for the year ended 31 March 2022 (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 comfortably 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 2022	31 March 2021
CRAR (%)	**18.93**	24.02
CRAR - Tier I capital (%)	**14.84**	17.67
CRAR - Tier II capital (%)	**4.09**	6.35

The Company also monitors capital using debt-equity ratio, which is total debt divided by total equity.

(Currency: INR in Lakhs)

Particulars	31 March 2022	31 March 2021
Net debt*	**748,773.07**	516,318.74
Total equity	**134,094.87**	112,706.60
Net debt to equity ratio	**5.58**	4.58

* 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.

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 2022			31 March 2021		
	FVTPL	FVOCI / CashFlow HedgeReserve	Amortised cost	FVTPL	FVOCI / CashFlow HedgeReserve	Amortised cost
Financial assets						
Derivative financial assets	–	3,048.08	–	–	1,647.15	–
Trade receivables	–	–	48.50	–	–	29.56
Loans	–	–	878,684.22	–	–	623,041.77
Investments	7,099.08	11,802.05	–	17,883.56	2,994.34	–
Other financial assets	–	–	3,122.06	–	–	699.50
Total financial assets	**7,099.08**	**14,850.13**	**881,854.78**	**17,883.56**	**4,641.49**	**623,770.83**
Financial liabilities						
Derivative financial liabilities	7,157.05	–	–	4,149.92	1,443.58	–
Trade payables	–	–	2,219.98	–	–	1,484.17
Debt securities	110,435.20	–	99,742.60	87,770.78	–	97,373.09
Borrowings (other than debt securities)	–	–	469,042.71	–	–	281,373.21
Subordinated liabilities	49,798.38	–	9,989.23	50,557.63	–	9,985.63
Other financial liabilities	–	–	12,079.34	–	–	10,481.33
Total financial liabilities	**167,390.63**	**–**	**593,073.87**	**142,478.32**	**1,443.58**	**400,697.44**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.2 Categories of financial instruments (continued)

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 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**

As at 31 March 2021				
Financial assets				
Financial Investments at FVTPL				
Mutual Funds	17,883.56	–	–	17,883.56
Financial Investments at FVOCI				
Government Securities	2,994.34	–	–	2,994.34
Derivatives designated as fair value hedges				
Interest Rate Swaps	–	–	–	–
Derivatives designated as cash flow hedges				
Currency swaps - Principal Only swaps	–	1,647.15	–	1,647.15
Total financial assets	**20,877.90**	**1,647.15**	**–**	**22,525.05**
Financial liabilities				
Financial Investments at FVTPL				
Non-Convertible Debentures	–	138,328.40	–	138,328.40
Derivatives designated as fair value hedges				
Interest Rate Swaps - INR OIS	–	4,149.92	–	4,149.92
Derivatives designated as cash flow hedges				
Interest rate swaps - USD IRS	–	1,443.58	–	1,443.58
Total financial liabilities	**–**	**143,921.90**	**–**	**143,921.90**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.2 Categories of Financial Instruments (continued)

38.2.1 Fair value hierarchy (continued)

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 2022 and 31 March 2021.

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.

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 2022**			31 March 2021		
	Carrying Value	**Fair Value**	**Fair Value Hierarchy**	Carrying Value	Fair Value	Fair Value Hierarchy
Financial liabilities at amortised cost						
Non convertible debentures	**91,443.17**	**88,766.34**	**Level 2**	91,703.58	91,569.05	Level 2
Perpetual debt instruments	**10,509.44**	**11,106.80**	**Level 2**	10,505.84	11,519.70	Level 2
Subordinated liabilities	—	—	—	—	—	—
Total financial liabilities	**101,952.61**	**99,873.14**		102,209.42	103,088.75	

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.2.3 Fair value of financial instruments not measured at fair value (Continued)

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 ₹ 883,805.37 lakhs (as at 31 March 2021 ₹ 626,695.72 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 exposures on currency and other parameters. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

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

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

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 and the credit approval process and limits.

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

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 potential for the student, co-borrower's income & obligations, the loan-to-value ratio and demographic parameters subject to regulatory guidelines. Any deviations need to be approved at the designated levels.

