SIXTEENTH ANNUAL REPORT

2020-21

HDFC CREDILA FINANCIAL SERVICES LIMITED

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

A Wholly Owned Subsidiary of Housing Development Finance Corporation Limited

HDFC CREDILA
The Education Loan Specialist

CONTENT

BOARD OF DIRECTORS

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:

BSR & Co. LLP
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.: 022 - 4080 7001

BANKS

HDFC Bank Ltd | Union Bank of India | Indian Bank | ICICI Bank Ltd | Punjab National Bank | Jammu & Kashmir Bank Ltd | Shinhan Bank | DBS Bank | Axis Bank Ltd | Federal Bank | Citibank | Kotak Mahindra Bank | IndusInd Bank Ltd | State Bank of India | Bank of India |

REGISTERED OFFICE

B-301, Citi Point, Andheri Kurla Road, Andheri (E), Mumbai - 400 059.
Tel. No. : 022-2825 6636
Fax No. : 022-2471 2447
CIN : 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. : 022- 4227 0400
Fax No. : 022- 2850 3748

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors are pleased to present the Sixteenth Annual Report of the Company with the audited accounts for the year ended on March 31, 2021.

Financial Results	For the year ended March 31, 2021	For the year ended March 31, 2020
	(₹ in crore)	(₹ in crore)
Total Income	713.47	726.58
Less: Total Operating Expenses	83.83	92.05
Gross Profit Before Interest and Depreciation	**629.64**	**634.53**
Less: Interest and Finance Charges	418.69	462.27
Less: Depreciation	3.17	3.00
Profit before Tax	**207.78**	**169.26**
Less: Provision for Taxation	54.14	45.68
Less: Provision for Deferred Tax	(1.59)	0.48
Profit after Tax	**155.23**	**123.10**
Add: Other Comprehensive Income	2.60	(16.84)
Total Comprehensive Income	**157.83**	**106.26**
Less: Transfer to Reserve as per Section 45- IC (1) of RBI Act	31.05	24.62
Less: Dividend on Compulsorily Convertible Preference Shares*	-	0.01
Less: Dividend Distribution Tax	-	0.001
Balance carried to Balance Sheet	**126.78**	**81.63**

DIRECTORS' REPORT

FROM PRIVATE LIMITED COMPANY TO PUBLIC LIMITED COMPANY

During the year, pursuant to shareholders' approval at the annual general meeting held on June 29, 2020, the Company was converted into Public Limited Company from Private Limited Company. The Company received fresh certificate of Incorporation on October 08, 2020 issued by the office of Registrar of Companies, Mumbai.

DIVIDEND

In order to conserve the resources for future growth, your Directors do not recommend any dividend on equity shares for the year ended on March 31, 2021.

REVIEW OF OPERATIONS

During the financial year ended on March 31, 2021, the Company earned a profit before tax of ₹ 207.78 crore as compared to the profit before tax of ₹ 169.26 crore in the previous year. The Company's loan book has remained flat in this financial year and its total income has marginally decreased. While achieving a robust growth, the Company has continued to maintain quality of its portfolio. The COVID-19 pandemic, travel restrictions both domestic & international and constrained businesses activities has impacted the loan disbursements & there has been a marginal increase in delinquency.

There was no change in the nature of business of your company nor was there any material change or commitment that would affect its financial position during the year.

PROFIT TO BE CARRIED FORWARD TO RESERVES

Your Directors propose to transfer ₹ 31.05 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, 2021.

REPAYMENTS

During the year under review, the Company received ₹ 1,759 crore by way of repayment of principal including prepayments, as compared to ₹ 1,379 crore received during the previous year.

RESOURCE MOBILIZATION

PERPETUAL DEBT

As at March 31, 2021, the Company's outstanding Perpetual Debt stood at ₹ 275 crore and was considered as Tier I & Tier II capital under the guidelines issued by the Reserve Bank of India (RBI) for the purpose of computation of capital adequacy of the Company. The Perpetual Debt has been assigned the rating of 'ICRA AA+' and 'CARE AA+' by ICRA and CARE respectively. It is subordinated to the present and future senior indebtedness of the Company and is perpetual in nature with a call option after 10 years from the date of the issue. The Company's Perpetual Debt is listed on the BSE Limited. The Company has been regular in its payment obligation towards the Perpetual Debt.

SUBORDINATED DEBT

As at March 31, 2021, the Company's outstanding Subordinated Debt stood at ₹ 350 crore. This debt is subordinated to the present and future senior indebtedness of the Company. It has been assigned a rating of 'CRISIL AAA', 'CARE AAA' and "ICRA AAA" by CRISIL, CARE and ICRA respectively. Based on the balance term to maturity, as at March 31, 2021, ₹ 316 crore of the book value of this debt was considered as Tier II capital under the guidelines issued by the RBI for the purpose of computation of capital adequacy of the Company. The Company has been regular in its payment obligations towards the Subordinated Debt.

NON-CONVERTIBLE DEBENTURES (NCD)

During the year under review, the Company issued Secured, Rated, Listed, Redeemable NCDs amounting to ₹ 400 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, 2021, the Company's outstanding NCDs stood at ₹ 1800 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, 2021, the total term loans outstanding from banks amounted to ₹ 2,081 crore as compared to ₹ 2,256 crore as at March 31, 2020 Bank Loans have been assigned the highest rating of 'ICRA AAA' by ICRA.

EXTERNAL COMMERCIAL BORROWINGS

During the previous year the Company had availed External Commercial Borrowing (ECBs) of USD 100 million for further lending of education loans as per the ECB guidelines issued by Reserve Bank of India ("RBI"). As at March 31, 2021, the ECBs outstanding stood at ₹ 730 crore in rupee terms.

COMMERCIAL PAPER

The Company's Commercial Papers have been assigned the highest rating of 'CRISIL A1+ and 'ICRA A1+' by CRISIL and ICRA respectively, signifying highest safety for timely servicing of debt obligations. The face value of the Commercial Papers outstanding as at March 31, 2021 was ₹ 75 crore as compared to ₹ 225 crore as at March 31, 2020.

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

DEPOSITS

The Company has not accepted any deposit during the financial year 2020-21. Pursuant to the RBI regulations applicable to a Systemically Important Non-Deposit taking NBFC (ND-SI-NBFC), no amount of principal or interest was outstanding as at March 31, 2021.

AUTHORIZED SHARE CAPITAL

The Authorized Share Capital of the Company consists of Equity Share Capital of ₹ 133,00,00,000 divided into 13,30,00,000 Equity Shares of ₹ 10/- each and the Preference Share Capital of ₹ 22,00,00,000 divided into 2,20,00,000 Compulsorily Convertible Preference Shares of ₹ 10/- each.

REGULATORY GUIDELINES / AMENDMENTS

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

CAPITAL ADEQUACY RATIO

The Company's Capital Adequacy Ratio (CAR) stood at 24.02% as on March 31, 2021, of which Tier I capital was 17.67% and Tier II capital was 6.35%. As per the regulatory norms, the minimum requirement for the CAR and Tier I capital as at March 31, 2021 are 15% and 10% respectively.

SUBSIDIARY / ASSOCIATE COMPANIES

The Company does not have any subsidiary or associate company.

PARTICULAR S OF EMPLOYEES' REMUNERATION

The Company had 279 employees as of March 31, 2021. During the year, one employee employed for part of the year was in receipt of remuneration of ₹ 8.5 lakh or more per month.

In accordance with the provisions of Rule 5.2 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and particulars of the top ten employees in terms of remuneration drawn of the aforesaid employees are set out in the annexure to the Directors' Report. In terms of the provisions of Section 136(1) of the Companies Act, 2013 read with the rule, the Directors' Report (excluding the annexure) is being sent to all shareholders of the Company. Any shareholder interested in obtaining a copy of the annexure may write to the Company.

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

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

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

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

VIGIL MECHANISM / WHISTLE BLOWER POLICY

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

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

The policy is placed on the website of the company at ***http://www.hdfccredila.com***.

LOANS, GUARANTEES OR INVESTMENTS

Education loans are given by the Company in the ordinary course of business, details of which are provided in the Financial Statements.

As regards investments made by the Company, details of the same are provided in notes to the financial statements of the Company for the year ended March 31, 2021 (Note 9).

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

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

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

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

During the financial year 2020-21, the Company expended ₹ 19.40 crore including upfront fees and interest expenses on external commercial borrowing and derivatives of ₹ 19.08 crore in foreign currency.

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

DIRECTORS

The shareholders of the Company at the 15th Annual General Meeting held on July 29, 2020 approved the appointment of Mr. Arijit Sanyal as MD & CEO. The shareholders also approved the appointment of Mr. Rajesh Gupta and reappointment of Mr. Biswamohan Mahapatra as Independent Directors.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Ms. Madhumita Ganguli retires by rotation at the ensuing Annual General Meeting. She is eligible for re-appointment.

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

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

Code of Conduct as prescribed under Schedule IV of the Companies Act, 2013.

STATUTORY AUDITORS

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

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

INTERNAL AUDITORS

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

SECRETARIAL AUDIT

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

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

During the year, no significant or material orders were passed by any regulator or court or tribunal against the Company impacting the going concern status and the Company's operations in future.

DIRECTORS' RESPONSIBILITY STATEMENT

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

a) In the preparation of annual accounts, the applicable accounting standards have been followed.

b) Accounting policies selected have been applied consistently. Reasonable and prudent judgments and estimates have been made to give a true and fair view of the state of affairs of the Company as at the end of financial year 2020-21 and of the profit of the Company for that period.

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

d) The annual accounts of the Company have been prepared on a going concern basis.

e) The directors had laid down internal financial controls to be followed by the company and such internal controls were adequate and operating effectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT AND REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

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

INTERNAL FINANCIAL CONTROL

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

SECRETARIAL STANDARDS

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

ANNUAL RETURN

The Annual Return for the financial year 2020-21 is uploaded at ***http://www.hdfccredila.com/about/investor-relation.html***

ACKNOWLEDGEMENTS

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

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

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

On behalf of the Board of Directors

Mumbai
April 29, 2021

V. Srinivasa Rangan
Chairman

ANNEX TO DIRECTORS' REPORT – I

DISCLOSURES ON MANAGERIAL REMUNERATION

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

Ratio of remuneration of each director to the median employee's remuneration for the financial year 2020-21

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. V. Srinivasa Rangan	Chairman	2.07
Mr. Subodh Salunke	Vice Chairman	4.76
Mr. Arijit Sanyal	Managing Director & Chief Executive Officer	9.29
Mr. Biswamohan Mahapatra	Independent Director	2.18
Mr. Sunil Shah	Independent Director	1.96
Mr. Rajesh Gupta	Independent Director	0.98
Ms. Madhumita Ganguli	Non- Executive Director	0.87

Percentage increase in the remuneration of each director and key managerial personnel in the financial year 2020-21

Name	Designation	Increase in Remuneration (%)
Mr. Arijit Sanyal	Managing Director & Chief Executive Officer	-
Mr. Manjeet Bijlani[1]	Chief Financial Officer	-
Mr. Shridhar Hebbar[2]	Chief Operating Officer (Erstwhile Chief Financial Officer)	-
Ms. Akanksha Kandoi	Company Secretary	-

[1] *Mr. Manjeet Bijlani was appointed as the Chief Financial Officer with effect from May 11, 2020.*

[2] *Mr. Shridhar Hebbar was appointed as Interim Chief Financial Officer with effect from January 17, 2020. (Stepped down as the Interim Chief Financial Officer with effect from May 10, 2020)*

SITTING FEES OF THE DIRECTORS

The Directors, except executive Directors were paid sitting fees of ₹ 75,000 per meeting for attending Board and Committee Meetings.

NUMBER OF PERMANENT EMPLOYEES

The number of employees in the Company as at March 31, 2021 was 279.

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

The average increase in the remuneration of all employees was 6% during the financial year 2020-21.

During the year, one employee employed for part of the year was in receipt of remuneration of ₹ 8.5 lakh or more per month.

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

The Remuneration Policy of the Company is uploaded on the website of the Company at

https://www.hdfccredila.com/about/corporate-governance.html

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

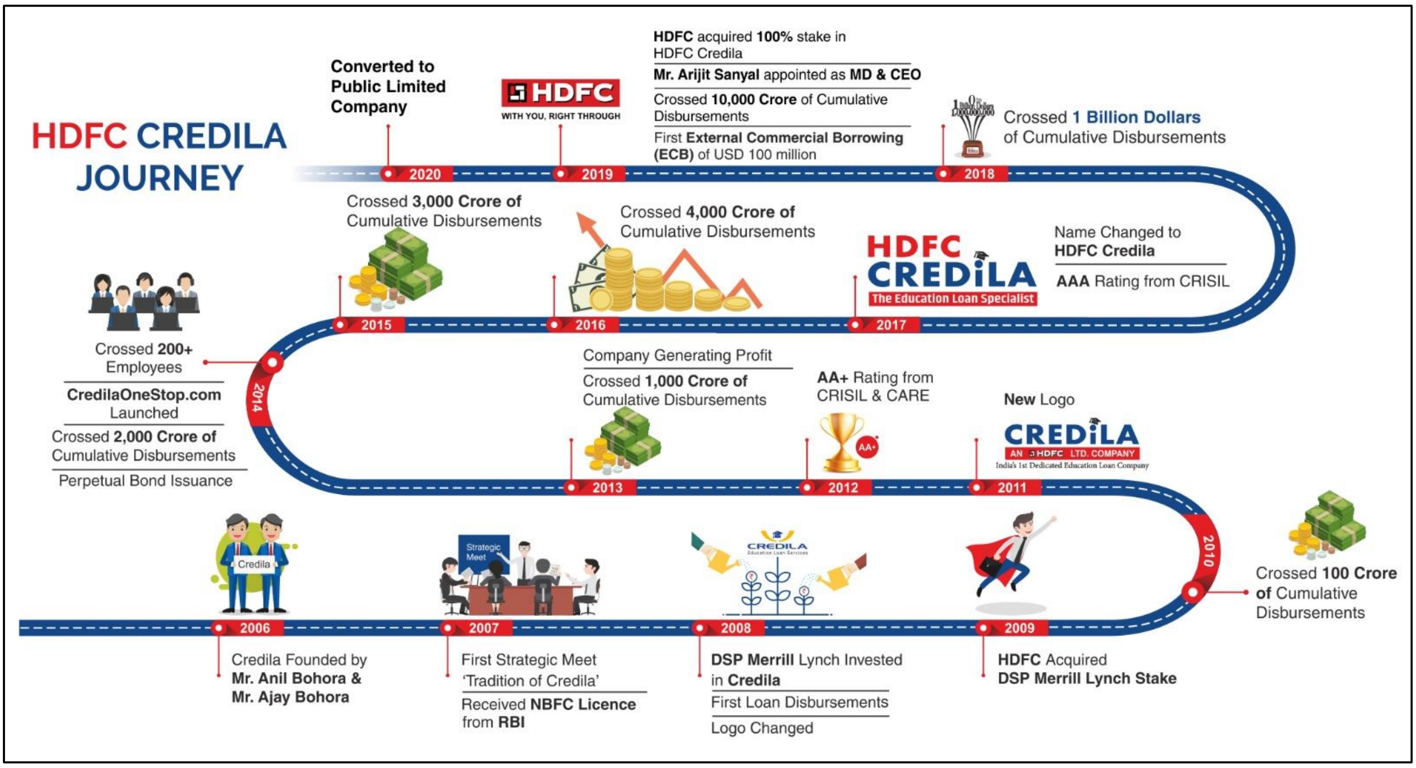
The increase in remuneration of Key Managerial Personnel is based on the overall performance of the Company. Owing to the pandemic, the Company has decided to hold back the increase in remuneration of the Key Managerial Personnel and employees forming part of the Senior management pool.

ANNEX TO DIRECTORS' REPORT – 2

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

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

On October 08, 2020, HDFC Credila Financial Services Limited was converted into a Public Limited Company from a Private Limited Company and received a fresh certificate of Incorporation from the office of Registrar of Companies, Mumbai.



HDFC Credila has a AAA credit rating from all the major rating agencies: CRISIL, CARE and ICRA for all its long term financial instruments and A1+ credit rating from CRISIL and ICRA for all 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 October 13, 2010 whereby customers of the Company can avail benefits of income tax deduction in respect of the interest paid by them on their education loan subject to certain conditions as laid under the Income Tax Act, 1961 and amendments made thereto hereinafter.

INDUSTRY STRUCTURE AND SCOPE

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

As per the Ministry of Education's latest report[2], 24.83[2] crore students are in K-12 (Kindergarten to Std. XII) in India, more than any other country. This constitutes a huge pool of talented youth who will enter the Indian higher education system. Currently, as per AICTE data for the academic year 2020-21, over 3,114[3] management institutes are operational in India with total intake capacity of over 4.34[3] lakh students. Of these, a significant number of institutes are private and over the years they have helped in bridging the demand-supply gap for quality management education in the country.

Education continues to be a priority for Indian families. India has around 3.74[1] crore students who are pursuing higher education in over 993 Universities, 39,931 colleges and 10,725 standalone Institutes in FY19[1]. In 2020-2021, there were 9,700 AICTE approved institutes - 4,100 undergraduate, 4,951 postgraduate and 4,514 diploma courses. India has one of the largest networks of higher education institutions in the world.

Also, the trend among Indian students to pursue their dreams of higher education overseas continues primarily due to rising awareness, international career aspirations, state of the art on-campus experience, availability of specialized courses, increasing global trends of borderless migration of skills etc.

The complexity and dynamics of the sector warrants a growing need for specialized education loan providers. HDFC Credila leverages its domain knowledge and expertise in education loans to offer customized products for students, making HDFC Credila stand out as one of the leaders in the Education Finance industry. The Company evaluates a combination of students' academic and personal background as well as future potential to analyse the credit worthiness and risk profile offering competitive products and services suitable for varied customer needs for loans to study in India and overseas.

ROAD AHEAD[1]

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

- The combination training method, which involves online learning and games, is expected to grow by up to 38% in the next 2-4 years
- Adoption of transformative and innovative approaches in Higher Education
- Augmented GER expected to rise to 50%
- 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
- Have more than 20 universities among the global top 200

India has become the second largest market for E-learning after the USA. The online education market in India is forecast to reach US$ 8.6 billion by 2026. Various government initiatives are being adopted to boost the growth of distance education market, besides focusing on new education techniques, such as *E-learning and **M-learning. Furthermore, with online modes of education being used by several educational organizations, the higher education sector in India is set for some major changes and developments in the years to come. The impact of COVID-19 on the overall global macro-economy, classroom teaching and pedagogy in general is also accelerating some of the above structural shifts in the Education industry.

**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 a large number of 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.*

OPPORTUNITIES

Education loans as an asset class are in a nascent stage in India with huge growth potential. GER* in India for higher education is 26.30%[5] which is far lower than that of developed countries.

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

Education Loan Market opportunity:

There are 3.71 crore[1] students currently enrolled in Higher Education in India, making this an attractive business opportunity.

In developed countries like USA where the population is around 25% of India's, education loans outstanding is high. As per a report published by Federal Reserve Bank of New York, education loans outstanding stands at $1.56 trillion (₹ 113.19 lakh crore)[6] in December 2020. This indicates a much higher penetration as compared to that in India and thus a sizeable opportunity/potential for the Indian Education Loan Industry to fund Indian students for higher education in India and overseas. As per RBI, education loans outstanding under priority sector for Banks in India stands at ₹ 48,552[4] crore on February 26, 2021.

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

The presence of fintech companies poses both a source of competition as well as a potential opportunity for HDFC Credila. The Company is exploring partnerships as well as co-lending opportunities with such companies. This presents an opportunity to expand sourcing channels, product offerings and also to leverage technology for future lending.

HDFC Credila has developed strong domain expertise, providing tailor-made solutions and competitive products. With an efficient domain specific technology platform for loan processing and dynamic credit underwriting, the Company is well equipped to expand its business to fund students in both India and overseas.

THREATS

The vast geographical reach and corresponding distribution capabilities of banks is a major threat. Many new NBFCs, Fintech companies and Indian Banks have entered the education loans market. Several of these offer competitive products in the same segments/target markets as HDFC Credila. While high delinquencies and limited access to funds for some NBFCs and Fintech companies have resulted in slower growth, they are now beginning to expand in the Indian market. Some international education loan companies are also enhancing their presence in India to take advantage of the increasing number of Indian students pursuing higher education abroad.

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

Impact of COVID-19

Impact on education sector: The pandemic has led to several changes within the education sector. International border closures created initial hurdles to education. Universities across the world have been severely impacted by temporary closures and/or restricted operations. Classroom teaching was shifted to virtual mode at both school and university level. Indian students studying in overseas Universities faced major disruptions resulting in many Indian students returning to India and continuing their courses online.

