HDFC CREDILA FINANCIAL SERVICES LIMITED

(A subsidiary of Housing Development Finance Corporation Ltd)
CIN: U67190MH2006PLC159411
PAN: AACCC8789P
RBI Registration Number: N-13.01857
Date of Incorporation: February 1, 2006
Place of Incorporation: Mumbai
Registered Office & Corporate Office: B 301, Citi Point, Next to Kohinoor Continental,
Andheri - Kurla Road, Andheri (East), Mumbai 400 059
Telephone No: +91-22-2826 6636; Fax: +91-22-2471 2447
Website: www.hdfccredila.com
Email: investor@hdfccredila.com

Our Company was originally incorporated as 'Credila Financial Services Private Limited on February 01, 2006 at Mumbai, Maharashtra, India as a private limited company under the Companies Act, 1956, and was granted a certificate of incorporation by Registrar of Companies, Mumbai ("RoC"). On February 01, 2006, the RBI granted a certificate of registration bearing registration no. N-13.01857 to our Company, for the registration of our Company as a non-deposit accepting non-banking financial company under Section 45IA of the Reserve Bank of India Act, 1934. Subsequently, the name of our Company was changed to 'HDFC Credila Financial Services Private Limited' and a fresh certificate of incorporation, dated February 19, 2017 was issued by the RoC, post which the RBI granted a certificate of registration dated March 09, 2017 reflecting the change of name. The name of our Company was further changed to HDFC Credila Financial Services Limited upon conversion to a public limited company and a fresh certificate of incorporation was issued by the RoC on October 08, 2020.

Company Secretary & Compliance Officer	Akanksha Kandoi; Tel: +91-22- 2825 6636 Email: akanksha@hdfccredila.com
Chief Financial Officer	Manjeet Bijlani; +91-22-5045 3000; Email: manjeetb@hdfccredila.com
Our Promotors	Housing Development Finance Corporation Ltd Contact Person: Ajay Agarwal: 91+ 22 66316293 Email: ajaya@hdfc.com

Issue of 200 Unsecured, Rated, Listed, Non-Convertible Perpetual Debt Instruments of face value of Rs. 1,00,00,000/- (Rupees One Crore only) each, aggregating up to Rs. 200,00,00,000/- (Rupees Two Hundred Crore only) (the "PDIs") on a private placement basis (the "Issue")

Information Memorandum for issue of PDIs on a private placement basis on January 31, 2023
This Private Placement Offer Letter is issued in conformity with Companies Act, 2013 in conformity with Securities and Exchange Board of India (Issue and Listing of Nan-Convertible Securities) Regulations, 2021, the Operational Circular for issue and listing of Non-convertible Securities dated August 10, 2021 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from Lime to time, as amended, Form PAS-4 prescribed under Section 42 and Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014,as amended, the Companies (Share Capital and Debenture) Rules, 2014, as amended, Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended. The Issue shall be open for bidding and subscribed to in accordance with the guidelines issued by SEBI and BSE pertaining to the procedure of Electronic Book Mechanism set out in the terms specified by the Operational Circular, and the related operational guidelines issued by the concerned Electronic Book Provider, as may be amended, clarified or updated from time to time (collectively, "Electronic Book Mechanism Guidelines"). The Issuer intends to use the BSE's electronic debt bidding platformfor this Issue. The Information Memorandum will be uploaded on the BSE's platform as per the Electronic Book Mechanism Guidelines.

The details of coupon and redemption of the PDIs as per the term sheet.

Credit Rating

The proposed issue of PDIs have been rated by CRISIL Ratings Limited (**"CRISIL"**) and CARE Ratings Limited ("**CARE**"). However, the ratings are not recommendations to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal at any time by the concerned rating agency and should be evaluated independently of any other ratings.

CRISIL has vide its letters dated January 20, 2023assigned a rating of "**CRISIL AAA/Stable**" in respect of the Debentures. Date of Rating Rational: January 20, 2023. Please refer to Annexure II of this Information Memorandum for the letter from CRISIL assigning the credit rating above mentioned.

CARE has vide its letters dated January 09, 2023assigned a rating of "**CARE AAA/Stable**" in respect of the Debentures. Date of Rating Rational: January 10, 2023. Please refer to Annexure II of this Information Memorandum for the letter from CARE assigning the credit rating above mentioned.

Issue Schedule

Bidding / Issue Opens on: January 30, 2023 at 10:00 AM
Bidding / Issue Closing on: January 30, 2023 at 11:00 AM
Pay-in Date to the Exchange: January 31, 2023
Pay-out Date to the Issuer: January 31, 2023
Deemed Date of Allotment: January 31, 2023

The Issuer reserves the right to change the Issue Schedule including the Deemed Date of Allotment at its sole discretion, without giving any reasons or prior notice. The Issue shall be open for subscription during the banking hours on each day during the period covered by the Issue Schedule.

Listing

The PDIs are proposed to be listed on the wholesale debt market of the BSE Limited ("**BSE**").

CREDIT RATING AGENCIES	DEBENTURE TRUSTEE	REGISTRAR TO THE ISSUE	ARRANGER TO THE ISSUE
CRISIL Ratings Limited Address: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai- 400 076 Contact Person: Ms. Subhasri Narayanan Tel. No.: +91 22 3342 3000 Fax No.: +91 22 3342 3001 Email: crisilratingdesk@crisil.com Website: www.crisil.com **CARE Ratings Limited** Address: 4th Floor, Godrej Coliseums, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai – 400 022 Contact Person: Ms. Janet Thomas Tel. No.: +91 22 6754 3456 Fax No.: +91 22 6754 3457 Email: care@careratings.com Website: www.careratings.com	**IDBI Trusteeship Services Limited.** Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate Mumbai – 400 001 Tel. No : +91 22 40807000Fax No : +91 22 22882312 Contact Person: Compliance Officer E-Mail : / itsl@idbitrustee.com Website : www.idbitrustee.com	**Adroit Corporate Services Private Limited.** 18/19/20 Jafferbhoy Industrial Estate, Makwana Road, Marol Naka Andheri (East), Mumbai – 400 059 Tel. No : +91 22 28590942 Fax No : +91 22 2850 3748 Contact Person: Sadashiv S Shetty E-Mail : sshetty@adroitcorporate.com Website : www.adroit.com	**Edelweiss Financial Services Ltd** Address: Edelweiss House, Off CST Road, Kalina, Mumbai – 400098 Tel. No.: 022 – 6623 3405 Contact Person: Prakash Sharma E-Mail: 2rakash.sharma@edelweissfin.com Website: www.edelweissfin.com **Derivium Tradition Securities (India) Private Limited** Address: Eucharistic Congress Building No. III, 10th Floor, 5th Convent Road, Colaba, Mumbai - 400 039. Tel. No.: 022-6606 4651 Contact Person: KUNAL SHAH E-Mail: kshah@deriviumcap.com Website: http://www.deriviumcap.com **Genev Capital Private Limited** Eucharistic Congress Building No. III, 9th Floor, 5th Convent Road, Colaba, Mumbai - 400 039. India Tel No: 022-6270 4652 Contact Person: Rita Thakur Email ID: rita@genevcap.com Website: http://www.deriviumcap.com

ISSUER'S ABSOLUTE RESPONSIBILITY
The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this placement memorandum contains all information with regard to the issuer and the issue which is material in the context of the issue, that the information contained in the placement memorandum is true and correct in all material aspects and is not misleading, that the opinions and intentions expressed herein are honestly stated and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading.

We confirm that that the Issuer or any of its promoters or directors has not been declared as a Wilful Defaulter under the applicable laws

ELIGIBLE INVESTORS

The Disclosure Documents and the content thereof are restricted for only the intended recipient(s) who have been addressed directly through a communication by the Issuer and only such recipients are eligible to apply for the PDIs. Subject to applicable law, the categories of investors eligible to subscribe to the PDIs in this issue, when addressed directly, are all QIBs,

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Note: Participation by potential investors in the Issue may be subject to statutory and/or regulatory requirements applicable to them in connection with subscription to Indian securities by such categories of persons or entities. Applicants are advised to ensure that they comply with all regulatory requirements applicable to them, including exchange controls and other requirements. Applicants ought to seek independent legal and regulatory advice in relation to the laws applicable to them. Please also refer to the Section 9 of the Information Memorandum.

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SECTION 1: DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Disclosure Document/Information Memorandum.

ALCO	Asset Liability Management Committee of the Company
Allot/Allotment/Allotted	Unless the context otherwise requires or implies, the allotment of the PDIs pursuant to this Issue.
ALM	Asset Liability Management
Application Form	The form used by the recipient of this Information Memorandum and/or the Private Placement Offer Letter, to apply for subscription to the PDIs, which is in the form annexed to this Information Memorandum and marked as Annexure V.
Arranger / Sole Arranger	Edelweiss Financial Services Limited, Derivium Tradition Securities (India) Private Limited and Genev Capital Private Limited
Board/Board of Directors	The Board of Directors of the Issuer and includes any Committee thereof
Business Day	Shall mean a day (other than a public holiday or a Sunday) on which banks are normally open for business in Mumbai.
Capital to Risk-weighted Assets Ratio	The minimum capital adequacy ratio prescribed by Reserve Bank of India for any NBFC-ND-SI, from time to time.
CDSL	Central Depository Services (India) Limited
Deemed Date of Allotment	January 31, 2023
Debenture Trustee	IDBI Trusteeship Services Limited
Debenture Trustee Agreement	Agreement to be executed by and between the Debenture Trustee and the Company for the purposes of appointment of the Debenture Trustee to act as debenture trustee in connection with the issuance of the PDIs.
Demat	Refers to dematerialized securities which are securities that are in electronic form, and not in physical form, with the entries noted by the Depository.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time, in this case being NSDL and /or CDSL.
Depository Participant / DP	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) of the Issuer.
Disclosure Document / Information Memorandum	This document which sets out the information regarding the PDIs being issued on a private placement basis.
DP ID	Depository Participant Identification Number.
Due Date	Any date on which the holders of the PDIs are entitled to any payments, either upon exercise of the Call Option or otherwise in respect of any coupon.
EFT	Electronic Fund Transfer
Financial Year/ FY	Twelve months period commencing from April 1 of a particular calendar year and ending on March 31 of the subsequent calendar year.
GAAP	Generally Accepted Accounting Principles
Issue	Private Placement of the PDIs.
Issue Opening Date	January 30, 2023
Issue Closing Date	January 30, 2023
Issuer/ Company	HDFC Credila Financial Services Limited

Majority Debenture Holders	Debenture Holders whose participation or share in the principal amount(s) outstanding with respect to the PDIs aggregate to more than 75% (Seventy Five per cent) of the value of the nominal amount of the PDIs for the time being outstanding.
Material Adverse Effect	The effect or consequence of an event, circumstance, occurrence or condition which has caused, as of any date of determination, a material and adverse effect on (i) the financial condition, business or operation of the Issuer; (ii) the ability of the Issuer to perform their obligations under the Transaction Documents; or (iii) the validity or enforceability of any of the Transaction Documents (including the ability of any party to enforce any of its remedies thereunder).
N.A.	Not Applicable
NBFC-ND-SI	Shall mean a 'Systemically Important Non-Deposit taking Non-Banking Financial Company' as notified by the RBI, from time to time.
NPA	Non-Performing Asset
NSDL	National Securities Depository Limited.
PAN	Permanent Account Number.
PDIs	Unsecured, Rated, Listed, Non-Convertible Perpetual Debt Instruments bearing a face value of Rs. 1,00,00,000/- (Rupees One Crore only) each
Debenture Holders / Investors	The holders of the PDIs issued by the Issuer and shall include the registered transferees of the PDIs from time to time
Private Placement Offer Letter	Shall mean the offer letter prepared in compliance with Section 42 of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014.
Promoters	Housing Development Finance Corporation Limited
RBI	Reserve Bank of India
Rating Agency	CRISIL Ratings Limited (**"CRISIL"**) and CARE Ratings Limited ("**CARE**") Collectively, and Individually as a Rating Agency.
Record Date	The date which will be used for determining the Debenture holders who shall be entitled to receive the amounts due on any Due Date, which shall be the date falling 15 (Fifteen) calendar days prior to any Due Date.
R&T Agent / Registrar	Registrar and Transfer Agent to the Issue, in this case being Adroit Corporate Services Private Limited
ROC	Registrar of Companies
Rs. / INR / Rupees/	The lawful currency of the Republic of India
RTGS	Real Time Gross Settlement
Stage 3 assets	Loans considered as credit impaired as per the Indian Accounting Standard
SEBI	Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992 (as amended from time to time).
SEBI NCS Regulations	The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 issued by SEBI, as amended from time to time.
Subordinated Debt	Subordinated debt means an instrument, which is fully paid up, is unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or without the consent of the supervisory authority of the non-banking financial company.
TDS	Tax Deducted at Source

The Companies Act/ the Act	Companies Act, 2013, to the extent notified
Terms & Conditions	Shall mean the terms and conditions pertaining to the Issue as outlined in the Transaction Documents
Transaction Documents	Shall mean the documents executed or to be executed in relation to the issuance of the PDIs as more particularly set out in Annexure 1.
WDM	Wholesale Debt Market.
ICCL	Indian Clearing Corporation Limited

SECTION 2: NOTICE TO INVESTORS AND DISCLAIMERS

2.1 ISSUER'S DISCLAIMER

This Information Memorandum is neither a prospectus nor a statement in lieu of a prospectus and should not be construed to be a prospectus or a statement in lieu of a prospectus under the Companies Act. The issue of the PDIs to be listed on the WDM segment of the BSE is being made strictly on a private placement basis. Multiple copies hereof given to the same entity shall be deemed to be given to the same person and shall be treated as such. This Information Memorandum does not constitute and shall not be deemed to constitute an offer or invitation to subscribe to the PDIs to the public in general. The Issuer has mandated Edelweiss Financial Services Ltd, Derivium Tradition Securities (India) Private Limited and Genev Capital Private Limited to act as arranger for the PDIs and to distribute either itself and/or through its affiliates this Information Memorandum to identified potential investors.

As per the applicable provisions, it is not necessary for a copy of this Information Memorandum/ Disclosure Document to be filed or submitted to the SEBI for its review and/or approval.

This Information Memorandum has been prepared in conformity with the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 as amended from time to time and applicable RBI Guidelines and Circulars including those governing private placements by NBFCs. This Information Memorandum has been prepared solely to provide general information about the Issuer to the Eligible Investors (as defined in 10.14) to whom it is addressed and who are willing and eligible to subscribe to the PDIs. This Information Memorandum does not purport to contain all the information that any Eligible Investor may require. Further, this Information Memorandum has been prepared for informational purposes relating to this transaction only and upon the express understanding that it will be used only for the purposes set forth herein.

Neither this Information Memorandum nor any other information supplied in connection with the PDIs is intended to provide the basis of any credit or other evaluation and any recipient of this Information Memorandum should not consider such receipt as a recommendation to subscribe to any PDIs. Each Investor contemplating subscription to any PDIs should make its own independent investigation of the financial condition and affairs of the Issuer, and its own appraisal of the creditworthiness of the Issuer. Potential investors should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations arising from an investment in the PDIs and should possess the appropriate resources to analyse such investment and the suitability of such investment to such Investor's particular circumstances.

The Issuer confirms that, as of the date hereof, this Information Memorandum (including the documents incorporated by reference herein, if any) contains all the information that is material in the context of the Issue and regulatory requirements in relation to the Issue and is accurate in all such material respects. No person has been authorized to give any information or to make any representation not contained or incorporated by reference in this Information Memorandum or in any material made available by the Issuer to any potential Investor pursuant hereto and, if given or made, such information or representation must not be relied upon as having being authorized by the Issuer. The Issuer certifies that the disclosures made in this Information Memorandum and/or the Private Placement Offer Letter are adequate and in conformity with the SEBI NCS Regulations and the Companies (Prospectus and Allotment of Securities) Rules, 2014. Further, the Issuer accepts no responsibility for statements made otherwise than in the Information Memorandum and/or the Private Placement Offer Letter or any other material issued by or at the instance of the Issuer and anyone placing reliance on any source of information other than this Information Memorandum and/or the Private Placement Offer Letter would be doing so at its own risk.

This Information Memorandum, the Private Placement Offer Letter and the respective contents hereof are restricted only for the intended recipient(s) who have been addressed directly and specifically through a communication by the Issuer and only such recipients are eligible to apply for the PDIs. All

Investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this Issue. The contents of this Information Memorandum and/or the Private Placement Offer Letter are intended to be used only by those Investors to whom it is distributed. It is not intended for distribution to any other person and should not be reproduced by the recipient.

No invitation is being made to any persons other than those to whom Application Forms along with this Information Memorandum and/or the Private Placement Offer Letter being issued have been sent. Any application by a person to whom the Information Memorandum and/or the Private Placement Offer Letter has not been sent by the Issuer shall be rejected without assigning any reason.

The person who is in receipt of this Information Memorandum and/or the Private Placement Offer Letter shall not reproduce or distribute in whole or part or make any announcement in public or to a third party regarding the contents hereof without the consent of the Issuer. The recipient agrees to keep confidential all information provided (or made available hereafter), including, without limitation, the existence and terms of the Issue, any specific pricing information related to the Issue or the amount or terms of any fees payable to us or other parties in connection with the Issue. This Information Memorandum and/or the Private Placement Offer Letter may not be photocopied, reproduced, or distributed to others at any time without the prior written consent of the Issuer. Upon request, the recipients will promptly return all material received from the Issuer (including this Information Memorandum) without retaining any copies hereof. If any recipient of this Information Memorandum and/or the Private Placement Offer Letter decides not to participate in the Issue, that recipient must promptly return this Information Memorandum and/or the Private Placement Offer Letter and all reproductions whether in whole or in part and any other information, statement, notice, opinion, memorandum, expression or forecast made or supplied at any time in relation thereto or received in connection with the Issue to the Issuer.

The Issuer does not undertake to update the Information Memorandum and/or the Private Placement Offer Letter to reflect subsequent events after the date of Information Memorandum and/or the Private Placement Offer Letter and thus it should not be relied upon with respect to such subsequent events without first confirming its accuracy with the Issuer.

Neither the delivery of this Information Memorandum, and/or the Private Placement Offer Letter nor any sale of PDIs made hereafter shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This Information Memorandum and/or the Private Placement Offer Letter does not constitute, nor may it be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. No action is being taken to permit an offering of the PDIs or the distribution of this Information Memorandum and/or the Private Placement Offer Letter in any jurisdiction where such action is required. Persons into whose possession this Information Memorandum and/or the Private Placement Offer Letter come are required to inform themselves about and to observe any such restrictions. The Information Memorandum and/or the Private Placement Offer Letter is made available to potential Investors in the Issue on the strict understanding that it is confidential.

Investors are advised to read the risk factors carefully before taking an investment decision in this issue. For taking an investment decision, investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by the any regulatory authority in India, including the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the statement of ‘Risk factors’ given on page number 13 under the section ‘General Risks’."

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the issuer and the issue, that the information contained in the offer document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other

facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

The issuer has no side letter with any debt securities holder except the one(s) disclosed in the offer document/placement memorandum. Any covenants later added shall be disclosed on the stock exchange website where the debt is listed.

2.2 DISCLAIMER CLAUSE OF STOCK EXCHANGES

As required, a copy of this Information Memorandum has been filed with the BSE in terms of the SEBI NCS Regulations. It is to be distinctly understood that submission of this Information Memorandum to the BSE should not in any way be deemed or construed to mean that this Information Memorandum has been reviewed, cleared, or approved by the BSE; nor does the BSE in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum, nor does the BSE warrant that the Issuer's PDIs will be listed or will continue to be listed on the BSE; nor does the BSE take any responsibility for the soundness of the financial and other conditions of the Issuer, its promoters, its management or any scheme or project of the Issuer. Every person who desires to apply for or otherwise acquire any securities of the Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

2.3 DISCLAIMER CLAUSE OF THE ARRANGER

The Issuer hereby declares that it has exercised due-diligence to ensure complete compliance with prescribed disclosure norms in this Information Memorandum and/or the Private Placement Offer Letter. The only role of the Sole Arranger with respect to the PDIs is confined to arranging placement of the PDIs on the basis of this Information Memorandum as prepared by the Issuer. Without limiting the foregoing, the Sole Arranger is not acting, and has not been engaged to act, as an underwriter, merchant banker or other intermediary with respect to the PDIs. The Issuer is solely responsible for the truth, accuracy and completeness of all the information provided in this Information Memorandum and/or the Private Placement Offer Letter. Neither is the Sole Arranger responsible for preparing, clearing, approving, scrutinizing or vetting this Information Memorandum and/or the Private Placement Offer Letter, nor is the Sole Arranger responsible for doing any due-diligence for verification of the truth, correctness or completeness of the contents of this Information Memorandum and/or the Private Placement Offer Letter. The Sole Arranger shall be entitled to rely on the truth, correctness and completeness of this Information Memorandum and/or the Private Placement Offer Letter. It is to be distinctly understood that the aforesaid use of this Information Memorandum and/or the Private Placement Offer Letter by the Sole Arranger should not in any way be deemed or construed to mean that the Information Memorandum and/or the Private Placement Offer Letter has been prepared, cleared, approved, scrutinized or vetted by the Sole Arranger. Nor should the contents of this Information Memorandum and/or the Private Placement Offer Letter in any manner be deemed to have been warranted, certified or endorsed by the Sole Arranger as to the truth, correctness or completeness thereof. Each recipient must satisfy itself as to the accuracy, reliability, adequacy, reasonableness or completeness of the Information Memorandum and/or the Private Placement Offer Letter.

The Sole Arranger has not conducted any due diligence review on behalf or for the benefit of the Debenture Trustee or any of the Debenture Holders. Each of the Debenture Holders should conduct such due diligence on the Issuer and the PDIs as it deems appropriate and make its own independent assessment thereof.

Distribution of this Information Memorandum and/or the Private Placement Offer Letter does not constitute a representation or warranty, express or implied by the Sole Arranger that the information and opinions herein will be updated at any time after the date of this Information Memorandum and/or the Private Placement Offer Letter. The Sole Arranger does not undertake to notify any recipient of any information coming to the attention of the Sole Arranger after the date of this Information Memorandum and/or the Private Placement Offer Letter. No responsibility or liability or duty of care is or will be accepted by the Sole Arranger for updating or supplementing this Information Memorandum and/or the Private Placement Offer Letter nor for providing access to any additional information as further information becomes available.

Neither the Sole Arranger nor any of their respective directors, employees, officers or agents shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from this Information Memorandum or in any other information or communications made in connection with the PDIs.

The Sole Arranger is acting for the Company in relation to the Issue of the PDIs and not on behalf of the recipients of this Information Memorandum and/or the Private Placement Offer Letter. The receipt of this Information Memorandum and/or the Private Placement Offer Letter by any recipient is not to be constituted as the giving of investment advice by the Sole Arranger to that recipient, nor to constitute such a recipient a customer of the Sole Arranger. The Sole Arranger is not responsible to any other person for providing the protection afforded to the customers of the Sole Arranger or for providing advice in relation to the PDIs.

Each recipient of this Information Memorandum and/or the Private Placement Offer Letter acknowledges that:

(a) each recipient has been afforded an opportunity to request and to review and has received all additional information considered by the recipient to be necessary to verify the accuracy of or to supplement the information contained herein; and

(b) such recipient has not relied on the Sole Arranger in connection with its investigation of the accuracy of such information or its investment decision.

2.4 DISCLAIMER OF THE RESERVE BANK OF INDIA

The Securities have not been recommended by the Reserve Bank of India nor does RBI guarantee the accuracy or adequacy of this document. It is to be distinctly understood that this document should not, in any way, be deemed or construed that the securities have been recommended for investment by the RBI. RBI does not take any responsibility either for the financial soundness of the Issuer Company or the securities being issued by the Issuer Company or for the correctness of the statements made or opinions expressed in this document. Potential investors may make investment decision in the securities offered in terms of this Disclosure Document/Information Memorandum solely on the basis of their own analysis and RBI does not accept any responsibility about servicing/ repayment of such investment.

2.5 DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is made in India to Investors as specified under the clause titled “Eligible Investors” of this Information Memorandum, who shall be/have been identified upfront by the Issuer. This Information Memorandum and/or the Private Placement Offer Letter does not constitute an offer to sell or an invitation to subscribe to PDIs offered hereby to any person to whom it is not specifically addressed. Any disputes arising out of this Issue will be subject to the exclusive jurisdiction of the courts and tribunals at Mumbai. This Information Memorandum and/or the Private Placement Offer Letter does

not constitute an offer to sell or an invitation to subscribe to the PDIs herein, in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction.

2.6 DISCLAIMER CLAUSE OF RATING AGENCIES

Ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. The Rating Agencies has based its ratings on information obtained from sources believed by it to be accurate and reliable. The Rating Agencies do not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by the Rating Agencies have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

2.7 DISCLAIMER CLAUSE OF DEBENTURE TRUSTEE

The Debenture Trustee, "Ipso Facto" does not have the obligation of a borrower or a principal debtor or a guarantor as to the monies paid/invested by the investors for the PDIs.

2.8 FORCE MAJEURE

The Company reserves the right to withdraw the Issue at any time prior to the Issue Closing Date in the event of any unforeseen development adversely affecting the economic and/or regulatory environment of otherwise. In such an event, the Company will refund the application money, if any, collected without assigning any reason.

2.9 ISSUE OF PDIS IN DEMATERIALISED FORM

The PDIs will be issued in dematerialised form. The Issuer has made arrangements with the Depositories for the issue of the PDIs in dematerialised form. Investors will have to hold the PDIs in dematerialised form as per the provisions of Depositories Act. The Issuer shall take necessary steps to credit the PDIs allotted to the beneficiary account maintained by the Investor with its depositary participant. The Issuer will make the Allotment to Investors on the Deemed Date of Allotment after verification of the Application Form, the accompanying documents and on realisation of the application money.