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

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.1.1 Education Loans (continued)

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	Other Countries	Total
As at 31 March 2022	**8%**	**52%**	**22%**	**19%**	**100%**
As at 31 March 2021	9%	56%	17%	18%	100%

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.

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, fixed deposits and insurance policies. The Company does not have any credit enhancement arrangement.

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

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

The tables set out below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral and the net exposure to credit risk. The fair value of the collateral is done as per the Credit Policy at the time of sanction of the loan.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.1.3 Collateral and other credit enhancements (Continued)

Fair value of collaterals and credit enhancements held

a. **As at 31 March 2022** (Currency: INR in Lakhs)

Education Loans					
Gross Carrying Value	**Immovable properties**	**Fixed deposits**	**Total collateral**	**Unsecured exposure**	**Total ECL**
883,805.37	**294,570.66**	**9,777.67**	**304,348.33**	**579,457.04**	**5,121.15**

b. **As at 31 March 2021** (Currency: INR in Lakhs)

Education Loans					
Gross Carrying Value	Immovable properties	Fixed deposits	Total collateral	Unsecured exposure	Total ECL
626,695.72	252,582.08	7,486.88	260,068.96	366,626.76	3,653.95

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.

(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:

Particulars	**31 March 2022**	31 March 2021
Variable rate borrowing	**75%**	66%
Fixed rate borrowing	**25%**	34%
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 2022 is ₹ 206.21 lakhs (previous year ₹ 205.67 lakhs).

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.2.2 Foreign currency exchange rate risk

The Company's outstanding borrowings consist of external commercial borrowing as well and hence the Company is exposed to foreign currency exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency i.e. INR. The objective of the hedges is to 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 uses currency swaps to hedge its exposure in foreign currency risk. The Company designates the fair value of the currency swaps contracts as hedging instruments. In case the hedge effectiveness is 100%, the change in the fair value of the currency swaps contracts and the change in carrying value of the underlying foreign currency liability are compared and the difference is recognised in cash flow hedge reserve. During the years ended March 31, 2022 and 2021, 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 2022	31 March 2021
	USD	USD
Financial liabilities		
Foreign currency loan	**(75,900.00)**	(73,600.00)
Interest accrued on foreign currency loan	**(26.09)**	(38.58)
Exposure to foreign currency risk (liabilities) (a)	**(75,926.09)**	(73,638.58)
Derivative financial instruments		
Foreign exchange derivative contracts	**75,900.00**	73,600.00
Exposure to foreign currency risk (assets) - (b)	**75,900.00**	73,600.00
Net exposure to foreign currency risk (c) = (a) + (b)	**(26.09)**	(38.58)

(2) Foreign currency sensitivity analysis:

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

(Currency: INR in Lakhs)

Particulars	Impact on profit after tax		Impact on other components of equity	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
USD sensitivity				
INR/USD - increase by 1%*	**—**	—	**28.14**	16.47
INR/USD - decrease by 1%*	**—**	—	**(28.14)**	(16.47)

* Assuming all other variable is constant

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.2.2 Foreign currency exchange rate risk (continued)

(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 ineffectiveness for the period - profit / (loss)
As at 31 March 2022					
INR USD - Principal only swaps	75,900.00	2,813.55	Derivative financial instrument	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**

Hedging instrument

(Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	Weighted average contract /strike price ofthe hedging instrument	Change in fair value used for measuring ineffectiveness for the period - profit / (loss)
As at 31 March 2021					
INR USD - Principal only swaps	73,600.00	1,647.15	Derivative Financial Instrument	71.62	(2,330.76)
INR USD - Interest rate swap	73,600.00	(1,443.58)		-	630.34
Total	**147,200.00**	**203.57**		**71.62**	**(1,700.42)**

Hedged Item

(Currency: INR in Lakhs)

Particulars	Change in the value of hedged item used as thebasis for recognising hedge ineffectiveness		Cash flow hedgereserve as at	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
External commercial borrowings	(2,300.00)	(2,070.00)	(4,343.00)	(2,043.00)
Total	**(2,300.00)**	**(2,070.00)**	**(4,343.00)**	**(2,043.00)**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.2.2 Foreign currency exchange rate risk (continued)