The various shutdowns, travel restrictions, disruptions in visa services etc. have resulted in uncertainty amongst international students regarding future study plans. This has adversely impacted universities in countries such as Canada, USA, UK, Australia etc. which depend heavily on international students for their funding requirements. Hurdles were faced by potential higher education aspirants and for students with University applications underway due to unclear admission procedures and eligibility criteria, disruptions in visa services, exams and language tests suspended for part of the year – making it difficult for students to complete paperwork/applications. The ambiguity regarding quarantine stipulations overseas, visa and immigration policies, work permits, employment opportunities etc. added to the anxiousness, leading to postponement of plans by a semester or year and many students opting for a change of destination country to another country which has not been impacted severely by the pandemic.

Consequently, to alleviate some of the above uncertainties, countries undertook various measures to mitigate the adverse impact of the pandemic on international students. Virtual online study options with extended visa facilities given by several countries helped to reduce this effect. Flexible admission procedures and delayed admission cycles, visa extensions, online studies being counted towards post-study work visa requirements, bursary schemes, tuition fee rebates etc. further assuaged students' anxiety towards international education.

Impact on Industries & cash flow of families: The impact of COVID-19 has been felt across the globe. During the initial months of the pandemic, countries around the world closed their borders (or introduced strict restrictions) to curb the spread of the virus. The crisis has not only created a worldwide health emergency but has also stressed the financial situation of individuals and businesses alike. The pandemic has adversely impacted most industries within these economies leading to economic slowdowns/downturns. This resulted in job losses and higher unemployment rates which in turn put pressure on personal and public (government) finances. In addition, loss of jobs/income has had both a psychological and social impact on families/communities. Many families which entered the middle-class strata in recent times have seen reduction/ loss of income, resulting in these families regressing back into their previous (lower) level of income. As a result of the above-mentioned uncertainties, households are veering towards conserving savings, which in turn is augmenting the demand for education loans.

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

Steps taken by HDFC Credila during the pandemic:

HDFC Credila has been agile in adapting its business practices/processes etc. to the changing environment. In addition to successfully implementing work from home measures across the organization and establishing robust COVID-protocols, the Company has undertaken several initiatives to adapt to the challenges due to the pandemic yet ensure continuation of business within the given constraints. HDFC Credila has been encouraging its customers to use online and digital platforms to carry out transactions and has introduced new processes and enhanced systems to ensure seamless continuation of business yet taking required precautions for safety of employees and customers. The key initiatives taken by the Company are:

- Implemented changes to comply with RBI's guidelines on COVID-19 regulatory package and resolution framework for Covid-19 related stress.

- Established paperless tranche disbursement process by leveraging digital channels to offer enhanced customer experience and continuity of services.

- Rolled out KYC document upload and video-based customer Identification process (V-CIP) to streamline customer onboarding during the pandemic.

- Migrated IT infrastructure to Amazon AWS which is a more evolved, secure, and flexible cloud platform offering on-demand compute at a considerably lower cost.

- Transitioned to more secure and collaborative tools to enable staff to effectively work from home during the pandemic.

- Launched Helpdesk/CRM system to improve service team's efficiency and enhance our customer service and grievance redressal capabilities.

- Sales CRM / Lead Management solution is being implemented to improve the efficiency of the call-center, feet-on-street, digital sales.

Regulatory and Business Initiatives

Regulatory initiatives

HDFC Credila has strictly adhered to the guidelines and directions issued by the Government and the Reserve Bank of India (RBI). The RBI vide COVID-19 Regulatory Package dated March 27, 2020 & May 23, 2020 had permitted banks and financial institutions to provide a moratorium for all payments (principal & interest) due between March 1 and August 31, 2020.This relief measure was announced for customers with term loans of any kind. HDFC Credila extended this option of deferment of payment to all its customers, except those who specifically communicated their preference to continue their loan repayments as per their regular payment schedule. During the period around 51% customers availed the moratorium.

On 6 August 2020, the RBI introduced resolution plans to relieve COVID-19 pandemic related stress to eligible borrowers. The Company also implemented the resolution plan based on parameters laid down in accordance with the resolution policy approved by the Board of Directors of the Company in accordance with the guidelines issued by the RBI. The Company extended the option to eligible borrowers. Under the resolution plan, the Company assessed and restructured the repayment schedule of these customers (total outstanding of ₹ 39.22 crores) to give relief in loan servicing obligations to customers who have been financially impacted due to loss of their income/jobs during the pandemic.

Business Strategy

HDFC Credila recognizes the importance of portfolio diversification. In view of the impact of the pandemic on overseas Universities and the restrictions/hardships faced by Indian students overseas, HDFC Credila developed a strategy to expand business in countries that were less impacted and those that implemented better policies to tackle the restrictions due to the pandemic. Steps were further taken to enhance the credit policies and loan assessment criteria.

As a part of the strategy, new competitive products were developed with a targeted approach to funding students wishing to pursue higher education in India. This involved multiple facets such as

- Classification of institutions based on ranking, past performance, placement opportunities and business potential
- Tiered pricing strategy based on risk evaluation
- Differentiated student underwriting techniques
- Shorter Turnaround times (TATs) and improved processes

The marketing and application sourcing strategy was also adapted to connect with potential customers more efficiently. Business sourcing from partners/channels and business influencers was enabled through virtual / digital platforms, enabling business sourcing and marketing initiatives to continue supporting business despite the acute restrictions faced during the pandemic and the lockdowns.

SEGMENT OF FOCUS & PERFORMANCE

The Company focuses only on education loans. The Company has two main product categories - secured education loans and unsecured education loans. Currently, 42% of the Company's education loans portfolio is secured and 58% is unsecured. Both these product categories continue to perform well. The Non-Performing Assets of the Company is only 0.26%, as compared to 9.55% of the Industry.

With more than a decade's experience in the education loans segment, HDFC Credila has developed strong domain expertise and built a brand name as one of the most trusted education loan providers in India, providing tailor-made solutions for students. The Company has an efficient domain specific technology platform for loan sourcing, lead management, loan processing, credit, underwriting, recovery, operations and servicing. The Company 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's focus will continue to be on prudent credit norms, constant monitoring of portfolio performance, diversifying and expanding portfolio, and fine tuning of policies.

Business Update

During the first half of the financial year, the number of loan applications (logins) were down by 3%, sanctions by 7% and disbursements by 56% against the corresponding period of the previous year. However, the second half of the year saw an upswing in all of the above business metrics with applications up by 38%, sanctions by 66% and total disbursements by 30% against the corresponding period of the previous year.

On an annual basis, the total number of loan applications and sanctions have grown by 19% and 32% respectively. Disbursements are down by 25% - Rs. 1,578.7 cr. against Rs. 2,094.2 cr. in the previous financial year. The strategy to diversify and expand business has resulted in significant growth in disbursements to students pursuing higher studies in countries like Canada and India, recording a growth in disbursements by 51% and 21% respectively.

The growth in loan applications, sanctions and disbursements in the second half of the financial year suggests that the higher education sector is on the path to recovery. Indian students remain optimistic and keen to pursue their higher education studies both overseas as well as in India which is reflected in the growing number of loan applications.

Cost of borrowing

HDFC Credila's cost of borrowing has been reducing consistently since March and this has enabled us to compete more aggressively on pricing and should help us to penetrate the India market.

HDFC Credila is continuing to assess the cost of disruptions to its business due to the ongoing COVID-19 crisis. Considering the fact that the COVID-19 crisis is still ongoing, with multiple scenarios and risks to business being evaluated constantly and reviewed on an ongoing basis. The company will continue to closely monitor the situation as it evolves and to work closely with all its stakeholders while following the guidelines/ regulations imposed by the government and other regulatory bodies.

RISKS AND CONCERNS

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

The Company's risk management processes are guided by well-defined policies, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors.

There are two Board level sub-committees (Risk Management Committee and Audit Committee) to deal with risk management related matters which have been further delegated for different functional areas.

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

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

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

- ***Credit Risk:*** The risk of loss due to the failure of the borrowers to repay their debt obligations as per the contractual terms agreed upon. The credit risk of the Company is managed by adhering to the Credit Policy of the Company which lays down a set of credit and underwriting norms, along with structured credit approval process which includes a thorough check of various qualitative and quantitative information to ascertain the creditworthiness of the borrower considering that education loans as an asset class across the world and in India has relatively higher NPAs.

- ***Finance and compliance:*** From the finance and compliance side, some of the major risks identified are fluctuations in interest rate which affects spread, liquidity risk which affects fund raising and non-compliance with laws and regulations. For carrying on its daily operations, the Company raises its funds from both the banking system as well as market instruments, which are vulnerable to interest rate movements in the market. The Asset Liability Management Committee (ALCO) of the Company comprising of senior management including two non-executive directors meets quarterly and ensures a diversified strategy while raising resources. This ensures optimal cost of funds while ensuring stability of resource raising. While raising funds through different instruments, the Company also faces an asset-liability mismatch caused by difference in maturity profile of its assets and liabilities. While the Finance team closely manages the liquidity position, the Company has constituted a Finance Committee which meets on a weekly basis to monitor the liquidity position to ensure it can meet all borrowers and lenders related funds requirement, reviews interest rates, cost of borrowing, borrowing mix in terms of fund-raising instruments such as Commercial Paper, NCDs, Bank Term loans, etc.

- ***Sales and Marketing:*** Banks and other private lenders offering education loans at lower rates or competitive products is a business risk. The inability of the Company to generate adequate quality leads, misrepresentation, or wrong commitments on the part of the sales team can also pose risks to the Company. The Company is constantly working on product innovation and research, training to its sales personnel and improving its distribution channels.

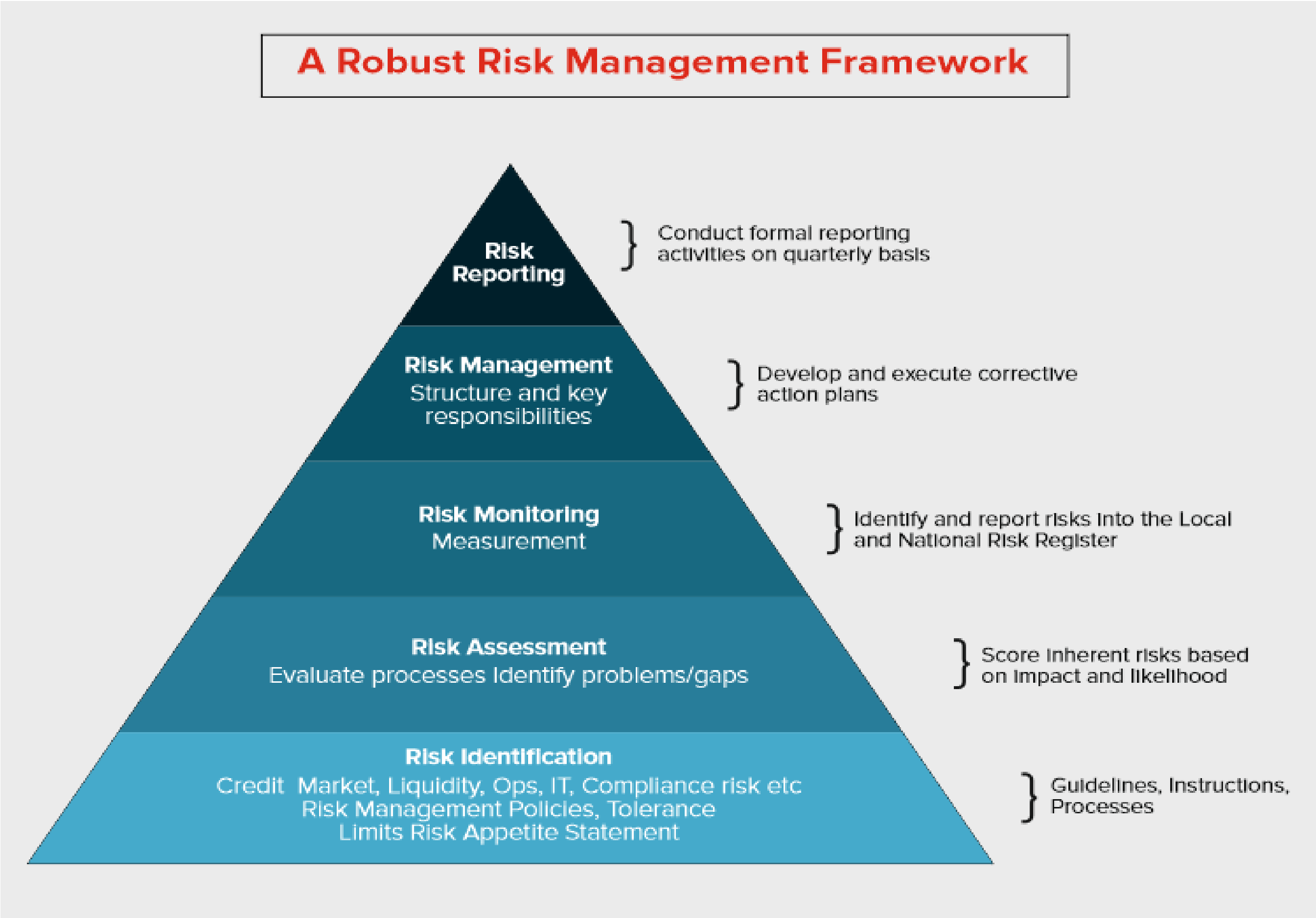
- ***Operational risks:*** Operational risks are very broad and intrinsic to any business. These may vary from non-adherence to processes and policy, improper authorization, information technology risks relating to the loan processing system, risk of fraud, employee errors, lack of training and knowledge, etc. Operational risk is mitigated through a comprehensive system of internal controls and training. Additionally, regular internal audits and branch audits are conducted to check on any deviation from process laid down in the Standard Operating Practices and Policies.

Most importantly, for students to be able to continue to repay their education loans, it is critical to have strong employment and business opportunities in India and abroad. Uncertainties regarding the above, in addition to other macro-economic factors, global policies on visas, work-permits, etc. can also be a concern.

INTERNAL CONTROL SYSTEM

The Internal Audits are carried out by an independent Chartered Accountants firm. All significant Internal Audit observations are reported to the Audit Committee of the Board of Directors of the Company. The Audit Committee has been constituted under section 177 of the Companies Act, 2013 with specified terms of reference. The Company has Standard Operating Procedures (SOPs), Internal Financial Controls (IFCs) and Risk Registers as per the Risk Management Policy. Also, the Company has put together internal control systems which are commensurate with the nature and size of the business. Secretarial Audit is conducted by a firm of practicing company secretaries. During the year, the Internal Auditors carried out compliance audit of filing of returns with the RBI.

A snapshot of the company's risk management framework is given below:



Significant Initiatives of the Company during the financial year:

Introduction of Data Analytics

The Company onboarded an Analytics company to help build data science capabilities within the organization which includes building data science roadmap and developing analytical/statistical/machine learning models for the Company.

The data analytics project would involve:

- Development of an underwriting scorecard for decision making. Post development of the scorecard, risk pools are created for more accurate estimation of loss and prepayment behaviour.
- Serve as a primary risk measurement tool, the portfolio could be further optimized from a risk-reward perspective through the creation of homogeneous risk pools.
- Enable initiatives such as risk-based pricing, risk appetite framework, and caps and triggers.

With this, the Company plans to achieve the common goal of improving business outcome that is more data driven.

Introduction of Fraud Prevention Solution

The Company has implemented an application fraud management solution in order to prevent the Company from incurring credit losses at the application stage. This solution comprises accessing a total database of 160 million records with 8 million transactions occuring every month. This solution would dedupe and highlight inconsistencies, and check for validations in the application, enabling the Company to take a more informed decision.

Development of Early Warning Signal System

The Company has identified early warning signals of stress and decided to review these triggers to identify potentially vulnerable and stressed borrower accounts in order to monitor performance of the portfolio in a much more focused manner. This would permit taking timely action wherever required. The company is in the process of integrating these triggers into its in-house system to monitor the portfolio and thereafter testing the results before the early warning signal is formalized.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the financial year 2020-21, education loans disbursed by the Company declined by 25% from ₹2,094 crore in the previous year to ₹1579 crore. The Company disbursed education loans to 8,240 students as against 9207 students the previous financial year.

The financial and operational performance of the Company for the year ended on March 31, 2021, has been steady despite a challenging global environment due to the COVID-19 pandemic. The Company has also seen an increase in net profit after tax of over 26% to ₹ 155.23 crore.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

During the year, various training programs covering product, process, policy and systems were held at different locations. The Training team and internal subject matter experts conducted over 42 training programs which covered 430+ non-unique participants. Apart from training programs the organization rolled out compliance tests on key policies to create awareness among employees.

During the pandemic, the organization invested in providing self-paced online learning modules for employees to improve and enhance their soft skills. Currently, employees have access to over 106 online courses and 35 hours of learning. During the year, 260+ plus employees were enrolled in over 2,100 online courses. Over 25% of the courses have been attempted during the year.

The Company had 279 employees as of March 31, 2021.

There has been no industrial dispute during the year.

SOURCES

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

[2] http://dashboard.seshagun.gov.in/mhrdreports/#/reportDashboard/stdDashboard

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

[4] https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51359

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

[6] https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2020Q4.pdf

ANNEX TO DIRECTORS' REPORT – 3

THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken

The Company believes in conducting its business responsibly, fairly and in a most transparent manner. It continually seeks ways to bring about an overall positive impact on the society and environment where it operates as a part of its social objectives.

The main objective of the CSR Policy of the Company is to lay down guidelines to make CSR a key business process for sustainable development of the society and the environment in which it operates.

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

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 prioritized 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 (INGA)

HDFC Credila continued to support programmes for treating the less fortunate children born with facial deformities like cleft lip and palate by providing financial assistance to its experienced partner, "INGA". Cleft and craniofacial surgeries were performed on the children coming from low income families. Nearly 150 patients were treated from the support amount.

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 eye sight of underprivileged people in remote villages who are not able to get their cataract operations done.

Aishwarya Trust

Contribution was provided to Aishwarya Trust to perform corrective heart surgeries of underprivileged children who come from lower income group. 39 corrective heart surgeries were conducted from the contribution.

St Jude India Childcare Centres

Access Life Assistance 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 affecting people in urban & semi-urban areas only. It is deeply entrenched in rural India. Many families come to big cities like Mumbai and Hyderabad from remote towns and cities across India seeking treatment for their children affected with cancer. While hospitals extend them 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 and St. Jude India Child Care Centres which offer free accommodation, nutrition, secure transportation etc. to such children who are suffering from cancer.

Society of Parents of Children with Autistic Disorders (SOPAN)

HDFC Credila supported SOPAN, an organization which provides services for children with autism and developmental disabilities. The support was provided for buying assessment tools, therapy equipments, teaching-learning equipment and other material.

Initial assessment leads to the diagnosis of the condition of the child. Many tools are used to help assess the IQ of the child, the level of autism, intellectual disability, learning disability etc. These assessment tools are used by a Clinical Psychologist who after conducting several tests, confirms the diagnosis which leads to the appropriate planning of the child's programme. Therapy includes Physiotherapy, Occupational therapy, and Speech therapy. Each therapy aims at different kinds of development in children who have missed achieving that development at the appropriate age.

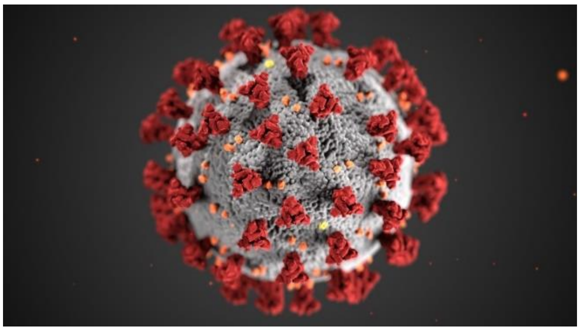
Salaam Baalak Trust (SBT)

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

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

The Bandra Holy Family Hospital Society, The New Delhi Holy Family Hospital Society and Masina Hospital Trust

Amidst the initial COVID 19 outbreak, HDFC Credila supported the hospitals operating as COVID-19 Care Centre for buying PPE kits, face shields, sanitizers and other necessary equipments.



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.

2. The Composition of the CSR Committee

Sl. 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	3	3
2	Mr. B. Mahapatra	Independent Director	3	3
3	Mr. V.S. Rangan	Non- Executive Director	3	3
4	Ms. Madhumita Ganguli	Non- Executive Director	3	2

3. Web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:

https://www.credila.info/hdfccredila/about/csr-initiatives.html

4. **Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 –** Not Applicable

5. **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

6. **Average net profit of the Company for last three financial years: ₹ 1,53,70,77,879**

7.

a) Two percent of average net profit of the company as per section 135(5)	:	**₹ 3,07,41,558**
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)	:	**₹ 3,07,41,558**

8.