SECTION 3: AUTHORISATION LETTER

Date: January 25, 2023

To,

Edelweiss Financial Services Ltd	**Derivium Tradition Securities (India) Pvt. Ltd.**	**Genev Capital Pvt. Ltd.**
Address: Edelweiss House, Off CST Road, Kalina, Mumbai – 400098 Contact Person: Prakash Sharma	Address: Eucharistic Congress Building No. III, 10th Floor, 5th Convent Road, Colaba, Mumbai - 400 039. Contact Person: Kunal Shah	

Dear Sirs,

Re: Issue of Unsecured, Rated, Listed, Non-Convertible Perpetual Debt Instruments on a Private Placement basis ("PDIs")

HDFC Credila Financial Services Limited ((the "**Company**" or the "**Issuer**"), refers to the Information Memorandum dated January 25, 2023 (the "**Information Memorandum**") in connection with the PDIs proposed to be issued by the Issuer.

The Issuer confirms that, as at the date of this letter, the factual information contained in the Information Memorandum is true and accurate and no factual information has been omitted that renders such information contained in the Information Memorandum untrue or inaccurate in any material respect and any financial forecasts and projections contained in any part of the Information Memorandum have been prepared on the basis of recent historical information and assumptions believed by the Issuer to be fair and reasonable. All expressions of opinion, statements and estimates set forth and reflected in the Information Memorandum have been made by the Issuer after due and proper consideration. In addition, the Issuer is not aware of any information not contained in the Information Memorandum, the omission of which would lead to the Information Memorandum being inaccurate, untrue or misleading in any material respect. The Issuer further confirms that it is in compliance and shall comply with all applicable laws and regulations in relation to the proposed issue of the PDIs.

The Issuer authorises the Arranger and/or its affiliates to deliver copies of the Information Memorandum to those specified persons identified by the Company together with the Arranger from whom the Arranger proposes to seek participation in the PDIs. The Issuer agrees to indemnify and hold the Arranger, its affiliates and each of its and their officers, employees, representatives, and agents harmless from and against any and all losses, liabilities, damages, claims, costs or expenses which may be imposed on or incurred by the Arranger or its affiliates, officers, employees, representatives, and agents as a result of any inaccurate, untrue or misleading statement contained in the Information Memorandum or caused by an omission of any material fact which is necessary to make any of the statements contained in the Information Memorandum not misleading.

This letter and all claims arising in connection with it are governed by, and are to be construed in accordance with, Indian law. The Issuer submits to the exclusive jurisdiction of the courts and tribunals at Mumbai for the resolution of any dispute arising in connection with this letter.

Yours faithfully,

For HDFC Credila Financial Services Limited

Arijit Sanyal
Managing Director & CEO

SECTION 4: RISK FACTORS

The following are the risks relating to the Company, the PDIs and the market in general envisaged by the management of the Company. Potential investors should carefully consider all the risk factors in this Information Memorandum and/or the Private Placement Offer Letter for evaluating the Company and its business and the Debentures before making any investment decision relating to the Debentures. The Company believes that the factors described below represent the principal risks inherent in investing in the PDIs but does not represent that the statements below regarding risks of holding the PDIs are exhaustive. Investors should also read the detailed information set out elsewhere in this Information Memorandum and/or the Private Placement Offer Letter and reach their own views prior to making any investment decision.

If any one of the following stated risks actually occurs, the Company's business, financial conditions and results of operations could suffer and, therefore, the value of the Company's PDIs could decline and/or the Company's ability to meet its obligations in respect of the PDIs could be affected. More than one risk factor may have simultaneous effect with regard to the PDIs such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect which may not be predictable. No prediction can be made as to the effect that any combination of risk factors may have on the value of the PDIs and/or the Company's ability to meet its obligations in respect of the PDIs.

These risks and uncertainties are not the only issues that the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be immaterial may also have a material adverse effect on its financial condition or business. Unless specified or quantified in the relevant risk factors, the Company is not in a position to quantify the financial or other implications of any risk mentioned herein below.

INTERNAL RISKS

4.1 CREDIT RISK: THE BUSINESS OF LENDING CARRIES THE RISK OF DEFAULT BY BORROWERS.

Any lending business is exposed to the risk of default by its borrowers thereby resulting in non-performing assets (NPAs). Lending for education is the core business of the Company. Since inception there has been a strong emphasis on developing systematic credit appraisal techniques. The Company has a core team, which carefully monitors loan recoveries and ensures that the NPAs are kept to a minimal.

4.2 MARKET RISK: THIS RISK ARISES AS A RESULT OF INTEREST RATE VOLATILITY

Interest rate risk is inherent to the business of any financial institution. The Company endeavours to minimise this risk by predominantly linking interest rates on loans to a base which varies in accordance with movements in market rates. Interest rate, liquidity and foreign exchange risks are monitored and managed through active Asset Liability Management (ALM).

4.3 ALM: THE RISKS THAT ARISE OUT OF MISMATCH OF ASSETS AND LIABILITIES

The Company broadly follows RBI's Guidelines on Liquidity Risk Management Framework. To further monitor market risk management systems, the Board of Directors of the Company has approved an

ALM Policy, which inter alia defines the Company's risk philosophy, specifies prudent gaps and tolerance limits and reporting systems. The ALCO apprises the Board periodically on ALM issues.

4.4 OPERATIONAL RISK: THE RISKS THAT ARISE OUT OF SYSTEMIC ISSUES WITHIN AN ORGANISATION

Operational risks are very broad based and intrinsic to any business which may vary from a change in the key management personnel, information technology risks relating to the loan processing system, fraud risks, etc., and which may affect the performance of the Issuer in a number of ways which could result in contingent liabilities, operational hassles, variance in operating costs, etc. The Company has instituted adequate internal control systems commensurate with the nature of its business and size of operations. The Internal Audit function is carried out by independent audit firm. All significant internal audit observations are reported to the Audit Committee of the Company.

4.5 ANY INABILITY OF THE COMPANY TO ATTRACT OR RETAIN TALENTED PROFESSIONALS MAY IMPACT ITS BUSINESS OPERATIONS

The ability to attract and retain quality talent impacts the successful implementation of growth plans of the Company. The Company may lose many business opportunities and business would suffer if such required manpower is not available on time. The inability of the Company to replace manpower in a satisfactory and timely manner may adversely affect its business and future financial performance.

4.6 EMPLOYEE MISCONDUCT

Any kind of employee misconduct may impair the Company's ability to serve clients. It is not always possible to deter employee misconduct and precautions the Company takes to detect and prevent this activity may not be effective in all cases.

4.7 DISCLOSURES WHICH HAVE BEEN MADE AS PER LIMITED REVIEW MUST BE READ WITH THE FOLLOWING DISCLAIMER

A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. In such a case, the auditors have not performed an audit and accordingly, the auditors do not express an audit opinion.

4.8 IN CASE OF OUTSTANDING DEBT INSTRUMENTS OR DEPOSITS OR BORROWINGS, ANY DEFAULT IN COMPLIANCE WITH THE MATERIAL COVENANTS SUCH AS CREATION OF SECURITY AS PER TERMS AGREED, DEFAULT IN PAYMENT OF INTEREST, DEFAULT IN REDEMPTION OR REPAYMENT, NON-CREATION OF DEBENTURE REDEMPTION RESERVE, DEFAULT IN PAYMENT OF PENAL INTEREST WHEREVER APPLICABLE

As of date, the Issuer has not defaulted in compliance with any material covenants agreed to by the Issuer with its lenders.

The Company's financing arrangements require it to maintain certain security cover for some of its borrowings. Should there be a breach of any financial or other covenants contained in any of the Company's financing arrangements, the Company may be required to immediately repay its borrowings either in whole or in part, together with any related costs. Under the terms of some of the financing arrangements, the Company may be required to obtain the prior written consent of the concerned lender prior to the Company entering into any scheme of expansion, merger, amalgamation, compromise or reconstruction or selling, leasing, transferring all or substantial portion of its fixed and other assets; making any change in ownership or control or constitution of the Company, or in the shareholding or

management or majority of directors, or in the nature of the business of the Company. This may restrict/delay some of the actions/initiatives that the Company may like to take from time to time.

EXTERNAL RISKS

4.9 REGULATORY CHANGES

The Issuer is subject to changes in Indian laws including the Income Tax laws, as well as to changes in government regulations and policies and accounting principles. Any changes in the regulatory framework could adversely affect the profitability of the Issuer or its future financial performance, by requiring a restructuring of its activities, increasing costs or otherwise.

Similarly, the Issue is also subject to changes in the economic conditions of foreign countries, policies of the foreign governments with respect to Education, visa norms, etc. which would directly impact their borrower's ability to secure a job and thereby repay their dues.

4.10 POLITICAL AND ECONOMIC RISK IN INDIA

Though the Issuer operates only within India and accordingly, all of its revenues are derived from the domestic market, however, there is a considerable impact of global economic factors on the Indian economy in a number of ways. As a result, it is highly dependent on prevailing economic conditions both in India and abroad and its results of operations are significantly affected by various factors both Indian and global influencing the Indian economy. An uncertain economic situation, in India and globally, could result in a further slowdown in economic growth, investment and consumption. A slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults. Any slowdown in the growth or negative growth of sectors or in economies where the Issuer has a relatively higher exposure could adversely impact its performance in that sector or economy. Any such slowdown could adversely affect its business, prospects, results of operations and financial condition.

Further, even the movement in foreign exchange rates goes on to impact the performance of the Issuer in a number of ways e.g. in case of an adverse movement in foreign exchange where there is a depreciation in the Indian Rupee vis-a-vis the foreign currency, the Issuer observes a surge in disbursements and also in pre-payments or repayments and vice-versa.

4.11 THE SECONDARY MARKET FOR THE PDIs MAY BE ILLIQUID

The PDIs may be very illiquid and no secondary market may develop in respect thereof. Even if there is a secondary market for the PDIs, the same may not provide significant liquidity. Potential investors may have to hold the PDIs for an indeterminate period to realize any value.

4.12 LIMITED OR SPORADIC TRADING OF NON-CONVERTIBLE SECURITIES OF THE ISSUER ON THE STOCK EXCHANGES

The PDIs have no established trading market. The Company cannot assure Debenture Holders that a trading market for their PDIs will ever develop or be maintained. It is not possible to predict if and to what extent a secondary market may develop, or at what price the PDIs will be sold or purchased in the secondary market or whether such market will be liquid or illiquid.

4.13 RISK OF COMPETITION AND MARKET FACTORS

This risk may arise from existing players or new entrants in the business of education finance. The management of the Company believes that the Company, with Housing Development Finance Corporation Limited (HDFC Ltd.'s) support as its parent company can leverage on its experience as a pioneer of retail education finance in India and quality customer service so as to sustain its position in the market. HDFC Ltd.'s parentage and continued support has been instrumental in the Issuer's robust performance and book size till date.

4.14 TAX CONSIDERATIONS AND LEGAL CONSIDERATIONS

Special tax considerations and legal considerations may apply to certain types of investors, especially with respect to investment in the PDIs. Potential investors are urged to consult with their own financial, legal, tax and other advisors to determine any financial, legal, tax and other implications of this investment.

4.15 ACCOUNTING CONSIDERATIONS

Special accounting considerations may apply to certain types of taxpayers. Potential investors are urged to consult with their own accounting advisors to determine implications of this investment.

4.16 GENERAL RISKS

Investors are advised to read the risk factors carefully before taking an investment decision in this issue. For taking an investment decision, investors must rely on their own examination of the issue and the Disclosure Document/Information Memorandum and/or the Private Placement Offer Letter, including the risks involved. The issue has not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this Disclosure Document/Information Memorandum and/or the Private Placement Offer Letter.

RISKS RELATING TO THE PDIs

4.17 CREDIT RISK & RATING DOWNGRADE RISK

The Rating Agencies have assigned the credit ratings to the PDIs. In the event of deterioration in the financial health of the Issuer, there is a possibility that the Rating Agencies may downgrade the rating of the PDIs. In such cases, potential investors may incur losses on revaluation of their investment or make provisions towards sub-standard/ non-performing investment as per their usual norms.

4.18 PDIs ARE UNSECURED

As the PDIs being issued by the Issuer are unsecured, in the event that the Issuer is unable to meet its payment and other obligations towards potential investors under the terms of the PDIs, the Trustee does not have any security which can be enforced to redeem the PDIs and the PDI Holders shall be treated as unsecured creditors of the Issuer.

4.19 THE PDIS ARE SUBORDINATED PERPETUAL INSTRUMENTS AND THE INVESTORS HAVE NO RIGHT TO REQUIRE REDEMPTION

The PDIs are perpetual in tenor and have no maturity date. The Company is under no obligation to redeem the PDIs at any time and the PDIs can only be disposed of by sale. PDI Holders who wish to

sell their PDIs may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the PDIs.

4.20 THE PDIS MAY BE REDEEMED ONLY AT THE OPTION OF THE ISSUER ON THE CALL OPTION DATE

The terms and conditions provide that the PINs are redeemable at the Company's option only on the Call Option Date and on the occurrence of an Event of Default, subject to approval from the RBI. The date that the Company elects to redeem the PDIs may not accord with the preference of individual holders, which may be disadvantageous to holders in light of market conditions or the individual circumstances of the holder of the PDIs. Additionally, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the PDIs.

4.21 CHANGES IN GENERAL INTEREST RATES IN THE ECONOMY MAY AFFECT THE PRICE OF THE PDIS.

All securities where a fixed rate of interest is offered, such as the PDIs, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the price of the PDIs.

4.22 WE ARE NOT REQUIRED TO MAINTAIN ANY DEBENTURE REDEMPTION RESERVE (DRR) FOR THE PDIs ISSUED UNDER THIS DISCLOSURE DOCUMENT/INFORMATION MEMORANDUM.

As per Section 71 of the Companies Act 2013, any company that intends to issue PDIs must create a debenture redemption reserve to which adequate amounts shall be credited out of the profits of the company until the redemption of the PDIs. However, under the Companies (Issuance of Share Capital and PDIs) Rules, 2014, non-banking financial companies are exempt from this requirement in respect of privately placed PDIs. Pursuant to this exemption, the Company is not required to create DRR.

4.23 REFUSAL OF LISTING OF ANY SECURITY OF THE ISSUER DURING LAST THREE YEARS BY ANY OF THE STOCK EXCHANGES IN INDIA OR ABROAD.

As of date, the Issuer has not been refused listing of any of its securities during the last 3 (three) years by any of the stock exchanges in India or abroad.

In accordance with Indian law and practice, permissions for listing and trading of the PDIs issued pursuant to this issue will not be granted until the relevant stock exchange approves the listing, which will be available only after an updated documents is accordingly filed with the relevant authorities at the time of such listing. Approval for listing and trading will required all the relevant documents authorising the issuing of PDIs to be submitted. There could be a failure or delay in listing the PDIs on the stock exchange.

4.24 REGULATORY RESTRICTIONS

The instruments for offer are PDIs in the nature of Unsecured, Rated, Listed, Non-Convertible Perpetual Debt Instruments (PDIs). Redemption of the PDIs will be subject to the “Master Direction - Non-

Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016" issued by the RBI dated September 01, 2016 read together with "Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016" issued by the RBI dated August 25, 2016 as updated from time to time.

As per the aforesaid RBI directions and circulars:
the claims of the investors in PDI shall be

a) Superior to the claims of investors in equity shares; and
b) Subordinated to the claims of all other creditors (but pari passu inter se the holders of the PDIs).

the PDIs could be subject to a lock-in as under:

a) the PDIs shall be subjected to a lock-in clause in terms of which the Company may defer the payment of interest, if

the Company's capital to risk assets ratio (CRAR) is below the minimum regulatory requirement prescribed by RBI; or
the impact of such payment results in the Company's CRAR falling below or remaining below the minimum regulatory requirement prescribed by the RBI;

b) However, the Company may pay interest with the prior approval of RBI when the impact of such payment may result in net loss or increase the net loss, provided the CRAR remains above the regulatory norm.
c) The interest shall not be cumulative except in cases as in (a).

SECTION 5: FINANCIAL INFORMATION

1) A columnar representation of the audited financial statements (i.e. Profit & Loss statement, Balance Sheet and Cash Flow statement) both on a standalone and consolidated basis for a period of three completed years which shall not be more than six months old from the date of the placement memorandum or issue opening date, as applicable.

Standalone Audited Financial Statements

Balance Sheet as at September 30, 2022 (Limited Review), March 31, 2022 (Audited), March 31, 2021 (Audited) & March 31, 2020 (Audited) (Rs. in Lakhs)

Balance Sheet	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
ASSETS				
1. Financial assets				
(a) Cash and cash equivalents	1,295.93	2,730.33	10,741.60	38,139.26
(b) Bank balances other than (a) above	65.88	142.54	276.10	141.32
(c) Derivative financial instruments	9,125.05	3,048.08	1,647.15	4,877.90
(d) Trade receivables	365.28	48.50	29.56	69.36
(e) Loans	1,211,427.86	878,684.22	623,041.77	622,889.93
(f) Investments	18,447.29	18,901.13	20,877.90	31,072.99
(g) Other financial assets	2,680.59	3,122.06	699.50	260.00
Total financial assets	**1,243,407.88**	**906,676.86**	**657,313.58**	**697,450.76**
2. Non-financial assets				
(a) Current tax assets (net)	228.18	279.55	85.22	15.57
(b) Deferred tax assets (net)	2,151.17	1,778.77	1,698.00	1,711.00
Investment properties				-
(c) Property, plant and equipment	1,570.08	1,324.31	837.48	667.62
(d) Other intangible assets	6.57	12.29	25.02	38.14
(e) Capital work in progress	-	-	-	-
(e) Intangible assets under development	503.01	174.47	-	-
(f) Other non-financial assets	541.64	454.72	345.34	230.74
Total non-financial assets	**5,000.65**	**4,024.11**	**2,991.06**	**2,663.07**
Total assets	**1,248,408.53**	**910,700.97**	**660,304.64**	**700,113.83**
LIABILITIES AND EQUITY				
LIABILITIES				
1. Financial liabilities				
(a) Derivative financial instruments	12,643.04	7,157.05	5,593.50	2,073.92
(b) Payables				-
(i)Trade payables				-
- Total outstanding dues of micro enterprises and small enterprises	17.23	64.71	169.04	4.80

Balance Sheet	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
- Total outstanding dues of creditors other than micro enterprises and small enterprises	3,174.94	2,155.27	1,315.13	720.70
(ii) Other Payables				-
(i) total outstanding dues of micro enterprises and small enterprises			-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises			-	-
(c) Debt securities	266,036.77	210,177.80	185,143.87	222,912.41
(d) Borrowings (other than debt securities)	698,035.65	481,537.99	281,373.21	300,603.29
Deposits	-	-	-	-
(e) Subordinated liabilities	105,431.83	59,787.61	60,543.26	62,327.90
(f) Other financial liabilities	13,558.02	12,079.34	10,481.33	11,786.78
Total financial liabilities	**1,098,897.48**	**772,959.77**	**544,619.34**	**600,429.80**
2. Non-financial liabilities				
(a) Current tax liabilities (net)	336.10	-	67.31	14.15
(b) Provisions	546.00	444.83	435.40	362.98
(c) Other non-financial liabilities	1,749.89	1,235.97	752.97	660.62
Total non-financial liabilities	**2,631.99**	**1,680.80**	**1,255.68**	**1,037.75**
Total liabilities	**1,101,529.47**	**774,640.57**	**545,875.02**	**601,467.55**
EQUITY				
(a) Equity share capital	13,179.82	13,179.82	13,179.82	13,179.82
(b) Other equity	133,699.24	122,880.58	101,249.80	85,466.46
Total equity	**146,879.06**	**136,060.40**	**114,429.62**	**98,646.28**
Total liabilities and equity	**1,248,408.53**	**910,700.97**	**660,304.64**	**700,113.83**

Statement of Profit and Loss for the half year / year ended September 30, 2022 (Limited Review), March 31, 2022 (Audited), March 31, 2021 (Audited) & March 31, 2020 (Audited) (Rs. in Lakhs)

Statement of Profit and Loss	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
I. Revenue from operations				
(a) Interest income	53,398.96	80,074.51	69,705.90	70,512.50
(b) Fees and commission income	1,248.96	1,750.24	879.89	1,141.31
(c) Net gain on fair value changes	(2.78)	534.42	760.75	1,004.45
Total revenue from operations	**54,645.14**	**82,359.17**	**71,346.54**	**72,658.26**
II. Other income	0.20	0.54	0.01	0.03
III. Total income (I + II)	**54,645.34**	**82,359.71**	**71,346.55**	**72,658.29**
II. Expenses				
(a) Finance costs	31,368.03	42,798.55	41,869.15	46,226.89
(b) Impairment on financial instruments (Expected credit loss)	300.35	1,604.29	884.55	2,280.52
(c) Employee benefit expense	3,669.16	4,974.46	3,543.51	3,093.80
(d) Depreciation and amortisation	255.29	378.72	316.79	299.69
(e) Other expenses	3,264.79	4,850.82	3,954.81	3,830.87
Total expenses	**38,857.62**	**54,606.84**	**50,568.81**	**55,731.77**
III. Profit before Tax (I - II)	**15,787.72**	**27,752.87**	**20,777.74**	**16,926.52**
Tax expense				
- Current tax	4,400.56	7,602.22	5,414.00	4,568.00
- Deferred Tax	(372.24)	(487.06)	(159.09)	48.39
IV. Total tax expense	**4,028.32**	**7,115.16**	**5,254.91**	**4,616.39**
V. Net profit after tax (III - IV)	**11,759.40**	**20,637.71**	**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	(35.26)	4.49	(7.60)	(41.69)
- Income tax relating to the above item that will not be reclassified to profit or loss	8.88	(1.13)	1.91	10.38
(b) Items that will be reclassified to profit or loss				
- Cash flow hedge reserves	636.96	1,391.32	428.08	(2,209.01)
- Income tax relating to the above item that will be reclassified to profit or loss	(160.31)	(350.25)	(107.00)	556.01
- Fair value of investments	(398.11)	(68.63)	(73.88)	-

Statement of Profit and Loss	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
- Income tax relating to the above item that will be reclassified to profit or loss	100.20	17.27	19.00	-
VI. Other comprehensive income	**152.36**	**993.07**	**260.51**	**(1,684.31)**
VII. Total comprehensive income (V + VI)	**11,911.76**	**21,630.78**	**15,783.34**	**10,625.82**

Cash Flow Statement for half year / year ended September 30, 2022 (Limited Review), March 31, 2022 (Audited), March 31, 2021 (Audited) & March 31, 2020 (Audited) (Rs. in Lakhs)

Cash Flow Statement	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
A. Operating activities				
Profit before tax	15,787.72	27,752.87	20,777.74	16,926.52
Adjustments to reconcile profit before tax to net cash flows :				
Depreciation & amortisation	255.29	378.72	316.79	299.69
Impairment on financial instruments (Expected credit loss)	300.35	1,604.29	884.55	2,280.52
(Profit)/loss on property, plant and equipment sold/discarded	(0.20)	2.72	(0.01)	(0.35)
Interest income	(53,398.96)	(80,074.51)	(69,705.90)	(70,512.50)
Interest expense	31,281.54	42,662.66	41,329.07	46,020.77
Interest on income tax payable				
Provision for employee benefits	12.35	(77.39)	76.31	32.62
Employee share based payments expense	224.89			
Net gain on fair value changes	2.78	(534.42)	(760.75)	(1,004.45)
	(5,534.24)	**(8,285.06)**	**(7,082.20)**	**(5,957.17)**
Cash inflow towards interest received	32,509.77	60,746.27	49,230.75	48,968.66
Cash outflow towards interest paid	(28,260.73)	(42,394.70)	(42,070.10)	(39,964.94)
Cash inflow from derivative financial instruments	-	846.80	58.50	-
Cash generated from operations before working capital changes	**(1,285.20)**	**10,913.31**	**136.95**	**3,046.54**
Working capital changes				
(Increase) / Decrease in financial assets and non financial assets	(402.57)	(165.84)	(75.19)	(179.94)
Increase / (Decrease) in financial and non financial liabilities	1,610.18	1,304.72	901.33	(136.27)
Net cash from operations	**(77.59)**	**12,052.19**	**963.09**	**2,730.33**

Cash Flow Statement	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
Loans disbursed (net)	(312,259.86)	(237,858.82)	19,391.79	(69,645.81)
(Investment)/Redemption in/from cash management Schemes of mutual funds (net)	3,363.11	11,221.20	14,254.26	(30,075.31)
Income tax paid	(4,069.99)	(7,792.35)	(5,360.04)	(4,832.50)
Income tax refund	-	-	16.18	59.13
Net cash flows from/(used in) operating activities	**(313,044.34)**	**(222,377.78)**	**29,265.28**	**(101,764.16)**
B. Investing activities				
Investments (net)	(2,794.15)	(8,711.16)	(3,143.77)	-
Purchase of property, plant and equipment and intangible assets (including intangible assets under development)	(620.74)	(271.00)	(206.01)	(14.24)
Proceeds from sale of property and equipment	0.20	0.73	0.66	-
Net cash flows from/(used in) investing activities	**(3,414.69)**	**(8,981.43)**	**(3,349.12)**	**(14.24)**
C. Financing activities				
Debt securities issued	165,829.43	178,608.18	76,903.36	194,227.02
Debt securities repaid	(60,000.00)	(152,500.00)	(112,500.00)	(183,000.00)
Borrowings (other than debt securities) taken	270,322.80	293,141.53	153,400.43	275,728.12
Borrowings (other than debt securities) repaid	(59,602.16)	(95,597.78)	(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	(207.46)	(303.99)	(267.38)	(237.20)
Dividend paid	(1,317.98)			
Net cash flows from/(used in) financing activities	**315,024.62**	**223,347.94**	**(53,313.82)**	**125,621.92**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(1,434.40)**	**(8,011.27)**	**(27,397.66)**	**23,843.53**
Cash and cash equivalents at the beginning of the period	2,730.33	10,741.60	38,139.26	14,295.74
Cash and cash equivalents at the end of the period	**1,295.93**	**2,730.33**	**10,741.60**	**38,139.26**

Note: There was no auditor's qualification. The Auditor's Report along with the requisite schedules, footnotes, summary, etc. can be accessed at:

FY 2021-22: https://hdfccredila.com/financials/2021-22/HDFC_Credila_Annual_Report_FY2021_22.pdf

FY 2020-21: http://hdfccredila.com/financials/2020-21/HDFC_Credila_Annual_Report_FY2020_21.pdf

FY 2019-20: http://hdfccredila.com/financials/2019-20/HDFC_Credila_Annual_Report_FY2019_20.pdf

Consolidated Audited Financial Statements

As on even date, the Issuer does not have any subsidiary. The standalone and consolidated financial information would be the same and the Financial Information as disclosed above shall apply.