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 ineffectiveness
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021	
Principal only swap	1,166.41	(2,330.76)	–	–	Not applicable
USD-INR Interest rate swap	1,678.11	630.34	–	–	

B. Fair value hedge

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

Hedging instrument (Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount - Asset	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Interest rate swap as at				
31 March 2022	167,500.00	(7,157.05)	Derivative Financial Instruments	(3,007.13)
31 March 2021	142,500.00	(4,149.92)		(5,049.91)

Hedged item (Currency: INR in Lakhs)

Particulars	Notional amount	Accumulated fairvalue adjustment - Liability	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Non-convertible debentures				
31 March 2022	167,500.00	(6,957.45)	Debt securities and Subordinated liabilities	(3,104.84)
31 March 2021	142,500.00	(3,852.62)		(4,745.83)

The impact of the fair value hedges in the statement of profit and loss: (Currency: INR in Lakhs)

Particulars	Hedging ineffectiveness recognised in statement of profit and lossprofit/(loss)		Line item in the statement of profit or loss
	31 March 2022	31 March 2021	
Interest rate swaps	**97.70**	(304.08)	Net gain on fair value changes

Notes to the financial statements for the year ended 31 March 2022 (Continued)

(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.

38.3.2.3 Interest Rate Benchmark Reform

As on March 31, 2022, the Company has foreign currency borrowings of USD 100 million on which it pays USD LIBOR (London Inter-bank Offered Rate). The Company has undertaken principal only swaps and USD Interest Rate Swaps of notional amount of USD 100 million each to hedge the foreign currency and fx interest rate risks. The valuations of these hedges are impacted by, among other variables, changes in USD LIBOR.

As part of the LIBOR discontinuation process, the ICE Benchmark Administration Limited ("IBA"), the authorized administrator of LIBOR, published the decision to cease publication of one month USD LIBORs after June 30, 2023. The Company's USD 100 million borrowing is due for repayment by March 2023. Since the Company's borrowings and hedges linked to LIBOR will mature prior to the discontinuation of the relevant tenor USD LIBORs, the Company will not be impacted by the transition to alternate benchmark rates for the existing borrowing.

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 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**	**156,008.95**	**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**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

(Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2021	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-derivatives					
Trade payables	1,484.16	–	–	–	1,484.16
Debt securities at amortised cost	77,389.41	19,983.68	–	–	97,373.09
Debt securities at FVTPL	–	–	29,731.20	58,039.58	87,770.78
Borrowings (other than debt securities)	61,957.90	173,572.85	23,209.13	22,633.33	281,373.21
Subordinated liabilities at amortised cost	–	–	9,985.63	–	9,985.63
Subordinated liabilities at FVTPL	–	–	14,746.51	35,811.12	50,557.63
Other financial liabilities	10,070.01	256.04	128.99	26.29	10,481.33
Total non-derivatives liabilities	**150,901.48**	**193,812.57**	**77,801.46**	**116,510.32**	**539,025.83**
Derivatives (net settled)					
Currency swaps - principal only swaps	–	–	–	–	–
Interest rate swaps	–	1,443.58	453.82	3,696.10	5,593.50
Total derivatives liabilities	**–**	**1,443.58**	**453.82**	**3,696.10**	**5,593.50**

39 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 2022, 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.

39.1 Capital to risk assets ratio (CRAR)

(Currency: INR in Lakhs)

Items	2021-22	2020-21
CRAR (%)	**18.93**	24.02
CRAR - Tier I capital (%)	**14.84**	17.67
CRAR - Tier II capital (%)	**4.09**	6.35
Amount of subordinated debt raised as Tier-II capital	**–**	–
Amount raised by issue of Perpetual Debt Instrument	**–**	–

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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.2 Investments

(Currency: INR in Lakhs)

		Items	Current Year (2021-22)	Previous Year (2020-21)
1	**Value of investments**			
	i)	Gross value of investments	**18,901.13**	20,877.90
		a) In India	**18,901.13**	20,877.90
		b) Outside India	—	—
	ii)	Provision for depreciation	—	—
		a) In India	—	—
		b) Outside India	—	—
	iii)	Net value of investments	**18,901.13**	20,877.90
		a) In India	**18,901.13**	20,877.90
		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	—	—

39.3 Derivatives

39.3.1 Forward Rate Agreement / Interest Rate Swap

(Currency: INR in Lakhs)

	Particulars	Current Year (2021-22)	Previous Year (2020-21)
(i)	The notional principal of swap agreements*	**319,300.00**	289,700.00
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**3,010.96**	1,759.28
(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	**(4,108.97)**	(3,946.35)

* Includes USD IRS - Notional of USD 100 millions converted at year end exchange rate.