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
3,07,41,558	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)			(6)	(7)		
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 implementation - Direct (Yes/No)	Mode of implementation –Through implementing agency.	
				State	District			Name	CSR registration number
1	COVID-19 Response	Promoting health care	Yes	Maharashtra	Mumbai	1,503,000	No	The Bandra Holy Family Hospital Society	CSR00001516
2	COVID-19 Response	Promoting health care	No	Delhi	South Delhi	1,500,020	No	The New Delhi Holy Family Hospital Society	CSR00004936
3	COVID-19 Response	Promoting health care	Yes	Maharashtra	Mumbai	1,569,000	No	Masina Hospital Trust	CSR00005036
4	Treating the less fortunate children born with facial deformities of cleft, lip and palate	Promoting health care	Yes	Maharashtra Karnataka	Raigad Bangalore	4,992,950	No	INGA Health Foundation	CSR00001727
5	Promoting education	Promoting education	Yes	Maharashtra	Mumbai	5,684,347	No	Aseema Charitable Trust	CSR00004000
6	Providing supportive care to families for their child's cancer treatment	Promoting health care	Yes	Maharashtra	Mumbai	2,484,354	No	Access Life Assistance Foundation	CSR00000715
7	Conducting Corrective Heart Surgeries	Promoting health care	No	Tami Nadu	Chennai	2,500,000	No	Aishwarya Trust	CSR00001299
8	Restoring eye sight	Promoting health care	No	Gujarat	Ahmedabad	2,500,400	No	Blind People's Association (India)	CSR00000936
9	Facilitating shelter, education support and nutrition to the street children.	Eradicating hunger, poverty and promoting education	Yes	Maharashtra	Mumbai	3,278,514	No	Salaam Baalak Trust	CSR00000166
10	Providing need-based services for children with autism and developmental disabilities	Promoting special education among the differently abled	Yes	Maharashtra	Raigad	1,428,973	No	Society of Parents of Children with Autistic Disorder (SOPAN)	CSR00001865
11	Providing supportive care to families for their child's cancer treatment	Promoting health care	No	Telangana	Hyderabad	3,300,000	No	St. Jude India Childcare Centres	CSR00001026
	TOTAL					**30,741,558**			

d) **Amount spent in Administrative Overheads** : NIL

e) **Amount spent on Impact Assessment, if applicable** : NIL

f) **Total amount spent for the Financial Year (8b+8c+8d+8e)** : ₹ 30,741,558

g) **Excess amount for set off, if any** : NIL

9.

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

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

a) Date of creation or acquisition of the capital asset(s).

b) Amount of CSR spent for creation or acquisition of capital asset.

c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.

d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

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

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

Mumbai April 29, 2021	**V. Srinivasa Rangan** Chairman of the Board	**Sunil Shah** Chairman of the CSR Committee

ANNEX TO DIRECTORS' REPORT – 4

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

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

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

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

The Company has adopted the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information and the Code of Conduct to regulate, monitor and report trading by Designated Persons 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, 2021, the Board comprised of seven members, comprising of three Independent Directors, three Non-Executive Directors and one Managing Director & Chief Executive Officer. Three Non-Executive Directors include one Woman Director.

The Board is thus duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.

The Independent Directors have been appointed for a fixed tenure of five years from their respective dates of appointment. All the Independent Directors have confirmed that they satisfy the criteria laid down for an Independent Director under Section 149(6) of the Act. All the Directors of the Company fulfill the 'fit and proper criteria' as prescribed under applicable regulations.

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

CHANGE IN BOARD COMPOSITION

There were no new appointments or resignations made during the year.

RESPONSIBILITIES

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

ROLE OF INDEPENDENT DIRECTORS

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

BOARD MEETINGS AND PROCEDURES

All Directors participate in discussing 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 summarized below:

The notice of each Board and Committee meeting is given in writing through email to each Director, members of Senior Management and Statutory and Internal Auditors, as and when required. The Company also makes arrangements for participation of Directors in the meeting through 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 Senior Management team are invited to attend the Board and Committee meetings to provide additional inputs on the items being discussed. Urgent matters are also considered and approved by passing Resolution by Circulation, which are noted at the next meeting. The Company Secretary records the minutes of the proceedings of each Board and Committee meetings. The draft minutes of each Board and Committee meetings are circulated to the members of the Board / Committee within fifteen days from the date of meeting and the comments, if any on the draft minutes are received within seven days of its circulation. The minutes are finalized within thirty days and thereafter recorded in the Minutes Book.

During the year under review, the Board met four times. The meetings were held on May 11, 2020, July 20, 2020, October 19, 2020 and January 25, 2021.

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

Directors	Board meetings			
	Number of meetings held during their tenure	Number of meetings attended	% of meetings attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	4	4	100.00%	3,00,000
Mr. Subodh Salunke (Vice Chairman)	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. Rajesh Gupta	4	4	100.00%	3,00,000
Ms. Madhumita Ganguli	4	3	75.00%	2,25,000
Mr. Arijit Sanyal	4	4	100.00%	—

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

The Board also met on April 29, 2021 and inter-alia considered and approved the audited financial statements for the year ended March 31, 2021.

COMMITTEES

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

i. Audit Committee
ii. Risk Management Committee
iii. Nomination and Remuneration Committee
iv. Corporate Social Responsibility Committee
v. Allotment Committee
vi. Asset Liability Management Committee
vii. IT Strategy Committee

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

AUDIT COMMITTEE

The Audit Committee consists of a majority of Independent Directors. The 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.

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, 2021 is as under:

Name of the Member	Category
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

Brief Description of 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 as amended from time to time which inter alia include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, financial statements, internal control systems and procedures, records relating to related party transactions, analysis of risks and compliance of regulatory guidelines and quarterly review of changes in macro-economic factors and deciding on the requirement of updating the ECL Model. The Committee also ensures that an Information Systems audit of the internal systems and processes is conducted to assess operational risks faced by the Company.

Meetings and Attendance during the year:

During the year, the Committee met four times. The meetings were held on May 11, 2020, July 20, 2020, October 19, 2020 and January 25, 2021.

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Biswamohan Mahapatra (Chairman)	4	4	100.00%	3,00,000
Mr. Subodh Salunke	4	4	100.00%	3,00,000
Ms. Madhumita Ganguli	4	3	75.00%	2,25,000
Mr. Sunil Shah	4	4	100.00%	3,00,000
Mr. Rajesh Gupta	4	4	100.00%	3,00,000

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

The Committee also met on April 29, 2021 for review of the audited financial statements for the year ended March 31, 2021 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.

Composition:

The composition of the Risk Management Committee as on March 31, 2021 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

Brief Description of Terms of Reference:

The terms of reference of the Committee inter alia are to ensure formulation and implementation of Risk Management Framework and Policy, review the Risk profile of the Company, ensure that the risk associated with the functioning of the Company are identified, assessed and mitigated and also lay down procedures regarding managing and mitigating the risk through integrated risk management systems, strategies and mechanisms.

Meetings and Attendance during the year:

During the year, the Committee met four times. The meetings were held on May 11, 2020, July 20, 2020, October 19, 2020 and January 25, 2021

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%	—

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (NRC) is 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. The Nomination & Remuneration Committee consists of two Independent Directors.

Composition:

The composition of the Nomination and Remuneration Committee (NRC) as on March 31, 2021 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

Brief Description of Terms of Reference:

The terms of reference of the Committee inter alia include identifying persons who are qualified to become directors of the Company, ensuring that such persons meet the relevant criteria prescribed under applicable laws and reviewing and approving the remuneration payable to the directors within the overall limits, ensuring the fit and proper criteria at the time of appointment of directors of the Company and on a continuing basis, to carry out evaluation of every director’s performance and formulate the criteria for determining qualifications, positive attributes and independence of a director.

The Company Secretary is the Secretary to the Committee.

Meetings and Attendance during the year:

The Committee met two times during the year. The meetings were held on May 11, 2020 and October 19, 2020.

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. B. Mahapatra (Chairman)	2	2	100.00%	1,50,000
Mr. V. Srinivasa Rangan	2	2	100.00%	1,50,000
Mr. Sunil Shah	2	2	100.00%	1,50,000

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

Composition:

The composition of the CSR Committee as on March 31, 2021 is as under:

Name of the Member	Category
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

Brief Description of Terms of Reference:

The terms of reference of the Committee inter alia is to formulate and recommend to the Board the CSR policy, Recommend to the Board, the amount of expenditure to be incurred, decide CSR objectives and areas indicate activities to be undertaken by the Company towards CSR and to formulate a transparent monitoring mechanism to ensure implementation of projects and activities undertaken by the Company towards CSR objective of the Company, 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.

Meetings and Attendance during the year:

The Committee met three times during the year. The meetings were held on May 11, 2020, June 29, 2020 and October 19, 2020.

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)	3	3	100.00%	2,25,000
Mr. V. Srinivasa Rangan	3	3	100.00%	2,25,000
Ms. Madhumita Ganguli	3	2	66.66%	1,50,000
Mr. Biswamohan Mahapatra	3	3	100.00%	2,25,000

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

ASSET LIABILITY MANAGEMENT COMMITTEE

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 was formed to oversee the implementation of Asset Liability Management system and review its functioning periodically.

Composition:

The Asset Liability Management Committee of the Company was reconstituted during the year. The Composition of Asset Liability Management Committee as on March 31, 2021 is as under:

Name of the Member	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, Head- PIPM & NCM
Mr. Laxmikant Tople	Member, VP – Accounts & Finance

Brief Description of 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 & management of Asset Liability Gap and borrowing position and borrowing mix of the Company. Review the Credila's Benchmark Lending Rate from time to time and 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 four times. The meetings were held on June 29, 2020, September 29, 2020, December 15, 2020 and March 18, 2021.

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. Shridhar Hebbar[1]	3	2	66.66%	—
Mr. Sebastian Fernandez	4	4	100.00%	—
Mr. Manjeet Bijlani[2]	3	3	100.00%	—
Mr. Yatin sahasrabudhe[3]	1	1	100.00%	—
Mr. Laxmikant Tople	4	4	100.00%	—

[1]*Mr. Shridhar Hebbar resigned from the Company w.e.f. January 31, 2021*
[2]*Mr. Manjeet Bijlani was appointed as member of the Committee w.e.f. July 20, 2020.*
[3]*Mr. Yatin Sahasrabudhe was appointed as member of the Committee w.e.f. January 25, 2021*

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

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 Committee was reconstituted during the year and the composition of the committee as on March 31, 2021 is as under.

Name of the Member	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. Prashant Koli	Member, Information Security Officer
Mr. Rakesh Ahuja	Member, Sr. Manager – Finance & Compliance

Brief Description of Terms of Reference:

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

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;

- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

Meetings and Attendance during the year:

During the year, the Committee met two times. The meetings were held on May 28, 2020 and November 25, 2020.

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Biswamohan Mahapatra (Chairman)	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[1]	1	1	100.00%	—
Mr. Shashank Agrawal[2]	1	1	100.00%	—
Mr. Sebastian Fernandez	2	2	100.00%	—
Mr. Shridhar Hebbar[3]	2	1	50.00%	—
Mr. Prashant Koli	2	2	100.00%	—
Mr. Rakesh Ahuja	2	2	100.00%	—

[1]*Mr. Manjeet Bijlani was appointed as the member of the Committee with effect from July 20, 2020*
[2]*Mr. Shashank Agarwal was appointed as the member of the Committee with effect from July 20, 2020*
[3]*Mr. Shridhar Hebbar resigned as Chief Information officer and Member of the Committee with effect from January 31, 2021*

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

ALLOTMENT COMMITTEE

Composition:

The composition of the Allotment Committee as on March 31, 2021 is as under

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

Brief Description of Terms of Reference:

The terms of reference of the Allotment Committee inter alia include ensuring compliance with the Companies Act, 2013 and rules made thereunder relating to the issue and allotment of securities as may be issued by the Company from time to time and to oversee the process of application for issue of securities and decide on the allotment of securities.

Meetings and Attendance during the year:

During the year, the Committee met two times. The Meetings were held on September 24, 2020 and November 13, 2020.

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	2	2	100.00%	1,50,000
Mr. Subodh Salunke	2	2	100.00%	1,50,000

MEETING OF INDEPENDENT DIRECTORS

The Independent Directors met once during the year to evaluate the Directors of the Company, the Chairman, the Board as a whole and the Committees thereof. The Independent Directors also assessed the quality, quantity and timeliness of the flow of information between the Company's management and the Board which enables the Board to effectively and reasonably perform its duties. The meeting was held on March 1, 2021. All the Independent Directors attended the meeting and were paid sitting fees of ₹ 75,000 each.

BOARD EVALUATION

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

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

SECRETARIAL AUDIT REPORT

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2021

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
HDFC Credila Financial Services Limited
(Formerly 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 (Formerly HDFC Credila Financial Services Private Limited) [**'Company'**] for the year ended March 31, 2021 **['Audit Period'**] in terms of Audit Engagement Letter dated June 5, 2020. The secretarial audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company as listed in **Annexure I** and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the Audit Period, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the year ended on March 31, 2021, 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;
   b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
d) Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to obligations of Issuer Company);
e) Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;

vi. Laws specifically applicable to an NBFC-ND-SI, as identified by the management, that is to say:

a) The Reserve Bank of India Act, 1934;
b) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (‘Directions, 2016’);
c) Miscellaneous Instructions to all Non-Banking Financial Companies;
d) Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016;
e) Master Direction - Non-Banking Financial Companies Auditor’s Report (Reserve Bank) Directions, 2016;
f) Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016;
g) Master Direction - Know Your Customer (KYC) Directions, 2016;
h) Master Direction – Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016;
i) Master Direction - Information Technology Framework for the NBFC Sector;

vii. RBI Commercial Paper Directions, 2017, effective from August 10, 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 October 22, 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 period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

WE FURTHER REPORT THAT:

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

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

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

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

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

1. **Conversion of the Company from private to public and subsequent alteration of Memorandum of Association (MOA) and Articles of Association (AOA) of the Company:**

   During the Audit Period, the Company commenced the process of conversion of the Company from a private limited company to a public limited company. The Board of Directors at their meeting held on May 11, 2020 and the shareholders of the Company in the Annual General Meeting held on July 29, 2020 passed a board resolution and special resolution respectively for approving the said conversion along with alteration in the name clause of the MOA by removal of the 'private' from the name of the Company in accordance with section 13 of the Act and adopting a new set of articles based on Table F of Schedule I of the Act, in place of the existing AOA of the Company, in accordance with section 14 of the Act.

   Pursuant to section 14 (2) of the Act, read with Rule 33 of the Companies (Incorporation) Rules, 2014, the Company has filed e-Form INC-27 on September 18, 2020. The Ministry of Corporate Affairs has accorded its approval and issued a fresh certificate of incorporation with the new name of the Company with effect from October 8, 2020.

2. **Private Placement of Non-Convertible Debentures (NCDs):**

   During the Audit Period, the Company issued and allotted 2,000 (Two Thousand) NCDs of face value of Rs. 10,00,000 (Rupees Ten Lakh only) each, aggregating to Rs. 200,00,00,000 (Rupees Two Hundred Crore only) on private placement basis on September 24, 2020.

   The Company issued and allotted 2,000 (Two Thousand) NCDs of face value of Rs. 10,00,000 (Rupees Ten Lakh only) each, aggregating to Rs. 200,00,00,000 (Rupees Two Hundred Crore only) on private placement basis on November 13, 2020.

   The NCDs were allotted on the following terms and conditions–

Date of Allotment	Subscriber to the issue	Amount (INR in crores)	Nature & Terms of security
September 24, 2020	Aditya Birla Sun Life Corporate Bond Fund	70	Secured, Rated, Listed, Redeemable, Non- Convertible Debentures
	Aditya Birla SunLife Corporate Bond Fund	60	
	Aditya Birla Sun Life Floating Rate Fund	5	
	Aditya Birla Sun Life Short Term Fund	35	
	Aditya Birla Sun Life Low Duration Fund	30	
November 13, 2020	PNB Gilts Limited	200	
	Total	**400**	

3. Redemption of NCDs

During the period under review, the Company redeemed NCDs amounting to INR 600 crores pursuant to maturity.

Management & Auditor's Responsibility:

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 I**.

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 up to 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 has not possible due to the prevailing work from home policy followed by the company.

5. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company as well as correctness of the values and figures

reported in various disclosures and returns as required to be submitted by the Company under the specified laws, though we have relied to a certain extent on the information furnished in such returns.

6. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulation and happening of events etc.

7. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of 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 have 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)/ 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
Practising Company Secretaries
Firm Registration No.: P1996WB042300
Vinita Nair Senior Partner **Membership No.:** F10559
C P No.: 11902
UDIN: F010559C000102651

Place: Mumbai

Date: April 15, 2021

ANNEXURE I

LIST OF DOCUMENTS

1. Signed Minutes 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 IT Steering Committee;
    1.9 Annual General Meeting;
2. Agenda papers for Board Meeting and Committee (s) along with notice on a sample basis;
3. Proof of circulation of draft and signed minutes of the Board Committee meetings' minutes on a sample basis;
4. Annual Report 2019-20 and Half yearly financial results for 30th September, 2020;
5. Disclosures under Act, 2013 and Rules made thereunder;
6. Selected policies framed under Act, 2013, SEBI Regulations and RBI regulations for NBFCs;
7. Documents pertaining to applicable SEBI Regulations;
8. Forms and returns filed with the ROC & RBI;
9. Documents relating to issue of Non-Convertible Debentures;
10. Documents relating to Corporate Agents under IRDA Regulations.

14th Floor, Central B Wing and North C Wing,
Nesco IT Park 4, Nesco Center,
Western Express Highway,
Goregaon (East), Mumbai - 400 063

Telephone: +91 22 6257 1000
Fax: +91 22 6257 1010

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 financial statements of HDFC Credila Financial Services Limited *(formerly known as HDFC Credila Financial Services Private Limited)* (the 'Company'), which comprise the Balance Sheet as at 31 March 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under Section 143 (10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Key Audit Matters

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

Independent Auditor's Report *(Continued)*

HDFC Credila Financial Services Limited

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 884.55 lakhs for year ended 31 March 2021
Provision: INR 3,672.35 lakhs at 31 March 2021</td></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 31 to the Financial Statements: Impairment on financial instruments", "Note 2.4 to the Financial Statements: Use of estimates and judgements" and "Note 8 to the Ind AS Financial Statements: Loans.</td></tr>
<tr><td>Subjective estimate

Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) 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 Auditor's Report *(Continued)*

HDFC Credila Financial Services Limited

Key Audit Matters *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances, including off-balance sheet elements	
• Qualitative adjustments – Adjustments to the model-driven ECL results are recorded by management to address known impairment model limitations or emerging trends as well as risks not captured by models. This aggregates to Rs.2,210.05 of the ECL balances as at 31 March 2021. 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, and possibly many times that amount. 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, particularly as this will be the first year some of these disclosures will be presented and are related to an area of significant estimate.	Involvement of specialists - we involved specialists for the following: • Evaluating the appropriateness of the Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used (including management overlays). • For models which were updated during the year, evaluating whether the updates were appropriate. • The reasonableness of the Company's considerations of the impact of the current economic environment 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 sufficiently clear.

Independent Auditor's Report *(Continued)*

HDFC Credila Financial Services Limited

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. During the current financial year, the Company has implemented Oracle for the purposes of financial reporting. 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 to determine the impact (if any) on financial statements

Independent Auditor's Report ***(Continued)***

HDFC Credila Financial Services Limited

Information Other than the financial statements and Auditor's Report Thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Director's responsibility for the financial statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report *(Continued)*

HDFC Credila Financial Services Limited

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the management and Board of Directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other 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.

Independent Auditor's Report *(Continued)*

HDFC Credila Financial Services Limited

Report on other legal and regulatory requirements

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

2 (A) As required by Section 143(3) of the Act, we report that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c) the Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

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

e) on the basis of the written representations received from the Directors as on 31 March 2021 and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2021 from being appointed as a Director in terms of Section 164 (2) of the Act; and

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B';

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

i. The Company does not have any pending litigations which would impact its financial position - Refer Note 42 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 6.1 to the financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and

iv. the disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2021.

Independent Auditor's Report *(Continued)*

HDFC Credila Financial Services Limited

Report on other legal and regulatory requirements *(Continued)*

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

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

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

Ajit Viswanath
Partner
Membership No: 067114
UDIN: 21067114AAAABB2986

Mumbai
29 April 2021

HDFC Credila Financial Services Limited

Annexure A to the Independent Auditor's Report – 31 March 2021

(Referred to in our report of even date)

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

b. The Company has a programme of physical verification of its PPE by which all PPE are verified 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, paragraph 3(i)(c) of the Order is not applicable.

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

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

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

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

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

(iv) According to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under section 185 and 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.

(vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.

(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. With the advent of Central Goods and Services Tax Act, 2017 and the respective State Goods and Services tax Act, Service tax, and value added tax have been subsumed into goods and services tax. As explained to us, the Company did not have any dues on account of service tax, sales tax, duty of customs, value added tax and duty of excise.

HDFC Credila Financial Services Limited

Annexure A to the Independent Auditor's Report - 31 March 2021 *(Continued)*

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2021 for a period of more than six months from the date they became payable.

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

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, Government or debenture holders.

(ix) In our opinion and according to the information and explanations given to us, the money raised by way of the term loans have been applied by the Company during the year for the purpose for which it was raised other than temporary deployment pending application of proceeds. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no material fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

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

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

HDFC Credila Financial Services Limited

Annexure A to the Independent Auditor's Report - 31 March 2021 *(Continued)*

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration.