2) Unaudited financial information for the stub period:

Unaudited financial information for the half year ended September 30, 2022 is included in the above table. The limited review report can be accessed at
September 2022 –
https://hdfccredila.com/financials/2022-23/bse/Half_Yearly_Result_Outcome_of_BM_18102022.pdf
December 2022 –
https://hdfccredila.com/financials/2022-23/Q3_Financial%20Results_%20FY_2022-23.pdf

3) Key Operational and Financial Parameters on consolidated and standalone basis

For Financial Sector Entities: Standalone basis (Rs. in Lakhs)

Parameters	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
Balance Sheet				
Net Fixed Assets	2,079.66	1,511.07	862.50	705.76
Current Assets	258,626.08	197,358.48	155,160.29	89,211.95
Non-Current Assets	987,702.79	711,831.42	504,281.85	610,196.12
Total Assets	**1,248,408.53**	**910,700.97**	**660,304.64**	**700,113.83**
Non-Current Liabilities (including maturities of long-term borrowing and short-term borrowings)	**882,941.33**	**612,292.70**	**394,068.91**	**459,061.55**
Financial (borrowings, trade payables and other financial liabilities)	882,638.71	611,910.49	393,717.85	458,781.11
Provisions	302.62	382.21	351.06	280.44
Deferred tax liabilities (net)	-	-	-	-
Other non-current liabilities	-	-	-	-

Parameters	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
Current Liabilities (including maturities of long-term borrowing)	**218,588.14**	**162,347.87**	**151,806.12**	**142,405.99**
Financial (borrowings, trade payables and other financial liabilities)	216,258.77	161,049.28	150,901.50	141,648.68
Provisions	243.38	62.62	84.34	82.54
Current tax liabilities (net)	336.10	-	67.31	14.15
Other current liabilities	1,749.89	1,235.97	752.97	660.62
Equity (equity and other equity)	**146,879.06**	**136,060.40**	**114,429.62**	**98,646.28**
Total equity and liabilities	**1,248,408.53**	**910,700.97**	**660,304.65**	**700,113.82**
Profit and Loss				
Total revenue	**54,645.34**	**82,359.71**	**71,346.55**	**72,658.29**
From Operations	54,645.14	82,359.17	71,346.54	72,658.26
Other Income	0.20	0.54	0.01	0.03
Total Expenses	**38,857.62**	**54,606.84**	**50,568.81**	**55,731.77**
Total Comprehensive Income	**11,911.76**	**21,630.78**	**15,783.34**	**10,625.82**
Profit/loss after tax	11,759.40	20,637.71	15,522.83	12,310.13
Other Comprehensive Income	152.36	993.07	260.51	(1,684.31)
Earnings per equity share from continuing operations:				
(a) Basic	8.92	15.66	11.78	14.18
(a) Diluted	8.92	15.66	11.78	14.18
Earnings per equity share from discontinuing operations:				
(a) Basic	-	-	-	-
(a) Diluted	-	-	-	-
Earnings per equity share from continuing and discontinuing operations:				
(a) Basic	8.92	15.66	11.78	14.18
(a) Diluted	8.92	15.66	11.78	14.18
Cash Flow				
Net cash generated from operating activities	(313,044.34)	(222,377.78)	29,265.28	(101,764.16)
Net cash used in / generated from investing activities	(3,414.69)	(8,981.43)	(3,349.12)	(14.24)
Net cash used in financing activities	315,024.62	223,347.94	(53,313.82)	125,621.92
Cash and cash equivalents	2,730.33	10,741.60	38,139.26	14,295.74
Balance as per statement of cash flows	1,295.93	2,730.33	10,741.60	38,139.26
	-	-	-	-

Parameters	Half Year Ended September 30, 2022	Year Ended March 31, 2022	Year Ended March 31, 2021	Year Ended March 31, 2020
Additional Information				
Net worth	146,879.06	136,060.40	114,429.62	98,646.28
Cash and Cash Equivalents	1,295.93	2,730.33	10,741.60	38,139.26
Current Investments	6,968.10	7,099.08	17,883.56	31,072.99
Assets Under Management#	1,216,793.09	883,805.37	626,695.72	625,666.15
Off Balance Sheet Assets	200,987.61	120,680.07	75,016.48	78,695.57
Total Debts to Total Assets (%)	85.67%	82.52%	79.82%	83.68%
Debt Service Coverage Ratios**	NA	NA	NA	NA
Interest Income	53,398.96	80,074.51	69,705.90	70,512.50
Interest Expense	31,368.03	42,798.55	41,869.15	46,226.89
Interest Service Coverage Ratios**	NA	NA	NA	NA
Provisioning & Write-offs	300.35	1,604.29	884.55	2,280.52
Bad debts to Account receivable ratio	NA	NA	NA	NA
Gross NPA (Stage III) (%)	0.35%	0.57%	0.60%	0.12%
Net NPA (Stage III) (%)	0.23%	0.38%	0.40%	0.10%
Tier I Capital Adequacy Ratio (%)	11.41%	14.84%	17.67%	14.70%
Tier II Capital Adequacy Ratio (%)	5.83%	4.09%	6.36%	7.57%

Assets Under Management refers to Gross Loan outstanding as on date
***** Format of Key Operational and Financial Parameters is modified as per the format of Financial Results (prepared under Ind-AS)
**The Company being a NBFC, this disclosure is not applicable pursuant to proviso to Regulation 52(4) of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015.

Consolidated Audited Financial Statements

As on even date, the Issuer does not have any subsidiary. The standalone and consolidated financial information would be the same and the Financial Information as disclosed above shall apply.

Gross Debt: Equity Ratio of the Company:

Before the Issue (As on December 31, 2022)	6.68
After the issue of debt securities*	6.79

* Assuming the proposed issue to be fully subscribed.

Details of any other contingent liabilities of the issuer based on the last audited financial statements including amount and nature of liability: Nil

SECTION 6: REGULATORY DISCLOSURES

The Information Memorandum is prepared in accordance with the provisions of SEBI NCS Regulations and in this section, the Issuer has set out the details required as per Schedule II of the SEBI NCS Regulations.

6.1 Documents Submitted to the Exchanges

The following documents have been / shall be submitted to the BSE:

(a) Memorandum and Articles of Association of the Issuer and necessary resolution(s) for the allotment of the PDIs;
(b) Copy of last 3 (Three) year's Annual Reports;
(c) Material contracts and agreements
Letter appointing Registrar and Transfer Agents
Letter appointing IDBI Trusteeship Ltd.;
(d) Copy of the Board / Committee Resolution authorizing the borrowing and list of authorized signatories;
(e) Certified true copy of the resolution passed by the member of the Company at the Annual General Meeting held on June 29, 2022 authorising the Company to borrow, upon such terms as the Board may think fit, upto an aggregate limit of Rs. 20,000,00,00,000/- (Rupees Twenty Thousand Crores Only);
(f) An undertaking from the Issuer stating that the necessary documents for the Issue, including the Debenture Trust Deed would be executed within the time frame prescribed in the relevant regulations/acts/rules etc. and the same would be uploaded on the website of the BSE, where the PDIs are proposed to be listed, within 3(four) trading days of execution of the same; and
(g) Any other particulars or documents that the recognized stock exchange may call for as it deems fit.

6.2 Documents Submitted to Debenture Trustee

The following documents have been / shall be submitted to the Debenture Trustee:

(a) Memorandum and Articles of Association of the Issuer and necessary resolution(s) for the allotment of the PDIs;
(b) Copy of last 3 (Three) year's Annual Reports;
(c) Material contracts and agreements
Letter appointing Registrar and Transfer Agents
Letter appointing IDBI Trusteeship Ltd.;
(d) Latest audited / limited review half yearly consolidated (wherever available) and standalone financial information (profit & loss statement, balance sheet and cash flow statement) and auditor qualifications, if any.
(e) An undertaking to the effect that the Issuer would, until the redemption of the debt securities, submit the details mentioned in point (d) above to the Debenture Trustee within the timelines as mentioned in Simplified Listing Agreement issued by SEBI vide circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 as amended from time to time, for furnishing / publishing its half yearly/ annual result. Further, the Issuer shall within 180 (One Hundred and Eighty) calendar days from the end of the financial year, submit a copy of the latest annual report to the Debenture Trustee and the Debenture Trustee shall be obliged to share the details submitted under this clause with all 'Qualified Institutional Buyers' and other existing debenture-holders within 2 (two) Business Days of their specific request.

6.3 Name and Address of Registered Office of the Issuer

Name:	**HDFC Credila Financial Services Limited** Registered Office of Issuer: B 301, Citi Point, Next to Kohinoor Continental, Andheri - Kurla Road, Andheri (East), Mumbai 400 059
Corporate Office of Issuer:	B 301, Citi Point, Next to Kohinoor Continental, Andheri - Kurla Road, Andheri (East), Mumbai 400 059
Compliance Officer of Issuer:	**Ms. Akanksha Kandoi, Company Secretary & Compliance Officer**
CFO of Issuer:	**Mr. Manjeet Bijlani, CFO**
Corporate Identification Number:	U67190MH2006PLC159411
Phone No.:	+91 22 2826 6636
Fax No.:	+91 22 2471 2447
Contact Person:	Mr. Manjeet Bijlani
Email:	manjeetb@hdfccredila.com
Website of Issuer:	www.hdfccredila.com
Statutory Auditors of the Issuer:	**M/s Shah Gupta & Company, Chartered Accountants**, 38, Bombay Mutual Building, 2nd Floor, Dr. D N Road, Fort, Mumbai – 400 001
Arranger to the Issue:	**Edelweiss Financial Services Ltd** Edelweiss House, Off CST Road, Kalina, Mumbai – 400098 Tel. No.: 022 – 6623 3405 Contact Person: Prakash Sharma E-Mail: Prakash.sharma@edelweissfin.com Website: www.edelweissfin.com **Derivium Tradition Securities (India) Private Limited and Genev Capital Private Limited** Address: Eucharistic Congress Building No. III, 10th Floor, 5th Convent Road, Colaba, Mumbai - 400 039. Tel. No.: 022-6606 4651 Contact Person: KUNAL SHAH E-Mail: kshah@deriviumcap.com Website: http://www.deriviumcap.com/Derivium/home
Trustee to the Issue:	**IDBI Trusteeship Services Limited** Address: Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate Mumbai – 400 001 Tel. Nos. : +91 22 40807000 Fax Nos. : +91 22 2288 2312 E-Mail: itsl@idbitrustee.com

	Website: www.idbitrustee.com
Registrar to the Issue:	**Adroit Corporate Services Private Limited** 18/19/20 Jafferbhoy Industrial Estate, Makwana Road, Marol Naka Andheri (East), Mumbai – 400 059 Tel. Nos. : +91 22 2859 0942 Fax Nos. : +91 22 2850 3748 E-Mail : sshetty@adroitcorporate.com
Credit Rating Agency of the Issue:	**CRISIL Ratings Limited** Address: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai- 400 076 Tel. No.: +91 22 3342 3000 Fax No.: +91 22 3342 3001 Email: CRISILratingdesk@crisil.com Website: www.crisil.com **CARE Ratings Limited** Address: 4th Floor, Godrej Coliseums, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai – 400 022 Tel. No.: +91 22 6754 3456 Fax No.: +91 22 6754 3457 Email: care@careratings.com Website: www.careratings.com

A brief summary of business / activities of the Issuer and its line of business

(a) **Overview**

- HDFC Credila was incorporated under the Companies Act of 1956 on February 1, 2006.
- HDFC Credila is a Public Limited company, which is a wholly owned subsidiary of Housing Development Finance Corporation Limited, a Public Limited company.
- HDFC Credila is a Non-Deposit Taking Non-Banking Finance Company (NBFC) licensed by the Reserve Bank of India (RBI) and obtained the Certificate of Registration bearing number N-13.01857, dated February 23, 2007 from the RBI.
- Main Objectives of HDFC Credila as per the Memorandum of Association is:
  - Business of Lending or advancing of money by way of loan, overdraft or in any other manner whether with or without security or against movable or immovable properties or such other securities as may be decided by the Board of Directors of the Company from time to time.
  - Business of authorised dealers and/or money changers in foreign exchange, authorised money transfer agents and to render such services as may be permitted by RBI and to

render advisory services and consultancy services in foreign exchange, export/import trade and setting up joint ventures.
- Business of Corporate Agents in life, standalone health insurance as well as general insurance business respectively for the purpose of soliciting and distribution of insurance products and to carry on any other activity that is incidental and allied or related to the corporate agency business.

- HDFC Credila is a dedicated education loan company, providing loans to students pursuing higher education in India and abroad.

- Currently HDFC Credila has its offices at Mumbai, Pune, Nashik, Bangalore, Hyderabad, Delhi, Chennai, Ahmedabad, Kolkata.

- HDFC Credila has developed a robust credit appraisal mechanism for education loan.

(b) **Corporate Structure**

HDFC Credila was incorporated as private limited Company which subsequently got converted into public limited Company on October 08, 2020. It is a wholly owned subsidiary of Housing Development Finance Corporation Limited.

(c) **Project cost and means of financing, in case of funding new projects:** N.A.

6.4 Brief history of Issuer since its incorporation giving details of its following activities:

(a) **Details of Share Capital as on December 31, 2022:**

Share Capital	No. of Shares (Face Value Rs.10 each)	Amount (Rs. In Crores)
Authorised Share Capital	15,50,00,000	155.00
Issued, Subscribed and Paid-up Share Capital	13,79,56,493	137.95

(b) **Changes in its capital structure as on December 31, 2022, for the last three years:**

Date of change (AGM/EGM)	Amount (in Rs.)	Particulars of change
August 05, 2019	1,55,00,00,000	Authorised Share Capital was reclassified consisting of 10,80,00,000 Equity shares of Rs. 10/- each and 4,70,00,000 Preference Shares of Rs. 10/- each
March 18, 2020	1,55,00,00,000	Authorised Share Capital was reclassified consisting of 13,30,00,000 Equity shares of Rs. 10/- each and 2,20,00,000 Preference Shares of Rs. 10/- each
June 28, 2021	1,55,00,00,000	Authorised Share Capital was reclassified so as to consist of 15,50,00,000 Equity shares of Rs. 10/- each

(c) **Equity Share Capital History of the Company as on December 31, 2022 the last three years:**

						Cumulative Share Capital			
Date of Allotment	**No. of Equity Shares**	**Face Value (in Rs.)**	**Issue Price (in Rs.)**	**Nature of consideration (cash, other than cash etc.)**	**Nature of Allotment**	**No. of Equity Shares**	**Equity Share Capital (in Rs.)**	**Equity Share Premium (in Rs.) ***	**Remarks**
10-May-19	4,166,660	10	49,999,920	Other than cash	Conversion [a]	73,187,446	731,874,460	1,802,505,094	
10-May-19	3,846,150	10	49,999,950	Other than cash	Conversion [a]	77,033,596	770,335,960	1,814,043,544	
06-Jul-19	7,692,300	10	99,999,900	Other than cash	Conversion [b]	84,725,896	847,258,960	1,837,120,444	
13-Aug-19	3,846,150	10	49,999,950	Other than cash	Conversion [c]	88,572,046	885,720,460	1,848,658,894	
23-Aug-19	1,811,600	10	50,00,01,600	Cash	Not Applicable	90,383,646	903,836,460	2,330,544,494	
18-Mar-20	1,24,99,993	10	14,99,99,916	Other than cash	Conversion [d]	10,28,83,639	1,02,88,36,390	2,35,55,44,480	
18-Mar-20	41,66,660	10	4,99,99,920	Other than cash	Conversion [d]	10,70,50,299	1,07,05,02,990	2,36,38,77,800	
19-Mar-20	27,77,778	10	5,00,00,004	Other than cash	Conversion [e]	10,98,28,077	1,09,82,80,770	2,38,61,00,024	
19-Mar-20	60,00,000	10	6,00,00,000	Other than cash	Conversion [f]	11,58,28,077	1,15,82,80,770	2,38,61,00,024	
19-Mar-20	90,00,000	10	9,00,00,000	Other than cash	Conversion [g]	12,48,28,077	1,24,82,80,770	2,38,61,00,024	
19-Mar-20	10,00,000	10	2,00,00,000	Other than cash	Conversion [h]	12,58,28,077	1,25,82,80,770	2,39,61,00,024	
31-Mar-20	59,70,149	10	1,99,99,99,915	Cash	Not Applicable	13,17,98,226	131,79,82,260	4,33,63,98,449	
14-Nov-22	61,58,267	10	2,99,99,99,769.05	Cash	Not Applicable	13,79,56,493	137,95,64,930	7,27,48,15,548	

* Expenses adjusted against the securities premium are not considered.

Notes:

a. 49,99,992 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round IV) and 49,99,995 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round V) were due for conversion into Equity Shares of Rs. 10 each as per the terms of the Agreement on February 27, 2019 and April 30, 2019 respectively at a conversion price of Rs. 12 each and Rs. 13 each

respectively. Holders of these Compulsorily Convertible Preference Shares gave their consent to extend the due dates for the conversion to May 10, 2019.

Accordingly, Board has converted said Compulsorily Convertible Preference Shares into 80,12,810 Equity Shares on May 10, 2019.

b. 99,99,990 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round VI) were due for conversion into Equity Shares of Rs. 10 each as per the terms of the Agreement on July 06, 2019 a conversion price of Rs. 13 each respectively. Accordingly, Board has converted said Compulsorily Convertible Preference Shares into 76,92,300 Equity Shares on July 06, 2019.

c. 49,99,995 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round VII) were due for conversion into Equity Shares of Rs. 10 each as per the terms of the Agreement on August 13, 2019 a conversion price of Rs. 13 each respectively. Accordingly, Board has converted said Compulsorily Convertible Preference Shares into 38,46,150 Equity Shares on August 13, 2019

d. 1,49,99,992 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round III) and 49,99,992 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round IV) were due for conversion into Equity Shares of Rs. 10 each as per the terms of the Agreement on September 02, 2020 at conversion price of Rs. 12 each respectively. Company got application for conversion of these CCPS. Accordingly, Board has converted said Compulsorily Convertible Preference Shares into 1,24,99,993 and 41,66,660 Equity Shares on March 18, 2020.

e. 50,00,000 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round VIII) were due for conversion into Equity Shares of Rs. 10 each as per the terms of the Agreement on August 30, 2020 at a conversion price of Rs. 18 each. Company got application for conversion of these CCPS. Accordingly, Board has converted said Compulsorily Convertible Preference Shares into 27,77,778 Equity Shares on March 19, 2020

f. 60,00,000 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round I) were due for conversion into Equity Shares of Rs. 10 each as per the terms of the Agreement on September 02, 2020 at a conversion price of Rs. 10 each. Company got application for conversion of these CCPS. Accordingly, Board has converted said Compulsorily Convertible Preference Shares into 60,00,000 Equity Shares on March 19, 2020.

g. 90,00,000 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round II) were due for conversion into Equity Shares of Rs. 10 each as per the terms of the Agreement on September 02, 2020 at a conversion price of Rs. 10 each. Company got application for conversion of these CCPS. Accordingly, Board has converted said Compulsorily Convertible Preference Shares into 90,00,000 Equity Shares on March 19, 2020

h. 20,00,000 Compulsorily Convertible Preference Shares of Rs. 10 each (of Round IX) were due for conversion into Equity Shares of Rs. 10 each as per the terms of the Agreement on March 28, 2021 at conversion price of Rs. 20 each. Company got application for conversion of these CCPS. Accordingly, Board has converted said Compulsorily Convertible Preference Shares into 10,00,000 Equity Shares on March 19, 2020.

Details of any Acquisition or Amalgamation in the last 1 (one) year: NIL

Details of any Reorganization or Reconstruction in the last 1 (one) year: NIL

Details of the shareholding of the Company as on December 31, 2022

(d) **Shareholding pattern of the Company as on December 31, 2022**

Sr. No.	Name of the Shareholders	Total No. of Equity Shares	No. of Shares in Demat form	Total Shareholding as a %age of Total No. of Equity Shares
1	Housing Development Finance Corporation Limited	13,79,56,487	13,79,56,487	100.00%
2	Mr. Vinayak Mavinkurve (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
3	Mr. Suresh Menon (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
4	Mr. Conrad D'Souza (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
5	Mr. Sudhir Kumar Jha (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
6	Mr. Dipta Bhanu Gupta (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
7	Mr. Ajay Agarwal (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
	TOTAL	**13,79,56,493**	**13,79,56,493**	**100.00%**

Notes: Details of shares pledged or encumbered by the promoters (if any): NIL

List of top 10 holders of equity shares of the Company as on December 31, 2022

Sr. No.	Particulars	Total No. of Equity Shares	No. of Shares in Demat form	Total Shareholding as a %age of Total No. of Equity Shares
1	Housing Development Finance Corporation Limited	13,79,56,487	13,79,56,487	100.00%
2	Mr. Vinayak Mavinkurve (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
3	Mr. Suresh Menon (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
4	Mr. Conrad D'Souza (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
5	Mr. Sudhir Kumar Jha (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
6	Mr. Dipta Bhanu Gupta (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
7	Mr. Ajay Agarwal (Nominee Shareholder of HDFC Ltd)	1	1	0.00%
	TOTAL	**13,79,56,493**	**13,79,56,493**	**100.00%**

6.5 Following details regarding the directors of the Company:

(a) **Details of current directors of the Company:**

This table sets out the details regarding the Company's Board of Directors as on date of the Information Memorandum:

Name, Designation and DIN	**Age (in years)**	**Residential Address**	**Director of the Company since**	**Other Directorships**	**Whether willful defaulter (Yes/No)**
Mr. V. S. Rangan Chairman DIN: 00030248	62	Flat No. C-1003, Ashok Towers, Dr Babasaheb Ambedkar Marg, Parel Mumbai 400012	December 24, 2009	• Housing Development Finance Corporation Limited • Atul Limited • Computer Age Management Services Limited • TVS Credit Services Limited • HDFC Investments Limited • HDFC Trustee Company Limited • HDFC Education and Development Services Private Limited • H T Parekh Foundation	No
Mr. Arijit Sanyal Managing Director & CEO DIN: 08386684	45	C-1008, Ashok Towers, Dr. Babasaheb Ambedkar Road, Parel, Mumbai 400012	January 17, 2020	• Northumberland Capital Limited (foreign Co)	No
Mr. Biswamohan Mahapatra Independent Director DIN: 06990345	68	502 5th Floor, M1 wing, Riddhi Gardens Chsl Gen. A. K. Vaidya Marg, Malad (East) Mumbai 400097	March 30, 2015 Reappointed as Independent Director w.e.f. March 30, 2020	• Edelweiss Financial Services Limited • ECL Finance Limited • National Payments Corporation of India • NPCI International Payments Limited • Edelweiss Housing Finance Ltd • NPCI Bharat BillPay Ltd.	No
Mr. Sunil Shah Director DIN: 00137105	66	C-3206, Oberoi Exquisite, Oberoi Garden City, A B Karmarkar, Goregaon East, Mumbai-400 063 Mumbai 400063	July 05, 2019	• Evergreen Research and Assets Management Private Limited	No

Name, Designation and DIN	Age (in years)	Residential Address	Director of the Company since	Other Directorships	Whether willful defaulter (Yes/No)
Mr. Rajesh Gupta Director DIN: 00229040	58	B-2301, Plot-141, Phoenix tower, Senapati Bapat Marg, Lower Parel (W), Mumbai 400013	January 17, 2020	• Housing Development Finance Corporation Limited	No
Ms. Madhumita Ganguli Director DIN: 00676830	66	R-302, Greater Kailash Part-1, Greater Kailash, South Delhi, Delhi 110048	March 30, 2015	• Indraprastha Medical Corporation Limited • CL Educate Limited • Campus Activewear Limited	No

Details of change in directors since last three years:

Sr. No.	Name, Designation and DIN	Date of Appointment	Date of Cessation, if applicable	Date of resignation, if applicable	Remarks
1	Mr. Suresh Badami DIN: 08224871	Jan 11, 2019	April 19, 2019	Appointed as Additional Director (Independent) for 5 years w.e.f. January 11, 2019 subject to shareholders approval. Resigned w.e.f. April 19, 2019.	NIL
2	Mr. Sunil Shah DIN: 00137105	July 05, 2019	**NA**		Appointed as Independent Director for 5 years w.e.f. July 05, 2019
3	Mr. Sudhin Choksey DIN: 00036085	March 30, 2015	October 11, 2019	Resigned as Independent Director w.e.f. October 11, 2019	NIL
4	Mr. Ajay Bohora DIN : 00694444	Feb 01, 2006	December 12, 2019	Resigned as Managing Director & CEO on December 12, 2019	NIL
5	Mr. Anil Bohora DIN : 00694396	Feb 01, 2006	December 12, 2019	Resigned as Managing Director on December 12, 2019	NIL

6	Mr. Rajesh Gupta DIN: 00229040	January 17, 2020	**NA**		Appointed as Independent Director for 5 years w.e.f. January 17, 2020
7	Mr. Arijit Sanyal DIN: 08386684	January 17, 2020	**NA**		Appointed as Managing Director w.e.f. January 17, 2020
8	Mr. Biswamohan Mahapatra DIN: 06990345	March 30, 2020	**NA**		(Appointed as Independent Director on March 30, 2015) Reappointed as Independent Director w.e.f. March 30, 2020
9	Mr. Subodh Salunke DIN: 03053815	March 26, 2010	June 29, 2022		Ceased to be Director of the Company w.e.f. June 29, 2022 due to non-filling up of the vacancy arising on account of non-reappointment of Mr. Subodh Salunke, liable to retire by rotation at the AGM