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

(Currency: INR in Lakhs)

Benchmark	Current Year (2021-22)	Previous Year (2020-21)	Terms
	Notional Principal (INR in Lakhs)		
OIS	**167,500.00**	142,500.00	Fixed Receivable V/s Floating Payable
	Notional Principal (USD Millions)		
USD LIBOR	**100.00**	100.00	Fixed Payable V/s Floating Receivable

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.3.2 Exchange Traded Interest Rate Derivatives

The Company has not entered into any exchange traded derivative.

39.3.3 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.

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 ₹ 7,157.05 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.3.3 Disclosures on Risk Exposure in Derivatives (Continued)

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

(Currency: INR in Lakhs)

Particulars	Current Year (2021-22)	Previous Year (2020-21)
Opening balance	**(1,331.92)**	(1,653.00)
(Credits) / debit in the cash flow reserve	**1,041.07**	321.08
Closing balance	**(290.85)**	(1,331.92)

b. Quantitative disclosures

(Currency: INR in Lakhs)

Sl. No.	Particular	Currency derivatives*		Interest rate derivatives**	
		Current Year (2021-22)	Previous Year (2020-21)	Current Year (2021-22)	Previous Year (2020-21)
(i)	Derivatives (notional principal amount)	**75,900.00**	73,600.00	**243,400.00**	216,100.00
(ii)	Marked to market positions				
	a) Asset (+)	**2,813.55**	1,647.15	234.53	–
	b) Liability (-)	–	–	**(7,157.05)**	(5,593.50)
(iii)	Credit exposure	**1,518.00**	4,945.92	**4,104.50**	4,111.00
(iv)	Unhedged exposures	**26.09**	38.58	–	–

* Currency Derivatives includes Principal Only swaps.

** Includes USD IRS - Notional of USD 100 Millions converted at year end exchange rate.

39.4 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.

39.5 Exposures

39.5.1 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.

39.5.2 The Company does not have any capital market exposure.

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

39.5.4 The Company has not exceeded single borrower limit ("SGL") and nor has exceeded the group borrower limit ("GBL").

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

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

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

39.8 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 dealing with related party transactions is available on its website.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.9 Rating assigned by credit rating agencies and migration of rating during the year: (Currency: INR in Lakhs)

Sr. No.	Rating agency	Programme	Ratings Assigned
1	CRISIL Limited	Commercial paper	**CRISIL A1+** / **Stable**
		Subordinated debt	**CRISIL AAA** / **Stable**
		Non-convertible debenture	**CRISIL AAA** / **Stable**
2	ICRA Limited	Bank Loan	**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 AA+** / **Stable**
		Non-convertible debenture	**CARE AAA** / **Stable**
		Subordinated debt	**CARE AAA** / **Stable**

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

39.10 Remuneration of Directors

Details of remuneration given to non-executive directors are disclosed below: (Currency: INR in Lakhs)

Name	Designation	Remuneration for FY 2021-22
Mr. V. Srinivasa Rangan	Chairman	16.50
Mr. Subodh Salunke	Vice- Chairman	18.00
Mrs. Madhumita Ganguli	Non- Executive Director	9.75
Mr. B. Mahapatra	Independent Director	16.50
Mr. Sunil Shah	Independent Director	15.00
Mr. Rajesh Gupta	Independent Director	9.00

39.11 Provisions and contingencies (Currency: INR in Lakhs)

Break up of 'provisions and contingencies' shown under the head expenses in statement of profit and loss	Current Year (2021-22)	Previous Year (2020-21)
Provisions for depreciation on investment	—	—
Provision towards NPAs*	**509.18**	1,092.67
Provision for Standard Assets	**1,049.32**	(226.42)
Provision made towards tax expenses	**7,115.16**	5,254.91
Other provision and contingencies (with details)		
Provision for employee benefits		
— Compensated absences	**24.23**	41.99
— Gratuity	**70.58**	60.26