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

Ajit Viswanath
Partner
Membership No: 067114
UDIN: 21067114AAAABB2986

Mumbai
29 April 2021

HDFC Credila Financial Services Limited

Annexure - B to the Independent Auditor's Report – 31 March 2021

(Referred to in our report of even date)

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the 'Act')

(Referred to in paragraph (2)(A)(f) under 'Report on other legal and regulatory requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of HDFC Credila Financial Services Limited *(HDFC Credila Financial Services Private Limited)* (the 'Company') as of 31 March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's responsibility for internal financial controls

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

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

HDFC Credila Financial Services Limited

Annexure - B to the Independent Auditor's Report – 31 March 2021 *(Continued)*

Auditor's responsibility ***(Continued)***

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

Meaning of internal financial controls with reference to financial statements

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

Inherent limitations of internal financial controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Ajit Viswanath
Partner
Membership No: 067114
UDIN: 21067114AAAABB2986

Mumbai
29 April 2021

HDFC Credila Financial Services Limited

Annexure A to the Independent Auditor's Report – 31 March 2021

(Referred to in our report of even date)

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

b. The Company has a programme of physical verification of its PPE by which all PPE are verified 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, paragraph 3(i)(c) of the Order is not applicable.

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

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

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

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

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

(iv) According to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under section 185 and 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.

(vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.

(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. With the advent of Central Goods and Services Tax Act, 2017 and the respective State Goods and Services tax Act, Service tax, and value added tax have been subsumed into goods and services tax. As explained to us, the Company did not have any dues on account of service tax, sales tax, duty of customs, value added tax and duty of excise.

HDFC Credila Financial Services Limited

Annexure A to the Independent Auditor's Report - 31 March 2021 *(Continued)*

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2021 for a period of more than six months from the date they became payable.

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

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, Government or debenture holders.

(ix) In our opinion and according to the information and explanations given to us, the money raised by way of the term loans have been applied by the Company during the year for the purpose for which it was raised other than temporary deployment pending application of proceeds. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no material fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

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

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

HDFC Credila Financial Services Limited

Annexure A to the Independent Auditor's Report - 31 March 2021 *(Continued)*

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration.

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

Ajit Viswanath
Partner
Membership No: 067114
UDIN: 21067114AAAABB2986

Mumbai
29 April 2021

HDFC Credila Financial Services Limited

Annexure - B to the Independent Auditor's Report – 31 March 2021

(Referred to in our report of even date)

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the 'Act')

(Referred to in paragraph (2)(A)(f) under 'Report on other legal and regulatory requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of HDFC Credila Financial Services Limited *(HDFC Credila Financial Services Private Limited)* (the 'Company') as of 31 March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's responsibility for internal financial controls

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

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

HDFC Credila Financial Services Limited

Annexure - B to the Independent Auditor's Report – 31 March 2021 *(Continued)*

Auditor's responsibility ***(Continued)***

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

Meaning of internal financial controls with reference to financial statements

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

Inherent limitations of internal financial controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Ajit Viswanath
Partner
Membership No: 067114
UDIN: 21067114AAAABB2986

Mumbai
29 April 2021

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

Balance sheet

as at 31 March 2021

(Currency: INR in Lakhs)

Particulars	Note no	As at 31 March 2021	As at 31 March 2020
ASSETS			
1. Financial assets			
(a) Cash and cash equivalents	4	**10,741.60**	38,139.26
(b) Bank balances other than (a) above	5	**276.10**	141.32
(c) Derivative financial instruments	6	**1,647.15**	4,877.90
(d) Trade receivables	7	**29.56**	69.36
(e) Loans	8	**623,041.77**	622,889.93
(f) Investments	9	**20,877.90**	31,072.99
(g) Other financial assets	10	**699.50**	260.00
Total financial assets		**657,313.58**	697,450.76
2. Non-financial assets			
(a) Current tax assets (net)	11	**85.22**	15.57
(b) Deferred tax assets (net)	12	**1,698.00**	1,711.00
(c) Property, plant and equipment	13	**837.48**	667.62
(d) Other intangible assets	13	**25.02**	38.14
(e) Other non-financial assets	14	**345.34**	230.74
Total non-financial assets		**2,991.06**	2,663.07
Total assets		**660,304.64**	700,113.83
LIABILITIES AND EQUITY			
LIABILITIES			
1. Financial liabilities			
(a) Derivative financial instruments	6	**5,593.50**	2,073.92
(b) Payables			
(i)Trade payables			
- Total outstanding dues of micro enterprises and small enterprises	15	**169.04**	4.80
- Total outstanding dues of creditors other than micro enterprises and small enterprises	15	**1,315.13**	720.70
(c) Debt securities	16	**185,143.87**	222,912.41
(d) Borrowings (other than debt securities)	17	**281,373.21**	300,603.29
(e) Subordinated liabilities	18	**60,543.26**	62,327.90
(f) Other financial liabilities	19	**10,481.33**	11,786.78
Total financial liabilities		**544,619.34**	600,429.80
2. Non-financial liabilities			
(a) Current tax liabilities (net)	20	**67.31**	14.15
(b) Provisions	21	**435.40**	362.98
(c) Other non-financial liabilities	22	**752.97**	660.62
Total non-financial liabilities		**1,255.68**	1,037.75
Total liabilities		**545,875.02**	601,467.55
EQUITY			
(a) Equity share capital	23	**13,179.82**	13,179.82
(b) Other equity	24	**101,249.80**	85,466.46
Total equity		**114,429.62**	98,646.28
Total liabilities and equity		**660,304.64**	700,113.83

See accompanying notes to the financial statements

HDFC Credila Financial Services Limited
(formerly known as HDFC Credila Financial Services Private Limited)

Balance sheet (continued)
as at 31 March 2021

As per our report of even date attached.

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

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

Ajit Viswanath
Partner
Membership No: 067114

Place:- Mumbai
Date:- 29 April 2021

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:- 29 April 2021

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

Statement of profit and loss

for the year ended 31 March 2021

(Currency: INR in Lakhs)

Particulars	*Note no*	**For the year ended 31 March 2021**	For the year ended 31 March 2020
Revenue from operations			
(a) Interest income	*25*	**69,705.90**	70,512.50
(b) Fees and commission income	*26*	**879.89**	1,141.31
(c) Net gain on fair value changes	*27*	**760.75**	1,004.45
I. Total revenue from operations		**71,346.54**	72,658.26
II. Other income		**0.01**	0.03
III. Total income (I + II)		**71,346.55**	72,658.29
IV. Expenses			
(a) Finance costs	*28*	**41,869.15**	46,226.89
(b) Impairment on financial instruments (Expected credit loss)	*31*	**884.55**	2,280.52
(c) Employee benefit expense	*29*	**3,543.51**	3,093.80
(d) Depreciation and amortisation	*13*	**316.79**	299.69
(e) Other expenses	*30*	**3,954.81**	3,830.87
Total expenses		**50,568.81**	55,731.77
V. Profit before Tax (III - IV)		**20,777.74**	16,926.52
Tax expense			
- Current tax	*33*	**5,414.00**	4,568.00
- Deferred Tax	*12*	**(159.09)**	48.39
VI. Total tax expense		**5,254.91**	4,616.39
VII. Net profit after tax (V - VI)		**15,522.83**	12,310.13
Other comprehensive income			
(a) Items that will not be reclassified to profit or loss			
- Remeasurement of the defined benefit plans		**(7.60)**	(41.69)
- Income tax relating to the above item that will not be reclassified to profit or loss		**1.91**	10.38
(b) Items that will be reclassified to profit or loss			
- Cash flow hedge reserves		**428.08**	(2,209.01)
- Income tax relating to the above item that will be reclassified to profit or loss		**(107.00)**	556.01
- Fair value of investments		**(73.88)**	-
- Income tax relating to the above item that will be reclassified to profit or loss		**19.00**	-
VIII. Other comprehensive income		**260.51**	(1,684.31)
IX. Total comprehensive income (VII + VIII)		**15,783.34**	10,625.82
X. Earnings per equity share:			
(a) Basic (in ₹)	*34*	**11.78**	14.18
(b) Diluted (in ₹)	*34*	**11.78**	14.18
(c) Face value per share (in ₹)		**10**	10

See accompanying notes to the financial statements

Statement of profit and loss *(continued)*
for the year ended 31 March 2021

As per our report of even date attached.

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

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

Ajit Viswanath
Partner
Membership No: 067114

Place:- Mumbai
Date:- 29 April 2021

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:- 29 April 2021

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

Statement of cash flow

for the year ended 31 March 2021

(Currency: INR in Lakhs)

Particulars	**For the year ended 31 March 2021**	For the year ended 31 March 2020
A. Operating activities		
Profit before tax	**20,777.74**	16,926.52
Adjustments to reconcile profit before tax to net cash flows :		
Depreciation & amortisation	**316.79**	299.69
Impairment on financial instruments (Expected credit loss)	**884.55**	2,280.52
(Profit)/loss on property, plant and equipment sold/discarded	**(0.01)**	(0.35)
Interest expense	**41,329.07**	46,020.77
Provision for employee benefits	**76.31**	32.62
Net gain on fair value changes	**(760.75)**	(1,004.45)
	62,623.69	64,555.33
Cash outflow towards interest paid	**(42,070.10)**	(39,964.94)
Cash inflow from derivative financial instruments	**58.50**	-
Cash generated from operations before working capital changes	**20,612.09**	24,590.39
Working capital changes		
(Increase) / Decrease in financial assets and non financial assets	**(52.43)**	(179.94)
Increase / (Decrease) in financial and non financial liabilities	**901.33**	(136.27)
Net cash from Operations	**21,460.99**	24,274.18
Loans disbursed (net)	**(1,047.87)**	(91,189.65)
(Investment)/Redemption in/from cash management Schemes of mutual funds (net)	**14,254.26**	(30,075.31)
(Investment)/Redemption in/from treasury activities (net)	**(3,202.02)**	-
Income tax paid	**(5,360.04)**	(4,832.50)
Income tax refund	**16.18**	59.13
Net cash flows from/(used in) operating activities	**26,121.50**	(101,764.16)
B. Investing activities		
Purchase of fixed and intangible assets	**(206.01)**	(14.24)
Proceeds from sale of property and equipment	**0.66**	-
Net cash flows from/(used in) investing activities	**(205.35)**	(14.24)
C. Financing activities		
Debt securities issued	**76,903.36**	194,227.02
Debt securities repaid	**(112,500.00)**	(183,000.00)
Borrowings (other than debt securities) taken	**153,400.43**	275,728.12
Borrowings (other than debt securities) repaid	**(170,850.23)**	(201,004.16)
Subordinated liabilities issued	**-**	14,933.93
Proceeds from issue of equity shares (net of issue expenses)	**-**	24,975.02
Dividends paid including dividend distribution tax	**-**	(0.81)
Lease payments	**(267.38)**	(237.20)
Net cash flows from/(used in) financing activities	**(53,313.82)**	125,621.92
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(27,397.67)**	23,843.53
Cash and cash equivalents at the beginning of the year	**38,139.26**	14,295.74
Cash and cash equivalents at the end of the year [Refer note no 4]	**10,741.60**	38,139.26

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

Statement of cash flow *(continued)*

for the year ended 31 March 2021

As per our report of even date attached.

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

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

Ajit Viswanath
Partner
Membership No: 067114

Place:- Mumbai
Date:- 29 April 2021

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:- 29 April 2021

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

Statement of changes in equity

for the year ended 31 March 2021

(Currency: INR in Lakhs)

A. Equity share capital

Particulars	Amount
Issued, Subscribed and fully paid up:	
Balance as at 01 April 2019	**6,902.08**
Issued during the year:	
- Rights issue to Housing Development Finance Corporation Limited	778.17
- Compulsorily convertible preference shares converted into equity shares (CCPS)	5,499.57
Balance as at 31 March 2020	**13,179.82**
Balance as at 01 April 2020	**13,179.82**
Issued during the year	-
Balance as at 31 March 2021	**13,179.82**

B. Other equity

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

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

Statement of changes in equity *(continued)*

for the year ended 31 March 2021

B. Other equity (continued)

	Compulsorily convertible preference shares	Reserves and surplus				Other comprehensive income			Total
		Capital reserve	Securities premium	Retained earnings	Statutory reserve	Employee benefit expenses	Cash flow hedge reserve	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 B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

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

Ajit Viswanath
Partner
Membership No: 067114

Place:- Mumbai
Date:- 29 April 2021

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:- 29 April 2021

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 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, Next to Kohinoor Continental, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059. The Company’s Debt Securities are listed on the BSE Limited.

During the year ended 31 March 2021, the Company was converted to Public Limited from Private Limited and Registrar of Companies has issued a fresh certificate of incorporation dated 08 October 2020.

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 29 April 2021.

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.

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

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 Dividend income

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

3.1.3 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.

3.1.4 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.

3.1.5 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.

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 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.

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.

Compound instruments

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

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

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

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

Undrawn commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Commitment starts from the date of the 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 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 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).

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

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12-month ECL. Stage1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 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 origination vintage analysis.

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

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

Significant increase in credit risk

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

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

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

The Company has provided one time restructuring benefit to its eligible customers as per the RBI's Resolution Framework 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.

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.

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.

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.

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 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.

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).

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.

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 as per Ind AS 116

The Company's leases consists primarily of leases for office premises. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:
(i) the contract involves the use of an identified asset
(ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
(iii) the Company has the right to direct the use of the asset.

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

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

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

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

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

For lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Company remeasures the lease liability by discounting the revised lease payments using the interest rate implicit in the lease for remainder of the lease term or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. The Company accounts for the remeasurement of lease liability by (i) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in the statement of profit or loss, (ii) making corresponding adjustment to the right-of-use asset in all other lease modifications.

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

Notes to the financial statements *(continued)*
as at 31 March 2021

(Currency: INR in Lakhs)

4 Cash and cash equivalents
See accounting policy in note no 3.3

	As at 31 March 2021	As at 31 March 2020
Balances with bank		
- In current accounts	**7,236.32**	24,756.48
- In deposits accounts having original maturity less than 3 months	**3,505.28**	13,382.78
	10,741.60	38,139.26

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 ₹ 7,212.56 lakhs (as on 31 March 2020: ₹ 3,683.93 lakhs) and in deposit accounts having original maturity less than 3 months with related parties ₹ Nil (as on 31 March 2020: ₹ 7,020.42 lakhs) [Refer note 37].

5 Bank balances other than cash and cash equivalents
See accounting policy in note no 3.2

	As at 31 March 2021	As at 31 March 2020
In deposits accounts having original maturity more than 3 months	**117.40**	16.32
Deposits with banks to the extent held as security against the borrowings and guarantees*	**158.70**	125.00
	276.10	141.32

* Deposits of ₹ 106.60 lakhs (as on 31 March 2020 ₹ 100 lakhs) are marked as lien for overdraft facility from Punjab National Bank, deposits of ₹ 27.10 lakhs (as on 31 March 2020 ₹ 25 lakhs) are marked as lien for bank guarantee given to Unique Identification Authority of India (UIDAI) and deposits of ₹ 25 lakhs (as on 31 March 2020 ₹ Nil) 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 ₹ 10 lakhs (as on 31 March 2020: ₹ 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.

(₹ in Lakhs)

	As at 31 March 2021			As at 31 March 2020		
	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)	73,600.00	1,647.15		75,670.00	3,977.91	-
Subtotal (i)	**73,600.00**	**1,647.15**	**-**	**75,670.00**	**3,977.91**	**-**
(ii) Interest rate derivatives						
-Interest Rate Swaps (USD/USD)	73,600.00	-	1,443.58	75,670.00	-	2,073.92
-Interest Rate Swaps (INR/INR)	142,500.00	-	4,149.92	20,000.00	899.99	-
Subtotal(ii)	**216,100.00**	**-**	**5,593.50**	**95,670.00**	**899.99**	**2,073.92**
Total Derivative financial instruments (i)+(ii)	**289,700.00**	**1,647.15**	**5,593.50**	**171,340.00**	**4,877.90**	**2,073.92**
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
- Interest rate derivatives	142,500.00	-	4,149.92	20,000.00	899.99	-
Subtotal (i)	**142,500.00**	**-**	**4,149.92**	**20,000.00**	**899.99**	**-**
(ii) Cash flow hedging:						
- Currency derivatives	73,600.00	1,647.15	-	75,670.00	3,977.91	-
- Interest rate derivatives	73,600.00	-	1,443.58	75,670.00	-	2,073.92
Subtotal (ii)	**147,200.00**	**1,647.15**	**1,443.58**	**151,340.00**	**3,977.91**	**2,073.92**
Total Derivative financial instruments (i)+(ii)	**289,700.00**	**1,647.15**	**5,593.50**	**171,340.00**	**4,877.90**	**2,073.92**

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

6.2 Refer note 38.3.2.2 for foreign currency risk.

7 Trade receivables

See accounting policy in note no 3.2

	As at 31 March 2021	As at 31 March 2020
Trade receivables - unsecured; considered good	**29.56**	69.36
Trade receivables - unsecured; which have significant increase in credit risk	**-**	-
	29.56	69.36
Impairment loss allowance	**-**	-
	29.56	69.36

Trade receivables includes amounts due from the related parties ₹ 8.96 lakhs (as on 31 March 2020: ₹ 0.09 lakhs) [Refer note 37].

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

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**
ECL Rate								
31 March 2021	Estimated total gross carrying amount at default	29.56	-	-	-	-	-	29.56
	ECL- simplified approach	-	-	-	-	-	-	-
	Net carrying amount	29.56	-	-	-	-	-	29.56
31 March 2020	Estimated total gross carrying amount at default	69.36	-	-	-	-	-	69.36
	ECL- simplified approach	-	-	-	-	-	-	-
	Net carrying amount	69.36	-	-	-	-	-	69.36

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 recognises 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 (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

8 Loans and advances (at amortised cost)
See accounting policy in note no 3.2

	As at 31 March 2021	As at 31 March 2020
Term loans:		
Individual loans	**626,695.72**	625,666.15
Total – Gross (A)	**626,695.72**	625,666.15
Less: Impairment loss allowance*	**3,653.95**	2,776.22
Stage 1 & 2	**2,433.61**	2,647.97
Stage 3	**1,220.34**	128.24
Total – Net (A)	**623,041.77**	622,889.93
(a) Secured by tangible assets	**252,582.08**	259,853.53
(b) Secured by fixed deposits and other securities	**7,486.88**	7,936.36
(c) Unsecured	**366,626.76**	357,876.26
Total – Gross (B)	**626,695.72**	625,666.15
Less: Impairment loss allowance*	**3,653.95**	2,776.22
Stage 1 & 2	**2,433.61**	2,647.97
Stage 3	**1,220.34**	128.24
Total – Net (B)	**623,041.76**	622,889.93
(I) Loans in India		
(i) Public sector	-	-
(ii) Others		
Education loans to individuals	**626,695.72**	625,666.15
Total (C) - Gross	**626,695.72**	625,666.15
Less: Impairment loss allowance*	**3,653.95**	2,776.22
Stage 1 & 2	**2,433.61**	2,647.97
Stage 3	**1,220.34**	128.24
Total (C) (I) - Net	**623,041.77**	622,889.93
(II) Loans outside India	-	-
Total (C) (I + II)	**623,041.77**	622,889.93

*Impairment loss allowance does not include ₹ 18.39 lakhs (as on 31 March 2020 ₹ 29.88 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 ₹ 2,60,068.96 lakhs (as on 31 March 2020 ₹ 2,67,789.88 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 on 31 March 2021 ₹ 108.49 lakhs (as on 31 March 2020 ₹ 55.52 lakhs) [Refer note 37]

Loans given as collateral against secured borrowings from Banks and non-convertible debentures ₹ 5,06,160.45 lakhs (as on 31 March 2020 ₹ 5,46,955.56 lakhs).

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 considering the COVID-19 pandemic situation. The Company has also considered macro economic variables for USA, considering its higher proportion in the portfolio composition. The bivariate model has been used based on inflation (average consumer prices) of India and USA. Since the impact of the global health pandemic continues to be very uncertain the macroeconomic variables (MEVs) of the macro economic model are forecasted under different probabilistic scenarios like stress, adverse, neutral, and favourable scenarios using simulation analysis. 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 indicator such as overdue status is key inputs in this analysis.
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.

d. Other Inputs to the ECL Computation

The following inputs are explained in the Significant Accounting Policies (Note 3.2.5).
- Significant increase in credit risk of the credit exposure
- ECL computation methodology
- Policy on write off of loan assets

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

8.1 Expected credit loss (continued)

e. Internal grading system

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

Internal rating grade	Internal rating description
Standard	Principal or interest payment not overdue
Standard Restructured	Accounts restructured under RBI's Resolution Framework for COVID 19 related Stress
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 continues to have a considerable impact on economic activities across the globe. Though there were early signs of recovery during the last two quarters the same may slow down given the second wave of the infections in India and certain geographies, uncertainties around the efficacy of the vaccinations on the newer strains, long-drawn immunization roll out plans and hence the return to normalcy.

The impact of COVID-19 including changes in customer behaviour, travel restrictions both domestic & international and constrained businesses activities has led to volatility and decrease in economic activities. This has impacted the loan disbursements as a significant number of students have deferred their semesters to the Fall and Spring intake of 2021.