6.6 Following details regarding the auditors of the Company:

(a) **Details of the auditor of the Company:**

Name of Statutory Auditors	**Address**	**Auditor since**
M/s Shah Gupta & Co. Chartered Accountants	38, Bombay Mutual Building, 2nd Floor, Dr. D N Road, Fort, Mumbai – 400 001	November 19, 2021

(b) **Details of change in auditors since last three years:**

Name of Statutory Auditors	**Address**	**Date of Appointment**	**Date of cessation, if applicable**	**Date of resignation, if applicable**
BSR & Co. LLP *Chartered Accountants*	14th Floor, Central B Wing and North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Goregaon (East), Mumbai - 400 063	May 30, 2017	Ceased to be the Statutory Auditor due to ineligibility caused in terms of the RBI guidelines w.e.f. November 2, 2021	-

6.7 Details of following liabilities of the Company, as on December 31, 2022:

(a) **Details of Outstanding Secured Loan Facilities as on December 31, 2022:**

Lender's Name	Type of Facility	Amount sanctioned (Rs. in crores)	Principal Outstanding (Rs. in crores)	Repayment Date/Schedule
Bajaj Finance Ltd.	Term Loan	125	125	Repayable in 12 quarterly instalments of Rs. 10.42 crores each commencing from 31-Mar-24
Bajaj Finance Ltd	Term Loan	150	150	Repayable in 16 quarterly instalments of Rs. 9.38 crores each commencing from 31-Oct-23
Canara Bank	Term Loan	500	500	Repayable in 12 quarterly instalments of Rs. 41.67 crores each commencing from 29-Mar-24
Canara Bank	Term Loan	500	499	Repayable in 12 quarterly instalments of Rs. 41.67 crores each commencing from 20-Sep-24
Canara Bank	Term Loan	500	498	Repayable in 12 quarterly instalments of Rs. 41.67 crores each commencing from 10-Nov-24
Citi Bank N.A.	Term Loan	175	100	Bullet repayment of Rs. 100 crores on 24-Feb-2023
DBS Bank India Ltd	Term Loan	200	83	Repayable in 12 quarterly instalments of Rs. 16.67 crores each commencing from 22-Jun-21
Deutsche Bank	Term Loan	300	300	Repayable in 6 half yearly instalments of Rs. 50 crores each commencing from 22-Dec-23
Deutsche Bank	Term Loan	200	200	Repayable in 6 half yearly instalments of Rs. 33.33 crores each commencing from 29-May-24
Federal Bank	Term Loan	300	150	Repayable in 16 quarterly instalments of Rs. 9.38 crores each commencing from 28-Mar-24
HSBC	Term Loan	300	300	Repayable in 12 quarterly instalments of Rs. 25 crores each commencing from 30-Sep-23
HSBC	Term Loan	350	350	Repayable in 12 quarterly instalments of Rs. 29.17

Lender's Name	Type of Facility	Amount sanctioned (Rs. in crores)	Principal Outstanding (Rs. in crores)	Repayment Date/Schedule
				crores each commencing from 30-Mar-24
ICICI Bank	Term Loan	200	100	Repayable in 8 quarterly instalments of Rs. 25 crores each commencing from 31-Mar-22
ICICI Bank	Term Loan	150	141	Repayable in 17 quarterly instalments of Rs. 8.82 crores each commencing from 16-Dec-22
IDBI Bank	Term Loan	400	400	Repayable in 12 quarterly instalments of Rs. 33.33 crores each commencing from 31-Dec-24
J&K Bank	Term Loan	100	50	Repayable in 28 quarterly instalments of Rs. 3.57 crores each commencing from 16-Aug-19
J&K Bank	Term Loan	100	57	Repayable in 28 quarterly instalments of Rs. 3.57 crores each commencing from 12-Mar-20
J&K Bank	Term Loan	50	50	Repayable in 20 quarterly instalments of Rs. 2.50 crores each commencing from 28-Mar-24
J&K Bank	Term Loan	150	150	Repayable in 20 quarterly instalments of Rs. 7.50 crores each commencing from 21-Mar-25
Karur Vysya Bank	Term Loan	75	70	Repayable in 16 quarterly instalments of Rs. 4.69 crores each commencing from 31-Oct-22
Karur Vysya Bank	Term Loan	50	50	Repayable in 16 quarterly instalments of Rs. 3.13 crores each commencing from 31-Mar-23
Kotak Mahindra Bank	Term Loan	200	176	Repayable in 17 quarterly instalments of Rs. 11.76 crores each commencing from 23-Sep-22
Kotak Mahindra Bank	Term Loan	200	200	Repayable in 13 quarterly instalments of Rs. 15.38 crores each commencing from 22-Aug-24
Kotak Mahindra Bank	Term Loan	100	100	Repayable in 13 quarterly instalments of Rs. 7.69 crores each commencing from 22-Sep-24

Lender's Name	Type of Facility	Amount sanctioned (Rs. in crores)	Principal Outstanding (Rs. in crores)	Repayment Date/Schedule
Kotak Mahindra Bank	Term Loan	200	200	Repayable in 13 quarterly instalments of Rs. 15.38 crores each commencing from 6-Dec-24
Punjab National Bank	Term Loan	200	200	Repayable in 28 quarterly instalments of Rs. 7.14 crores each commencing from 30-Dec-23
Shinhan Bank	Term Loan	40	17	Repayable in 12 quarterly instalments of Rs. 3.33 crores each commencing from 31-May-21
State Bank of India	Term Loan	300	257	Repayable in 28 quarterly instalments of Rs. 10.71 crores each commencing from 30-Mar-22
State Bank of India	Term Loan	300	300	Repayable in 28 quarterly instalments of Rs. 10.71 crores each commencing from 29-Oct-23
State Bank of India	Term Loan	500	300	Repayable in 28 quarterly instalments of Rs. 10.71 crores each commencing from 28-Feb-25
Union Bank of India	Term Loan	300	53	Repayable in 28 quarterly instalments, out of which, 27 quarterly equal instalments of Rs. 10.71 crores and last instalment of Rs. 10.83 crores commencing from 16-Jun-17
Union Bank of India	Term Loan	300	300	Repayable in 28 quarterly instalments of Rs. 10.71 crores each commencing from 30-Jun-23
Union Bank of India	Term Loan	300	300	Repayable in 28 quarterly instalments of Rs. 10.71 crores each commencing from 30-Jun-23
Union Bank of India	Term Loan	500	500	Repayable in 28 quarterly instalments of Rs. 17.86 crores each commencing from 26-Jun-23
ICICI Bank	Working Capital Demand Loan	75	-	As mentioned in drawal request letter (upto 1 year)

Lender's Name	Type of Facility	Amount sanctioned (Rs. in crores)	Principal Outstanding (Rs. in crores)	Repayment Date/Schedule
CTBC Bank DBS Bank Bank of Baroda SMBC Bank	External Commercial Borrowing	827	537	Three years from the date of drawdown.
Total		**9,217**	**7,763**	

Notes:

1. Principal outstanding amount includes amount payable under Term Loans and WCDL facilities and does not include Ind AS adjustment on account of EIR.
2. All above term loans and working capital demand loans are secured by way of hypothecation of standard education loan receivables.
3. External Commercial Borrowings are valued at closing rate as on December 31, 2022

(b) **Details of Outstanding Unsecured Loan facilities as on December 31, 2022: Nil**

(c) **Details of Listed Non-Convertible Securities as on December 31, 2022:**

Series of NCS	Tenor/ Period of Maturity	Coupon Rate (% p.a.)	Amount (Rs. in crore)	Date of Allotment	Redemption Date/ Schedule	Credit Rating (as of today)	Secured/ Unsecured	Security
11.75% HDFC Credila Financial Services Private Limited PDI, 2014 July 9	Perpetual	11.75	50	09-Jul-14	NA (Call Option after 10 years)	ICRA AA+ /stable, CARE AA+/ stable	Unsecured	NA
10.50% HDFC Credila Financial Services Private Limited PDI, 2015 January 27	Perpetual	10.50	50	27-Jan-15	NA (Call Option after 10 years)	ICRA AA+/ stable, CARE AA+/ stable	Unsecured	NA
10.50% HDFC Credila Financial Services Private Limited PDI, 2015 June 17	Perpetual	10.50	50	17-Jun-15	NA (Call Option after 10 years)	ICRA AA+/ stable, CARE AA+/ stable	Unsecured	NA

Series of NCS	Tenor/ Period of Maturity	Coupon Rate (% p.a.)	Amount (Rs. in crore)	Date of Allotment	Redemption Date/ Schedule	Credit Rating (as of today)	Secured/ Unsecured	Security
9.30% HDFC Credila, October 9, 2025	10 Years	9.30	100	09-Oct-15	09-Oct-25	CRISIL AAA/ stable CARE AAA/stable	Unsecured	NA
8.20% HDFC Credila, July 23, 2027	9 Years 364 days	8.20	50	24-Jul-17	23-Jul-27	CRISIL AAA/ stable ICRA AAA/ stable	Unsecured	NA
8.10% HDFC Credila, November 16, 2027	10 Years	8.10	50	16-Nov-17	16-Nov-27	CRISIL AAA/ stable ICRA AAA/ stable	Unsecured	NA
8.75% HDFC Credila Financial Services Private Limited PDI, 2017 December 8	Perpetual	8.75	50	08-Dec-17	NA (Call Option after 10 years)	ICRA AA+/ stable, CARE AA+/ stable	Unsecured	NA
9.35% HDFC Credila PDI, June 6, 2028	Perpetual	9.35	75	06-Jun-18	NA (Call Option after 10 years)	ICRA AA+/ stable, CARE AA+/ stable	Unsecured	NA
9.12% HDFC Credila, June 06, 2029	9 Years 363 days	9.12	150	06-Jun-19	06-Jun-29	CRISIL AAA/ stable ICRA AAA/ stable	Unsecured	NA
8.62% HDFC Credila, June 17, 2024	5 Years	8.62	100	17-Jun-19	17-Jun-24	CRISIL AAA/ stable ICRA AAA/ stable	Secured	***
8.85% HDFC Credila,	9 Years 363 days	8.85	200	08-Jul-19	06-Jun-29	CRISIL AAA/ stable ICRA	Secured	***

Series of NCS	Tenor/ Period of Maturity	Coupon Rate (% p.a.)	Amount (Rs. in crore)	Date of Allotment	Redemption Date/ Schedule	Credit Rating (as of today)	Secured/ Unsecured	Security
July 06, 2029						AAA/ stable		
8.70% HDFC Credila, August 01, 2029	10 years	8.70	200	01-Aug-19	01-Aug-29	CRISIL AAA/ stable ICRA AAA/ stable	Secured	***
8.00 % HDFC Credila, January 31, 2025	5 Years	8.00	200	31-Jan-20	31-Jan-25	CRISIL AAA/ stable ICRA AAA/ stable	Secured	***
5.99 % HDFC Credila, August 02, 2023	2 Years, 10 Months and 9 Days	5.99	200	24-Sept-20	02-Aug-23	"CRISIL AAA" by CRISIL and "ICRA AAA" by ICRA	Secured	***
7% HDFC Credila, November 12, 2027	6 years, 364 days	7	200	13-Nov-20	12-Nov-27	"CRISIL AAA" by CRISIL and "ICRA AAA" by ICRA	Secured	***
7.23% HDFC Credila, August 01, 2031	9 years, 364 days	7.23	250	02-Aug-21	01-Aug-31	"CRISIL AAA" by CRISIL and "CARE AAA" by Care	Secured	***
3M T-Bill Linked HDFC Credila, November 25, 2024	3 years	Variable	300	25-Nov-21	25-Nov-24	"CRISIL AAA" by CRISIL and "CARE AAA" by Care	Secured	***
7.50% HDFC	9 Years 363 days	7.50	200	1-Feb-22	30-Jan-32	CRISIL AAA" by	Secured	***

Series of NCS	Tenor/ Period of Maturity	Coupon Rate (% p.a.)	Amount (Rs. in crore)	Date of Allotment	Redemption Date/ Schedule	Credit Rating (as of today)	Secured/ Unsecured	Security
Credila, January 30, 2032						CRISIL and "CARE AAA" by Care		
7.30% HDFC Credila, February 23, 2029	6 years & 364 days	7.30	200	25-Feb-22	23-Feb-29	CRISIL AAA" by CRISIL and "CARE AAA" by Care	Secured	***
8.40% HDFC Credila, June 30, 2032	9 Year 362 Days	8.40	200	4-Jul-22	30-Jun-32	CRISIL AAA" by CRISIL and "CARE AAA" by Care	Unsecured sub debt	NA
8.15% HDFC Credila, July 7, 2032	10 Years	8.15	300	7-Jul-22	7-Jul-32	CRISIL AAA" by CRISIL and "CARE AAA" by Care	Secured	***
8.25% HDFC Credila, July 23, 2032	9 Years 364 days	8.25	175	25-Jul-22	23-Jul-32	CRISIL AAA" by CRISIL and "CARE AAA" by Care	Unsecured sub deb	NA
8.36% HDFC Credila PDI, August 30, 2022	Perpetual	8.36	100	30-Aug-22	NA (Call Option after 10 years)	CRISIL AAA" by CRISIL and "CARE AAA" by Care	Unsecured	NA
8.17% HDFC Credila, October 14, 2032	10 Years	8.17	500	14- Oct-22	14- Oct- 32	CRISIL AAA" by CRISIL and "CARE	Secured	###

Series of NCS	Tenor/ Period of Maturity	Coupon Rate (% p.a.)	Amount (Rs. in crore)	Date of Allotment	Redemption Date/ Schedule	Credit Rating (as of today)	Secured/ Unsecured	Security
						AAA" by Care		
7.95% HDFC Credila, November 24, 2032	10 Years	7.95	150	24- Nov-22	24- Nov-32	CRISIL AAA" by CRISIL and "CARE AAA" by Care	Secured	***
			4,100					

*** Pari passu charge with other existing lenders on the loan receivables of the Company's underlying portfolio of loans having minimum Security cover of 1.05 times
Pari passu charge with other existing lenders on the loan receivables of the Company's underlying portfolio of loans having minimum Security cover of 1.25 times

Note : Amount includes amount payable under Secured/Unsecured Non-convertible PDIs and does not include Fair Value adjustment or Ind AS adjustment on account of EIR.

(d) **List of top 10 holders of non-convertible securities in terms of value (as on December 31, 2022)**

SR. NO	Name Of Holders Of Non-Convertible Securities	Amount (Rs In Cr)	% of Total NCS Outstanding
1	LIFE INSURANCE CORPORATION OF INDIA	500	12.20
2	ICICI PRUDENTIAL CORPORATE BOND FUND	285	6.95
3	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE CORPORATE BOND FUND	215	5.24
4	THE LARSEN AND TOUBRO OFFICERS AND SUPERVISORY STAFF PROVIDENT FUND	174.7	4.26
5	TATA AIG GENERAL INSURANCE COMPANY LIMITED	150	3.66
6	ICICI BANK LTD	118.3	2.89
7	NPS TRUST- A/C	112.5	2.74
8	ICICI BANK LIMITED PROVIDENT FUND	90	2.20
9	MAHINDRA AND MAHINDRA LTD STAFF PROVIDENT FUND	89.8	2.19

10	HINDALCO EMPLOYEES PROVIDENT FUND INSTITUTION	73.7	1.80

Note: Top 10 holders' of debentures have been shown on a cumulative basis for all outstanding debentures.

(e) **Details of outstanding Commercial Paper (as on December 31, 2022)**

Sr. No	ISIN of Commercial Paper	Maturity Date	Amount Outstanding (Rs. in crore)
1	INE539K14AU9	30-Aug-23	100.00
2	INE539K14AW5	14-Mar-23	200.00

(f) **Details of rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares) as on December 31, 2022:**

Name of the party	Type of Facility	Amount sanctioned (USD in million)	Principal Outstanding (Rs. in crore)	Date of Repayment/ Schedule	Credit Rating	Secured/ Unsecured	Security
Nil							

(g) **The amount of corporate guarantee issued by the Issuer along with name of the counterparty (like name of the subsidiary, JV entity, group company, etc.) on behalf of whom it has been issued. (if any)**

The Company has not issued any corporate guarantee in favour of any counterparty including its subsidiaries, joint venture entities, group companies, etc.

(h) **Details of any outstanding borrowings taken / debt securities issued where taken / issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option:**

This information shall be disclosed whether such borrowing/ debt securities have been taken/ issued:
(vii) in whole or part,
(viii) at a premium or discount, or
(ix) in pursuance of an option or not

The Company, till date, has not taken any borrowing or issued any debt securities for consideration other than cash or in pursuance of an option.

6.8 Disclosures on Asset Liability Management (ALM) for NBFCs

Please refer Section 7 for the disclosure.

6.9 Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial indebtedness including corporate guarantee issued by the company, in the past 3 years:

Interest on existing debt securities of the Company is paid to the respective holders of the debt securities on the relevant due dates for payment of such interest, which is fixed in accordance with the terms of the issue of such debt securities. As on date of this Disclosure

Document/Information Memorandum and/or Private Placement Offer Letter, the Company has not defaulted in its obligations to pay either the interest or principal amount towards its existing debt securities or term loans.

6.10 Details of Promoters of the Company:

Name	Housing Development Finance Corporation Limited
Date of Birth / Date of Incorporation	17-10-1977
Age	Not Applicable
Registered Address	Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai – 400 020.
Educational Qualification	Not Applicable
Experience in the business or employment	The Corporation has completed more than 40 years of operations.
positions posts held in the past	Not Applicable
Directorships held	Not Applicable
other ventures of each promoter	The Corporation is a Financial Conglomerate with diversified businesses. The details are available in the Annual Report - https://www.hdfc.com/sites/default/files/2022-07/hdfc-shareholder-2021-22-v3_0.pdf
Special Achievements	Recent Awards - 1) Best Integrated Report 2020 by Asian Centre for Corporate Governance &Sustainability 2) 'Leadership in Employee Development' by ESGRisk.ai, India's 1st ESG rating company 3) 'Company of the Year' at The Economic Times Awards for Corporate Excellence 2020 4) Golden Peacock Award for Excellence in Corporate Governance 2020 5) Felicitated under the 'Leadership' category in the Corporate Governance Score Card, 2020 under a joint initiative by IFC-IiAS-BSE
Business and financial activities of the Promoter	The Corporation is a Financial Conglomerate with diversified businesses. The details are available in the Annual Report - https://www.hdfc.com/sites/default/files/2022-07/hdfc-shareholder-2021-22-v3_0.pdf
photograph	Not Applicable
Permanent Accountant Number	AAACH0997E

Details of Promoter Holding in Company as on December 31, 2022

Sr. No.	Name of Shareholder	Total No. of Equity Shares	No. of Equity Shares held in Demat form	Total shareholding as a %age of Total No. of Equity Shares	No. of Equity Shares Pledged	% of Equity Shares pledged with respect to shares owned
1	Housing Development Finance Corporation Limited	13,79,56,487	13,79,56,487	100.00%	Nil	Nil
2	Mr. Vinayak Mavinkurve *	1	1	0.00%	Nil	Nil
3	Mr. Suresh Menon*	1	1	0.00%	Nil	Nil
4	Mr. Conrad D'Souza*	1	1	0.00%	Nil	Nil
5	Mr. Sudhir Kumar Jha*	1	1	0.00%	Nil	Nil
6	Mr. Dipta Bhanu Gupta*	1	1	0.00%	Nil	Nil
7	Mr. Ajay Agarwal*	1	1	0.00%	Nil	Nil
	Total	**13,79,56,493**	**13,79,56,493**			

*These shareholders are nominee shareholders of Housing Development Finance Corporation Limited

6.11 Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer/promoters, tax litigations resulting in material liabilities, corporate restructuring event etc.) at the time of Issue which may affect the issue or the investor's decision to invest / continue to invest in the debt securities.

Save as stated elsewhere in this Disclosure Document/Information Memorandum and/or Private Placement Offer Letter, since the date of the last published audited financial accounts, no material developments have taken place

6.12 Any litigation or legal action pending or taken by a Government Department or a statutory body during the last three years immediately preceding the year of the issue of prospectus against the promoter of the company: -

The Corporation from time to time, is involved in various legal proceedings in the ordinary course of business, which involve matters pertaining to, among others, tax, regulatory and other disputes. As on the date of this Shelf Placement Memorandum, except as disclosed hereunder, the Corporation is not involved in any material governmental, legal or arbitration proceedings or litigation and it is not aware of any pending or threatened material governmental, legal or arbitration proceedings or litigation relating to it which may have a significant effect on the financial condition, the results of operations or cash flows of the Corporation, on a consolidated basis.

National Housing Bank

On 16 March 2020, the NHB imposed a cumulative penalty of Rs. 85,000 (exclusive of taxes) in relation to non-compliances with certain provisions of the NHB Directions with respect to asset classification, and for not obtaining periodical reports on the business undertaken by the Dubai and London representative offices of the Issuer, as observed in its inspection report dated 15 July 2019 for the financial year ended 31 March 2018. The penalty has been paid by the Issuer on 9 April 2020.

On 29 September 2020, the NHB imposed a monetary penalty of Rs. 150,000 (exclusive of taxes) on the Issuer in relation to non-compliances with certain provisions of the NHB Directions inter alia, in the methodology used for certain types of asset classification as well as classification and rollovers of certain inter-corporate deposits. The penalty has been paid by the Issuer on 8 October 2020.

On 5 July 2021, the NHB imposed a monetary penalty of Rs. 475,000 (exclusive of taxes) on the Issuer for technical non-compliance with NHB circular NHB(ND)/DRS/PolNo.58/2013-14 dated 18 November 2013 and NHB(ND)/DRS/Policy Circular No.75/2016-17 dated 1 July 2016. The Issuer has paid the said penalty on 19 July 2021, simultaneously holding on to its reservations with respect to the merits.

Reserve Bank of India

On 22 May 2020, RBI imposed a late submission fee of Rs. 250,000 on the Issuer for delayed filing of the downstream investment form (**Form DI**) for the downstream investment made by the Issuer in HDFC Credila Financial Services Private Limited. The Issuer had initially filed the Form DI on 29 April 2020 with the RBI, which was rejected due to want of certain clarifications and was then resubmitted on 6 May 2020. The penalty has been paid by the Issuer on 5 June 2020.

6.13 Details of default and non-payment of statutory dues: Nil

6.14 Names of the Debentures Trustees and Consents thereof

The Debenture Trustee of the proposed Debentures is IDBI Trusteeship Services Limited. IDBI Trusteeship Services Limited has given its written consent for its appointment as debenture trustee to the Issue and inclusion of its name in the form and context in which it appears in this Information Memorandum and in all the subsequent periodical communications sent to the Debenture Holders and such consent has not been withdrawn up to the time of filing of this Disclosure Document/ Information Memorandum with BSE. The consent letter from Debenture Trustee is provided in Annexure III of this Information Memorandum.

6.15 Rating and Rating Rationale

The PDIs proposed to be issued have been rated and the rating details are as below:

Rating Agencies	Rating	Category	Meaning of the Rating

CRISIL	"CRISIL AAA" with stable outlook	Perpetual Debt Instruments	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
CARE	"CARE AAA" with stable outlook	Perpetual Debt Instruments	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

The rating letter assigned by CRISIL, and CARE are enclosed herewith (See Annexure II).

6.16 If the security is backed by a guarantee or letter of comfort or any other document / letter with similar intent, a copy of the same shall be disclosed. In case such document does not contain detailed payment structure (procedure of invocation of guarantee and receipt of payment by the investor along with timelines), the same shall be disclosed in the offer document.

Not Applicable.

6.17 Disclosure of Cash flow with date of interest/dividend/ redemption payment as per day count convention

a. The day count convention for dates on which the payments in relation to the non-convertible securities which need to be made.

Actual/Actual

b. Procedure and time schedule for allotment and issue of securities

The procedure and time schedule for allotment shall be as per the Electronic Book Mechanism Guidelines.

c. Cash flows emanating from the non-convertible securities shall be mentioned in the offer document, by way of an illustration.

Please refer to the Illustration of Cashflows as set out in the Term Sheet in Annexure I.

6.18 Undertaking for creation of security
Not Applicable

6.19 Debt securities shall be considered as secured only if the charged asset is registered with Sub registrar and Registrar of Companies or CERSAI or Depository etc., as applicable, or is independently verifiable by the debenture trustee.

Not Applicable

6.20 Terms and conditions of debenture trustee agreement including fees charged by debenture trustees(s), details of security to be created and process of due diligence carried out by the debenture trustee.

Refer to Annexure III of the Information Memorandum, which provides the Consent from the Trustee along with relevant details.

6.21 Due diligence certificate as per the format specified in the circular dated November 3, 2020 issued by SEBI regarding creation of security in issuance of listed debt securities and 'due diligence' by debenture trustee(s).

The Debenture Trustee shall not be required to submit the due diligence certificates as per the formats specified in Annexure B of the SEBI circular on Creation of Security in issuance of listed debt securities and due diligence by debenture trustee(s) dated 3 November 2020, and the SEBI NCS Regulations, as the PDIs are unsecured.

6.22 That the permission / consent from the prior creditor for a second or pari-passu charge being created in favour of the trustees to the proposed issue has been obtained.

Not Applicable

The names of the debenture trustee(s) shall be mentioned with a statement to the effect that debenture trustee(s) has given his consent to the issuer for his appointment under regulation 4(4) and also in all the subsequent periodical communications sent to the holders of debt securities.

IDBI Trusteeship Services Limited is acting as Trustees for Unsecured Non- Convertible PDIs issued by the Company. Consent in writing of the IDBI Trusteeship Services Limited to act as the debenture trustees has been obtained and such consent has not been withdrawn up to the time of filing of this Information Memorandum with BSE. The Trustee consent is enclosed as Annexure III.

6.23 Names of all the recognized stock exchanges where the debt securities are proposed to be listed:

The PDIs are proposed to be listed on the WDM segment of the BSE. The Issuer shall comply with the requirements of the listing agreement for debt securities to the extent applicable to it on a continuous basis.