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

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

39.13 Concentration of advances, exposures and NPAs*:

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

39.13.2 Concentration of advances (Currency: INR in Lakhs)

	Current Year (2021-22)	Previous Year (2020-21)
Total advances to twenty largest borrowers	**1,982.45**	1,976.27
Percentage of advances to twenty largest borrowers to total advances of the NBFC	**0.22%**	0.32%

39.13.3 Concentration of exposures [on limit basis or outstanding basis whichever is higher] (Currency: INR in Lakhs)

	Current Year (2021-22)	Previous Year (2020-21)
Total exposure to twenty largest borrowers / customers	**2,150.43**	2,103.98
Percentage of exposures to twenty largest borrowers/ customers to Total exposure of the NBFC on borrowers / customers	**0.21%**	0.30%

39.13.4 Concentration of NPAs* (Currency: INR in Lakhs)

	Current Year (2021-22)	Previous Year (2020-21)
Total exposure to top four NPA accounts	**263.69**	255.62

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

39.13.5 Sector-wise NPAs* (Currency: INR in Lakhs)

Sr. No.	Sector	Percentage of NPAs to total advances in that sector current year (2021-22)	Percentage of NPAs to total advances in that sector previous year (2020-21)
1	Agriculture & allied activities	—	—
2	MSME	—	—
3	Corporate borrowers	—	—
4	Services	—	—
5	Unsecured personal loans	—	—
6	Auto loans	—	—
7	Other personal loans	—	—
8	Education loans	**0.57%**	0.60%

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.13.6 Movement of NPAs*

(Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2021-22)	Previous Year (2020-21)
(i)	Net NPAs to net advances	**0.38%**	0.40%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	**3,735.10**	756.55
	(b) Additions during the year	**3,133.73**	3,241.61
	(c) Reductions during the year	**(1,807.26)**	(263.07)
	(d) Closing balance	**5,061.57**	3,735.10
(iii)	Movement of Net NPAs		
	(a) Opening balance	**2,514.76**	628.31
	(b) Additions during the year	**1,979.32**	2,104.31
	(c) Reductions during the year	**(1,162.61)**	(217.86)
	(d) Closing balance	**3,331.47**	2,514.76
(iv)	Movement of provisions for NPAs*		
	(a) Opening balance	**1,220.34**	128.24
	(b) Provisions made during the year	**1,154.41**	1,137.30
	(c) Write-off / write-back of excess provisions	**(644.65)**	(45.21)
	(d) Closing balance	**1,730.10**	1,220.34

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

39.14 The Company does not have any overseas assets.

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

39.16 Customer complaints

(Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2021-22)	Previous Year (2020-21)
a	No. of complaints pending at the beginning of the year	**4**	–
b	No. of complaints received during the year	**336**	171
c	No. of complaints redressed during the year	**340**	167
d	No. of complaints pending at the end of the year	**–**	4

39.17 Asset liability management

Maturity pattern of certain items of assets and liabilities As at 31 March 2022: (Currency: INR in Lakhs)

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings *	1,378	690	13,618	28,840	37,765	251,981	156,076	202,824	693,172
Foreign currency liabilities	26	–	–	–	75,621	–	–	–	75,647
Assets									
Advances	17,830	15,824	15,584	45,544	85,825	295,342	197,471	208,655	882,075
Investments	–	–	–	–	7,099	2,088	8,303	1,411	18,901
Foreign currency assets	–	–	–	–	–	–	–	–	–

The above statements are prepared based on the prepayment assumptions approved by the ALCO.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

Maturity pattern of certain items of assets and liabilities As at 31 March 2021: (Currency: INR in Lakhs)

Particulars	1 day to 30 days(one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings *	3,062	207	7,741	7,366	32,933	115,207	163,223	137,474	467,213
Foreign currency liabilities	39	–	–	–	–	73,043	–	–	73,082
Assets									
Advances	12,201	10,612	10,494	31,182	60,600	213,001	143,623	143,762	625,475
Investments	2,000	2,000	2,000	6,000	5,884	–	2,994	–	20,878
Foreign currency assets	–	–	–	–	–	–	–	–	–

The above statements are prepared based on the refinance and prepayment assumptions approved by the ALCO.