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. 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 ₹ 1,779.55 lakhs (previous year ₹ 2,072.89 lakhs) in this regard.

g. Other Management overlay

The Company has identified certain cases as 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 the Loss Assets.

The Company has decided to carry additional provision calculated as difference between the ECL calculated at the average rate of Bucket 1 ECL Coverage percentage and ECL computed as per model. The provision shall be created in respect of Loans restructured as per RBI's Resolution Framework for Covid-19 related Stress and Other cases classified to Stage 2 based on SICR assessment. The management believes that all the cases classified under Stage 2 due to having significant increase in credit risk should have comparable PDs, hence, it has created an additional management overlay for the same.

h. One time restructuring under RBI Resolution Framework

During the year ended 31 March 2021, the Company has restructured loan accounts in accordance with the Resolution framework for COVID-19 related stress as per the RBI Circular dated 06 August 2020. 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.

Details of resolution plan implemented under the Resolution Framework for COVID-19 related Stress as per RBI circular dated 06 August 2020 are disclosed in note 39.22.

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

8.1 Expected credit loss (continued)

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.

Particulars	As at 31 March 2021				As at 31 March 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Standard	**618,860.52**	**553.32**	**-**	**619,413.84**	623,866.49	227.54	-	624,094.03
Standard Restructured	**-**	**2,046.97**	**2,064.24**	**4,111.21**	-	-	-	-
SMA - 1	**-**	**911.44**	**-**	**911.44**	-	768.08	-	768.08
SMA - 2	**-**	**588.38**	**-**	**588.38**	-	47.49	-	47.49
Non Performing Assets	**-**	**-**	**1,670.85**	**1,670.85**	-	-	756.55	756.55
Total	**618,860.52**	**4,100.10**	**3,735.10**	**626,695.72**	623,866.49	1,043.11	756.55	625,666.15

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

Reconciliation of the gross carrying amount:

Particulars	As at 31 March 2021				As at 31 March 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**623,866.49**	**1,043.11**	**756.55**	**625,666.15**	532,693.00	1,389.65	401.26	534,483.91
Transfers during the year								
transfers to Stage 1	**586.65**	**(567.00)**	**(19.65)**	**-**	938.45	(873.28)	(65.17)	-
transfers to Stage 2	**(3,870.82)**	**3,905.02**	**(34.20)**	**-**	(799.30)	807.06	(7.76)	-
transfers to Stage 3	**(2,739.19)**	**(208.51)**	**2,947.70**	**-**	(271.15)	(171.92)	443.07	-
	(6,023.36)	**3,129.51**	**2,893.85**	**-**	(132.00)	(238.14)	370.14	-
Increase in EAD - new assets originated or purchased/ further increase in existing assets (net)	**175,988.40**	**456.06**	**468.39**	**176,912.85**	228,897.08	87.53	61.28	229,045.89
Assets repaid in part or full (excluding write offs)	**(174,971.00)**	**(528.58)**	**(365.39)**	**(175,864.98)**	(137,591.59)	(195.93)	(69.81)	(137,857.33)
Amounts written off	**-**	**-**	**(18.30)**	**(18.30)**	-	-	(6.32)	(6.32)
Gross carrying amount closing balance	**618,860.52**	**4,100.10**	**3,735.10**	**626,695.72**	623,866.49	1,043.11	756.55	625,666.15

1. The amounts written off presented above are subject to enforcement activity.

2. 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 for COVID-19-related Stress ("Framework"). The financial assets mentioned above were modified due to said Framework and were based on terms and conditions which did not result in substantial modifications in the cash flows and hence were not derecognised.

The exposure of such accounts; amounting to ₹ 2,046.97 lakhs and ₹ 2,064.24 lakhs is presented in Section - "transfers from Stage 1 to Stage 2 and to Stage 3" respectively.

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

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

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

Particulars	For the year ended 31 March 2021				For the year ended 31 March 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	**2,497.83**	**150.14**	**128.24**	**2,776.22**	270.58	162.56	68.86	502.00
Changes in ECL due to -								
Management Overlay	**(293.34)**	**158.94**	**271.56**	**137.16**	2,072.89	-	-	2,072.89
Transfers during the year								
transfers to Stage 1	**66.59**	**(62.98)**	**(3.61)**	**-**	97.81	(86.32)	(11.49)	-
transfers to Stage 2	**(6.57)**	**12.75**	**(6.18)**	**-**	(1.96)	3.39	(1.43)	-
transfers to Stage 3	**(6.98)**	**(39.02)**	**45.99**	**-**	(0.25)	(25.40)	25.65	-
	53.04	**(89.25)**	**36.21**	**-**	95.60	(108.33)	12.73	-
ECL remeasurements due to changes in EAD / assumptions [Net]	**(228.86)**	**185.11**	**784.33**	**740.58**	58.76	95.91	46.65	201.32
Impairment loss allowance - closing balance	**2,028.67**	**404.94**	**1,220.34**	**3,653.95**	2,497.83	150.14	128.24	2,776.22

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

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

Particulars	For the year ended 31 March 2021				For the year ended 31 March 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	**29.79**	**0.09**	**-**	**29.88**	29.68	0.21	-	29.89
Transfers during the year								
transfers to Stage 1	**0.09**	**(0.09)**	**-**	**-**	0.14	(0.14)	-	-
transfers to Stage 2	**(0.14)**	**0.14**	**-**	**-**	(0.01)	0.01	-	-
transfers to Stage 3	**(0.01)**	**-**	**0.01**	**-**	(0.00)	(0.02)	0.02	-
	(0.07)	**0.06**	**0.01**	**-**	0.13	(0.16)	0.02	-
ECL remeasurements due to changes in EAD / assumptions [Net]	**(12.07)**	**0.01**	**0.56**	**(11.49)**	(0.02)	0.04	(0.02)	(0.01)
Impairment loss allowance - closing balance	**17.66**	**0.16**	**0.58**	**18.39**	29.79	0.09	-	29.88

The provision referred above was computed based on amount of undisbursed commitment of ₹ 73,956 lakhs (as on 31 March 2020 ₹ 77,473 lakhs).

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

9 Investments
See accounting policy in note no 3.2

	As at 31 March 2021 At fair value			As at 31 March 2020 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	-	**17,883.56**	**17,883.56**	-	31,072.99	31,072.99
Investment in Government Securities *	**2,994.34**	**-**	**2,994.34**	-	-	-
Total - Gross (A)	**2,994.34**	**17,883.56**	**20,877.90**	-	31,072.99	31,072.99
Investments in India	**2,994.34**	**17,883.56**	**20,877.90**	-	31,072.99	31,072.99
Investments outside India	-	-	-	-	-	-
Total - Gross (B)	**2,994.34**	**17,883.56**	**20,877.90**	-	31,072.99	31,072.99
Less: Allowance for impairment loss (Expected credit loss) (C)	-	-	-	-	-	-
Total – Net (D) = (A - C)	**2,994.34**	**17,883.56**	**20,877.90**	-	31,072.99	31,072.99

* The Company has not recognised any provision under expected credit loss on investments made in Government Securities.

10 Other financial assets
See accounting policy in note no 3.2

	As at 31 March 2021	As at 31 March 2020
Security deposits - unsecured; considered good	**202.88**	214.65
Other loan & advances - advances to employees	**17.22**	27.81
Amounts receivable on swaps and other derivatives	**479.40**	17.54
Total	**699.50**	260.00

11 Current tax assets (net)
See accounting policy in note no 3.9

	As at 31 March 2021	As at 31 March 2020
Advance tax (net of provision)	**85.22**	15.57
Total	**85.22**	15.57

(Currency: INR in Lakhs)

12 Deferred tax

See accounting policy in note no 3.9

The following table shows deferred tax assets (net) recorded in the balance sheet and changes in deferred tax recorded in the Statement of profit and loss and Other comprehensive income:

a. FY 2020-21

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 assets as at 31 March 2021		**1,698.00**		

b. FY 2019-20

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 2020	As at 31 March 2020	2019-20	2019-20
Depreciation on property, plant and equipment and intangible assets	11.00	-	7.00	-
Application of effective interest rate on financial assets	711.00	-	(325.00)	-
Application of effective interest rate on financial liabilities	-	333.00	(233.00)	-
Impairment on financial instruments	676.00	-	513.00	-
Provisions for employee benefits	84.00	-	(16.39)	10.39
Right of use assets & lease liabilities	8.00	-	8.00	-
Derivative financial assets	-	1,228.00	(227.00)	(1,001.00)
Derivative financial liabilities	522.00	-	-	522.00
Fair valuation / revaluation of financial liabilities	1,260.00	-	225.00	1,035.00
Total	**3,272.00**	**1,561.00**	**(48.39)**	**566.39**
Net deferred tax assets as at 31 March 2020		**1,711.00**		

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

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 2021 are as follows:

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	192.75	0.24	316.51	88.28	36.18	0.22	124.24	192.27	35.72
Furniture & fixtures	90.79	4.06	10.28	84.57	27.96	9.37	7.49	29.84	54.73	62.83
Right of use assets (See note 19.1)	741.28	317.08	46.34	1,012.02	216.18	239.07	-	455.25	556.77	525.10
Sub-total (A)	**1,043.22**	**522.63**	**57.37**	**1,508.48**	**375.61**	**303.20**	**7.81**	**671.00**	**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)	**1,127.26**	**523.10**	**57.37**	**1,592.98**	**421.50**	**316.79**	**7.81**	**730.48**	**862.49**	**705.76**

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

Particulars	Gross Block					Accumulated depreciation/amortisation				Net Block	
	As at 01 April 2019	Additions during the year	Transition impact of Ind AS 116	Deletions/ Write-offs during the year	As at 31 March 2020	As at 01 April 2019	For the year	Deletions/ Write-offs during the year	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
A Tangible assets:											
Office equipment	82.17	6.02	-	1.04	87.15	24.87	19.33	1.02	43.19	43.96	57.30
Computers	117.27	7.22	-	0.49	124.00	56.52	31.90	0.15	88.28	35.72	60.74
Furniture & fixtures	89.79	1.00	-	-	90.79	16.54	11.42	-	27.96	62.83	73.25
Right of use assets (See note 19.1)	-	-	741.28	-	741.28	-	216.18	-	216.18	525.10	-
Sub-total (A)	**289.23**	**14.24**	**741.28**	**1.52**	**1,043.22**	**97.94**	**278.84**	**1.17**	**375.61**	**667.62**	**191.29**
B Intangible assets:											
Other software	81.99	2.04	-	-	84.03	25.04	20.85	-	45.89	38.14	56.95
Sub-total (B)	**81.99**	**2.04**	**-**	**-**	**84.03**	**25.04**	**20.85**	**-**	**45.89**	**38.14**	**56.95**
Total (A+B)	**371.22**	**16.28**	**741.28**	**1.52**	**1,127.26**	**122.98**	**299.69**	**1.17**	**421.50**	**705.76**	**248.24**

(Currency: INR in Lakhs)

14 Other non financial assets

See accounting policy in note no 3.6 & 3.10

	As at 31 March 2021	As at 31 March 2020
Prepaid expenses*	**66.33**	48.83
Receivable from government authorities	**270.08**	169.64
Others#	**8.93**	12.27
	345.34	230.74

* Prepaid expenses includes ₹ 22.80 lakhs (as on 31 March 2020 ₹ 21.10 lakhs) towards related parties [Refer note 37].

Others includes ₹ 0.21 lakhs (as on 31 March 2020 ₹ 0.38 lakhs) due from related parties [Refer note 37].

15 Trade payables

	As at 31 March 2021	As at 31 March 2020
Total outstanding dues of micro enterprises and small enterprises	**169.04**	4.80
Total outstanding dues of creditors other than micro enterprises and small enterprises		
- Payable to vendors	**282.58**	211.38
- Accrued expenses	**1,032.55**	509.32
Total	**1,484.16**	725.50

Trade payables include ₹ 169.04 lakhs (as on 31 March 2020 ₹ 4.8 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.

	As at 31 March 2021	As at 31 March 2020
a) Amount outstanding but not due as at year end	**-**	-
b) Amount due but unpaid as at the year end	**169.04**	4.80
c) Amounts paid after appointed date during the year	**-**	-
d) Amount of interest accrued and unpaid as at year end	**-**	-
e) The amount of further interest due and payable even in the succeeding year	**-**	-
Total	**169.04**	4.80

Trade payables includes ₹ 171.79 lakhs (as on 31 March 2020 ₹ 137.83 lakhs) due to related parties [Refer note 37].

16 Debt securities

See accounting policy in note no 3.2

	As at 31 March 2021		As at 31 March 2020	
	FVTPL	**Amortised Cost**	FVTPL	Amortised Cost
Secured non convertible debentures [Refer note 16.1]	**87,770.78**	**89,941.26**	20,850.65	179,760.31
Commercial paper [Refer note 16.1]	-	**7,431.84**	-	22,301.44
Total (A)	**87,770.78**	**97,373.09**	20,850.65	202,061.76
Debt securities in India	**87,770.78**	**97,373.09**	20,850.65	202,061.76
Debt securities outside India	-	-	-	-
Total (B) to tally with (A)	**87,770.78**	**97,373.09**	20,850.65	202,061.76

16.1 **Terms of nominal value of debentures and repayment terms as at 31 March 2021**

Particulars	0-1 year	1-3years	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	39,915.21	**79,874.52**
9.01% - 10.00%	-	-	-	-	-
Total	**69,957.58**	**19,983.68**	**29,927.45**	**59,893.18**	**179,761.89**
Commercial paper					
5.75% - 8.00%	7,431.84	-	-	-	**7,431.84**
8.01% - 10.00%	-	-	-	-	-
Total	**7,431.84**	**-**	**-**	**-**	**7,431.84**
Total debt securities	**77,389.41**	**19,983.68**	**29,927.45**	**59,893.18**	**187,193.73**

The above table does not include unrealised gain of ₹ 2,049.86 lakhs on fair valuation of non-convertible debentures designated at FVTPL.

Terms of nominal value of debentures and repayment terms as at 31 March 2020

Particulars	0-1 year	1-3years	3-5 years	> 5 years	Total
Debt securities					
Secured non-convertible debentures					
5.99% - 7.00%	-	-	-	-	-
7.01% - 8.00%		39,945.14	19,947.00	-	**59,892.14**
8.01% - 9.00%	29,992.42	29,971.22	9,963.52	39,908.44	**109,835.60**
9.01% - 10.00%	29,990.00	-	-	-	**29,990.00**
Total	**59,982.42**	**69,916.36**	**29,910.52**	**39,908.44**	**199,717.75**
Commercial paper					
5.75% - 8.00%	19,847.77	-	-	-	**19,847.77**
8.01% - 10.00%	2,453.67	-	-	-	**2,453.67**
Total	**22,301.44**	**-**	**-**	**-**	**22,301.44**
Total debt securities	**82,283.87**	**69,916.36**	**29,910.52**	**39,908.44**	**222,019.19**

The above table does not include unrealised loss of ₹ 893.21 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 ₹ 40,000 lakhs (previous year ₹ 90,000 lakhs) through issue of long term, secured, non-convertible debentures.

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

17 Borrowings (other than debt securities) - at amortised cost
See accounting policy in note no 3.2

	As at 31 March 2021	As at 31 March 2020
Secured		
Term loans from banks [Refer note 17.1]	**208,099.06**	225,568.61
Loans repayable on demand from banks [Refer note 17.1]	**230.89**	200.66
External commercial borrowing [Refer note 17.1]	**73,043.25**	74,834.02
Total (A)	**281,373.21**	300,603.29
Borrowings in India	**208,329.96**	225,769.27
Borrowings outside India	**73,043.25**	74,834.02
Total (B) to tally with (A)	**281,373.21**	300,603.29

17.1 **Terms of borrowings and repayment as at 31 March 2021**

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Borrowings (Other than debt securities)					
Term loans from banks					
6.00% - 7.00%	21,869.55	32,013.99	8,571.05	6,781.19	**69,235.79**
7.01% - 8.00%	39,857.45	68,515.60	14,638.08	15,852.14	**138,863.28**
8.01% - 9.00%	-	-	-	-	-
9.01% - 10.00%	-	-	-	-	-
Total	**61,727.01**	**100,529.60**	**23,209.13**	**22,633.33**	**208,099.06**
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**

Terms of borrowings and repayment as at 31 March 2020

Particulars	0-1 year	1-3years	3-5 years	> 5 years	Total
Borrowings (Other than debt securities)					
Term loans from banks					
6.00% - 7.00%	-	-	-	-	-
7.01% - 8.00%	6,189.24	25,711.81	12,380.50	4,283.65	**48,565.20**
8.01% - 9.00%	35,933.59	69,608.33	30,011.16	22,918.83	**158,471.90**
9.01% - 10.00%	2,819.13	5,714.29	5,714.29	4,283.81	**18,531.51**
Total	**44,941.96**	**101,034.43**	**48,105.95**	**31,486.28**	**225,568.61**
Overdrafts & working capital demand loans from banks					
7.01% - 8.00%	-	-	-	-	-
8.01% - 9.00%	200.66	-	-	-	**200.66**
Total	**200.66**	-	-	-	**200.66**
External commercial borrowing (ECBs)					
1 Month LIBOR + 100 bps to 140 bps	-	74,834.02	-	-	**74,834.02**
Total	-	**74,834.02**	-	-	**74,834.02**
Total borrowings (Other than debt securities)	**45,142.61**	**175,868.45**	**48,105.95**	**31,486.28**	**300,603.29**

17.1 Terms of borrowings and repayment as at 31 March 2021 (continued)

There is no borrowing (other than debt securities) measured at FVTPL or designated at FVTPL.

All bank term loans, 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.

Bank term loans are repayble in quarterly/half yearly installments after moratorium period and ECBs have bullet repayment on maturity date.

The Company had availed 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.

18 Subordinated liablities

See accounting policy in note no 3.2

	As at 31 March 2021		As at 31 March 2020	
	FVTPL	**Amortised Cost**	FVTPL	Amortised Cost
Subordinated Tier II non convertible debentures [Refer note 18.1]	**33,551.76**	**-**	-	34,892.46
Perpetual debt instruments to the extent that do not qualify as equity [Refer note 18.1]	**17,005.87**	**9,985.63**	-	27,435.43
Total (A)	**50,557.63**	**9,985.63**	-	62,327.90
Subordinated liablities in India	**50,557.63**	**9,985.63**	-	62,327.90
Subordinated liablities outside India	**-**	**-**	-	-
Total (B) to tally with (A)	**50,557.63**	**9,985.63**	-	62,327.90

18.1 Terms of borrowings and repayment as at 31 March 2021

Particulars	0-1 year	1-3years	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	**-**	**-**	**14,977.65**	**12,465.89**	**27,443.54**
Total subordinated liabilities	**-**	**-**	**24,961.17**	**37,384.85**	**62,346.02**

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.

18 Subordinated liablities (continued)

Terms of borrowings and repayment as at 31 March 2020

Particulars	0-1 year	1-3years	3-5 years	> 5 years	Total
Subordinated liabilities					
Subordinated debts					
8.10% - 9.00%	-	-	-	9,974.38	**9,974.38**
9.01% - 10.00%	-	-	-	24,918.08	**24,918.08**
Total	**-**	**-**	**-**	**34,892.46**	**34,892.46**
Perpetual debt instruments					
8.75% - 10.00%	-	-	-	12,462.47	**12,462.47**
10.01% - 11.00%	-	-	4,991.14	4,990.56	**9,981.70**
11.01% - 11.75%	-	-	4,991.26	-	**4,991.26**
Total	**-**	**-**	**9,982.40**	**17,453.03**	**27,435.43**
Total subordinated liabilities	**-**	**-**	**9,982.40**	**52,345.49**	**62,327.90**

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

₹ 14,772 lakhs (previous year ₹ 9,319 lakhs) of perpetual debt instrument qualifies as Tier I capital under RBI guidelines.

During the year, the Company raised ₹ Nil lakhs (previous year ₹ 15,000 lakhs) through issue of subordinated debts. As on 31 March 2021, the Company's outstanding subordinated debt is ₹ 33,551.76 lakhs (as on 31 March 2020 ₹ 34,892.46 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 on 31 March 2021, 94% (as on 31 March 2020 100%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of the capital adequacy computation.