6.24 Other details:

(a) **Debenture Redemption Reserve Creation:**

As per Section 71 of the Companies Act 2013, any company that intends to issue debentures must create a debenture redemption reserve to which adequate amounts shall be credited out of the profits of the company until the redemption of the debentures. However, under the Companies (Share Capital and Debentures) Rules, 2014, non-banking financial companies are exempt from this requirement in respect of privately placed debentures. Pursuant to this exemption, the Company is not required to create Debenture Redemption Reserve.

(b) **Issue / instrument specific regulations:**

The Issue of the PDIs shall be in conformity with the applicable provisions of the Companies Act including the notified rules thereunder, the relevant RBI circulars and guidelines and the SEBI NCS Regulations.

(c) **Application process:**

The application process for the Issue is as provided in **point 10.10** of this Information Memorandum.

6.25 A statement containing particulars of the dates of and parties to all material contracts, agreements:

By very nature of its business, the Company is involved in large number of transactions involving financial obligations and therefore it may not be possible to furnish details of all material contracts and agreements involving financial obligations of the Company. However, the contracts/documents referred below (not being contracts entered into in the ordinary course of the business carried on by the Company) which are or may be deemed to be material have been entered into by the Company. Copies of these contracts /documents shall be available for inspection at the registered office of the Company between 10.00 a.m. and 12.00 noon on all days except Saturdays, Sundays and public holidays.

Sr. No.	Nature of Contract
1	Copy of letter appointing Arranger to the Issue.
2	Copy of letter appointing Registrar and copy of MoU entered into between the Issuer and the Registrar.
3	Copy of letter appointing the Debenture Trustee to the Debenture Holders.
4	Certified true copy of the Memorandum and Articles of Association of the Issuer as amended from time to time.
5	Certified true copy of the Board Resolution dated July 25, 2022, authorising issue of the PDIs offered under terms of this Disclosure Document.
6	Letter of consent from the Debenture Trustee for acting as trustees for and on behalf of the holder(s) of the PDIs.
7	Copy of the Letter of consent from the Registrar for acting as Registrar to the Issue.
8	Copy of the Application made to the BSE for grant of in-principle approval for listing of PDIs.
9	Copy of the Letter from CRISIL Ratings Limited and CARE Ratings Limited conveying the credit rating for the PDIs
10	Copy of the Tripartite Agreement between the Issuer, NSDL and Registrar for issue of the Debentures in dematerialised form.
11	Copy of the Tripartite Agreement between the Issuer, CDSL and Registrar for issue of the Debentures in dematerialised form.

6.26 Details of Debt Securities Sought to be Issued

Under the purview of the current document, the Issuer intends to raise an amount of Rs. 200,00,00,000/- (Rupees Two Hundred Crore only) by issue of Unsecured, Rated, Listed, Non-Convertible Perpetual Debt Instruments in the nature of Debentures (PDIs), on a private placement basis

For further details of the Debentures, please refer to the terms and conditions of the Debentures set out in Section 6.29 of this Information Memorandum.

6.27 Issue Size

The issue size for the PDIs is Rs. 200,00,00,000/- (Rupees Two Hundred Crores)

6.28 Objects of the Issue and Details of the Utilization of the Issue Proceeds

The primary objective of these PDIs is to raise Tier I and Tier II capital for the Company for as per the applicable guidelines of RBI.

The funds being raised by the Issuer through present issue of PDIs are not meant for financing any particular project. The Issuer shall utilize the proceeds of the Issue for its regular business activities including utilization of proceeds for disbursement to meet the finance requirements of the borrowers of the Issuer and other associated business objectives such as discharging existing debt obligations which were generally undertaken for business operations. The details of utilization are as per the term sheet.

The Issuer undertakes that the proceeds of this Issue shall be utilized for the deployment of funds on its own balance sheet and not to facilitate resource requests of its group entities/parent company/associates.

The Issuer undertakes that proceeds of this Issue shall not be utilized for the following purposes as specified in the RBI Master Circular No. DBR. BP. BC. No. 5/21.04.172/2015-16 dated July 01, 2015 as updated from time to time:

Bills discounted / rediscounted by NBFCs, except for rediscounting of bills discounted by NBFCs arising out of: Commercial vehicles (including light commercial vehicles) and two wheeler and three wheeler vehicles, subject to the following conditions: The bills should have been drawn by the manufacturer on dealers only; The bills should represent genuine sale transactions as may be ascertained from the chassis / engine number and; Before rediscounting the bills, the bona fides and track record of NBFCs which have discounted the bills would be verified.
Investments of NBFCs both of current and long-term nature, in any company / entity by way of shares, debentures, etc. However, Stock Broking Companies may be provided need-based credit against shares and debentures held by them as stock-in-trade.
Unsecured loans / inter-corporate deposits by NBFCs to / in any company.
All types of loans and advances by NBFCs to their subsidiaries, group companies / entities.
Finance to NBFCs for further lending to individuals for subscribing to Initial Public Offerings (IPO) and for purchase of shares from secondary market

The net proceeds from the Issue shall not be used in contravention of the RBI policy applicable to banks on investment in NBFCs.

No part of the proceeds of the PDIs would be utilized by the Issuer directly/indirectly towards investment in capital markets and real estate purposes including without limitation for acquisition or purchase of land.

6.29 Issue Details

The Issuer proposes to issue 200 Unsecured, Rated, Listed, Non-convertible Perpetual Debt Instruments (the "PDIs") of face value of Rs. 1,00,00,000/- (Rupees One Crore Only) each, aggregating up to Rs. 200,00,00,000/- (Rupees Two Hundred Crore only)**,** on a private placement basis (the "Issue"). The claims of the investors in the instruments shall be superior to the claims of investors in instruments eligible for inclusion in Tier I capital and subordinate to the claims of all other creditors. In compliance with the guidelines of RBI, these PDIs shall not be redeemable at the initiative of the investor and all redemptions shall be made only with the prior approval of RBI and in accordance with the prevailing guidelines.

The Issue is being issued in terms of this Information Memorandum and in pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on July 25, 2022 and subject to the provisions of the Companies Act, 2013 and the Memorandum of Association and Articles of Association of the Company.

The Board Resolution dated July 25, 2022, authorizes Mr. Arijit Sanyal – Managing Director & CEO, Ms. Madhumita Ganguli - Director, Mr. Manjeet Bijlani - Chief Financial Officer, Mr. Yatin Sahasrabudhe, National Credit Manager, Ms. Akanksha Kandoi, Company Secretary, Mr. Hitesh Parashar - Business Head Mr. Laxmikant Tople - VP Accounts & Finance of the Company to severally issue the Information Memorandum and sign the same for and on behalf of the Board of Directors of the Company. A certified true copy of the said resolution is annexed herewith.

SECTION 7: ASSET LIABILITY MANAGEMENT DISCLOSURES FOR NBFCS

Where the Issuer is a Non-Banking Finance Company the following disclosures on Asset Liability Management (ALM) have been provided for the latest audited financials

Details with regard to lending done out of the issue proceeds of earlier issuances of debt securities (whether public issue or private placement) by NBFC

Lending Policy

HDFC Credila's Credit Policy and Standard Operating Procedures are guiding documents for the lending operations of the company. The documents have been created to ensure a structured and robust process is followed for all activities involved in the loan lifecycle. The objective of the documents is to provide a framework for efficient and standardized lending process whilst ensuring customer satisfaction, risk mitigation, and regulatory compliance.

The key aspects of the lending operations are outlined below:

Sourcing of Loans
Education Loan Products and Features
Loan Approval Process – Credit and KYC documentation
Disbursement Process and Post Disbursement Activities
Risk Management and Monitoring
Grievance Redressal Mechanism

The Credit policy also covers the general terms & conditions and documentation required for each product.

Below is the summary of the loan products and the processes followed across the loan transaction cycle.

Sourcing of Loans

A loan application is sourced through various channels such as education consultants, test preparation centres, informational webinars, business associates etc. Based on documents provided either in digital or in physical form, initial screening of documents and detailed data entry is done on system.

Education Loan Products and Features

Education loan products of HDFC Credila can be availed by any Resident or Non-Resident Indian for higher education in India or overseas under a wide range of courses, colleges, universities, and streams. Education loans are funded up to 100% of tuition fee, living cost and other expenses such as books, air tickets etc. The funding depends on cost of education, course duration and type. The company offers both secured and unsecured loans – the type of loan offered depends on several factors which are analyzed during the credit appraisal process. There are varieties of products that cater education courses in India as well as overseas as well as different type of customer profiles.

Loan Approval Process - Credit and KYC documentation

All the education loan products seek to address specific requirements and profile of the customers and operate within the norms specified by the regulator. The regulatory guidelines determine the KYC, PMLA and other requirements etc. While these guidelines are applicable

to all loans, some of the product attributes are distinct basis the term, applicable fees, maximum loan etc. basis the commercial and risk perception of the company.

All loans are appraised by the Credit teams of respective locations post initial document fulfillment by sales team. The appraisal process for determining the loan eligibility involves underwriting of the submitted documents and undertaking various checks to ensure authenticity of the documents, genuineness of the transaction and compliance with all regulations. The various policy guidelines as issued by RBI on KYC, CKYC, PMLA, etc. are adhered to during the appraisal process.

Review of the loan application, credit and property documents (in the case of loans secured by property) by HDFC Credila's credit appraiser is supported by the above checks and personal discussion with the applicant/s (if required) to determine the loan eligibility. The review is based on the assessment of student education qualifications and scores in entrance/other college related exams, Co-borrowers repayment capacity by estimating the income and obligations, savings and investment history, ability to fund the balance cost of education (i.e. total cost of education less the loan amount) and banking history.

The loan proposal is appraised holistically considering the student qualification and type of course to be undertaken for future job prospects, source of own contribution for balance funds, location and type of college/university etc.

The loan eligibility of a customer is dependent on the ability to service the loan obligation. The ability to pay is a factor of the quantum and consistency of income of the coborrower/s. The source of the income, frequency, and continuity of the income stream is also considered when loan eligibility is determined.

Apart from credit underwriting, there are various checks undertaken during the approval process. The additional checks are:

- PAN Number verification from NSDL website:
- Cross validation of customer information from CKYC Database
- Customer de-dupe Process
- CERSAI check
- Online check on the Traces and EPFO websites
- Credit Bureau Reports (CIBIL/Experian/Hunter etc.)
- Residence and employment verification
- Risk Containment Unit (RCU)

All education loans are appraised by the credit teams at the concerned locations. Loans are recommended by credit appraisers and approved by a relevant authority, in line with the Board approved authority matrix.

The approving authority is based on loan amount, type of product (secured/unsecured) and country/course of study.

In compliance with the RBI guidelines, the KYC documents of all customers are received and verified from original prior to the disbursement of the loan.

In essence, the loan appraisal process includes:

Identification of risk: This is done through documentation and information acquisition (from customers), reviewing various reports such as CIBIL etc. and personal discussions. The risk is

assessed on factors like age, qualification of student and co-borrower/s stability of employment, number of dependents, income levels as well as savings and investments history. This determines a customer's inclination to repay.

Quantification of risk: This involves extensive evaluation of the coborrower's current financial condition and capacity to pay. The source of income along with the frequency, consistency and continuity of income flow is assessed. The existing liabilities of the coborrower's are also considered.

Hedging of Risk: Once a customer's ability and inclination to pay is determined, the need for any additional security required to hedge the risk further in terms of fixed deposits or property that may be ascertained.

Technical Evaluation and Legal Documentation

HDFC Credila offers diverse education loan products including secured education loans i,e. secured against collateral, which could be in the form of property and/or fixed deposits. If property is taken as collateral, said property is kept as security with HDFC Credila for loan tenure and appropriate evaluation of the property is carried out. The process involves technical and legal compliance which is undertaken during loan sanction. The property is checked through registered valuer verifying construction quality, area, dimensions, and clearance as per local by laws. Similarly, the property documents are verified by external lawyer to ensure title is clear, encumbrance free and can be mortgaged to HDFC Credila.

Disbursement Process and Post Disbursement Activities

The disbursement process entails actual disbursement/remittance of funds to borrower. The process involves successful completion of loan formalities and other related documents which includes

Disbursement request form duly submitted by all applicants
Completion of the below:
Legal &Technical due diligence
KYC requirements
Physical ACH mandate/e-NACH activation
Collection of Origination Fees

For secured cases, the below additional requirements are to be completed:
HDFC Second charge cases - charge is created and NOC is issued by HDFC Ltd.
Fixed Deposit - Original Fixed Deposit Receipt (FDR) and Lien letter are collected along with Power of Attorney (POA) and Pledge Agreement duly signed by FD holder

Post Disbursement Activities

Once the loan is disbursed, the borrower's file is sent for storage. Any pending documents [marked as "Post Disbursement Documents" (PDDs) in the system] are tracked and updated in the system/docket once submitted by the borrower.

Risk Management and Monitoring

HDFC Credila has a robust risk management framework which assesses risks (and the mitigants) at the appraisal level.

The Risk Management Committee meets on a quarterly basis to assess these specific risks, grading them from high to low.

HDFC Credila also has an internal audit team which audits implementation of processes and policy compliance and shares feedback with branches for taking corrective action or a change in the process. These reports are also discussed at the Audit Committee.

Grievance Redressal Mechanism

HDFC Credila is committed to providing effective and prompt service to its customers. The company has enabled access to grievance redressal mechanism in both online and offline modes. In addition, social media platforms are also monitored to identify customer grievances and negative feedback.

The Company has established a tiered escalation process to ensure all complaints are handled by an appropriate authority:

Level 1 - Complaints received shall initially be addressed by the Service Desk (SD) within 10 working days. If the grievance is not resolved to the satisfaction of the customer within this timeframe, the SD forwards the same to the Grievance Officer (GO).

Level 2 - If the customer is not satisfied with the resolution at Level 1, he/she may approach the Grievance Redressal Officer (GRO) with reference to the Application ID.

Level 3 - In case the complaint is not addressed to the customer's satisfaction, within one month from date of original complaint, he/ she may appeal to the Officer In Charge of Regional Office of Department of Non-Banking Supervision (DNBS) of RBI.

The aim of this structure is to efficiently record and redress grievances from customers within stipulated timeframes. It also helps in enhancing delivery and service standards.

Classification of Loans given to associate or entities related to Board, Senior management, promoters, etc.

The Company has not provided any loans/advances to associates, entities/person relating to the board, senior management except as provided for in the note titled "Related Party Disclosures" in Note 37 in the Annual report of the Company.

Classification of loans and advances

By Ticket size at the time of origination:

S. No	Ticket size	Percentage of AUM
1	Upto Rs. 2 lakh	0.03%
2	Rs. 2-5 lakh	0.67%
3	Rs. 5-10 lakh	5.19%
4	Rs. 10-25 lakh	52.16%
5	Rs. 25-50 lakh	39.15%
6	Rs. 50 lakh-1 crore	2.69%
7	Rs. 1-5 crore	0.11%
8	Rs. 5-25 crore	-

9	Rs. 25-100 crore	-
10	>Rs. 100 crore	-
	Total	**100.00%**

By Loan to Value (LTV) at the time of origination:

S. No	LTV	Percentage of AUM
1	Upto 40%	8.66%
2	40-50%	3.72%
3	50-60%	3.67%
4	60-70%	3.47%
5	70-80%	3.36%
6	80-90%	2.40%
7	>90%	10.56%
	Total	**35.83%**

Note: AUM for secured loans.

Aggregated exposure to top 20 borrowers

Details of top 20 borrowers advances with respect to concentration of advances as on 31 March 2022:

Particulars	Amount (Rs. in Crores)
Total advances to twenty largest borrowers	19.82
Percentage of advances to twenty largest borrowers to total advances to our Company	0.22%

Details of top 20 borrowers exposure with respect to concentration of exposures [on limit basis or outstanding basis whichever is higher] as on 31 March 2022:

Particulars	Amount (Rs. in Crores)
Total exposure to twenty largest borrowers/customers	21.50
Percentage of exposures to twenty largest borrowers/customers to Total exposure of the NBFC on borrowers/customers	0.21%

Details of loans, overdue and classified as Non performing assets (NPA)

Movement of Gross NPA	Amount (Rs. in Crores)
Opening Gross NPA	16.71
- Additions during the year	16.27
- Reductions during the year	(13.73)
Closing balance of Gross NPA	19.25

Note: Gross NPAs is as per the RBI IRACP norms. Stage 3 assets as on March 31, 2022 were at Rs. 50.61 crores which includes cases restructured under the RBI's Resolution Framework on Covid-19 related stress, conservatively classified as Stage 3.

Gross NPA recognition policy (DPD):
The Company recognizes Gross NPAs as per the RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended from time to time.

Movement of provisions for NPA	**Amount (Rs. in Lakhs)**
Opening balance	6.83
- Provisions made during the year	6.77
- Write-off / Write-back of excess provisions	(4.13)
Closing balance	9.47

Note: The above provision required for NPA as per the RBI IRACP norms.

On Stage 3 assets of Rs. 50.61 crores as on March 31, 2022, the Company carries a total provision of Rs. 17.30 crores as per the Expected Credit Loss model under the Indian Accounting Standards.

Details of borrowings made by NBFC as on March 31, 2022

2.1 Portfolio Summary of borrowings made by NBFC

Instrument / product	**Amount (Rs. in Crores)**
Term Loans from Banks	4,059
Secured Non Convertible Debentures	2,004
External Commercial Borrowings	756
Subordinated Tier II Non convertible debentures	330
Perpetual debt instruments to the extent that do not qualify as equity	268
Commercial Paper	98
Overdrafts and Working Capital Limits	-
Total Borrowings	**7,515**

2.2 Quantum and percentage of Secured vs. Unsecured borrowings

Types of Borrowings	**Amount (Rs. in Crores)**
Secured Borrowings	6,819
Unsecured Borrowings	696
Total Borrowings	**7,515**

Details of change in shareholding

Any change in promoters holding in NBFC during last financial year beyond the threshold prescribed by Reserve Bank of India

Nil

Disclosure of Assets under management

4.1 Segment wise break up

S. No	Segment-wise break-up of AUM	Percentage of AUM
1	**Retail**	**100%**
A	Mortgages (home loans and loans against property)	-
B	Gold loans	-
C	Vehicle finance	-
F	MFI	-
E	M&SME	-
F	Capital market funding (loans against shares, margin funding)	-
G	Others	-
h	Education Loans	100%
2	**Wholesale**	**0%**
A	Infrastructure	-
B	Real estate (including builder loans)	-
C	Promoter funding	-
D	Any other sector (as applicable)	-
E	Others	-
	Total	**100%**

4.2 Type of loans

S. No	Type of loans	Amount (Rs. in Crore)
1	Secured	3,043.48
2	Unsecured	5,794.57
	Less : Impairment Loss Allowance	(51.21)
	Total assets under management (AUM) *	**8,786.84**

Details of borrowers

Geographical location wise

S. No	Top 5 states	Percentage of AUM
1	Maharashtra	28%
2	Telangana	16%
3	Delhi NCR	14%
4	Tamil Nadu	11%

5	Karnataka	11%
	Total	**80%**

Details of Gross NPA

Segment wise

S. No	Segment-wise gross NPA *	Gross NPA* (%)
1	**Retail**	**0.22%**
A	Mortgages (home loans and loans against property)	-
B	Gold loans	-
C	Vehicle finance	-
D	MFI	-
E	M&SME	-
F	Capital market funding (loans against shares, margin funding)	-
G	Others	-
H	Education Loans	0.22%
2	**Wholesale**	**0.00%**
A	Infrastructure	-
B	Real estate (including builder loans)	-
C	Promoter funding	-
D	Any other sector (as applicable)	-
E	Others	-
	Total	**0.22%**

Details of Assets and Liabilities

7.1 Residual maturity profile wise into several bucket

Particulars Amount (Rs. in Crores)	Up to 30/31 days	>1 month - 2 months	>2 months - 3 months	>3 months - 6 months	>6 months - 1 year	>1 years - 3 years	>3 years - 5 years	>5 years	Total
Deposit	-	-	-	-	-	-	-	-	-
Advances	178.30	158.24	155.84	455.44	858.25	2,953.42	1,974.71	2,086.55	8,820.75
Investments	-	-	-	-	70.99	20.88	83.03	14.11	189.01
Borrowings [2]	137.8	6.90	136.18	288.40	377.65	2,519.81	1,560.76	2,028.24	6,931.72
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	26	-	-	-	756.21	-	-	-	756.47

[1] Based on the prepayment assumptions approved by the ALCO.

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

Disclosure of latest ALM statements to stock exchange

The same is available on the website of the Company at the below link
https://www.bseindia.com/xml-data/corpfiling/AttachHis/83f0bc84-8c38-4131-9184-e3594018cee6.pdf

SECTION 8: DISCLOSURE REGARDING WILFUL DEFAULTERS

8.1 Disclosures pertaining to wilful defaulter:

(a) Name of the bank declaring the entity as a wilful defaulter – Nil

(b) The year in which the entity is declared as a wilful defaulter – Not Applicable

(c) Outstanding amount when the entity is declared as a wilful defaulter - Not Applicable

(d) Name of the entity declared as a wilful defaulter - Not Applicable

(e) Steps taken, if any, for the removal from the list of wilful defaulters - Not Applicable

(f) Other disclosures, as deemed fit by the issuer in order to enable investors to take informed decisions – Nil

(g) Any other disclosure as specified by the Board – Nil

8.2 We confirm that that the Issuer or any of its promoters or directors has not been declared as a Wilful Defaulter under the applicable laws.

SECTION 9: ADDITIONAL DISCLOSURES AS REQUIRED UNDER FORM PAS 4 PRESCRIBED UNDER THE COMPANIES ACT 2013, TO THE EXTENT APPLICABLE TO THE ISSUE

Any Default in Annual filing of the Company under the Companies Act, 2013 or the rules made thereunder.- No

Relevant date with reference to which the price has been arrived at : Issued at face value

The class or classes of persons to whom the allotment is proposed to be made:
Refer Clause 10.14 of the IM

The change in control, if any, in the company that would occur consequent to the private placement- No change/N.A

The number of persons to whom allotment on preferential basis/private placement/ rights issue has already been made during the year, in terms of number of securities as well as price: 13

The justification for the allotment proposed to be made for consideration other than cash together with valuation report of the registered valuer; N.A

The details of significant and material orders passed by the Regulators, Courts and Tribunals impacting the going concern status of the company and its future operations – No such orders received

The pre-issue and post-issue shareholding pattern of the company: Not Applicable as the NCDs being issued

SECTION 10 OTHER INFORMATION AND APPLICATION PROCESS

The PDIs being offered as part of the Issue are subject to the provisions of the Act, the Memorandum and Articles of Association of the Issuer, the terms of this Information Memorandum, Application Form and other terms and conditions as may be incorporated in the Transaction Documents.

10.1 Mode of Transfer/Transmission of PDIs

The PDIs shall be transferable freely; however, it is clarified that no Investor shall be entitled to transfer the PDIs to a person who is not entitled to subscribe to the PDIs. The Debenture(s) shall be transferred and/or transmitted in accordance with the applicable provisions of the Act and other applicable laws. The PDIs held in dematerialized form shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL/CDSL and the relevant DPs of the transferor or transferee and any other applicable laws and rules notified in respect thereof. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, amounts due will be paid/redemption will be made to the person, whose name appears in the register of Debenture Holders maintained by the R&T Agent as on the Record Date, under all circumstances. In cases where the transfer formalities have not been completed by the transferor, claims, if any, by the transferees would need to be settled with the transferor(s) and not with the Issuer. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these PDIs held in dematerialised form. The seller should give delivery instructions containing details of the buyer's DP account to his DP.
Transfer of the PDIs to and from FIIs/ NRIs/ OCBs, in case they seek to hold the PDIs and are eligible to do so, will be governed by the then prevailing guidelines issued by RBI.

10.2 PDIs held in Dematerialised Form

The PDIs shall be held in dematerialised form and no action is required on the part of the Debenture Holder(s) for redemption purposes and the redemption proceeds will be paid by cheque/fund transfer/RTGS to those Debenture Holder(s) whose names appear on the list of beneficiaries maintained by the R&T Agent. The names would be as per the R&T Agent's records on the Record Date fixed for the purpose of redemption. All such PDIs will be simultaneously redeemed through appropriate debit corporate action.

The list of beneficiaries as of the Record Date setting out the relevant beneficiaries' name and account number, address, bank details and DP's identification number will be given by the R&T Agent to the Issuer. If permitted, the Issuer may transfer payments required to be made in any relation by EFT/RTGS to the bank account of the Debenture Holder(s) for redemption payments.

10.3 Trustee for the Debenture Holder(s)

The Issuer has appointed IDBI Trusteeship Services Limited to act as trustee for the Debenture Holder(s). The Issuer and the Debenture Trustee intends to enter into the Debenture Trustee Agreement, the Debenture Trust Deed, the Deed of Hypothecation and/or any other security documents *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and the Issuer. The Debenture Holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Debenture Trustee or any of its agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the PDIs as the Debenture Trustee may in its absolute discretion deem necessary or require to be done in the interest of the Debenture Holder(s). Any payment made by the Issuer to the Debenture Trustee on behalf of the Debenture Holder(s) shall discharge the Issuer *pro tanto* to the Debenture Holder(s). The Debenture Trustee will protect the interest of the Debenture Holder(s) in regard to the repayment of principal and yield thereon and they will take

necessary action, subject to and in accordance with the Debenture Trustee Agreement, the Debenture Trust Deed, the Deed of Hypothecation and/or any other security documents at the cost of the Issuer. No Debenture Holder shall be entitled to proceed directly against the Issuer unless the Debenture Trustee, having become so bound to proceed, fails to do so. The Debenture Trustee Agreement and the Debenture Trust Deed shall more specifically set out the rights and remedies of the Debenture Holder(s) and the manner of enforcement thereof.