* The above tables as at 31 March 2022 and 31 March 2021 include interest accrued but not due on borrowings but does not include unrealised gains on fair valuation of debt securities and subordinated liabilities.

39.18 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 2022**		As at 31 March 2021	
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	**211,386.63**	–	185,453.71	–
	— Unsecured (Other than falling within the meaning of public deposit)	**65,998.22**	–	65,984.65	–
	b) Deferred credit	**–**	**–**	–	–
	c) Term loan	**481,609.09**	–	281,155.10	–
	d) Inter - corporate loans and borrowing	**–**	**–**	–	–
	e) Commercial paper	**9,825.62**	–	7,431.84	–
	f) Other loan	**–**	**–**	230.89	–
	g) Book overdraft	**–**	**–**	–	–

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 **Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company** (Continued)

39.18 Schedule.... (Continued)

Asset side :		As at 31 March 2022	As at 31 March 2021
2)	**Break-up of loans and advances including bills receivables [other than those included in (4) below] :**	**Amount outstanding**	Amount outstanding
	a) Secured	**304,348.33**	260,068.96
	b) Unsecured	**579,457.04**	366,626.76
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 for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

(Currency: INR in Lakhs)

Asset Side :		As at 31 March 2022	As at 31 March 2021
4)	**Break of investments:**		
	Current investments:		
	1. Quoted:		
	(i) Shares:		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and bonds	—	—
	(iii) Units of mutual funds	**7,099.08**	17,883.56
	(iv) Government Securities	—	—
	(v) Others (please specify)	—	—
	2. Unquoted:		
	(i) Shares:		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and bonds	—	—
	(iii) Units of mutual funds	—	—
	(iv) Government Securities	—	—
	(v) Others (please specify)	—	—
	Long term investments:		
	1. Quoted:		
	(i) Shares:		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and bonds	—	—
	(iii) Units of mutual funds	—	—
	(iv) Government Securities	**11,802.05**	2,994.34
	(v) Others (please specify)	—	—
	2. Unquoted:		
	(i) Shares:		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and bonds	—	—
	(iii) Units of mutual funds	—	—
	(iv) Government Securities	—	—
	(v) Others (please specify)	—	—

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.18 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 2022			As at 31 March 2021		
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	–	–	–	108.49	–	108.49
	2. Other than related parties	**304,348.33**	**579,457.04**	**883,805.37**	259,960.47	366,626.76	626,587.23
	Total	**304,348.33**	**579,457.04**	**883,805.37**	260,068.96	366,626.76	626,695.72

(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	**18,901.13**	**18,901.13**	20,877.90	20,877.90
	Total	**18,901.13**	**18,901.13**	20,877.90	20,877.90

(Currency: INR in Lakhs)

7)	**Other information**	**As at March 31, 2022**	As at March 31, 2021
	Particulars	**Amount**	Amount
	i) Gross non performing assets (NPAs)*		
	a) Related parties	**—**	—
	b) Other than related parties	**5,061.57**	3,735.10
	ii) Net non performing assets (NPAs)*		
	a) Related parties	**—**	—
	b) Other than related parties	**3,331.47**	2,514.76
	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 for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

39.19 Disclosure pursuant to Para 15A of the RBI Master Direction on "Guidelines on Liquidity Risk Management Framework":

39.19.1 Public Disclosure on Liquidity Risk

A. As at 31 March 2022

i. Funding Concentration based on significant counterparty [1] (Currency: INR in Lakhs)

Number of Significant Counterparties	Amount	% of Total Deposits	% of Total Liabilities
23 (Twenty Three)	582,716	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 (Currency: INR in Lakhs)

Amount	% of Total Borrowings
338,182	45%

iv. Funding Concentration based on significant instrument/product [2] (Currency: INR in Lakhs)