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

19 Other financial liabilities
See accounting policy in note no 3.2 & 3.17

	As at 31 March 2021	As at 31 March 2020
Interest accrued but not due on borrowing	**9,343.22**	10,801.17
Lease liabilities [Refer note 19.1]	**608.66**	557.45
Amounts payable on swaps and other derivatives	**231.99**	183.01
Instalments on education loans received in advance (including interest received in advance)	**195.90**	173.75
Other financial liabilities	**101.57**	71.40
Total	**10,481.33**	11,786.78

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:

Particulars	As at 31 March 2021	As at 31 March 2020
I. Lease liabilities		
Opening balance	557.45	-
Add: Lease liabilities recognised as on 01 April 2019 on application of Ind AS 116	-	684.82
Add: Lease liabilities recognised during the year	316.24	56.47
Less: Lease liabilities written off during the year	(48.46)	-
Add: Interest accrued on lease liabilities	50.81	53.36
Less: Lease payments	(267.38)	(237.20)
Closing balance of lease liabilities	**608.66**	557.45
II. Right of use assets (RoU assets)		
Opening balance	525.10	-
Add: RoU assets recognised as on 01 April 2019 on application of Ind AS 116	-	684.82
Add: RoU assets recognised during the year	317.08	56.46
Less: RoU assets written off during the year	(46.34)	-
Less: Depreciation on RoU assets	(239.07)	(216.18)
Closing balance of RoU assets	**556.77**	525.10

Lease liabilities and lease cash flows

Particulars	As at 31 March 2021	As at 31 March 2020
Maturity analysis- contractual undiscounted cash flows		
Less than one year	238.84	233.72
One to five years	475.62	428.41
More than five years	-	27.12
Total undiscounted lease liabilities	**714.46**	689.26
Lease liabilities included in the financial statements	**608.66**	557.45

Amount recognised in Statement of profit or loss

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest on lease liabilities charged to finance cost	50.81	53.36
Depreciation charge for the period on RoU assets	239.07	216.18
Total	**289.88**	269.54

Cash out flow on account of lease payments is ₹ 267.38 lakhs (previous year ₹ 237.20 lakhs)

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

20 Current tax liability (net)

See accounting policy in note no 3.9

	As at 31 March 2021	As at 31 March 2020
Provision for income tax (Net of advance tax)	**67.31**	14.15
	67.31	14.15

21 Provisions

See accounting policy in note no 3.8

	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits		
- Gratuity [Refer note 32.2]	**305.63**	257.77
- Compensated absenses [Refer note 32.2]	**111.38**	75.33
	417.01	333.10
Provision for expected credit loss on undisbursed commitment	**18.39**	29.88
	18.39	29.88
Total	**435.40**	362.98

22 Other non financial liabilities

	As at 31 March 2021	As at 31 March 2020
Net front end origination fees received in advance*	**570.62**	539.41
Statutory remittances	**180.88**	119.74
Others (Stale cheque)	**1.47**	1.47
Total	**752.97**	660.62

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

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

23 Share capital

See accounting policy in note no 3.2

	As at 31 March 2021	As at 31 March 2020
Authorised		
13,30,00,000 (previous year 13,30,00,000) Equity shares of ₹ 10 each	**13,300.00**	13,300.00
2,20,00,000 (previous year 2,20,00,000) Compulsorily convertible preference shares ("CCPS") of ₹10 each	**2,200.00**	2,200.00
	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
	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 2021		As at 31 March 2020	
	Number	**₹ in lakh**	Number	₹ in lakh
Equity shares				
At the beginning of the year	**13,17,98,226**	**13,179.82**	69,020,786	6,902.08
Issued during the year against Rights Issue	-	-	7,781,749	778.17
Allotment against conversion of CCPS - Round IV (1)	-	-	4,166,660	416.67
Allotment against conversion of CCPS - Round	-	-	3,846,150	384.62
Allotment against conversion of CCPS - Round	-	-	7,692,300	769.23
Allotment against conversion of CCPS - Round	-	-	3,846,150	384.62
Allotment against conversion of CCPS - Round	-	-	12,499,993	1,250.00
Allotment against conversion of CCPS - Round IV (2)	-	-	4,166,660	416.67
Allotment against conversion of CCPS - Round I	-	-	6,000,000	600.00
Allotment against conversion of CCPS - Round	-	-	9,000,000	900.00
Allotment against conversion of CCPS - Round VIII	-	-	2,777,778	277.78
Allotment against conversion of CCPS - Round	-	-	1,000,000	100.00
At the end of the year	**131,798,226**	**13,179.82**	131,798,226	13,179.82
0.01% Compulsorily convertible preference shares ("CCPS")				
At the beginning of the year	-	-	66,999,956	6,700.00
Conversion of CCPS - Round IV (1)	-	-	(4,999,992)	(500.00)
Conversion of CCPS - Round V	-	-	(4,999,995)	(500.00)
Conversion of CCPS - Round VI	-	-	(9,999,990)	(1,000.00)
Conversion of CCPS - Round VII	-	-	(4,999,995)	(500.00)
Conversion of CCPS - Round III	-	-	(14,999,992)	(1,500.00)
Conversion of CCPS - Round IV (2)	-	-	(4,999,992)	(500.00)
Conversion of CCPS - Round I	-	-	(6,000,000)	(600.00)
Conversion of CCPS - Round III	-	-	(9,000,000)	(900.00)
Conversion of CCPS - Round VIII	-	-	(5,000,000)	(500.00)
Conversion of CCPS - Round IX	-	-	(2,000,000)	(200.00)
At the end of the year	-	-	-	-
Issued and subscribed share capital	**131,798,226**	**13,179.82**	131,798,226	13,179.82

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

23 Share capital (continued)

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

Particulars	As at 31 March 2021		As at 31 March 2020	
	Number	**% shareholding**	Number	% shareholding
Equity shares held by				
Housing Development Finance Corporation Limited*	**13,17,98,226**	**100.00%**	131,798,226	100.00%
Total	**13,17,98,226**	**100.00%**	131,798,226	100.00%

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

23.3 ***Terms and rights attached to equity shares***

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

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

24 Other equity

See accounting policy in note no 3.2

	As at 31 March 2021	As at 31 March 2020
Capital reserve	**109.46**	109.46
Securities premium	**43,236.51**	43,236.51
Statutory reserve	**12,673.57**	9,568.97
Retained earnings	**46,663.48**	34,245.25
Other comprehensive income		
- Remeasurement of the defined benefit plans	**(46.42)**	(40.73)
- Cash flow hedge reserves	**(1,331.92)**	(1,653.00)
- Fair value of investments	**(54.88)**	-
Total	**101,249.80**	85,466.46

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.

Notes to the financial statements (continued)
as at 31 March 2021

(Currency: INR in Lakhs)

24.1 Nature of reserves (continued)

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.

Cash flow hedge reserves: 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:

Particulars	Amount
Risk category	
Derivative instruments	
Cash flow hedging reserve	
As at 31 March 2019	-
Add: Revaluation of external commercial borrowings	(4,113.00)
Add: Changes in fair value of interest rate swaps	(2,073.92)
Add: Changes in fair value of principal only swaps	3,977.91
Less: Income tax relating to above (net)	556.01
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)**

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

(Currency: INR in Lakhs)

25 Interest income

See accounting policy in note no 3.1.1

	For the year ended 31 March 2021	For the year ended 31 March 2020
On financial assets measured at amortised cost		
Interest on education loans	**69,388.12**	70,281.14
Interest on fixed deposits with banks	**267.23**	231.36
Sub total	**69,655.35**	70,512.50
On financial assets measured at fair value through other comprehensive income		
Interest income from investments	**50.55**	-
Total	**69,705.90**	70,512.50

Interest income includes ₹ 1,839.70 lakhs (previous year ₹ 1,786.44 lakhs) of origination fees received (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 ₹ 110.33 lakhs (previous year ₹ 36.24 lakhs).

26 Fees and commission income

See accounting policy in note no 3.1.2, 3.1.3 & 3.1.4

	For the year ended 31 March 2021	For the year ended 31 March 2020
Type of service		
Commission [Refer note 37.2]	**866.58**	1,115.99
Other fees	**13.31**	25.32
Total	**879.89**	1,141.31
Geographical markets		
India	**879.89**	1,141.31
Outside India	**-**	-
Total	**879.89**	1,141.31
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	**879.89**	1,141.31
Performance obligation satisfied over a period of time	**-**	-
Total	**879.89**	1,141.31

Trade receivables

	For the year ended 31 March 2021	For the year ended 31 March 2020
Trade receivables	**29.56**	69.36
Total	**29.56**	69.36

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 2021 or 31 March 2020.

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

27 Net gain on fair value changes

See accounting policy in note no 3.2

	For the year ended 31 March 2021	For the year ended 31 March 2020
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investments	**1,064.83**	997.68
- Derivatives	**(304.08)**	6.77
Total	**760.75**	1,004.45
Fair value changes :		
- Realised	**1,105.11**	934.08
- Unrealised	**(344.35)**	70.37
Total	**760.75**	1,004.45

28 Finance costs

See accounting policy in note no 3.11

	For the year ended 31 March 2021	For the year ended 31 March 2020
On Financial liabilities measured at amortised cost		
Interest on		
- Debt securities	**9,943.60**	17,408.56
- Borrowing (other than debt securities) [Refer note 30.1.3]	**19,636.91**	21,766.88
- Subordinated liabilities	**1,114.11**	5,647.53
- Lease liabilities [Refer note 19.1]	**50.81**	53.36
Other charges	**540.08**	206.12
Sub total	**31,285.52**	45,082.45
On Financial liabilities measured at fair value through profit or loss		
Interest on		
- Debt securities	**5,939.37**	1,144.44
- Subordinated liabilities	**4,644.27**	-
Sub total	**10,583.63**	1,144.44
Total	**41,869.15**	46,226.89

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

29 Employee benefit expenses

See accounting policy in note no 3.7

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries and bonus [Refer note 37.2]	**3,264.11**	2,858.47
Contribution to provident fund	**122.82**	107.20
Gratuity [Refer note 32.2]	**60.26**	44.00
Compensated absenses [Refer note 32.2]	**41.99**	11.81
Staff welfare expenses [Refer note 37.2]	**54.34**	72.32
Total	**3,543.51**	3,093.80

30 Other expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Advertisements and publicity [Refer note 30.1.3]	**137.07**	272.23
Computer expenses [Refer note 30.1.3]	**284.35**	199.26
Outsourcing charges	**1,822.94**	1,662.29
Legal and professional charges [Refer note 30.1.3]	**522.89**	477.83
Auditor’s fees and expenses [Refer note 30.1.1]	**41.05**	38.94
Communication costs	**82.57**	86.37
Travelling and conveyance [Refer note 30.1.3]	**61.98**	120.63
Printing and stationery	**25.61**	38.43
Electricity expenses	**31.39**	38.99
Rent [Refer note 19.1]	**32.94**	39.65
Repairs and maintenance	**61.91**	72.18
Rates and taxes	**49.76**	46.62
Directors' sitting fees [Refer note 37.2]	**70.50**	38.55
Directors' liability insurance [Refer note 37.2]	**0.99**	1.05
Loss on property, plant and equipment sold or discarded	**2.56**	0.35
Corporate social responsibility expenses [Refer note 30.1.2]	**307.42**	261.50
Other expenditure [Refer note 30.1.3]	**418.88**	435.98
Total	**3,954.81**	3,830.87

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

30.1 Other expenses

30.1.1 Payments to auditors

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Audit fees	**17.00**	15.00
Internal control over financial reporting fees	**3.00**	3.00
Limited reviews	**13.50**	12.00
Other matters and certification	**5.98**	5.60
Reimbursement of expenses	**1.57**	3.34
Total	**41.05**	38.94

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 ₹ 307.42 lakhs (previous year ₹ 261.50 lakhs)

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

During the financial year 2020-21

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

During the financial year 2019-20

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

30.1.3 Expenditure in foreign currency

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest on borrowings (other than debt securities)	**1,873.89**	387.61
Other finance costs	**15.73**	64.56
Legal and professional charges	**5.62**	7.11
Advertisement and publicity	**9.11**	69.02
Computer expenses	**16.12**	15.72
Travelling and conveyance	**-**	5.29
Other expenditure	**1.33**	-

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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.

Particulars	For the year ended	For the year ended 31 March 2020
On financial assets measured at amortised cost		
Loans	**884.55**	2,280.52
Trade receivables	**-**	-
Total	**884.55**	2,280.52

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

Particulars	**2020-21**				2019-20			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	**(175.82)**	**95.86**	**820.54**	**740.58**	154.36	(12.42)	59.38	201.32
Loans written off	**-**	**-**	**18.30**	**18.30**	-	-	6.32	6.32
Loan commitments	**(12.13)**	**0.07**	**0.58**	**(11.49)**	0.11	(0.12)	-	(0.01)
Trade receivables	**-**	**-**	**-**	**-**	-	-	-	-
Management overlay	**(293.34)**	**158.94**	**271.56**	**137.16**	2,072.89	-	-	2,072.89
Total impairment loss allowance	**(481.30)**	**254.88**	**1,110.97**	**884.55**	2,227.36	(12.54)	65.70	2,280.52

(Currency: INR in Lakhs)

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 ₹ 122.82 lakhs (previous year ₹ 107.20 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 - Basic salary including dearness allowance (if any)
Benefit ceiling - Benefit ceiling of ₹ 20 lakhs was applied
Vesting conditions - 5 years of continuous service (not applicable in case of death/disability)
Benefit eligibility - Upon death or resignation / withdrawal or retirement
Retirement age - 58 years

b Risks associated with defined benefit plan -

i. Actuarial risk:

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

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

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

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

(Currency: INR in Lakhs)

32 Employee benefit expenses (continued)

ii. Investment risk:

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

iii. Liquidity risk:

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

iv. Market risk:

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

v. Legislative risk:

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

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

		Gratuity	
		2020-21	2019-20
I	**Components of employer expense**	**₹**	₹
	1 Current service cost	**44.82**	31.19
	2 Interest cost	**15.91**	15.77
	3 Expected return on plan assets	**(0.47)**	(2.97)
	4 Actuarial loss/(gain)	-	-
	5 Losses/(gains) on curtailments & settlement	-	-
	6 Total expense recognised in the statement of profit and loss	**60.26**	44.00

		Gratuity	
		2020-21	2019-20
II	**Net liability recognised in the balance sheet**	**₹**	₹
	1 Present value of defined benefit obligation	**313.54**	266.17
	2 Fair value of plan assets	**(7.91)**	(8.40)
	3 Unrecognised past service cost		
	4 Net liability recognised in the balance sheet	**305.63**	257.77
	- Short-term provisions	**47.84**	40.57
	- Long-term provisions	**257.79**	217.20

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

32 Employee benefit expenses (continued)

		Gratuity	
		2020-21	2019-20
III	**Changes in defined benefit obligation**	**₹**	₹
	1 Present value of defined benefit obligation as at the beginning of the year	**266.17**	219.09
	2 Current service cost	**44.82**	31.19
	3 Interest cost	**15.91**	15.77
	4 Actuarial loss/(gain)	**7.78**	41.04
	5 Prior year charges		-
	6 Benefits paid	**(21.14)**	(40.92)
	7 Present value of defined benefit obligation as at the end of the year	**313.54**	266.17

		Gratuity	
		2020-21	2019-20
IV	**Reconciliation of Liability**	**₹**	₹
	1 Opening net liability	**257.77**	184.08
	2 Expenses recognised	**60.26**	44.00
	3 Other comprehensive income	**7.60**	41.69
	4 Benefits paid		-
	5 Contribution to plan assets	**(20.00)**	(12.00)
	6 Amount recognised in the balance sheet under provision for	**305.63**	257.77
	- Short-term provisions	47.84	40.58
	- Long-term provisions	257.79	217.20

			Gratuity	
			2020-21	2019-20
V	**Reconciliation of Plan Assets**		**₹**	₹
	1 Opening value of plan assets		**8.40**	35.00
	2 Expenses incurred in the fund		-	-
	3 Expected return		**0.47**	2.97
	4 Actuarial gains\(losses)		**0.18**	(0.65)
	5 Contribution by employer		**20.00**	12.00
	6 Benefits paid		**(21.14)**	(40.92)
	7 Closing value of plan assets	**-**	**7.91**	8.40

		Gratuity	
		2020-21	2019-20
VI	**Actual return on Plan Assets**	**₹**	₹
	1 Expected return on plan assets	**0.47**	2.97
	2 Actuarial gain on plan assets	**0.18**	(0.65)
	3 Actual return on plan assets	**-**	-

(Currency: INR in Lakhs)

32 Employee benefit expenses (continued)

		Gratuity	
		2020-21	**2019-20**
VII	**Actuarial assumptions**	**₹**	**₹**
	1 Discount rate	**6.25%**	6.25%
	2 Return on plan assets	**6.25%**	6.25%
	3 Attrition rate	**15%**	15%
	4 Salary escalation rate	**7.00%**	7.00%
	5 Mortality rate	Indian Assured Lives Mortality	

VIII Sensitivity analysis for actuarial assumptions

Sensitivity to key assumptions		
Particulars	**31 March 2021 (12 months)**	31 March 2020 (12 months)
Discount rate sensitivity	**₹**	₹
Increase by 0.5%	**305.10**	259.02
(% change)	**-2.69%**	-2.69%
Decrease by 0.5%	**322.45**	273.72
(% change)	**2.84%**	2.83%
Salary growth rate sensitivity		
Increase by 0.5%	**321.03**	272.33
(% change)	**2.39%**	2.31%
Decrease by 0.5%	**305.99**	260.06
(% change)	**-2.41%**	-2.30%
Withdrawal rate (W.R.) Sensitivity		
W.R. x 110%	**312.33**	265.21
(% change)	**-0.39%**	-0.36%
W.R. x 90%	**314.68**	267.07
(% change)	**0.36%**	0.34%

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.

(Currency: INR in Lakhs)

32 Employee benefit expenses (continued)

X Experience adjustments:

Gratuity

	2020-21	2019-20	2018-19	2017-18	2016-17
	₹	₹	₹	₹	₹
1 Present value of defined benefit obligation	**313.54**	266.17	219.08	177.13	122.53
2 Present value of defined benefit assets	**(7.91)**	(8.40)	(35.00)	(38.86)	(30.25)
3 Experience adjustment on plan liabilities	**8.46**	4.87	3.22	5.82	9.77
4 Experience adjustment on plan assets	**0.18**	0.65	0.78	0.56	1.59
5 Unrecognised past service cost	-	-	-	-	-
6 (Excess)/short of obligation over plan assets	**305.63**	257.77	184.08	138.27	92.28

The Company expects to contribute approximately ₹ 305.63 lakhs (previous year ₹ 257.77 lakhs) to the gratuity fund.

		Gratuity	
		2020-21	2019-20
XI	**Investment pattern**		
	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	
	2020-21	2019-20
Government Securities	**32.90%**	18.66%
Corporate bonds -		
AAA	**50.18%**	54.64%
AA+	**10.40%**	16.92%
AA	**2.78%**	8.37%
Cash, deposits, MMI	**3.74%**	1.41%
Total	**100.00%**	100.00%

Compensated absences

The acturial liability of compensated absences of privilege leave of the employees of the Company is ₹ 111.38 lakhs (previous year ₹ 75.33 lakhs)

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

33 Income taxes

33.1 Income tax recognised in profit or loss

See accounting policy in note no 3.9

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current tax		
In respect of the current year	**5,476.18**	4,568.00
In respect of prior years	**(62.18)**	-
Total current tax	**5,414.00**	4,568.00
Deferred tax		
In respect of the current year: origination & reversal of temporary differences	**(159.09)**	48.39
Total income tax expense recognised in the current year relating to continuing operations	**5,254.91**	4,616.39

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

Sr. No.	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
(i)	**Profit before tax**	**20,777.74**	16,926.52
(ii)	Income tax expense calculated at 25.168% on (i) above	**5,229.34**	4,260.07
(iii)	Effect of expenses that are not deductible in determining taxable profit	**71.74**	22.56
(iv)	Adjustments in respect of current income tax of prior years	**(62.18)**	-
(v)	Effect on deferred tax balances due to the changes in income tax rate	**-**	333.76
(vi)	Others	**16.00**	-
(vii)	**Income tax expense recognised in statement of profit and loss [(ii) + (iii) + (iv) + (v)+ (vi)]**	**5,254.91**	4,616.39
(viii)	**Effective tax rate [(vii) / (i)]**	**25.29%**	27.27%

The tax rate used for the reconciliations above is the corporate tax rate of 25.168% for the year 2020-21 and for the year 2019-20 payable by the corporate entities in India on taxable profits under tax law in Indian jurisdiction.

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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.

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

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

Particulars	**Units**	**2020-21**	2019-20
Profit after tax	₹ in lakhs	**15,522.83**	12,310.13
Less: Dividend on preference shares and attributable tax thereon	₹ in lakhs	**-**	0.81
Profit after tax for basic EPS	₹ in lakhs	**15,522.83**	12,309.32
Weighted average number of equity shares for calculating basic earnings per share	Numbers	**131,798,226**	86,781,356
Face value of equity shares	₹	**10**	10
Basic earnings per share	₹	**11.78**	14.18
Profit after tax for diluted EPS	₹ in lakhs	**15,522.83**	12,310.13
Weighted average number of equity shares for calculating diluted earnings per share	Numbers	**131,798,226**	86,781,356
Face value of equity shares	₹	**10**	10
Diluted earnings per share	₹	**11.78**	14.18

(Currency: INR in Lakhs)

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.