10.4 Sharing of Information

The Issuer may, at its option, but subject to applicable laws, use on its own, as well as exchange, share or part with any financial or other information about the Debenture Holder(s) available with the Issuer, with its subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Issuer nor its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

10.5 Debenture Holder not a Shareholder

The Debenture Holder(s) shall not be entitled to any right and privileges of shareholders other than those available to them under the Act. The PDIs shall not confer upon the Debenture Holders the right to receive notice(s) or to attend and to vote at any general meeting(s) of the shareholders of the Issuer.

10.6 Modification of PDIs

The Debenture Trustee and the Issuer will agree to make any modifications in the Information Memorandum which in the opinion of the Debenture Trustee is of a formal, minor or technical nature or is to correct a manifest error.

Any other change or modification to the terms of the PDIs shall require approval by the Majority Debenture Holders, provided that nothing in such approval shall be operative against the Issuer where such approval modifies or varies the terms and conditions of the PDIs which are not acceptable to the Issuer.

For the avoidance of doubt, in the event of any proposed amendment to the terms and conditions of the PDIs or the Transaction Documents, the consent of Majority Debenture Holders shall be obtained, either by the Majority Debenture Holders providing their express consent in writing or by way of a resolution at a duly convened meeting of the Debenture Holders.

10.7 Right to accept or reject Applications

The Board of Directors/Committee of Directors reserves its full, unqualified and absolute right to accept or reject any application for subscription to the PDIs, in part or in full, without assigning any reason thereof.

10.8 Notices

Any notice may be served by the Issuer/ Debenture Trustee upon the Debenture Holders through registered post, recognized overnight courier service, hand delivery or by facsimile transmission addressed to such Debenture Holder at its/his registered address or facsimile number.

All notice(s) to be given by the Debenture Holder(s) to the Issuer/ Debenture Trustee shall be sent by registered post, recognized overnight courier service, hand delivery or by facsimile transmission to the Issuer or to such persons at such address/ facsimile number as may be notified by the Issuer from time to time through suitable communication. All correspondence regarding the PDIs should be marked "Private Placement of PDIs".

Notice(s) shall be deemed to be effective (a) in the case of registered mail, 3 (three) calendar days after posting; (b) 1 (One) Business Day after delivery by recognized overnight courier service, if sent for next Business Day delivery; (c) in the case of facsimile at the time when dispatched with a report confirming proper transmission; or (d) in the case of personal delivery, at the time of delivery.

10.9 Issue Procedure

Only Eligible Investors as given hereunder and identified upfront by the Issuer may apply for the PDIs by completing the Application Form in the prescribed format in block letters in English as per the instructions contained therein. The minimum number of PDIs that can be applied for and the multiples thereof shall be set out in the Application Form. No application can be made for a fraction of a Debenture. Application Forms should be duly completed in all respects and applications not completed in the said manner are liable to be rejected. The name of the applicant's bank, type of account and account number must be duly completed by the applicant. This is required for the applicant's own safety and these details will be printed on the refund orders and /or redemptions warrants.

The applicant should transfer payments required to be made in any relation by EFT/RTGS, to the bank account of the Issuer as per the details mentioned in the Application Form.

10.10 Application Procedure

Eligible investors will be invited to subscribe by way of the Application Form prescribed in the Information Memorandum during the period between the Issue Opening Date and the Issue Closing Date (both dates inclusive). The Issuer reserves the right to change the issue schedule including the Deemed Date of Allotment at its sole discretion, without giving any reasons or prior notice. The Issue will be open for subscription during the banking hours on each day during the period covered by the Issue Schedule.

The issue is being made via Electronic Bond Platform and all the participants are expected to comply with the SEBI Circular no: SEBI/HO/DDHS/CIR/P/2018/05 on January 05, 2018, Updated Operational Guidelines for issuance of Securities on Private Placement basis through an Electronic Book Mechanism issued by BSE on April 24, 2018, Circular on Revised timings for funds settlement process for bids placed on Electronic Book Provider (EBP) platform issued by ICCL on April 25, 2018 and Circular on Role and Responsibilities of Participants of BSEBOND (Electronic Book Platform) issued by BSE on May 23, 2018 as may be amended / updated from time to time.

10.11 Fictitious Applications

All fictitious applications will be rejected.

10.12 Basis of Allotment

Notwithstanding anything stated elsewhere, Issuer reserves the right to accept or reject any application, in part or in full, without assigning any reason. Subject to the aforesaid, in case of over subscription, priority will be given to Investors on a first come first serve basis. The investors will be required to

remit the funds as well as submit the duly completed Application Form along with other necessary documents to Issuer by the Deemed Date of Allotment.

10.13 Payment Instructions

The Application Form should be submitted directly or through the Sole Arranger. The entire amount of Rs. 100,00,000/- (Rupees One Crore only) per Debenture is payable along with the making of an application. Applicants can remit the application amount through RTGS on Pay-in Date.

In case the payment is made in RTGS the Funds must be credited to the Designated Bank Accounts of ICCL are as under:

ICICI Bank:
Beneficiary Name: INDIAN CLEARING CORPORATION LTD
Account Number: ICCLEB
IFSC Code: ICIC0000106
Mode: NEFT/RTGS

YES Bank:
Beneficiary Name: INDIAN CLEARING CORPORATION LTD
Account Number: ICCLEB
IFSC Code: YESB0CMSNOC
Mode: NEFT/RTGS

HDFC Bank
Beneficiary Name: INDIAN CLEARING CORPORATION LTD
Account Number: ICCLEB
IFSC Code : HDFC0000060
Mode: NEFT/RTGS

10.14 Eligible Investors

The following categories of Investors, who have been specifically approached and have been identified upfront, are eligible to apply for this private placement of PDIs subject to fulfilling their respective investment norms/rules and compliance with laws applicable to them by submitting all the relevant documents along with the Application Form:

Commercial Banks
Mutual Funds
Financial Institutions
Provident Funds/Trusts
Pension Funds/Trusts
Gratuity Funds/Trusts
Superannuation Funds/Trusts
Corporates
Foreign Institutional Investors (FIIs)
Qualified Foreign Investors (QFIs)
Insurance Companies / Corporations
Investment holding companies of high-net-worth individuals
Any other person eligible to invest in the PDIs subject to the relevant prescribed regulations.

All Investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this issue of PDIs.

Note: Participation by potential investors in the issue may be subject to statutory and/or regulatory requirements applicable to them in connection with subscription to Indian securities by such categories of persons or entities. Applicants are advised to ensure that they comply with all regulatory requirements applicable to them, including exchange controls and other requirements. Applicants ought to seek independent legal and regulatory advice in relation to the laws applicable to them.

The PDIs are and have been placed on a private placement basis and shall not be issued to more than two hundred (200) Eligible Investors.

10.15 Procedure for Applying for Dematerialised Facility

The applicant must have at least one beneficiary account with any of the DP's of NSDL/CDSL prior to making the application.

The applicant must necessarily fill in the details (including the beneficiary account number and DP - ID) appearing in the Application Form under the heading "Details for Issue of PDIs in Electronic/Dematerialised Form".

PDIs allotted to an applicant will be credited to the applicant's respective beneficiary account(s) with the DP.

For subscribing to the PDIs, names in the Application Form should be identical to those appearing in the details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details maintained with the DP.

Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrar and Transfer Agent to the Issue.

If incomplete/incorrect details are given under the heading "Details for Issue of PDIs in Electronic/Dematerialised Form" in the Application Form, it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Issuer.

For allotment of PDIs, the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The applicant is therefore responsible for the correctness of his/her demographic details given in the Application Form vis-à-vis those with his/her DP. In case the information is incorrect or insufficient, the Issuer would not be liable for the losses, if any.

The redemption amount or other benefits would be paid to those Debenture Holders whose names appear on the list of beneficial owners maintained by the R&T Agent as on the Record Date. In case of those PDIs for which the beneficial owner is not identified in the records of the R&T Agent as on the Record Date, the Issuer would keep in abeyance the payment of the redemption amount or other benefits, until such time that the beneficial owner is identified by the R&T Agent and conveyed to the Issuer, whereupon the redemption amount and benefits will be paid to the beneficiaries, as identified.

10.16 Depository Arrangements

The Issuer shall make necessary arrangement with CDSL and NSDL for issue and holding of the Debentures in dematerialised form.

10.17 List of Beneficiaries

The Issuer shall request the R&T Agent to provide a list of beneficiaries as at the end of each Record Date. This shall be the list, which will be used for payment or repayment of redemption monies.

10.18 Application under Power of Attorney

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories of the Investor and the tax exemption certificate/document of the Investor, if any, must be lodged along with the submission of the completed Application Form. Further modifications/additions in the power of attorney or authority should be notified to the Issuer or to its agents or to such other person(s) at such other address(es) as may be specified by the Issuer from time to time through a suitable communication.

In case of an application made by companies under a power of attorney or resolution or authority, a certified true copy thereof along with memorandum and articles of association and/or bye-laws along with other constitutional documents must be attached to the Application Form at the time of making the application, failing which, the Issuer reserves the full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason thereto. Names and specimen signatures of all the authorized signatories must also be lodged along with the submission of the completed Application Form.

10.19 Procedure for application by Mutual Funds and Multiple Applications

In case of applications by mutual funds and venture capital funds, a separate application must be made in respect of each scheme of an Indian mutual fund/venture capital fund registered with the SEBI and such applications will not be treated as multiple application, provided that the application made by the asset management company/trustee/custodian clearly indicated their intention as to the scheme for which the application has been made.

The application forms duly filled shall clearly indicate the name of the concerned scheme for which application is being made and must be accompanied by certified true copies of
SEBI registration certificate
Resolution authorizing investment and containing operating instructions
Specimen signature of authorized signatories

10.20 Documents to be provided by Investors

Investors need to submit the following documents, as applicable
Memorandum and Articles of Association or other constitutional documents
Resolution authorising investment
Power of Attorney to custodian
Specimen signatures of the authorised signatories. Thumb impressions must be attested by an authorized official of a bank or by a Magistrate / Notary Public under his / her official seal.
SEBI registration certificate (for Mutual Funds)
Copy of PAN card
Application Form (including RTGS details)

10.21 Applications to be accompanied with Bank Account Details

Every application shall be required to be accompanied by the bank account details of the applicant and the magnetic ink character reader code of the bank for the purpose of availing direct credit of redemption amount and all other amounts payable to the Debenture Holder(s) through EFT/RTGS.

10.22 Succession

In the event of winding-up of the holder of the Debenture(s), the Issuer will recognize the executor or administrator of the concerned Debenture Holder(s), or the other legal representative as having title to the Debenture(s). The Issuer shall not be bound to recognize such executor or administrator or other legal representative as having title to the Debenture(s), unless such executor or administrator obtains probate or letter of administration or other legal representation, as the case may be, from a court in India having jurisdiction over the matter.

The Issuer may, in its absolute discretion, where it thinks fit, dispense with production of probate or letter of administration or other legal representation, in order to recognize such holder as being entitled to the Debenture(s) standing in the name of the concerned Debenture Holder on production of sufficient documentary proof and/or an indemnity.

Where a non-resident Indian becomes entitled to a Debenture by way of succession, the following steps have to be complied with:

(a) Necessary approval of the RBI under applicable FEMA regulations to be obtained by the successor;
(b) Documentary evidence to be submitted to the Legacy Cell of the RBI to the effect that the Debenture was acquired by the non-resident Indian as part of the legacy left by the deceased Debenture Holder;
(c) Proof that the non-resident Indian is an Indian national or is of Indian origin.

Such holding by the non-resident Indian shall be on a non-repatriation basis.

10.23 Mode of Payment

All payments must be made through EFT/RTGS as set out in the Application Form.

10.24 Effect of Holidays

If the due date for any coupon falls on a Sunday or a day which is a bank holiday in Mumbai, then the immediately succeeding Business Day shall be the due date for such payment.

If any other due date for all other monies payable in respect of the Issue falls on a Sunday or a day which is a bank holiday in Mumbai then the immediately preceding Business Day shall be the due date for such payment.

The Coupon / redemption payments shall be made only on the days when the money market is functioning in Mumbai.

10.25 Tax Deduction at Source

Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. For seeking TDS exemption/lower rate of TDS, relevant certificate/document must be lodged by the Debenture Holders at the office of the Registrar & Transfer Agents of the Company at least 15 (Fifteen) days before the relevant payment becoming due. Tax exemption certificate / declaration of non deduction of tax at source on interest on application money, should be submitted along with the Application Form.

10.26 Letters of Allotment

The letter of allotment, indicating allotment of the Debenture, will be credited in dematerialised form within 2 (Two) Business Days from the Deemed Date of Allotment. The aforesaid letter of allotment shall be replaced with the actual credit of Debenture, in dematerialised form, within the same period of 2 (Two) Business Days from the Deemed Date of Allotment.

10.27 Deemed Date of Allotment

All the benefits under the PDIs will accrue to the Investor from the specified Deemed Date of Allotment. The Deemed Date of Allotment for the Issue is January 31, 2023 by which date the Investors would be intimated of allotment.

10.28 Record Date

The Record Date will be 15 (Fifteen) calendar days prior to any due date.

10.29 Refunds

For applicants whose applications have been rejected or allotted in part, refund orders will be dispatched within 7 (Seven) days from the Deemed Date of Allotment of the PDIs.

In case the Issuer has received money from applicants for PDIs in excess of the aggregate of the application money relating to the PDIs in respect of which allotments have been made, the Registrar shall upon receiving instructions in relation to the same from the Issuer repay the moneys to the extent of such excess, if any.

10.30 Interest on Application Money

Interest shall be payable on all application monies received at the Coupon Rate as defined in the Term Sheet from the date of realization of the application monies by the Issuer until the Deemed Date of Allotment and the same shall be paid to the relevant Investors within 7 (Seven) Business Days from the Deemed Date of Allotment.

10.31 PAN Number

Every applicant should mention its Permanent Account Number (**"PAN"**) allotted under Income Tax Act, 1961, on the Application Form and attach a self-attested copy as evidence. Application forms without PAN will be considered incomplete and are liable to be rejected.

10.32 Payment on Redemption

Payment on redemption will be made by way of cheque(s)/redemption warrant(s)/demand draft(s)/credit through RTGS system/funds transfer in the name of the Debenture Holder(s) whose names appear on the list of beneficial owners given by the Depository to the Issuer as on the Record Date.

The PDIs shall be taken as discharged on payment of the redemption amount by the Issuer to the registered Debenture Holder(s) whose name appears in the register of Debenture Holder(s) on the Record Date. On such payment being made, the Issuer will inform NSDL/CDSL and accordingly the account of the Debenture Holder(s) with NSDL/CDSL will be adjusted.

On the Issuer dispatching the amount as specified above in respect of the PDIs, the liability of the Issuer shall stand extinguished.

Disclaimer: Please note that only those persons to whom this memorandum has been specifically addressed are eligible to apply. However, an application, even if complete in all respects, is liable to be rejected without assigning any reason for the same. The list of documents provided above is only indicative, and an investor is required to provide all those documents / authorizations / information, which are likely to be required by the Issuer. The Issuer may, but is not bound to revert to any investor for any additional documents / information, and can accept or reject an application as it deems fit. Investment by investors falling in the categories mentioned above are merely indicative and the Issuer does not warrant that they are permitted to invest as per extant laws, regulations, etc. Each of the above categories of investors is required to check and comply with extant rules/regulations/ guidelines, etc. governing or regulating their investments as applicable to them and the Issuer is not, in any way, directly or indirectly, responsible for any statutory or regulatory breaches by any investor, neither is the Issuer required to check or confirm the same.

ANNEXURE I: TERM SHEET

Security Name (Name of the non-convertible securities which includes (Coupon/dividend, Issuer Name and maturity year) e.g. 8.70% XXX 2015.	8.15% HDFC Credila Financial Services Limited PDI, 2023 January 31
Issuer	HDFC Credila Financial Services Limited
Type of Instrument	Unsecured, Rated, Listed, Perpetual Debt Instruments in the nature of Non–Convertible PDIs
Nature of Instrument	Unsecured (Tier I Capital) PDIs
Seniority (Senior or Subordinated)	i. Superior to the claims of investors in Equity Shares of the Company; and ii. Subordinated to the claims of all other creditors of the Company (but pari-passu inter se the holders of the PDIs)
Mode of Issue	Private placement
Eligible/Identified Investors	Only persons who are specifically addressed through a communication are eligible to apply for the PDIs. No other person can apply. Please refer Clause 10.14 of the Information Memorandum.
Listing	To be listed on the Wholesale Debt Market (WDM) Segment of the BSE Limited within a maximum period of 3 (three) trading days from the Issue Closing Date. In accordance with the SEBI NCS Regulations, in case of delay in listing of PDIs beyond 3 (three) trading days from the Issue Closing Date, the Company shall make payment to the PDI holders of 1% (One Percent) per annum over the Coupon Rate from the for the Deemed Date of Allotment till the listing of the PDIs. With reference to the Notification bearing No. RBI/2011-12/423 A.P. (DIR Series) Circular No. 89 dated March 1, 2012 issued by Reserve Bank of India, Foreign Exchange Department, Central Office, Mumbai – 400 001 in respect of Foreign Institutional Investor (FII) investment in 'to be listed' debt securities, the Company confirms that the PDIs would be listed within 15 days from the deemed date of allotment. In case the debentures issued to the SEBI registered FIIs / sub account of FIIs are not listed within 15 days from the deemed date of allotment, for any reason, then the Company would immediately redeem / buyback the debentures from the FIIs/subaccount of FIIs.
Rating of Instrument	"CRISIL AAA" by CRISIL Ratings Ltd. and "CARE AAA" by CARE Ratings Ltd
Issue Size	Rs. 200,00,00,000/- (Rupees Two Hundred Crore only)
Minimum Subscription	Rs. 1,00,00,000/- (Rupees One Crore Only)
Option to retain oversubscription (Amount)	N.A.
Objects of the Issue	The funds being raised by the Company through present issue of PDIs are not meant for financing any particular project. The Company shall

	utilize the proceeds of the Issue for its regular business activities including utilization of proceeds for disbursement to meet the finance requirements of the borrowers of the Company and other associated business objectives such as discharging existing debt obligations which were generally undertaken for business operations. Please refer Clause 6.28 of the Information Memorandum.
Details of the utilization of the Proceeds	Upto 50% funds will be utilized for disbursement of education loans, upto 70% funds will be utilized for repayment of existing debt obligations and upto 10% funds will be utilized for general corporate purposes. Further, pending utilization, the issue proceeds may be invested as approved from time to time in the ordinary course of business, in fixed deposits with banks, mutual fund units, etc.
In case the issuer is a NBFC and the objects of the issue entail loan to any entity who is a 'group company' then disclosures shall be made in the following format:	The proceeds of the Issue will not be utilised for providing loans to any group company.
Coupon Rate	8.15% (Eight Point Fifteen Percent) per annum payable annually (withholding taxes as applicable)
Step Up/ Step Down Coupon Rate	Step Up Coupon Rate - 50 bps
Step-up Option	The PDIs will have a step-up option which shall be exercised only once during the whole life of the instrument, in conjunction with the first Call Option date, after lapse of 10 years from the date of issue. The Step Up shall be 50 bps. In effect the coupon rate of PDIs shall be stepped up to 0.50 % p.a. for subsequent years if Call Option is not exercised by the Issuer after the end of 10th year from the Deemed Date of Allotment. The Step-up Option shall be exercised on the business day immediately succeeding the expiry of 10 years from the Deemed Date of Allotment (i.e., on January 31, 2033)
Lock-in clause	a. The PDIs shall be subject to lock-in clause in terms of which the issuer may defer the payment of interest if: the issuer's CRAR is below the minimum regulatory requirement prescribed by RBI the impact of such payment results in Issuer's CRAR falling or remaining below minimum regulatory requirement prescribed by RBI b. However, the Issuer may pay interest with prior approval of RBI when the impact of such payment may result in net loss or increase in net loss, provided the CRAR remains above the minimum regulatory requirement prescribed by RBI c. The interest shall not be cumulative except in cases as in 'a.'
Coupon Payment Frequency	Annual
Coupon Payment Dates	January 31 every year, subject to RBI Regulations (Lock-in clause) (up to call option date, in case if call option is exercised by the Issuer)
Coupon Type (fixed, floating or other structure)	Fixed Coupon Rate
Exercise Date	January 31, 2033 (10 years after Deemed Date of Allotment)

Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).	N.A.
Anchor Investor	N.A.
Quantum of Anchor Investor	N.A.
Day Count Basis	Actual / Actual
Interest on Application Money	Not Applicable
Default Interest Rate	In the event of a payment default of the amounts due under this Issue, the Issuer shall pay an additional interest of at least 2% (Two Percent) per annum over and above the applicable Coupon Rate on the outstanding principal amount of the PDIs, for the defaulting period.
Tenor	Perpetual
Redemption Date	N.A. The Outstanding Principal Amount of the PDIs, together with accrued but unpaid coupon and additional interest, if any, may be redeemed by the Company on any date after the Exercise Date, subject however to the prior approval in writing of the RBI. The PDIs will not carry any obligation, for Coupon or otherwise, after redemption has occurred and all amounts due have been paid. In the event that the Company is required to redeem the outstanding principal amount of the PDIs in full or in part, or pay any monies in respect thereof including accrued Coupon, before the Call Option Date, due to change in Applicable Laws or under the terms of the Trust Deed including on the occurrence of an Event of Default, the Company shall ensure that it shall obtain all requisite approvals, if any, of the RBI or any other applicable authorities and such redemption and payment shall be subject to receipt of such approvals, as applicable.
Redemption Amount	Rs. 1,00,00,000/- (Rupees One Crore Only) per PDI
Redemption Premium/ Discount	N.A.
Issue Price	Rs. 1,00,00,000/- (Rupees One Crore Only) per PDI
Discount at which security is issued and the effective yield as a result of such discount	N.A.
Put Date	N.A.
Put Price	N.A.
Call Date	Call option shall be exercised by Issuer only after prior approval of RBI. A date falling on the completion of 10 (Ten) years from the Deemed Date of Allotment and any date thereafter. Coupon shall be payable on actual day count basis till the date of exercise of such Call Option.
Call Price	At the face value
Put Notification Time	N.A.
Call Notification Time	In the event if the Issuer is desirous of exercising the Call Option, the Issuer shall provide notice to the Debenture Trustee in relation to

	exercise of the Call Option at least 15 (fifteen) calendar days prior to the Exercise Date. Prior to the issue of such notice, the Issuer shall have obtained the approval in writing of the RBI. Upon issuance of the notice, the Issuer shall compulsorily redeem the PDIs (or part thereof) identified in the notice on the relevant Call Option Date by making payment to the relevant PDI Holders, the outstanding principal amount in respect of the PDIs (or part thereof as identified in the notice) and accrued coupon in relation thereto. If the Company has exercised its Call Option right, then after the completion of such exercise of the right of Call Option, the Company shall submit the report to the Stock Exchange and inform the Debenture Trustee and the Depositories, in the manner and upon the terms and conditions as set out in the SEBI Debt Listing Regulations.
Face Value	Rs. 1,00,00,000 /- (Rupees One Crore Only) per Debenture
Minimum Application size	1 PDI and in multiples of 1 PDI thereafter
Market Lot	1 (One) PDI
Issue Timing	10:00 AM to 11:00 AM
Issue / Bid Opening Date	January 30, 2023
Issue / Bid Closing Date	January 30, 2023
Date of earliest closing of the issue, if any	January 30, 2023
Pay-in Date	January 31, 2023
Deemed Date of Allotment	January 31, 2023
Issuance mode of the Instrument	Demat only
Trading mode of the Instrument	Demat only
Settlement mode of the Instrument	The pay-in of subscription monies for the PDIs shall be made by way of transfer of funds from the bank account(s) of the eligible investors (whose bids have been accepted) as registered with EBP into the account of the relevant Clearing Corporation, in accordance with the procedure and timelines prescribed in the Electronic Book Mechanism Guidelines and the Operational Guidelines of the EBP. For amounts payable by the Issuer to any Debenture Holder pursuant to the terms of the Transaction Documents, Cheque(s) / Demand Draft / electronic clearing services / credit through RTGS / NEFT system / funds transfer to the specified bank account of the Debenture Holder shall be the mode of settlement.
Depositories	NSDL/CDSL
Business Days	Means a day (other than a Sunday or a Bank holiday) on which banks are open for general business in Mumbai.
Business Day Convention	If the due date for any Coupon falls on a Sunday or a day which is a bank holiday in Mumbai, then the immediately succeeding Business Day shall be the due date for such payment. If any other due date for all other monies payable under this Deed falls on a Sunday or a day which is a bank holiday in Mumbai then the immediately preceding Business Day shall be the due date for such payment.
Disclosure of Interest / Dividend /	Please see "Coupon Payment Dates" and "Redemption Date"

redemption dates	sections.
Record Date	The date which will be used for determining the Debenture Holders who shall be entitled to receive the amounts due on any Due Date, which shall be the date falling 15 (fifteen) calendar days prior to any Coupon Payment Date.
All covenants of the issue (including side letters, accelerated payment clause, etc.)	The major covenants of the issue include: • Interest rate, Computation of interest, payment of interest • Interest on application money • Business day, Record date • Redemption, payment of redemption amount • Listing and rating and • Mode of transfer of PDIs • Call Option, Lock-in For further details, please refer Annexure IV No side letters executed pursuant to the said issue. Accelerated Payment: The PDIs can be accelerated on the occurrence of the "Event of Default"
Description regarding Security (where applicable) including type of security (movable /immovable /tangible etc.), type of charge (pledge/ hypothecation/ mortgage etc.), date of creation of security/ likely date of creation of security, minimum security cover, revaluation, replacement of security, interest to the debenture holder over and above the coupon rate as specified in the Trust Deed and disclosed in the Offer Document/ Information Memorandum.]	Not Applicable, as the Issue is Unsecured
Transaction Documents	Information Memorandum Rating Letters Trustee Consent Application Form Debenture Trustee Agreement Debenture Trust Deed
Conditions Precedent to Disbursement	This transaction is subject to standard conditions precedent, including submission of this Disclosure Document/Information Memorandum to the BSE prior to listing
Conditions Subsequent to Disbursement	This transaction is subject to standard conditions subsequent, including submission of this Disclosure Document/Information Memorandum to the ROC and to SEBI and listing of the PDIs, within the stipulated statutory time-frames
Events of Default (including manner of voting /conditions of joining Inter Creditor Agreement)]	Following are certain Events which can be an Event of Default • Default in redemption of PDIs and payment of interest • Default in performance of covenants and conditions • Insolvency/inability to pay debts • Misrepresentation in the transaction document

	• Liquidation/ Dissolution of the Company For further details on Events of default, please refer the Annexure " IV" containing the covenants proposed to be included in debenture trust deed **Voting** All voting in relation to the PDIs will be subject to the voting arrangements as specified in this Information Memorandum and the Debenture Trust Deed. **Inter- Creditor Agreements** In accordance with the SEBI circular dated October 13, 2020 bearing reference number SEBI/HO/MIRSD/CRADT/CIR/P/2020/203 in relation to the standardisation of procedure to be followed by debenture trustees in case of default by issuers of listed debt securities, the Debenture Trustee shall not enter into any inter creditor arrangement unless agreed to in writing by 75% of the Debenture Holders (by outstanding Nominal Value) and 60% of the Debenture Holders (by number).
Creation of recovery expense fund	The company has created a recovery expense fund in the manner as specified by the Securities and Exchange Board of India as on 26th February 2021 in favour of BSE limited and the same has been informed to the Debenture Trustee. The recovery expense fund shall be utilized for the purposes and in the manner as may be required under the applicable circulars / directions / notices / guidelines /regulations issued by SEBI from time to time
Conditions for breach of covenants	As per Debenture Trust Deed
Provisions related to Cross Default Clause	N.A.
Role and Responsibilities of Debenture Trustee	Following are certain roles and responsibilities of the Debenture Trustee: • Perform such acts as are necessary for the protection of the interest of the Debenture Holders and resolve the grievances of the Debenture Holders. • Follow up for redemption of PDIs in accordance with the Terms and Conditions of PDIs. • In case the Company commits any breach of the terms of the Deed, the Debenture Trustee in consultation with the Debenture Holders shall take such reasonable steps as maybe necessary to remedy such breach. For further details on roles and responsibilities of Debenture Trustee and fees charged, please refer Annexure IV containing the covenants proposed to be included in debenture trust deed
Risk factors pertaining to the issue	As per Section 4 of the Information Memorandum
Governing Law and Jurisdiction	The PDIs and the Transaction Documents will be governed by and construed in accordance with the laws of India and the parties submit to the exclusive jurisdiction of the courts in Mumbai.
Manner of Bidding	Close Book Bidding
Mode of Allotment	Uniform Yield

Mode of Settlement	Through Indian Clearing Corporation Limited (ICCL)

Notes

1) If there is any change in Coupon Rate pursuant to any event including lapse of certain time period or downgrade in rating, then such new Coupon Rate and events which lead to such change should be disclosed
2) The list of documents which has been executed in connection with the issue and subscription of debt securities shall be annexed
3) The issuer shall provide granular disclosures in their placement memorandum, with regards to the "Object of the Issue" including the percentage of the issue proceeds earmarked for each of the "object of the issue".