Name of the instrument/product	Amount	% of Total Liabilities
Secured non convertible debentures	200,352	26%
Commercial paper	9,826	1%
Term loans from banks	405,917	52%
External commercial borrowings	75,621	10%
Overdrafts and working capital facilities	–	0%
Subordinated tier II non convertible debentures	33,041	4%
Perpetual debt instruments to the extent that do not qualify as equity	26,747	3%
Total Borrowings	**751,503**	**97%**
Total Liabilities [3]	**774,641**	**—**

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

Particulars	as a % of total public funds [4]	as a % of total liabilities [3]	as a % of total assets
Commercial papers	1%	1%	1%
Non-convertible debentures (original maturity of less than one year)	0%	0%	0%
Other short-term liabilities	20%	20%	17%

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

39.19.2 LCR Disclosure as at 31 March 2022

(Currency: INR in Lakhs)

	Particulars	For the quarter ended 30 June 2021		For the quarter ended 30 September 2021		For the quarter ended 31 December 2021		For the quarter ended 31 March 2022	
		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	1,346	1,346	1,860	1,860	1,061	1,061	1,646	1,646
2	Investment in Government Securities	3,347	3,347	6,510	6,510	7,673	7,673	12,403	12,403
	Total HQLA	**4,693**	**4,693**	**8,370**	**8,370**	**8,734**	**8,734**	**14,049**	**14,049**
B	**Cash Outflows**								
1	Unsecured wholesale funding	3,492	4,016	8,982	10,329	10,097	11,611	16,541	19,022
2	Secured wholesale funding	10,104	11,620	7,191	8,270	16,523	19,002	20,591	23,679
3	Additional requirements, of which	–	–	–	–	–	–	–	–
	Outflows related to derivative exposures and other collateral requirements	345	396	486	559	387	445	283	325
	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
	Credit and liquidity facilities	–	–	–	–	–	–	–	–
4	Other contractual funding obligations	18,438	21,204	38,547	44,329	27,126	31,195	25,092	28,856
	TOTAL CASH OUTFLOWS	**32,379**	**37,236**	**55,207**	**63,488**	**54,133**	**62,253**	**62,506**	**71,882**
C	**Cash Inflows**								
1	Secured lending	–	–	–	–	–	–	–	–
2	Inflows from fully performing exposures	17,248	12,936	20,646	15,485	19,522	14,641	20,722	15,542
3	Other cash inflows	21,302	15,976	49,228	36,921	54,681	41,010	63,681	47,761
	TOTAL CASH INFLOWS	**38,549**	**28,912**	**69,874**	**52,406**	**74,203**	**55,652**	**84,404**	**63,303**
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**	
	TOTAL HQLA	**4,693**		**8,370**		**8,734**		**14,049**	
	TOTAL NET CASH OUTFLOWS [Stressed Outflows - (Minimum of Stressed Inflows OR 75% of Stressed Outflows)]	**9,309**		**15,872**		**15,563**		**17,970**	
	LIQUIDITY COVERAGE RATIO (%)	**50%**		**53%**		**56%**		**78%**	

* 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 for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

(Currency: INR in Lakhs)

E Qualitative Disclosure on LCR

As per Para 15B of of the RBI Master Direction, all non-deposit taking NBFCs with asset size of ₹ 5,000 crore and above but less than ₹ 10,000 crore shall maintain a liquidity buffer in terms of LCR which will promote resilience of NBFCs 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 NBFCs 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%

As required under above requirements, the Company is required to maintain LCR at 50% with effect from 1st December 2021. The LCR for the quarter ended 31 March 2022 is at 78% based on daily average of the quarter (Q4 FY21-22) as agaist 63% for the quarter ended 31 March 2021. 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 Treasury bills) and cash balance maintained in current account. The average HQLAs for the quarter ended 31 March 2022 were ₹ 14,049 lakhs, of which, investment in Government securities constituted ₹ 12,403 lakhs and balance with banks of ₹ 1,646 lakhs. The HQLA level was increased gradually in accordance with change in LCR requirements from 30% to 50% w.e.f. 1 December 2021.