	31 March 2021			31 March 2020		
	Within 12 months	**After 12 months**	**Total**	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	**10,741.60**	**-**	**10,741.60**	38,139.26	-	38,139.26
Bank balance other than (a) above	**251.06**	**25.04**	**276.10**	141.32	-	141.32
Derivative financial instruments	**118.80**	**1,528.35**	**1,647.15**	1,148.91	3,728.99	4,877.90
Trade receivables	**29.56**	**-**	**29.56**	69.36	-	69.36
Loans	**125,089.50**	**497,952.27**	**623,041.77**	114,793.49	508,096.44	622,889.93
Investments	**17,883.56**	**2,994.34**	**20,877.90**	31,072.99	-	31,072.99
Other financial assets	**602.13**	**97.37**	**699.50**	153.41	106.59	260.00
Non-financial assets						
Current tax asset	**-**	**85.22**	**85.22**	-	15.57	15.57
Deferred tax assets (net)	**-**	**1,698.00**	**1,698.00**	-	1,711.00	1,711.00
Property, plant and equipment	**-**	**837.48**	**837.48**	-	667.62	667.62
Other intangible assets	**-**	**25.02**	**25.02**	-	38.14	38.14
Other non-financial assets	**345.34**	**-**	**345.34**	230.74	-	230.74
Total assets	**155,061.55**	**505,243.09**	**660,304.64**	185,749.48	514,364.35	700,113.83
Liabilities						
Financial liabilities						
Derivative financial instruments	**-**	**5,593.50**	**5,593.50**	-	2,073.92	2,073.92
Trade payables						
(i) Total outstanding dues of creditors micro enterprises and small enterprises	**169.04**	**-**	**169.04**	4.80	-	4.80
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	**1,315.13**	**-**	**1,315.13**	792.10	-	792.10
Debt securities	**23,216.82**	**161,927.05**	**185,143.87**	24,685.16	198,227.25	222,912.41
Borrowings (other than debt securities)	**18,749.00**	**262,624.21**	**281,373.21**	13,684.28	286,919.01	300,603.29
Subordinated liabilities	**-**	**60,543.26**	**60,543.26**	-	62,327.90	62,327.90
Other financial liabilities	**9,874.11**	**607.22**	**10,481.33**	11,320.77	394.61	11,715.38
Non-financial liabilities						
Current tax liability	**67.31**	**-**	**67.31**	14.15	-	14.15
Provisions	**65.95**	**369.45**	**435.40**	52.66	310.32	362.98
Other non-financial liabilities	**752.97**	**-**	**752.97**	660.62	-	660.62
Total liabilities	**54,210.33**	**491,664.69**	**545,875.02**	51,214.54	550,253.01	601,467.55
Net	**100,851.23**	**13,578.39**	**114,429.62**	134,534.94	(35,888.66)	98,646.28

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

Notes to the financial statements (continued)

for the year ended 31 March 2021

(Currency: INR in Lakhs)

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 2021

Particulars	31 March 2020	Cash flows	Fair Value Impact	Forex Impact	Others*	31 March 2021
Debt securities	222,912.41	(35,554.06)	(2,943.07)	-	728.60	185,143.87
Borrowings other than debt securities	300,603.29	(17,414.99)	-	(2,070.00)	254.91	281,373.21
Subordinated Liabilities	62,327.90	-	(1,802.76)	-	18.12	60,543.26
Total liabilities from financing activities	**585,843.60**	**(52,969.05)**	**(4,745.83)**	**(2,070.00)**	**1,001.63**	**527,060.34**

36.2 For the period ended 31 March 2020

Particulars	31 March 2019	Cash flows	Fair Value Impact	Forex Impact	Others*	31 March 2020
Debt securities	206,348.37	11,457.16	893.21	-	4,213.67	222,912.41
Borrowings other than debt securities	222,644.38	74,643.14	-	4,113.00	(797.23)	300,603.29
Subordinated Liabilities	47,376.77	15,000.00	-	-	(48.87)	62,327.90
Total liabilities from financing activities	**476,369.52**	**101,100.30**	**893.21**	**4,113.00**	**3,367.57**	**585,843.60**

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

(Currency: INR in Lakhs)

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. Suresh Badami, Additional Director (Independent Director) (From 11 January 2019 upto 19 April 2019)
Mr. Sudhin Choksey (Upto 11 October 2019)
Mr. Sunil Shah, Independent Director (From 05 July 2019)
Mr. Rajesh Gupta, Independent Director (From 17 January 2020)
Mr. Arijit Sanyal, Managing Director & CEO (From 13 December 2019)
Mr. Anil Bohora, Managing Director (Upto 12 December 2019)
Mr. Ajay Bohora, Managing Director & CEO (Upto 12 December 2019)

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

(Currency: INR in Lakhs)

37 Related party disclosures (continued)

37.1 The nature and volume of transactions of the Company with the above related parties were as follows:

	Particulars	Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management		Total	
		2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1	Commission received for sourcing home loans	**(2.35)**	4.54	-	-	-	-	-	-	-	-	**(2.35)**	4.54
2	Commission received for sourcing fixed deposits	**22.28**	37.95	-	-	-	-	-	-	-	-	**22.28**	37.95
3	Commission received for sourcing insurance	-	-	**62.20**	49.74	-	-	-	-	-	-	**62.20**	49.74
4	Interest income on deposits	-	-	-	-	**55.88**	92.95	-	-	-	-	**55.88**	92.95
5	Interest income on education loans	-	-	-	-	-	-	-	-	**7.94**	3.25	**7.94**	3.25
6	Processing fees income on education loans	-	-	-	-	-	-	-	-	-	0.05	-	0.05
7	Staff expenses of non executive vice chairman on deputation	**17.70**	77.65	-	-	-	-	-	-	-	-	**17.70**	77.65
8	Staff expenses of managing director & CEO on deputation	**63.90**	17.77	-	-	-	-	-	-	-	-	**63.90**	17.77
9	Staff expenses of employees on deputation	**86.53**	27.86	-	-	-	-	-	-	-	-	**86.53**	27.86
10	Staff welfare expenses of employees on deputation	**1.05**	2.45	-	-	-	-	-	-	-	-	**1.05**	2.45
11	Employee's health insurance premium	-	-	**14.28**	14.89	-	-	-	-	-	-	**14.28**	14.89
12	Employee's group term insurance premium	-	-	**1.07**	0.97	-	-	-	-	-	-	**1.07**	0.97
13	Reimbursement of GST expenses on brand usage	**4.44**	3.05	-	-	-	-	-	-	-	-	**4.44**	3.05
14	Interest paid on non convertible debentures	-	-	-	-	**5,520.00**	8,820.00	-	-	-	-	**5,520.00**	8,820.00
15	Directors' liability insurance premium	-	-	**0.99**	1.05	-	-	-	-	-	-	**0.99**	1.05
16	Cyber security insurance premium	-	-	**16.69**	-	-	-	-	-	-	-	**16.69**	-
17	Education loan given	-	-	-	-	-	-	-	-	**107.89**	53.00	**107.89**	53.00
18	Bank charges	-	-	-	-	**4.81**	25.07	-	-	-	-	**4.81**	25.07
19	Brokerage or commission paid	-	-	**32.08**	27.82	**447.58**	510.05	-	-	-	-	**479.67**	537.87
20	Contribution to group gratuity policy	-	-	**20.00**	12.00	-	-	-	-	-	-	**20.00**	12.00
21	Preference share dividend	-	0.67	-	-	-	-	-	-	-	-	-	0.67
22	Directors' sitting fees	-	-	-	-	-	-	**70.50**	38.55	-	-	**70.50**	38.55
23	Interest on lease liability	**8.24**	-	-	-	-	-	-	-	-	-	**8.24**	-
24	Depreciation on ROU asset	**58.83**	-	-	-	-	-	-	-	-	-	**58.83**	-
25	Right shares issued (including premium)	-	25,000.02	-	-	-	-	-	-	-	-	-	25,000.02
26	Remuneration to key management personnel	-	-	-	-	-	-	-	210.24	-	-	-	210.24

HDFC Credila Financial Services Limited
(formerly known as HDFC Credila Financial Services Private Limited)

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

37 Related party disclosures (continued)

37.1 Balance outstanding at the end of the year

	Particulars	Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management		Total	
		2020-21 ₹	2019-20 ₹	2020-21 ₹	2019-20 ₹	2020-21 ₹	2019-20 ₹	2020-21 ₹	2019-20 ₹	2020-21 ₹	2019-20 ₹	2020-21 ₹	2019-20 ₹
1	Commission receivable for sourcing home loans	-	0.09	-	-	-	-	-	-	-	-	-	0.09
2	Commission receivable for sourcing fixed deposits	**0.11**	-	-	-	-	-	-	-	-	-	**0.11**	-
3	Commission receivable for sourcing insurance	-	-	**8.85**	-	-	-	-	-	-	-	**8.85**	-
4	Staff expenses of managing director & CEO on deputation payable	-	5.15	-	-	-	-	-	-	-	-	-	5.15
5	Staff expenses of employee on deputation payable	-	4.41	-	-	-	-	-	-	-	-	-	4.41
6	Staff welfare expenses of employee on deputation payable	-	1.27	-	-	-	-	-	-	-	-	-	1.27
7	Reimbursement of GST expenses payable	-	-	-	-	-	-	-	-	-	-	-	-
7	Advance employees' insurance premium	-	-	**0.21**	0.37	-	-	-	-	-	-	**0.21**	0.37
8	Advance cyber security insurance premium	-	-	-	-	-	-	-	-	-	-	-	-
8	Employee insurance premium (prepaid expense)	-	-	**2.32**	1.99	-	-	-	-	-	-	**2.32**	1.99
9	Cyber security insurance premium (prepaid expense)	-	-	**19.81**	19.23	-	-	-	-	-	-	**19.81**	19.23
10	Directors' liability insurance premium (prepaid expense)	-	-	**0.67**	0.88	-	-	-	-	-	-	**0.67**	0.88
11	Education loan	-	-	-	-	-	-	-	-	**108.49**	55.52	**108.49**	55.52
12	Balance in current accounts	-	-	-	-	**7,212.56**	3,683.93	-	-	-	-	**7,212.56**	3,683.93
13	Right of use asset	**176.50**	-	-	-	-	-	-	-	-	-	**176.50**	-
14	Non convertible debentures	-	-	-	-	-	60,000.00	-	-	-	-	-	60,000.00
15	Interest payable of secured non convertible debentures	-	-	-	-	-	2,426.39	-	-	-	-	-	2,426.39
16	Trade payables	-	-	**7.67**	0.37	**164.13**	118.29	-	-	-	-	**171.79**	118.67
17	Directors' sitting fees payable	-	-	-	-	-	-	-	8.33	-	-	-	8.33
18	Lease liability	**178.93**	-	-	-	-	-	-	-	-	-	**178.93**	-
19	Deposits held	-	-	-	-	**10.00**	7,030.42	-	-	-	-	**10.00**	7,030.42
20	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 (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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%.

Capital to risk assets ratio (CRAR)	**31 March 2021**	31 March 2020
CRAR (%)	**24.02**	22.27
CRAR - Tier I capital (%)	**17.67**	14.70
CRAR - Tier II capital (%)	**6.35**	7.57

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

Particulars	**31 March 2021**	31 March 2020
Net debt*	**516,318.74**	547,704.34
Total equity	**112,706.60**	96,897.14
Net debt to equity ratio	**4.58**	5.65

* 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

Particulars	**31 March 2021**			**31 March 2020**		
	FVTPL	**FVOCI / Cash Flow Hedge Reserve**	**Amortised cost**	**FVTPL**	**FVOCI / Cash Flow Hedge Reserve**	**Amortised cost**
Financial assets						
Derivative financial assets	-	1,647.15	-	899.99	3,977.91	-
Trade receivables	-	-	29.56	-	-	69.36
Loans	-	-	623,041.77	-	-	622,889.93
Investments	17,883.56	2,994.34	-	31,072.99	-	-
Other financial assets	-	-	699.50	-	-	260.00
Total financial assets	**17,883.56**	**4,641.49**	**623,770.83**	**31,972.98**	**3,977.91**	**623,219.29**
Financial liabilities						
Derivative financial liabilities	4,149.92	1,443.58	-	-	2,073.92	-
Trade payables	-	-	1,484.17	-	-	796.90
Debt securities	87,770.78	-	97,373.09	20,850.65	-	202,061.76
Borrowings (other than debt securities)	-	-	281,373.21	-	-	300,603.29
Subordinated liabilities	50,557.63	-	9,985.63	-	-	62,327.90
Other financial liabilities	-	-	10,481.33	-	-	11,715.38
Total financial liabilities	**142,478.32**	**1,443.58**	**400,697.44**	**20,850.65**	**2,073.92**	**577,505.23**

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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.

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

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 maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

There has been no transfers between level 1, level 2 and level 3 for the year ended 31 March 2021 and 31 March 2020.

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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.

Particulars	31 March 2021			31 March 2020		
	Carrying Value	Fair Value	Fair Value Hierarchy	Carrying Value	Fair Value	Fair Value Hierarchy
Financial liabilities at amortised cost						
Non convertible debentures	91,703.58	91,569.06	Level 2	185,583.97	188,158.26	Level 2
Perpetual debt instruments	10,505.84	11,519.70	Level 2	29,082.87	31,498.61	Level 2
Subordinated liabilities	-	-	-	36,884.86	38,026.75	Level 2
Total financial liabilities	**102,209.42**	**103,088.75**		**251,551.71**	**257,683.61**	

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

2) **Loans:**

Substantially all loans reprice frequently, with interest rates reflecting current market pricing, the carrying value of these loans amounting to ₹ 6,26,695.72 lakhs (as on 31 March 2020 ₹ 6,25,666.15 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 started entering into interest rate swaps from the current financial year, wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to various benchmarks.

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

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

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

Analysis of risk concentration

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

(Currency: INR in Lakhs)

38.3 Financial risk management (continued)
Analysis of risk concentration (continued)
Concentration based on the geographic study location of student being funded is as follows

Principal	India	USA	Canada	Other Countries	Total
As on 31 March 2021	9%	56%	17%	18%	100%
As on 31 March 2020	9%	63%	11%	17%	100%

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 insurance policy of the student.

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

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.

Fair value of collaterals and credit enhancements held

a. As on 31 March 2021

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

b. As on 31 March 2020

Education Loans					
Gross Carrying Value	Immovable properties	Fixed deposits	Total collateral	Net exposure	Associated ECL
625,666.15	259,853.53	7,936.36	267,789.89	357,876.26	2,776.22

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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, 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, 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 2021	31 March 2020
Variable rate borrowing	66%	42%
Fixed rate borrowing	34%	58%
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 2021 is ₹ 177.88 lakhs (previous year ₹ 255.40 lakhs).

38.3.2.2 Foreign currency exchange rate risk

The Company has availed an external commercial borrowing during the year and hence is exposed to foreign currency exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency i.e. INR. The objective of the hedges is to minimise the volatility of the INR cash flows.
The Company's risk management policy allows it to keep the foreign currency risk open upto 5% of the total borrowings. The Company currently uses currency swaps to hedge its exposure in foreign currency risk. The Company designates the fair value of the currency swaps contracts as hedging instruments. In case the hedge effectiveness is 100%, the change in the fair value of the currency swaps contracts and the change in carrying value of the underlying foreign currency liability are compared and the difference is recognised in cash flow hedge reserve. During the year ended 31 March 2020, the Company did not have any hedging instruments with terms which were not aligned with those of the hedged items.

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

38.3.2.2 Foreign currency exchange rate risk (continued)

(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

Particulars	31 March 2021	31 March 2020
	USD	USD
Financial liabilities		
Foreign currency loan	(73,600.00)	(75,670.00)
Interest accrued on foreign currency loan	(38.58)	(94.65)
Exposure to foreign currency risk (liabilities) (a)	**(73,638.58)**	**(75,764.65)**
Derivative financial instruments		
Foreign exchange derivative contracts	73,600.00	75,670.00
Exposure to foreign currency risk (assets) - (b)	**73,600.00**	**75,670.00**
Net exposure to foreign currency risk (c) = (a) + (b)	**(38.58)**	**(94.65)**

(2) Foreign currency sensitivity analysis:

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

Particulars	Impact on profit after tax		Impact on other components of equity	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
USD sensitivity				
INR/USD - increase by 1%*	-	-	16.47	39.78
INR/USD - decrease by 1%*	-	-	(16.47)	(39.78)

* Assuming all other variable is constant

(3) Hedging policy

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

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	Weighted average contract / strike price of the hedging instrument	Change in fair value used for measuring ineffectiveness for the period - (profit) / loss
As on 31 March 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)**

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

A. Cash flow hedge (continued)

Hedging instrument

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	Weighted average contract / strike price of the hedging instrument	Change in fair value used for measuring ineffectiveness for the period - (profit) / loss
As on 31 March 2020					
INR USD - Principal only swaps	75,670.00	3,977.91	Derivative Financial Instruments	71.56	3,977.91
INR USD - Interest rate swap	75,670.00	(2,073.92)		-	(2,073.92)
Total	**151,340.00**	**1,903.99**		**71.56**	**1,903.99**

Hedged Item

Particulars	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness		Cash flow hedge reserve as at	
	31 March 2021	**31 March 2020**	**31 March 2021**	**31 March 2020**
External commercial borrowings	(2,070.00)	4,113.00	(2,043.00)	(4,113.00)
Total	**(2,070.00)**	**4,113.00**	**(2,043.00)**	**(4,113.00)**

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

Particulars	Hedging gains or (losses) recognised in OCI		Hedging ineffectiveness recognised in statement of profit and loss		Line item in the statement of profit or loss
	31 March 2021	**31 March 2020**	**31 March 2021**	**31 March 2020**	
Principal only swap	(2,330.76)	3,977.91	-	-	Finance Cost
USD-INR Interest rate swap	630.34	(2,073.92)	-	-	

B. Fair value hedge

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

Hedging instrument

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 2021	142,500.00	(4,149.92)	Derivative Financial Instruments	(5,049.91)
31 March 2020	20,000.00	899.99		899.99

(Currency: INR in Lakhs)

B. Fair value hedge (continued)

Hedged item

Particulars	Notional amount	Accumulated fair value adjustment	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Non-convertible debentures				
31 March 2021	142,500.00	(3,852.62)	Debt securities and Subordinated liabilities	(4,745.83)
31 March 2020	20,000.00	893.21		893.21

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

Particulars	Hedging ineffectiveness recognised in statement of profit and loss profit/(loss)		Line item in the statement of profit or loss
	31 March 2021	31 March 2020	
Interest rate swaps	(304.08)	6.77	Net gain on fair value changes

(4) Hedge ratio

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

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.

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	**150,901.49**	**193,812.57**	**77,801.46**	**116,510.32**	**539,025.84**
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**

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

38.3.3 Liquidity risk (continued)

(1) Maturities of financial liabilities (continued)

Contractual maturities of financial liabilities 31 March 2020	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-derivatives					
Trade payables	725.50	-	-	-	725.50
Debt securities at amortised cost	82,283.87	69,916.36	29,910.52	19,951.00	202,061.76
Debt securities at FVTPL	-	-	-	20,850.65	20,850.65
Borrowings (other than debt securities)	45,146.06	175,871.84	48,110.98	31,474.42	300,603.29
Subordinated liabilities	-	-	9,982.40	52,345.49	62,327.90
Subordinated liabilities at FVTPL	-	-	-	-	-
Other financial liabilities	11,419.33	155.31	121.86	90.27	11,786.78
Total non-derivatives liabilities	**139,574.76**	**245,943.51**	**88,125.76**	**124,711.83**	**598,355.86**
Derivatives (net settled)					
Currency swaps - principal only swaps	-	-	-	-	-
Interest rate swaps	-	2,073.92	-	-	2,073.92
Total derivatives liabilities	**-**	**2,073.92**	**-**	**-**	**2,073.92**

(Currency: INR in Lakhs)

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 2021, 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.

The Reserve Bank of India vide its circular reference RBI/2019-20/170 DOR (NBFC).CC.PD.No.109 /22.10.106/2019-20 dated 13 March 2020 (as amended) outlines the regulatory guidance in relation to Ind AS financial statements. This included guidance for computation of 'owned funds', 'net owned funds' and 'regulatory capital'. Accordingly, the CRAR has been computed in accordance with these requirements read with the requirements of the Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01 September 2016 (as amended).