Illustration of Cash Flows	
Company	HDFC Credila Financial Services Limited
Face Value (per security)	Rs. 1,00,00,000 /- (Rupees One Crore only) per PDI
Deemed Date of Allotment	January 31, 2023
Tenure and Date of Redemption	Perpetual, unless call option is exercised any time after 10 years from the Deemed Date of Allotment.
Coupon Rate	8.15 %p.a. (shall be increased by 50 bps on exercise of Step-up Option)
Frequency of the Coupon Payment with specified dates	On January 31, every year until call option is exercised
Day Count Convention	Actual / Actual

Cash Flow in respect of PDI of face value Rs. 1 Crore:

Cash Flows	Day and date for coupon / redemption becoming due	No. of Days in Coupon Period	Amount (in Rupees)
1st Coupon	Wednesday, January 31, 2024	365	8,15,000
2nd Coupon	Friday, January 31, 2025	366	8,15,000
3rd Coupon	Monday, February 02, 2026	365	8,15,000
4th Coupon	Monday, February 01, 2027	365	8,15,000
5th Coupon	Monday, January 31, 2028	365	8,15,000
6th Coupon	Wednesday, January 31, 2029	366	8,15,000
7th Coupon	Thursday, January 31, 2030	365	8,15,000
8th Coupon	Friday, January 31, 2031	365	8,15,000
9th Coupon	Monday, February 02, 2032	365	8,15,000
10th Coupon	Monday, January 31, 2033	366	8,15,000
Principal	On call exercise date*		1,00,00,000

Notes-
The above cashflow has been prepared assuming the issuer will exercise the call option at the end of 10 years from the deemed date of allotment. If the Call Option is not exercised, then interest payment will be done on actual day count basis, post 10 years, at 8.65 % p.a. till the life of the issue.

The above table is illustrative and indicative. The actual dates and maturity amount will be in accordance and compliance with the SEBI's Operational Circular for issue and listing of Non-convertible Securities dated August 10, 2021, as amended from time to time.

ANNEXURE II: RATING LETTERS & RATING RATIONALES

Ratings

CRISIL
An S&P Global Company

CONFIDENTIAL

RL/CFSL/309868/PBOND/0123/51127/140059729
January 20, 2023

Mr. Manjeet P. Bijlani
Chief Financial Officer
HDFC Credila Financial Services Limited
B 301, Citi Point, Next to Kohinoor Continental,
Andheri - Kurla Road
Andheri (East),
Mumbai City - 400059
9987759435

Dear Mr. Manjeet P. Bijlani,

Re: CRISIL Rating on the Rs. 200 Crore Perpetual Bonds of HDFC Credila Financial Services Limited

We refer to your request for a rating for the captioned Debt instrument.

CRISIL Ratings has, after due consideration, assigned a CRISIL AAA/Stable (pronounced as CRISIL triple A rating with Stable outlook) rating to the captioned Debt instrument. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

Further, in view of your decision to accept the CRISIL Ratings, we request you to apprise us of the instrument details (in the enclosed format) as soon as it has been placed. In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from CRISIL Ratings will be necessary.

As per our Rating Agreement, CRISIL Ratings would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL Ratings reserves the right to withdraw, or revise the rating / outlook assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL Ratings believes may have an impact on the rating. Please visit www.crisilratings.com and search with the name of the rated entity to access the latest rating/s.

As per SEBI circular (reference number: CIR/IMD/DF/17/2013; dated October 22, 2013) on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN; along with the reference number and the date of the rating letter) of all bond/debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at debtissue@crisil.com. This will enable CRISIL Ratings to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us at debtissue@crisil.com for any clarification you may need.

Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Aesha Maru
Associate Director - CRISIL Ratings

Nivedita Shibu
Associate Director - CRISIL Ratings

Disclaimer: A rating by CRISIL Ratings reflects CRISIL Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL Ratings. Our ratings are based on information provided by the issuer or obtained by CRISIL Ratings from sources it considers reliable. CRISIL Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by CRISIL Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. CRISIL Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. CRISIL Ratings' criteria are available without charge to the public on the web site, www.crisilratings.com. CRISIL Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by CRISIL Ratings, please visit www.crisilratings.com or contact Customer Service Helpdesk at CRISILratingdesk@crisil.com or at 1800-267-1301

CRISIL Ratings

Rating Rationale

January 20, 2023 | Mumbai

HDFC Credila Financial Services Limited

'CRISIL AAA/Stable' assigned to Non Convertible Debentures and Perpetual Bonds; Rated amount enhanced for Commercial Paper

Rating Action

Rs.2000 Crore Non Convertible Debentures	CRISIL AAA/Stable (Assigned)
Rs.200 Crore Perpetual Bonds	CRISIL AAA/Stable (Assigned)
Rs.850 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.100 Crore Perpetual Bonds	CRISIL AAA/Stable (Reaffirmed)
Rs.1600 Crore (Enhanced from Rs.1000 Crore) Commercial Paper	CRISIL A1+ (Reaffirmed)
Non Convertible Debentures Aggregating Rs.2360 Crore	CRISIL AAA/Stable (Reaffirmed)
Subordinated Debt Aggregating Rs.725 Crore	CRISIL AAA/Stable (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its **'CRISIL AAA/Stable'** rating to the Rs 200 crore perpetual bond and Rs 2000 crore non-convertible debentures of HDFC Credila Financial Services Limited (HDFC Credila) and has reaffirmed its ratings on the existing debt instruments at 'CRISIL AAA/Stable/CRISIL A1+'.

The rating on the perpetual bonds reflects the comfortable buffer consistently maintained by HDFC Credila over the regulatory capital adequacy requirements, and high financial flexibility due to Housing Development Finance Corporation Ltd (HDFC: rated 'CRISIL AAA/FAAA/Stable/CRISIL A1+') ownership. HDFC Credila is adequately capitalised and has maintained a cushion of >3% over the regulatory minimum capital ratio over the last five years. CRISIL Ratings believes that it will maintain a comfortable cushion going forward (see CRISIL publication 'CRISIL Criteria for Rating Hybrid Instruments Issued by NBFCs/HFCs' dated December 2016 for details on CRISIL's approach for rating such instruments).

The ratings continue to reflect strong expectation of managerial, financial, and operational support from the parent, Housing Development Finance Corporation Ltd (HDFC: rated 'CRISIL AAA/FAAA/Stable/CRISIL A1+'), experienced management with strong processes and systems, and an adequate resource profile. These strengths are partially offset by overall moderate scale of operations.

On April 4th, 2022, the Board of Directors of HDFC and HDFC Bank respectively approved a composite scheme of amalgamation ("Scheme") inter alia involving merger of HDFC with and into HDFC Bank subject to receipt of requisite approvals/ no objections including from Reserve Bank of India (RBI) and other statutory and regulatory authorities. On July 04, 2022, HDFC Bank has received a letter from the RBI whereby the RBI has accorded it's 'no objection' for the Scheme, subject to certain conditions as mentioned therein. CRISIL Ratings will continue to monitor the progress on the announced amalgamation. Nevertheless, CRISIL Ratings believes that HDFC will continue to provide strong support to its subsidiaries, on an ongoing basis and in times of distress.

HDFC Credila's asset quality witnessed an inch up in overall delinquencies with gross stage 3 (GS3) assets increasing to 0.57% as on March 31, 2022 (0.60% as on March 31, 2021) from 0.12% as on March 31, 2020, largely on account of the Covid-19 restructuring. However, the same has improved to 0.35% as on September 30, 2022.

While a part of the increase in GS3 assets in March 2022 was attributed to the macro-environment related challenges, close to ~62% of the GS3 assets, as on March 31, 2022 (~53% as on September 30, 2022), were restructured assets under the RBI Resolution Framework 1.0 and 2.0 and have been conservatively classified as GS3 assets. Overall, under the RBI's

Resolution Framework 1.0 and 2.0 for COVID-19-related Stress, the company has implemented restructuring on around 0.62% of its portfolio as on March 31, 2022 (0.33% as on September 30, 2022).

Analytical Approach

For arriving at the ratings, CRISIL Ratings has considered the standalone business and financial risk profiles of HDFC Credila and has factored in the support expected from the parent, HDFC.

Key Rating Drivers & Detailed Description

Strengths:

Strong expectation of managerial, financial and operational support from the parent

HDFC views education loans as a segment with high growth potential in the long term; HDFC Credila, India's first dedicated non-banking financial company (NBFC) offering education loans, is the vehicle to target this segment. Although HDFC Credila has an overall moderate scale of operations, the strong involvement of HDFC clearly reflects its confidence in the growth potential of the education loan business and plans to ramp-up HDFC Credila's operations commensurately. Currently, there are two directors on the company's board from HDFC; these directors, along with the rest of the board, take an active interest in the formulation of the company's business strategies. Moreover, HDFC Credila benefits from its association with HDFC and its established branch network and infrastructure in the sourcing of business.

HDFC has infused around Rs 300 crore in November 2022, prior to which it had infused Rs 250 crore in fiscal 2020, Rs 50 crore in fiscal 2019 and Rs 80 crore in fiscal 2018 as additional capital into HDFC Credila. Since December 12, 2019, the company became a wholly owned subsidiary of HDFC post-acquisition of balance shares from the original promoters.

Experienced management with strong processes and systems

With HDFC taking over full ownership of HDFC Credila, Mr Arijit Sanyal was appointed as the Managing Director and Chief Executive Officer and took over the reins from the erstwhile promoters, Mr Ajay Bohora and Mr. Anil Bohora. The company has an experienced management team with veterans from the banking and financial services industry. Moreover, it benefits from being the first education loans-focused NBFC in a segment that is predominantly dominated by banks. It has also built strong systems and processes over the past many years that help mitigate asset quality risks of this segment. The company has a large database of colleges and over 200,000 courses which it uses for taking decisions on loans. The company has developed credit scoring models for disbursing loans to borrowers of which around 34% are backed by collateral as on June 30, 2022 and all loans have a co-borrower. The company is likely to remain a strong player in the education loan industry.

Adequate resource profile

The strong parentage helps HDFC Credila access a large pool of investors and raise debt at competitive costs. As on September 30, 2022, the company had total borrowing worth Rs 10,695 crore (7,515 crore as on March 31, 2022) raised at a competitive borrowing cost. It has been able to gradually diversify its resource profile and reduced the dependence on bank borrowing. As on September 30, 2022, bank borrowing constituted 57.7% (54% as on March 31, 2022) of the total borrowing. The company has also been able to raise USD 100 million external commercial borrowing in the fiscal 2020. It is expected to increase the proportion of capital-market borrowing and continue to diversify the resource mix over the medium term depending on market conditions.

Adequate capitalisation

HDFC Credila had adequate capitalisation with a networth and a gearing of Rs 1,469 crore and 7.3 times as on September 30, 2022 (Rs 1,361 crore and 5.5 times, respectively, as on March 31, 2022, and Rs 1,144 crore and 4.6 times, respectively, as on March 31, 2021). Post capital raise of Rs 300 crore in November 2022, the gearing levels is expected to have come down below 6.5 times. Historically, HDFC Credila operated at relatively high gearing levels of 7.6 times as on March 31, 2019, and 8.3 times as on March 31, 2018. Nevertheless, supported by capital infusion aggregating to Rs 250 crore by HDFC in fiscal 2020, the gearing improved to 5.9 times as on March 31, 2020. The gearing further improved to 4.6 times as on March 31, 2021. This was on account muted loan book growth largely due to lower disbursements and higher prepayments in fiscal 2020 and fiscal 2021 due to the on and off lockdowns and restrictions on international travel during the Covid 19 pandemic. However, with pick-up in disbursements in FY22, the gearing increased to 5.5 times as on March 31, 2022.

While the leverage levels are expected to gradually inch-up with scale up in operations, CRISIL Ratings understands from the management that the company will maintain a steady-state gearing of 6.5 times. Further, adequate internal cash accrual (consistent with a return on equity of more than 14% over the past five fiscals) coupled with equity infusions as and when required from the parent, is expected to support capitalisation.

Weakness:

Moderate scale of operations with limited seasoning of the loan book

Scale of operations is moderate, however, the business has seen significant growth in fiscal 2022 and first half of fiscal 2023. On account of lockdowns related to the pandemic, disbursements were impacted; also the book witnessed high prepayments in fiscal 2021 which led to a flat loan book of Rs 6,267 crore as on March 31, 2021. Nevertheless, disbursements had picked up in fiscal 2022 to Rs 4,309 crore (Rs 1,579 crore in fiscal 2021 and Rs 2,094 crore in fiscal 2020) – increasing the loan book to Rs 8,838 crore as on March 31, 2022. The company has also witnessed healthy disbursements of Rs 4,183 crore in first half of fiscal 2023, resulting in a loan book of Rs 12,168 crore as on September 30, 2022.

Gross stage 3 assets had a slight uptick to 0.57% (Rs 50 crore) as on March 31, 2022 from (0.60% {Rs 37 crore} as on March 31, 2021), from 0.12% (Rs 8 crore) as on March 31, 2020. However, it has improved to 0.35% (Rs 42.6 crore) as on September 30, 2022. Further, as on September 30, 2022, restructured accounts, has reduced to 0.33% (Rs 39.98 crore) from 0.62% (Rs 55.02 crore) as on March 31, 2022. Of restructured book, Rs 22.6 crore and Rs 31.4 crore were classified as gross stage 3 as on September 30, 2022, and March 31, 2022, respectively. Further, given high growth in recent years, a significant part of the loans disbursed are in the moratorium period and hence, the seasoning of the loan portfolio is limited at this stage. However, the overall gross stage 3 assets remain low and comfortable.

Nevertheless, the ability to successfully recover the loans across business cycles is yet to be tested for the newer markets like Canada and UK.

Liquidity: Superior
The company has adequate liquid assets (Rs 438 crore) and unutilized bank lines (Rs 500 crore) as on December 31, 2022, which is sufficient to cover upcoming debt repayments (including interest expense) for the next four months (Rs 884 crore of principal repayments by April 30, 2023). Liquidity position is further supported by the parentage of HDFC.

Outlook: Stable
HDFC Credila should continue to benefit from the strong financial, managerial, and operational support from HDFC and the experienced management.

Rating Sensitivity Factors
Downward factors

- Downward change in the credit risk profile of HDFC by 1 notch could lead to a similar rating change on HDFC Credila
- Any material change in the shareholding or support philosophy of HDFC impacting the quantum and timing of support.

About the Company
HDFC Credila was incorporated on February 1, 2006, promoted by Mr Anil Bohora and Mr Ajay Bohora. The company is registered as a non-deposit-taking NBFC with the Reserve Bank of India. It is in the business of originating, funding, and servicing educational loans. With HDFC buying out the promoters' stake in fiscal 2020, the company became a wholly owned subsidiary of HDFC since December 12, 2019.The company has been converted to a public limited company with effect from October 8, 2020.

HDFC Credila has eight own offices, and at other places does business through the branches of HDFC. The company uses various channels for sourcing and marketing, which include the internet, branch network of HDFC and a few private sector banks, partnering with colleges, education consultants, and test preparation centres, advertising, and direct marketing.

The loan book (gross) was at Rs 12,168 crore as on September 30, 2022 (Rs 8,838 crore as on March 31, 2022). The networth was Rs 1,469 crore as on this date (Rs 1,361 crore as on March 31, 2022). Tier-1 and overall capital adequacy ratios were 11.4% and 17.2%, respectively, as on September 30, 2022 (14.8% and 18.9%, respectively, as on March 31, 2022). The Company has raised equity capital of Rs. 300 Cr. from HDFC Ltd. in November 2022 to strengthen its capital position.

For fiscal 2022, profit after tax (PAT) was Rs 206 crore on total income of Rs 824 crore, against a PAT of Rs 155 crore on total income of Rs 713 crore for the previous fiscal.

The company reported a PAT of Rs 118 crore on a total income of Rs 546 crore as for first half of fiscal 2023 as against Rs 94 crore and Rs 371 crore, respectively, for the corresponding period previous fiscal.

Key Financial Indicators

As on/for the period ended	Unit	Sept-22	Mar-2022	Mar-2021
Total Assets	Rs crore	12,484	9107	8803
Total Income	Rs crore	648	824	713
PAT	Rs crore	118	206	155
Gross stage 3 assets	%	0.35	0.57	0.60
Gearing	Times	7.3	5.6	4.6
Return on assets (annualised)	%	2.2	2.8	2.3

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale

published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of instrument(s)

ISIN	Name of Instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity level	Rating outstanding with Outlook
NA	Non-convertible debentures*	NA	NA	NA	2000	Simple	CRISIL AAA/Stable
NA	Perpetual bonds*	NA	NA	NA	200	Highly complex	CRISIL AAA/Stable
INE539K07239	Non-convertible debentures	14-Oct-22	8.17%	14-Oct-32	500	Simple	CRISIL AAA/Stable
INE539K07247	Non-convertible debentures	24-Nov-22	7.95%	24-Nov-32	150	Simple	CRISIL AAA/Stable
INE539K08229	Perpetual bonds	30-Aug-22	8.36%	NA^	100	Highly complex	CRISIL AAA/Stable
INE539K08211	Subordinated debt	25-Jul-22	8.25%	23-Jul-32	175	Complex	CRISIL AAA/Stable
INE539K08203	Subordinated debt	04-Jul-22	8.40%	30-Jun-32	200	Complex	CRISIL AAA/Stable
INE539K07221	Non-convertible debentures	07-Jul-22	8.15%	07-Jul-32	300	Simple	CRISIL AAA/Stable
INE539K07213	Non-convertible debentures	25-Feb-22	7.30%	23-Feb-29	200	Simple	CRISIL AAA/Stable
INE539K07205	Non-convertible debentures	01-Feb-22	7.50%	30-Jan-32	200	Simple	CRISIL AAA/Stable
INE539K07197	Non-convertible debentures	25-Nov-21	3M T-Bill Linked	25-Nov-24	300	Simple	CRISIL AAA/Stable
INE539K07189	Non-convertible debentures	02-Aug-21	7.23%	01-Aug-31	250	Simple	CRISIL AAA/Stable
INE539K07171	Non-convertible debentures	13-Nov-20	7.00%	12-Nov-27	200	Simple	CRISIL AAA/Stable
INE539K07163	Non-convertible debentures	24-Sep-20	5.99%	02-Aug-23	200	Simple	CRISIL AAA/Stable
INE539K07148	Non-convertible debentures	31-Jan-20	8.00%	31-Jan-25	200	Simple	CRISIL AAA/Stable
INE539K07114	Non-convertible debentures	17-June-19	8.62%	17-June-24	100	Simple	CRISIL AAA/Stable
INE539K07122	Non-convertible debentures	08-July-19	8.85%	06-July-29	200	Simple	CRISIL AAA/Stable
INE539K07130	Non-convertible debentures	01-Aug-19	8.70%	01-Aug-29	200	Simple	CRISIL AAA/Stable
INE539K08195	Subordinated debt	6-June-19	9.12%	6-June-29	150	Complex	CRISIL AAA/Stable
INE539K08146	Subordinated debt	9-Oct-15	9.30%	9-Oct-25	100	Complex	CRISIL AAA/Stable
INE539K08153	Subordinated debt	24-Jul-17	8.20%	23-Jul-27	50	Complex	CRISIL AAA/Stable

INE539K08161	Subordinated debt	16-Nov-17	8.10%	16-Nov-27	50	Complex	CRISIL AAA/Stable
NA	Commercial paper programme	NA	NA	7 to 365 days	1500	Simple	CRISIL A1+

*Yet to be issued
^Not applicable as perpetual debt instrument

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	1500.0	CRISIL A1+		-	17-06-22	CRISIL A1+	23-06-21	CRISIL A1+	17-09-20	CRISIL A1+	CRISIL A1+
			--		-	01-06-22	CRISIL A1+	12-02-21	CRISIL A1+	24-01-20	CRISIL A1+	--
			--		-	19-07-22	CRISIL A1+		--		--	--
			--		-	27-06-22	CRISIL A1+		--		--	--
			--		-	18-02-22	CRISIL A1+		--		--	--
Non Convertible Debentures	LT	5000.0	CRISIL AAA/Stable		-	17-06-22	CRISIL AAA/Stable	23-06-21	CRISIL AAA/Stable	17-09-20	CRISIL AAA/Stable	CRISIL AAA/Stable
			--		-	01-06-22	CRISIL AAA/Stable	12-02-21	CRISIL AAA/Stable	24-01-20	CRISIL AAA/Stable	--
			--		-	19-07-22	CRISIL AAA/Stable		--		--	--
			--		-	27-06-22	CRISIL AAA/Stable		--		--	--
			--		-	18-02-22	CRISIL AAA/Stable		--		--	--
Perpetual Bonds	LT	300.0	CRISIL AAA/Stable		-	17-06-22	CRISIL AAA/Stable		--		--	--
			--		-	01-06-22	CRISIL AAA/Stable		--		--	--
Subordinated Debt	LT	725.0	CRISIL AAA/Stable		-	17-06-22	CRISIL AAA/Stable	23-06-21	CRISIL AAA/Stable	17-09-20	CRISIL AAA/Stable	CRISIL AAA/Stable
			--		-	01-06-22	CRISIL AAA/Stable	12-02-21	CRISIL AAA/Stable	24-01-20	CRISIL AAA/Stable	--
			--		-	19-07-22	CRISIL AAA/Stable		--		--	--
			--		-	27-06-22	CRISIL AAA/Stable		--		--	--
			--		-	18-02-22	CRISIL AAA/Stable		--		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
CRISIL's Criteria for rating short term debt
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support

Media Relations	Analytical Contacts	Customer Service Helpdesk
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CareEdge RATINGS

No. CARE/BRO/RL/2022-23/1313

Shri Arjit Sanyal
Chief Executive Officer
HDFC Credila Financial Services Limited
B 301, Citi Point,
Next to Kohinoor Continental, Andheri-Kurla Road, Andheri (East),
Mumbai, Maharashtra 400059

January 09, 2023

Confidential

Dear Sir,

Credit rating for Perpetual debt issue

Please refer to your request for rating of proposed Non-convertible Debenture (NCD) issue aggregating to Rs.200 crore of your Company.

2. The following ratings have been assigned by our Rating Committee:

Sr. No.	Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
1.	Perpetual Bonds	200.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Assigned
	Total Instruments	200.00 (Rs. Two Hundred Crore Only)		

3. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of six months from the date of our initial communication of rating to you (that is January 06, 2023).

4. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

5. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

6. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.

7. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2.** We request you to peruse the annexed document and offer your comments if any. We are doing this as a

[1]Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.
CARE Ratings Limited

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Email: care@careedge.in • www.careedge.in

matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 09, 2023, we will proceed on the basis that you have no any comments to offer.

8. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

9. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

10. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

11. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

12. Our ratings are not recommendations to buy, sell or hold any securities.

13. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE Ratings Ltd.