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 2022 were at ₹ 17,970 lakhs as against ₹ 6,235 lakhs for the quarter ended 31 March 2021. The increase in cash outflow was mainly driven by increase in scheduled repayment of borrowings and increase in the projected disbursements. The Company has hedged foreign exchange 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.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

(Currency: INR in Lakhs)

39.20 Disclosure as per Annexure XXVI on "Regulatory Guidance on Implementation of Indian Accounting Standards by NBFCs"

A. 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	81.90	138.78
Doubtful - up to 1 year	Stage 3	459.30	85.67	373.63	300.59	(214.92)
1 to 3 years	Stage 3	293.93	312.29	(18.36)	111.86	200.43
More than 3 years	Stage 3	–	–	–	–	–
Subtotal for doubtful		753.23	397.96	355.27	412.45	(14.49)
Loss	Stage 3	328.64	328.64	–	277.70	50.94
Subtotal for NPA		**1,925.45**	**947.28**	**978.17**	**772.05**	**175.23**
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**
	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**
Total	**Stage 3**	**5,061.57**	**1,730.10**	**3,331.47**	**1,065.03**	**665.07**
Total		**883,805.37**	**5,230.85**	**878,574.52**	**4,808.65**	**422.20**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

39.20 Disclosure as per Annexure XXVI on “Regulatory Guidance on Implementation of Indian Accounting Standards by NBFCs”

B. As at 31 March 2021

(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	618,860.53	2,028.67	616,831.86	2,482.47	(453.80)
	Stage 2	2,053.13	268.75	1,784.38	8.22	260.53
Standard restructured	Stage 2	2,046.97	136.19	1,910.78	203.61	(67.42)
	Stage 3	2,064.24	536.77	1,527.47	201.57	335.20
Subtotal for Performing Assets		**625,024.87**	**2,970.38**	**622,054.49**	**2,895.87**	**74.51**
Non-Performing Assets (NPA)						
Substandard	Stage 3	1,035.02	264.40	770.62	99.13	165.27
Doubtful - up to 1 year	Stage 3	189.62	45.65	143.97	67.85	(22.20)
1 to 3 years	Stage 3	92.92	20.23	72.69	33.22	(12.99)
More than 3 years	Stage 3	–	–	–	–	–
Subtotal for doubtful		282.54	65.88	216.66	101.07	(35.19)
Loss	Stage 3	353.29	353.29	–	306.40	46.89
Subtotal for NPA		**1,670.85**	**683.57**	**987.28**	**506.60**	**176.97**
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	–	17.66	(17.66)	–	17.66
	Stage 2	–	0.16	(0.16)	–	0.16
	Stage 3	–	0.58	(0.58)	–	0.58
Subtotal		**–**	**18.40**	**(18.40)**	**–**	**18.40**
Total	**Stage 1**	**618,860.52**	**2,046.33**	**616,814.20**	**2,482.47**	**(436.14)**
	Stage 2	**4,100.10**	**405.10**	**3,695.00**	**211.83**	**193.27**
	Stage 3	**3,735.10**	**1,220.92**	**2,514.17**	**708.17**	**512.75**
Total		**626,695.72**	**3,672.34**	**623,023.37**	**3,402.48**	**269.88**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39.21 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

(Currency: INR in Lakhs)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end 30 September 2021**	Of (A), aggregate debt that slipped into NPA during the half-year ended 31 March 2022	Of (A) amount written off during the half-year ended 31 March 2022	Of (A) amount paid by the borrowers during the half-year ended 31 March 2022^	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended 31 March 2022
Personal Loans	6,123.62	197.37	–	424.12	5,502.14
Corporate persons*	–	–	–	–	–
Of which, MSMEs	–	–	–	–	–
Others	–	–	–	–	–
Total	**6,123.62**	**197.37**	–	424.12	**5,502.14**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

** Includes restructuring done in respect of requests received as on 30 September 2021 implemented subsequently.

^ Amount paid by borrower during the half year in net of additions in the account including additions due to interest capitalisation.

39.22 The disclosures as required by the Master Direction - Monitoring of frauds in NBFCs issued by RBI dated 29 September 2016

There were no incidents of frauds reported to RBI during the current year and the previous year.

40 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.

41 Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

42 The Company does not have any contingent liabilities as on the balance sheet date.

43 Capital expenditures contracted for as at the balance sheet date but not recognized in the financial statements amount to ₹ 27.40 lakhs (previous year ₹ Nil) towards purchase of Computers.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

44 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.

45 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 : 21 April 2022

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 : 21 April 2022