39.1 Capital to risk assets ratio (CRAR)

Items	**2020-21**	2019-20
CRAR (%)	**24.02**	22.27
CRAR - Tier I capital (%)	**17.67**	14.70
CRAR - Tier II capital (%)	**6.35**	7.57
Amount of subordinated debt raised as Tier-II capital ()	**-**	15,000
Amount raised by issue of Perpetual Debt Instrument ()	**-**	-

39.2 Investments

Items			**Current Year (2020-21)**	Previous Year (2019-20)
1	**Value of investments**			
i)	Gross value of investments		20,877.90	31,072.99
	a)	In India	20,877.90	31,072.99
	b)	Outside India	-	-
ii)	Provision for depreciation		-	-
	a)	In India	-	-
	b)	Outside India	-	-
iii)	Net value of investments		20,877.90	31,072.99
	a)	In India	20,877.90	31,072.99
	b)	Outside India	-	-
2	**Movement of provisions held towards depreciation on investments**			
i)	Opening balance		-	-
ii)	Add : Provisions made during the year		-	-
iii)	Less : Write-off / write-back of excess provisions during the year		-	-
iv)	Closing balance		-	-

39.3 Derivatives

39.3.1 Forward Rate Agreement / Interest Rate Swap

Particulars		**Current Year (2020-21)**	Previous Year (2019-20)
(i)	The notional principal of swap agreements*	**289,700.00**	171,340.00
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**1,759.28**	4,548.06
(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	**(3,946.35)**	2,803.98

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

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

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

39.3.1 Forward Rate Agreement / Interest Rate Swap (continued)

Benchmark	**Current Year (2020-21)**	Previous Year (2019-20)	**Terms**
	Notional Principal (INR in Lakhs)		
OIS	**142,500.00**	20,000.00	Fixed Receivable V/s Floating Payable
	Notional Principal (USD Millions)		
USD LIBOR	**100.00**	100.00	Fixed Payable V/s Floating Receivable

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 4,149.92 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 (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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)

a. Qualitative Disclosure (continued)

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

Particulars	**Current Year (2020-21)**	Previous Year (2019-20)
Opening balance	**(1,653.00)**	-
(Credits) / debit in the cash flow reserve	**321.08**	(1,653.00)
Closing balance	**(1,331.92)**	(1,653.00)

b. Quantitative disclosures

Sl.No.	Particulars	Currency derivatives*		Interest rate derivatives**	
		Current Year (2020-21)	Previous Year (2019-20)	**Current Year (2020-21)**	Previous Year (2019-20)
(i)	Derivatives (notional principal amount)	**73,600.00**	75,670.00	**216,100.00**	95,670.00
(ii)	Marked to market positions				
	a) Asset (+)	**1,647.15**	3,977.91	-	899.99
	b) Liability (-)	-	-	**(5,593.50)**	(2,073.92)
(iii)	Credit exposure	**4,945.92**	5,085.02	**4,111.00**	1,356.70
(iv)	Unhedged exposures	**38.58**	94.65	-	-

* 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.

(Currency: INR in Lakhs)

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:

Sr.	Rating agency	Programme	Current Year	Previous Year
1	CARE Ratings Limited	Perpetual debt instrument	**CARE AA+**	CARE AA+
		Non-convertible debenture	**CARE AAA**	CARE AAA
		Subordinated debt	**CARE AAA**	CARE AAA
2	ICRA Limited	Bank Loan	**ICRA AAA**	ICRA AAA
		Commercial paper	**ICRA A1+**	ICRA A1+
		Perpetual debt instrument	**ICRA AA+**	ICRA AA+
		Subordinated debt	**ICRA AAA**	ICRA AAA
		Non-convertible debenture	**ICRA AAA**	ICRA AAA
3	CRISIL Limited	Commercial paper	**CRISIL A1+**	CRISIL A1+
		Subordinated debt	**CRISIL AAA**	CRISIL AAA
		Non-convertible debenture	**CRISIL AAA**	CRISIL AAA

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:

Name	Designation	FY 2020-21
Mr. V. Srinivasa Rangan	Chairman	14,25,000
Mr. Subodh Salunke	Vice- Chairman	32,70,447
Mrs. Madhumita Ganguli	Non- Executive Director	6,00,000
Mr. B. Mahapatra	Independent Director	15,00,000
Mr. Sunil Shah	Independent Director	13,50,000
Mr. Rajesh Gupta	Independent Director	6,75,000

39.11 Provisions and contingencies

Break up of 'provisions and contingencies' shown under the head expenses in statement of profit and loss	Current Year (2020-21)	Previous Year (2019-20)
Provisions for depreciation on investment	-	-
Provision towards NPAs*	**1,092.67**	59.38
Provision made towards tax expenses	**5,254.91**	4,616.39
Other provision and contingencies (with details)		
Provision for employee benefits		
- Compensated absences	**41.99**	11.81
- Gratuity	**60.26**	44.00
Provision for Standard Assets	**(226.42)**	2,214.82

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

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	Current Year (2020-21)	Previous Year (2019-20)
Total advances to twenty largest borrowers	**1,976**	1,983
Percentage of advances to twenty largest borrowers to total advances of the NBFC	**0.32%**	0.32%

39.13.3

Concentration of exposures [on limit basis or outstanding basis whichever is higher]	Current Year (2020-21)	Previous Year (2019-20)
Total exposure to twenty largest borrowers / customers	**2,104**	2,081
Percentage of exposures to twenty largest borrowers/ customers to Total exposure of the NBFC on borrowers / customers	**0.30%**	0.30%

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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

39.13 Concentration of advances, exposures and NPAs (continued)

39.13.4

Concentration of NPAs*	**Current Year (2020-21)**	Previous Year (2019-20)
Total exposure to top four NPA accounts	**256**	217

* 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*

Sr. No.	**Sector**	**Percentage of NPAs to total advances in that sector current year (2020-21)**	Percentage of NPAs to total advances in that sector previous year (2019-20)
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	**0.60%**	0.12%

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

39.13.6 Movement of NPAs*

Sr. No.	**Particulars**	**Current Year (2020-21)**	Previous Year (2019-20)
(i)	Net NPAs to net advances	**0.40%**	0.10%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	**756.55**	401.26
	(b) Additions during the year	**3,241.61**	564.28
	(c) Reductions during the year	**(263.07)**	(208.98)
	(d) Closing balance	**3,735.10**	756.55
(iii)	Movement of Net NPAs		
	(a) Opening balance	**628.31**	332.40
	(b) Additions during the year	**2,104.31**	469.06
	(c) Reductions during the year	**(217.86)**	(173.15)
	(d) Closing balance	**2,514.76**	628.31
(iv)	Movement of provisions for NPAs*		
	(a) Opening balance	**128.24**	68.86
	(b) Provisions made during the year	**1,137.30**	95.22
	(c) Write-off / write-back of excess provisions	**(45.21)**	(35.84)
	(d) Closing balance	**1,220.34**	128.24

* 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

Sr. No.	**Particulars**	**Current Year (2020-21)**	Previous Year (2019-20)
a	No. of complaints pending at the beginning of the year	**-**	1
b	No. of complaints received during the year	**171**	129
c	No. of complaints redressed during the year	**167**	130
d	No. of complaints pending at the end of the year	**4**	-

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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

39.17 Asset liability management

Maturity pattern of certain items of assets and liabilities as on 31 March 2021:

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	143,761	625,475
Investments	2,000	2,000	2,000	6,000	5,884	-	2,994	-	20,878
Foreign currency assets	-	-	-	-	-	-	-	-	-

Maturity pattern of certain items of assets and liabilities as on 31 March 2020:

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 *	1,146	6,186	4,545	17,347	19,945	142,497	182,351	146,901	520,918
Foreign currency liabilities	95	-	-	-	-	74,834	-	-	74,929
Assets									
Advances	7,295	6,697	10,451	30,866	59,485	218,092	150,294	142,359	625,538
Investments	31,073	-	-	-	-	-	-	-	31,073
Foreign currency assets	-	-	-	-	-	-	-	-	-

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

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

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

Notes to the financial statements (continued)

for the year ended 31 March 2021

(Currency: INR in Lakhs)

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 19 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016]

	Particulars				
	Liabilities side :	**As at 31 March 2021**		As at 31 March 2020	
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	**185,453.71**	**-**	206,701.41	-
	- Unsecured (Other than falling within the meaning of public deposit)	**65,984.65**	**-**	65,967.73	-
	b) Deferred credit	**-**	**-**	-	-
	c) Term loan	**281,155.10**	**-**	300,580.31	-
	d) Inter - corporate loans and borrowing	**-**	**-**	-	
	e) Commercial paper	**7,431.84**	**-**	22,301.44	-
	f) Other loan	**230.89**	**-**	200.66	-
	g) Book overdraft	**-**	**-**	-	-

	Asset side :	**As at 31 March 2021**	As at 31 March 2020
2)	**Break-up of loans and advances including bills receivables [other than those included in (4) below] :**	**Amount outstanding**	Amount outstanding
	a) Secured	**260,068.96**	267,789.88
	b) Unsecured	**366,626.76**	357,876.26
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	-	-

(Currency: INR in Lakhs)

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)

	Asset Side :		As at 31 March 2021	As at 31 March 2020
4)	**Break of investments:**			
	Current investments:			
	1. Quoted:			
	(i) Shares:	(a) Equity	-	-
		(b) Preference	-	-
	(ii) Debentures and bonds		-	-
	(iii) Units of mutual funds		**17,884**	31,073
	(iv) Government Securities		-	-
	(v) Others (please specify)		-	-
	2. Unquoted :			
	(i) Shares :	(a) Equity	-	-
		(b) Preference	-	-
	(ii) Debentures and bonds		-	-
	(iii) Units of mutual funds		-	-
	(iv) Government Securities		-	-
	(v) Others (please specify)		-	-
	Long term investments :			
	1. Quoted :			
	(i) Shares:	(a) Equity	-	-
		(b) Preference	-	-
	(ii) Debentures and bonds		-	-
	(iii) Units of mutual funds		-	-
	(iv) Government Securities		**2,994**	-
	(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)		-	-

(Currency: INR in Lakhs)

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)

5) Borrower group-wise classification of assets financed as in (2) and (3) above :

Category	As at 31 March 2021 Amount net of provisions Secured	Unsecured	Total	As at 31 March 2020 Amount net of provisions Secured	Unsecured	Total
1. Related parties						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-
(c) Other related parties	**108.49**	-	**108.49**	55.52	-	55.52
2. Other than related parties	**259,960.47**	**366,626.76**	**626,587.23**	267,734.37	357,876.26	625,610.63
Total	**260,068.96**	**366,626.76**	**626,695.72**	267,789.88	357,876.26	625,666.15

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

Category	As at 31 March 2021 Market value / break up or fair value or NAV	Book value (Net of provisions)	As at 31 March 2020 Market value / break up or fair value or NAV	Book value (Net of provisions)
1. Related parties				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	**20,877.90**	**20,877.90**	31,072.99	31,072.99
Total	**20,877.90**	**20,877.90**	31,072.99	31,072.99

7) Other information

Particulars	**As at March 31, 2021 Amount**	As at March 31, 2020 Amount
i) Gross non performing assets (NPAs)*		
a) Related parties	-	-
b) Other than related parties	**3,735.10**	756.55
ii) Net non performing assets (NPAs)*		
a) Related parties	-	-
b) Other than related parties	**2,514.76**	628.31
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 (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

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

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

39.19.1 Public Disclosure on Liquidity Risk

A. As on 31 March 2021

i. Funding Concentration based on significant counterparty [1]

Number of Significant Counterparties	Amount	% of Total Deposits	% of Total Liabilities
15 (Fifteen)	397,613	NA	73%

ii. Top 20 large deposits

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

iii. Top 10 borrowings

Amount	% of Total Borrowings
2,65,621	50%

iv. Funding Concentration based on significant instrument/product [2]

Name of the instrument/product	Amount	% of Total Liabilities
Term loans from banks	208,099	38%
Secured non-convertible debentures	177,712	33%
External commercial borrowings	73,043	13%
Subordinated Tier II non convertible debentures	33,552	6%
Perpetual debt instruments to the extent that do not qualify as equity	26,992	5%
Commercial paper	7,432	1%
Overdrafts and working capital facilities	231	0%
Total Borrowings	**527,060**	**97%**
Total Liabilities [3]	**545,875**	

v. Stock Ratios:

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	27%	26%	22%

(Currency: INR in Lakhs)

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

39.19.1 Public Disclosure on Liquidity Risk (continued)

vi. Institutional set-up for liquidity risk management

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

*** Notes:**

1 Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.

2 Significant instrument/product is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.

3 Total Liabilities has been computed as sum of all liabilities (Balance Sheet figure) less Equities and Reserves/Surplus.

4 Public funds is as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

39.19.2 LCR Disclosure as on 31 March 2021

	Particulars	For the Month ended 31 December 2020		For the quarter ended 31 March 2021	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
A	**High Quality Liquid Assets**				
1	Balance in Current Accounts	1,558.73	1,558.73	959.09	959.09
2	Investment in Government Securities	2,908.59	2,908.59	2,998.42	2,998.42
	TOTAL HQLA	**4,467.32**	**4,467.32**	**3,957.51**	**3,957.51**
B	**Cash Outflows**				
1	Unsecured wholesale funding	7,619.87	8,762.85	1,806.67	2,077.67
2	Secured wholesale funding	13,347.39	15,349.50	7,674.85	8,826.08
3	Additional requirements, of which	-	-	-	-
	- Outflows related to derivative exposures and other collateral requirements	188.60	216.90	237.16	272.73
	- Outflows related to loss of funding on debt products	-	-	-	-
	- Credit and liquidity facilities	-	-	-	-
4	Other contractual funding obligations	20,885.41	24,018.22	11,966.72	13,761.73
	TOTAL CASH OUTFLOWS	**42,041.27**	**48,347.46**	**21,685.40**	**24,938.21**

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

39.19.2 LCR Disclosure as on 31 March 2021 (continued)

	Particulars	For the Month ended		For the quarter ended	
		Total Unweighted Value* (average)	Total Weighted Value** (average)	Total Unweighted Value* (average)	Total Weighted Value** (average)
C	**Cash Inflows**				
1	Secured lending	-	-	-	-
2	Inflows from fully performing exposures	18,543.31	13,907.48	19,338.19	14,503.64
3	Other cash inflows	30,653.32	22,989.99	14,370.55	10,777.91
	TOTAL CASH INFLOWS	**49,196.63**	**36,897.47**	**33,708.74**	**25,281.56**
	CASH INFLOW FOR LCR (75% of Total Weighted Outflow OR 75% of Uuweighted Inflow, Whichever is Lower)		**36,260.60**		**18,703.66**
					Total Adjusted Value
	TOTAL HQLA		**4,467.32**		**3,957.51**
	TOTAL NET CASH OUTFLOWS [Stressed Outflows - (Minimum of Stressed Inflows OR 75% of Stressed Outflows)]		**12,086.87**		**6,234.55**
	LIQUIDITY COVERAGE RATIO (%)		**37%**		**63%**

* 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.

E Qualitative Disclosure on LCR

Liquidity Coverage Ratio (LCR) requirement has been introduced by the RBI with the objective that the Company maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario.

LCR has been defined as : Stock of high quality liquid assets (HQLAs) divided by Total net cash outflow over the next 30 calendar days

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 total net cash outflow is the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days.

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. In other words, total net cash outflows over the next 30 days = Stressed Outflows - Min (stressed inflows; 75% of stressed outflows).

Notes to the financial statements (continued)
for the year ended 31 March 2021

(Currency: INR in Lakhs)

39.19.2 LCR Disclosure as on 31 March 2021 (continued)

The LCR of the Company is above the minimum 30% required by the RBI guidelines for the above period. The LCR for the quarter ended 31 March 2021 comes to 68% based on monthly average of three months (Q4 FY20-21).

The Company started maintaining HQLAs as per the RBI's guidelines with effect from 01 December 2020. The average HQLA for the quarter was Rs. 3,958 lakhs, of which, constituted investment in Government securities of Rs. 2,998 lakhs and balance with banks of Rs. 959 lakhs. The HQLA level has reduced by Rs. 510 lakhs as compared to the month ended 31 December 2020 on account of decrease in average balance with banks during the period. The net cash outflow has reduced by Rs. 17,557 lakhs as compared to 31 December 2020 mainly on account of decrease in cash outflow by Rs. 20,356 lakhs, Rs. 11,486 lakhs reduction in borrowing repayment and servicing, decrease in other outflows mainly disbursements by Rs. 8,919 lakhs due to the seasonal nature of the 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 (continued)

for the year ended 31 March 2021

(Currency: INR in Lakhs)

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

39.20 Disclosure pursuant to RBI notification on "Implementation of Indian Accounting Standards" dated 13 March 2020 (as amended)

A. As on 31 March 2021

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	618,860.52	2,028.67	616,831.86	2,482.47	(453.80)
	Stage 2	2,053.13	268.76	1,784.38	8.22	260.54
Standard restructured	Stage 2	2,046.97	136.19	1,910.78	203.61	(67.43)
	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	72.70	33.22	(12.99)
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		282.55	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		**-**	**18.39**	**(18.39)**	**-**	**18.39**
Total	**Stage 1**	**618,860.52**	**2,046.33**	**616,814.20**	**2,482.47**	**(436.15)**
	Stage 2	**4,100.10**	**405.10**	**3,695.00**	**211.83**	**193.27**
	Stage 3	**3,735.10**	**1,220.92**	**2,514.18**	**708.17**	**512.74**
	Total	**626,695.72**	**3,672.34**	**623,023.38**	**3,402.48**	**269.87**

Notes to the financial statements (continued)

for the year ended 31 March 2021

(Currency: INR in Lakhs)

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

39.20 Disclosure pursuant to RBI notification on "Implementation of Indian Accounting Standards" dated 13 March 2020 (as amended) (continued)

B. As on 31 March 2020

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	623,866.49	2,497.83	621,368.66	2,498.68	(0.85)
	Stage 2	1,043.11	150.14	892.97	4.17	145.97
Subtotal for Performing Assets		**624,909.60**	**2,647.97**	**622,261.62**	**2,502.85**	**145.12**
Non-Performing Assets (NPA)				-		-
Substandard	Stage 3	440.16	77.15	363.01	41.44	35.71
Doubtful - up to 1 year	Stage 3	220.96	35.54	185.42	141.46	(105.92)
1 to 3 years	Stage 3	64.27	10.67	53.60	55.87	(45.21)
More than 3 years	Stage 3	31.17	4.89	26.27	26.27	(21.38)
Subtotal for doubtful		316.39	51.10	265.29	223.60	(172.51)
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		**756.55**	**128.24**	**628.31**	**265.04**	**(136.80)**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	29.79	(29.79)	-	29.79
	Stage 2	-	0.09	(0.09)	1.65	(1.56)
	Stage 3	-	-	-	-	-
Subtotal		**-**	**29.88**	**(29.88)**	**1.65**	**28.23**
Total	**Stage 1**	**623,866.49**	**2,527.63**	**621,338.86**	**2,498.68**	**28.95**
	Stage 2	**1,043.11**	**150.23**	**892.88**	**5.82**	**144.41**
	Stage 3	**756.55**	**128.24**	**628.31**	**265.04**	**(136.80)**
	Total	**625,666.15**	**2,806.10**	**622,860.05**	**2,769.54**	**36.56**

(Currency: INR in Lakhs)

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

39.21 Disclosure pursuant to RBI notification on "COVID-19 Regulatory Package - Asset Classification and Provisioning" dated 17 April 2020 and 23 May 2020

Particulars	Amount
(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended as on 31 March 2020	1,295.00
(ii) Respective amount as at 31 March 2021 where asset classification benefits was extended	949.32
(iii) Provisions made during the period as per RBI circular dated 17 April 2020 Norms	119.99
(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions and the residual provision in terms of paragraph 6.	(33.06)
(v) Residual provisions at the end of the financial year written back or adjusted against the provisions required for all other accounts	(86.93)
(vi) Total Provisions on such loans, as per the circular as at 31 March 2021	-
(vi) Total Provisions on such loans, as per the books of accounts (ECL) as at 31 March 2021	122.86

For the purpose of disclosure in point (i) in above table, the Company has considered the accounts, where moratorium/deferment was extended in terms of the circular and which would have moved to Substandard Assets based of days past due status as on 31 March 2020.

39.22 Disclosure pursuant to RBI notification on "Resolution Framework for COVID-19-related Stress" dated 06 August 2020

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	136	4,051.82	-	-	671.16
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	**136**	**4,051.82**	-	-	**671.16**

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

39.23 Disclosure pursuant to RBI notification on "Asset Classification and Income Recongnition following the expiry of Covid-19 regulatory package" dated 07 April 2021

RBI circular dated 07 April 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. 01 March 2020 to 31 August 2020 in conformity with the above judgement. Further, the circular stated that the methodology for calculation of the amount to be refunded/adjusted will be finalised by Indian Banks Association (IBA) and adopted by all lending institutions. The Company's Board has approved a policy in this regard and there is no amount required to be refunded, since the Company has not charged 'interest on interest' during the moratorium period.

39.24 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.

(Currency: INR in Lakhs)

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 capital commitments and contingent liabilities as on the balance sheet date.

43 The COVID - 19 pandemic continues to have a considerable impact on economic activities across the globe. Though there were early signs of recovery during the last two quarters the same may slow down given the second wave of the infections in India and certain geographies, uncertainties around the efficacy of the vaccinations on the newer strains, long-drawn immunization roll out plans and hence the return to normalcy.

The impact of COVID - 19 including changes in customer behaviour, travel restrictions both domestic & international and constrained businesses activities has led to volatility and decrease in economic activities. This has impacted the loan disbursements as a significant number of students have deferred their semesters to the Fall and Spring intake of 2021.

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. 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 ₹ 1,779.55 lakhs (previous year ₹ 2,072.89 lakhs) in this regard.

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.

Notes to the financial statements (continued)

for the year ended 31 March 2021

(Currency: INR in Lakhs)

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

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

Ajit Viswanath
Partner
Membership No: 067114

V.S.Rangan
Chairman
(DIN - 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN - 08386684)

Place:- Mumbai
Date:- 29 April 2021

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place:- Mumbai
Date:- 29 April 2021