Thanking you,

Yours faithfully,

Tony Mathew
Lead Analyst
tony.mathew@careedge.in

Nikhil Hardikar
Associate Director
nikhil.hardikar@careedge.in

Encl.: As above

Press Release

CareEdge RATINGS

HDFC Credila Financial Services Limited

January 10, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Perpetual debt	375.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Subordinate debt	475.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Non-convertible debentures	1900.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Perpetual debt	200.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Assigned
Non-convertible debentures	2000.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Assigned
Total long-term instruments	**4,950.00 (₹ Four thousand nine hundred fifty crore only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the various debt instruments of HDFC Credila Financial Services Limited (HDFC Credila) continue to derive strength from its strong parentage of the Housing Development Finance Corporation Limited (HDFC; rated 'CARE AAA; Stable/CARE A1+'), benefits derived from it being part of the HDFC group, including the common brand name, managerial and operational support, HDFC Credila's experienced management team, the relatively stable profitability, the strong asset quality supported by prudent credit underwriting norms, and a strong liquidity profile.

The ratings strengths are, however, partially offset by the exposure to a single asset class and the moderate gearing levels.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:
Not applicable

Negative factors – Factors that could lead to negative rating action/downgrade:

- Weakening of the parent's credit profile and/or any major dilution in the shareholding.
- Material deterioration in the asset quality on a sustained basis.
- Increase in the gearing level beyond 8x on a sustained basis.

Detailed description of the key rating drivers

Key rating strengths

Strong parentage and benefits derived from being part of the HDFC group: HDFC Credila is a wholly-owned subsidiary of HDFC, a leading housing finance company in India. HDFC shares its brand name with the subsidiary, and the company is an integral part of the group's business, providing diversification in the form of education loans. Consequently, the propensity of the parent to provide support remains high. The strong involvement of the parent company is exhibited in the resultant management oversight – HDFC Credila's board is chaired by the Executive Director of HDFC, VS Rangan, along with key personnel from HDFC, namely, Madhumita Ganguli. The Managing Director (MD) and Chief Executive Officer (CEO) of HDFC Credila, Arijit Sanyal, was appointed by HDFC in December 2019. The company also benefits from HDFC's widespread branch network, which supports HDFC Credila's lending operations. HDFC Credila has been receiving capital support from the parent, as reflected over the years. HDFC has infused ₹680 crore in HDFC Credila over the past six years, with the last infusion of ₹300 crore being in November 2022. CARE Ratings Limited (CARE Ratings) expects HDFC to support the capital requirements of HDFC Credila in case needed.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Experienced management team along with robust systems and credit underwriting processes: The company benefits from the experience of its senior management team. The MD & CEO, Arijit Sanyal, was earlier the Head of Strategic Planning & New Initiatives for HDFC. He is supported by an experienced management team of the CFO, CTO, CRO, National Credit Manager, and National Business Head, the veterans of the banking and financial services industry. The management is focused on building strong systems and processes that help mitigate asset quality and other operational risks of this segment. Also, HDFC Credila has established systems and risk controls in place, which support its underwriting standards. Going forward, CARE Ratings expects the company to further ramp-up its information technology (IT) systems, CRM, and LMS, and digitise many of its underwriting systems along with the continuous monitoring of its portfolio in terms of risk.

Strong asset quality, albeit the loan portfolio has moderate seasoning: The company's Gross Stage-III assets continue to remain comfortable at 0.35% (including assets restructured under the Reserve Bank of India [RBI] Resolution Framework for COVID-19-related stress) as on September 30, 2022 (March 31, 2022: 0.57%). As on September 30, 2022, the total restructuring stood at ₹39.98 crore, wherein ₹22.55 crore was included in Gross Stage-III, whereas Net Stage-III assets stood at 0.23% as on September 30, 2022. The current collection efficiency has been consistently maintained above 98% and witnesses higher proportion of prepayments, which are structural to the company's business. The increase in disbursements in FY22 (refers to the period April 1 to March 31) amounting to ₹4,309 crore and H1FY23 of ₹4,183 crore led to a significant loan book growth, with assets under management (AUM) at ₹12,168 crore as on September 30, 2022. A significant loan growth has been witnessed in the last 18 months, and only a moderate proportion of loan has been fully repaid due to the inherent nature of education loans. HDFC Credila's loan book remains moderately seasoned in nature. Notably, the company structures repayment of loans extended to its borrowers in a way such that at least a part or full interest is scheduled to be paid during the study period also, mainly for continuous monitoring. The gestation period of two years for graduation exposes its ultimate borrowers to the changes in the job market, unemployment rate, and economic cycles, which is likely to have bearing on the asset quality. However, the relatively higher prepayment rates witnessed by the company (18% to 24% in the past) adds comfort. It is to be noted that the prepayment rate is considering the total loan book and not based on the loans under repayment where equated monthly installments (EMIs) are due.

Profitability parameters: During FY22, the yields on advances witnessed a decline, as the company passed on a reduction in the cost of funds to its borrowers. Despite a reduction in yields, the net interest margin (NIM) witnessed improvement in FY22 to 4.75% as against 4.16% in FY21. With stable opex and credit costs, the return on total assets (ROTA) improved to 2.63% in FY22 as against 2.28% in FY21.

Diversified resource profile: The parentage of HDFC strengthens the resource profile of HDFC Credila. As on September 30, 2022, the company's borrowings stood at ₹10,695 crore. Major borrowings come in the form of term loans (57.7%), followed by non-convertible debentures (NCDs) (21.2%), external commercial borrowings (ECBs) (7.6%), Tier-I and Tier-II capital instruments (9.9%), and commercial papers (CPs) (3.7%). In FY22, the company was able to bring down the cost of funds by renegotiating its loans and linking them to external benchmarks, leading to faster transmission of changes in the interest rates in trends with the industry. The company's resource-raising ability from diversified sources at a competitive rate, adequately supported by its linkage to the parent, provides more comfort.

Key rating weaknesses

Exposure to a single asset class: HDFC Credila provides education loans, which exposes it to product concentration risk, as any fall in the demand for educational loans or increase in the competition from other players might severely impact the operations and profitability of the company. The distribution of the loan portfolio across India was evenly spread out, with no cities forming above 20%, with the major share from the cities of Hyderabad (16%), Mumbai (15%), Delhi-NCR (14%), Pune (13%), and others as on FY22. Going forward, CARE Ratings expects the company to diversify its lending within the education loan segment.

Moderate gearing levels: Due to the high loan book growth during FY22 and H1FY23, the overall gearing stood at 7.42x as on September 30, 2022, as compared with 5.60x as on March 31, 2022. Similarly, the company's total capital adequacy ratio (CAR) and Tier-I CAR decreased to 17.24% and 11.41%, respectively, as on September 30, 2022, as compared with 18.93% and 14.84%, respectively, as on March 31, 2022. The company has raised fresh equity of ₹300 crore from HDFC by way of a rights issue on November 14, 2022. Owing to the parent-subsidiary linkage, the company enjoys good capital-raising ability and financial flexibility, which is expected to support its capital levels and fund future business expansions, going forward.

Liquidity: Strong
As per the asset-liability maturity (ALM) as on September 30, 2022, the company has a well-matched ALM up to one year, considering the prepayment rates at historical levels. As on September 30, 2022, the company had cash and bank balances and liquid investments of ₹198 crore along with unutilised bank lines of ₹500 crore. CARE Ratings expects the liquidity profile to be adequately supported by the parentage of HDFC, which will help plug any future liquidity mismatches if required.

Analytical approach
CARE Ratings has analysed the standalone credit profile of HDFC Credila along with the strong linkages with its parent, HDFC, in the form of ownership, management, and financial support.

Applicable criteria
Policy on Default Recognition
Notching by Factoring Linkages in Ratings
Financial ratios – Financial sector
Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Rating Methodology - Non-Banking Finance Companies

About the company
HDFC Credila (formerly known as HDFC Credila Financial Services Private Limited), an RBI-registered non-banking financial company (NBFC) engaged in education loans, was established in February 2006. 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 RBI. The company is classified as a Systemically Important Non-Deposit-taking Non-Banking Financial Institution (NBFC-ND-SI) as per the RBI regulations. Ajay Bohora was the co-founder and CEO, along with Anil Bohora as the founder and COO of HDFC Credila. Up to FY19, Anil Bohora and Ajay Bohora held an 8.31% stake each in the company and HDFC held an 83.38% stake. On December 12, 2019, HDFC bought the balance stakes from the company's other shareholders, Ajay Bohora and Anil Bohora, making it a wholly-owned subsidiary of HDFC. Arijit Sanyal has been appointed as the MD & CEO of the company. The company has been converted to a public limited company with effect from October 8, 2020. HDFC Credila provides education loans pan-India through its network at eight major locations, ie, Mumbai, Hyderabad, Pune, Kolkata, Ahmedabad, Chennai, Bengaluru, and Delhi. The company has its registered office in Mumbai along with a back-end office in Nashik, which carries out tele-calling and other operational work. It has a total of 22 branches (including small branches) as on September 30, 2022, for business sourcing. The company also uses various channels for sourcing and marketing, which include the Internet, the branch network of HDFC, and a few private sector banks, partnering with colleges, education consultants, and test preparation centres, advertising, and direct marketing.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (Prov)
Total income	713	824	546
PAT	155	206	118
Pre-provisioning operating profit	217	294	161
Total assets	6,603	9,107	12,484
Net stage-III assets (%)	0.40	0.38	0.23
ROTA (%)	2.28	2.63	2.18

A: Audited; Prov: Provisional; NA: Not available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debt-Perpetual debt	INE539K08112	09-Jul-14	11.75%	09-Jul-24	50.00	CARE AAA; Stable
Debt-Perpetual debt	INE539K08120	27-Jan-15	10.50%	27-Jan-25	50.00	CARE AAA; Stable
Debt-Perpetual debt	INE539K08138	17-Jun-15	10.50%	17-Jun-25	50.00	CARE AAA; Stable
Debt-Perpetual debt	INE539K08179	08-Dec-17	8.75%	08-Dec-27	50.00	CARE AAA; Stable
Debt-Perpetual debt	INE539K08187	06-Jun-18	9.35%	06-Jun-28	75.00	CARE AAA; Stable
Debt-Perpetual debt	INE539K08229	30-Aug-22	8.36%	30-Aug-32	100.00	CARE AAA; Stable
Debt-Subordinate debt	INE539K08146	09-Oct-15	9.30%	09-Oct-25	100.00	CARE AAA; Stable
Debt-Subordinate debt	INE539K08203	04-Jul-22	8.40%	30-Jun-32	200.00	CARE AAA; Stable
Debt-Subordinate debt	INE539K08211	25-Jul-22	8.25%	23-Jul-32	175.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE539K07189	02-Aug-21	7.23%	01-Aug-31	250.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE539K07197	25-Nov-21	5.13%	25-Nov-24	300.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE539K07205	01-Feb-22	7.50%	30-Jan-32	200.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE539K07213	25-Feb-22	7.30%	23-Feb-29	200.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE539K07221	07-Jul-22	8.15%	07-Jul-32	300.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE539K07239	14-Oct-22	8.17%	14-Oct-32	500.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE539K07247	24-Nov-22	7.95%	24-Nov-32	150.00	CARE AAA; Stable
Debentures-Non-convertible debentures	Proposed	-	-	-	2000.00	CARE AAA; Stable
Debt-Perpetual debt	Proposed	-	-	-	200.00	CARE AAA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Issuer rating-Issuer ratings	Issuer rat	-	-	-	-	-	1)Withdrawn (06-Jan-20)
2	Debt-Perpetual debt	LT	50.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AA+; Stable (19-Aug-22) 4)CARE AA+; Stable (20-Jul-22) 5)CARE AA+;	1)CARE AA+; Stable (24-Nov-21)	1)CARE AA+; Stable (25-Nov-20)	1)CARE AA+; Stable (06-Jan-20)

					Stable (29-Jun-22)			
3	Debt-Perpetual debt	LT	50.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AA+; Stable (19-Aug-22) 4)CARE AA+; Stable (20-Jul-22) 5)CARE AA+; Stable (29-Jun-22)	1)CARE AA+; Stable (24-Nov-21)	1)CARE AA+; Stable (25-Nov-20)	1)CARE AA+; Stable (06-Jan-20)
4	Debt-Perpetual debt	LT	50.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AA+; Stable (19-Aug-22) 4)CARE AA+; Stable (20-Jul-22) 5)CARE AA+; Stable (29-Jun-22)	1)CARE AA+; Stable (24-Nov-21)	1)CARE AA+; Stable (25-Nov-20)	1)CARE AA+; Stable (06-Jan-20)
5	Debt-Subordinate debt	LT	100.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AAA; Stable (19-Aug-22) 4)CARE AAA; Stable (20-Jul-22) 5)CARE AAA; Stable (29-Jun-22)	1)CARE AAA; Stable (24-Nov-21)	1)CARE AAA; Stable (25-Nov-20)	1)CARE AAA; Stable (06-Jan-20)
6	Debentures-Non-convertible debentures	LT	-	-	-	1)Withdrawn (14-Jan-22) 2)CARE AAA; Stable	1)CARE AAA; Stable (25-Nov-20)	1)CARE AAA; Stable (06-Jan-20)

						(24-Nov-21)		
7	Debentures-Non-convertible debentures	LT	-	-	1)Withdrawn (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AAA; Stable (19-Aug-22) 4)CARE AAA; Stable (20-Jul-22) 5)CARE AAA; Stable (29-Jun-22)	1)CARE AAA; Stable (24-Nov-21)	1)CARE AAA; Stable (25-Nov-20)	1)CARE AAA; Stable (06-Jan-20)
8	Debt-Perpetual debt	LT	50.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AA+; Stable (19-Aug-22) 4)CARE AA+; Stable (20-Jul-22) 5)CARE AA+; Stable (29-Jun-22)	1)CARE AA+; Stable (24-Nov-21)	1)CARE AA+; Stable (25-Nov-20)	1)CARE AA+; Stable (06-Jan-20)
9	Debt-Perpetual debt	LT	75.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AA+; Stable (19-Aug-22) 4)CARE AA+; Stable (20-Jul-22) 5)CARE AA+; Stable (29-Jun-22)	1)CARE AA+; Stable (24-Nov-21)	1)CARE AA+; Stable (25-Nov-20)	1)CARE AA+; Stable (06-Jan-20)
10	Debentures-Non-convertible debentures	LT	250.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22)	1)CARE AAA; Stable (24-Nov-21) 2)CARE AAA; Stable (16-Jul-21)	-	-

					3)CARE AAA; Stable (19-Aug-22) 4)CARE AAA; Stable (20-Jul-22) 5)CARE AAA; Stable (29-Jun-22)			
11	Debentures-Non-convertible debentures	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AAA; Stable (19-Aug-22) 4)CARE AAA; Stable (20-Jul-22) 5)CARE AAA; Stable (29-Jun-22)	1)CARE AAA; Stable (24-Nov-21) 2)CARE AAA; Stable (25-Aug-21)	-	-
12	Debentures-Non-convertible debentures	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AAA; Stable (19-Aug-22) 4)CARE AAA; Stable (20-Jul-22) 5)CARE AAA; Stable (29-Jun-22)	1)CARE AAA; Stable (22-Feb-22)	-	-
13	Debt-Subordinate debt	LT	200.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AAA; Stable (19-Aug-22) 4)CARE AAA; Stable	-	-	-

					(20-Jul-22) 5)CARE AAA; Stable (29-Jun-22)			
14	Debt-Subordinate debt	LT	175.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AAA; Stable (19-Aug-22) 4)CARE AAA; Stable (20-Jul-22)	-	-	-
15	Debt-Perpetual debt	LT	100.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22)	-	-	-
16	Debentures-Non-convertible debentures	LT	650.00	CARE AAA; Stable	1)CARE AAA; Stable (29-Nov-22) 2)CARE AAA; Stable (30-Aug-22) 3)CARE AAA; Stable (19-Aug-22)	-	-	-
17	Debentures-Non-convertible debentures	LT	2000.00	CARE AAA; Stable				
18	Bonds-Perpetual bonds	LT	200.00	CARE AAA; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable. No major financial/non-financial covenants stipulated.

Annexure-4: Complexity level of the various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1.	Debentures-Non-convertible debentures	Simple
2.	Debt-Perpetual debt	Highly complex
3.	Debt-Subordinate debt	Complex

Annexure-5: Bank lender details for this company

Not applicable

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:
The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in

ANNEXURE III: CONSENT LETTER & DUE DILIGENCE CERTIFICATE FROM THE DEBENTURE TRUSTEE

IDBI Trusteeship Services Ltd.
CIN : U65991MH2001GOI131154

IDBI trustee

Ref. No.53661/ITSL/OPR/CL/2022-23/DEB/1063
January 20, 2023

To,
Ms. Akanksha Kandoi
Company Secretary
HDFC Credila Financial Services Ltd.
B 301, Citi Point, Next to Kohinoor Continental,
Andheri - Kurla Road, Andheri (East), Mumbai 400 059

Dear Madam,

Sub.: Consent to act as debenture trustee for listed, unsecured, rated, listed, perpetual, Non-Convertible Debentures (NCDs) aggregating to Rs. 200 crore

This is with reference to the e-mail dated 09.01.2023 from your company on appointment of IDBI Trusteeship Services Limited (ITSL) as Debenture Trustee for listed, unsecured, listed, perpetual, Non-Convertible Debentures (NCDs) aggregating to Rs. 200 crores.

In this connection, we confirm our acceptance to act as Debenture Trustee for the same, subject to the company agreeing the conditions as set out in Annexure - A.

We are also agreeable for inclusion of our name as trustees in the Company's offer document / disclosure document / listing application / any other document to be filed with SEBI / ROC / the Stock Exchange(s) or any other authority as required.

HDFC Credila Financial Services Ltd. shall enter into Debenture Trustee Agreement for the said issue of the NCDs.

Thanking you,

Yours faithfully,
For IDBI Trusteeship Services Limited

Authorised Signatory

Annexure A

1. The Company agrees & undertakes to pay to the Debenture Trustees so long as they hold the office of the Debenture Trustee, remuneration as stated above for their services as Debenture Trustee in addition to all legal, traveling and other costs, charges and expenses which the Debenture Trustee or their officers, employees or agents may incur in relation to execution of the Debenture Trust Deed and all other Documents affecting the Security till the monies in respect of the Debentures have been fully paid-off and the requisite formalities for satisfaction of charge in all respects, have been complied with.

2. The Company agrees & undertakes to comply with the provisions of SEBI (Debenture Trustees) Regulations, 1993, SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, SEBI (listing Obligations and Disclosure Requirement) Regulations, 2015, Listing Agreement executed by the Company with the Stock Exchange SEBI Circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/230 dated 12th November, 2020, the Companies Act, 2013 as amended from time to time and other applicable provisions as amended from time to time and agree to furnish to Debenture/Bond Trustee such information in terms of the same on regular basis.

Yours truly,
For IDBI Trusteeship Services Limited

Authorised Signatory

DUE DILIGENCE CERTIFICATE

IDBI Trusteeship Services Ltd.
CIN : U65991MH2001GOI131154

IDBI trustee

Ref. No. 53672/ITSL/OPR/2022-2023
January 20, 2023

To,
BSE Limited
25th Floor, P.J. Towers, Dalal Street,
Mumbai – 400 001

Dear Sir/Madam,

SUB.: ISSUE OF LISTED, UNSECURED, RATED, LISTED, NON-CONVERTIBLE PERPETUAL DEBT INSTRUMENTS (NCDs) AGGREGATING TO RS. 200 CRORE BY HDFC Credila Financial Services Limited. ("ISSUER").

We, the debenture trustee(s) to the above-mentioned forthcoming issue state as follows:

1. We have examined documents pertaining to the said issue and other such relevant documents, reports and certifications.

2. On the basis of such examination and of the discussions with the Issuer, its directors and other officers, other agencies and on independent verification of the various relevant documents, reports and certifications:

   WE CONFIRM that:

   a) All disclosures made in the offer document with respect to the debt securities are true, fair and adequate to enable the investors to make a well-informed decision as to the investment in the proposed issue.

   b) Issuer has disclosed all covenants proposed to be included in debenture trust deed (including any side letter, accelerated payment clause etc.), in the offer document.

   c) Issuer has given an undertaking that debenture trust deed would be executed before filing of listing application.

Yours truly,
For IDBI Trusteeship Services Limited

Authorized Signatory

Regd. Office : Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001.
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ANNEXURE IV: COVENANTS OF DEBENTURE TRUSTEE AGREEMENT & DEBENTURE TRUST DEED PROPOSED TO BE ENTERED

COVENANTS OF DEBENTURE TRUST DEED

1.1 AMOUNT AND TERMS OF PDIS

The Company covenants with the Debenture Trustee that it shall pay to the Debenture Holder(s) the applicable Coupon in respect of the PDIs on the Coupon Payment Date mentioned herein and shall also pay all other amounts due, in respect of the PDIs as stipulated and in accordance with the Financial Covenants and Conditions set out herein. The Company shall make / release all payments due by the Company in terms of the Transaction Documents to the Debenture Holders in proportion to their dues.

1.2 ALLOTMENT OF PDIS

The PDIs will be deemed to be allotted to the Debenture Holders on "**Deemed Date of Allotment**"). All benefits relating to the PDIs will be available to the Debenture Holders from the Deemed Date of Allotment.

1.3 COUPON AND INTEREST ON APPLICATION MONEY

Interest on application money

Interest at the Coupon Rate (subject to deduction of tax at source at the rate prevailing from time to time under the provisions of the Income Tax Act, 1961 or any other statutory modification or re-enactment thereof) will be paid on application money to the applicants from the date of realization of the cheques/drafts up to 1 (One) day prior to the Deemed Date of Allotment for all valid applications, within 7 (Seven) Business Days from the Deemed Date of Allotment. Where the entire subscription amount has been refunded, the interest on application money will be paid along with the refund orders. Where an applicant is allotted a lesser number of PDIs than applied for, the excess amount paid on the application will be refunded to the applicant and the cheque towards interest on the refunded money will be dispatched by registered post, courier or by way of RTGS/NEFT/Direct Credit. Details of allotment will be sent to every successful applicant. In all cases, the interest instruments will be sent, at the sole risk of the applicant / first applicant.

Coupon on PDIs

a) Coupon on the Outstanding Principal Amount shall accrue at the Coupon Rate daily from the Deemed Date of Allotment until the PDIs are repaid in full. Coupon shall be payable annually in arrears on each Coupon Payment Date as specified in Schedule II.

The Company shall furnish the details of payments made to the Debenture Holder's containing the following towards the payment of interest:

i) Names of the Debenture Holder's.
ii) Amount paid
iii) Date of payment
iv) Mode of payment (NEFT/DD/Cheque etc)

b) Upon the occurrence and during the continuance of any of the following events and to the extent restricted from doing so in accordance with extant RBI directions, guidelines or regulations, the Company shall not make payment of the Coupon accrued during such period:
   a. the Company fails to maintain the Capital to Risk-weighted Assets Ratio; or
   b. payment of the Coupon would result in the Company's failure to maintain the Capital to Risk-weighted Assets Ratio.

   The accrued Coupon shall be payable by the Company, with the prior approval of the RBI, only when the impact of payment of such Coupon results in net loss or increase in net loss but provided that the CRAR remains above the Capital to Risk-weighted Assets Ratio of the Company or in accordance with the then prevailing RBI guidelines in this regard. Further, all instances of deferred payment of accrued Coupon as above shall be notified by the Company to the Regional Office of the Department of Non-Banking Supervision of the RBI in whose jurisdiction the Company is registered.

c) The payment of Coupon shall not be calculated on a cumulative basis except in the circumstance mentioned in Clause (b) above.

d) The PDIs have a step-up option of 50 bps after 10 years from the Date of Allotment, which can be exercised only once during the Tenor of the PDIs.

e) For the sake of abundant caution, it is hereby clarified that the deferred payment of accrued Coupon as set out above shall not relieve the Company of its other obligations under the Transaction Documents.

Payment of Coupon

Coupon will be paid to the Debenture Holders subject to deduction of tax deducted at source (where applicable) at the rate prescribed from time to time under the Income Tax Act, 1961 or any statutory modification or re-enactment thereof for the time-being in force.

Change of Tax Deducted at Source

If the applicable rate of tax deducted at source is modified and results in a reduction of the net interest received by the Debenture Holders, the Company must give written notice to the Debenture Holders as soon as it becomes aware of such change.

If the applicable rate of tax deducted at source is modified and results in a reduction of the net interest received by the Debenture Holders, the Company shall pay the net amount to the Debenture Holders after deduction of applicable tax. For the amount of Tax Deducted the Company shall issue Form 16A or other applicable form to the Debenture Holders.

1.4 DEFAULT INTEREST

a. Default in Payment and Other Defaults

If, at any time, there shall be a Payment Default or Event of Default, the Company agrees to pay an additional interest rate of 2% (Two percent) per annum above the Coupon Rate on the Outstanding Principal Amount from the date of the occurrence of the Payment Default or Event of Default until such Payment Default or Event of Default is cured or the PDIs are redeemed pursuant to such default, whichever is applicable.

b. Delay in Listing
In the event of a delay in listing of the PDIs beyond 3 (Three) trading days of the Issue Closing Date, the Company will pay to the Investor penal interest of 1% p.a. (one percent per annum) over the Coupon Rate from the Deemed Date of Allotment until the listing of the PDIs.

c. Delay in execution of Debenture Trust Deed
If not already executed, the Company shall execute the Debenture Trust Deed within the timelines prescribed by SEBI. In case of a delay in execution of Debenture Trust Deed, the Company will pay penal interest of at least 2% p.a. (two percent per annum) over the Coupon Rate till the execution of Debenture Trust Deed.

1.5 COMPUTATION OF COUPON AND OTHER CHARGES

Coupon and all other charges shall accrue based on actual/actual day count convention.

1.6 REDEMPTION

The Outstanding Principal Amount of the PDIs, together with accrued but unpaid Coupon and additional interest, if any, will be redeemed by the Company on any date after the Exercise Date, subject however to the prior approval in writing of the RBI. The PDIs will not carry any obligation, for Coupon or otherwise, after redemption has occurred and all amounts due have been paid.

The Company shall furnish the details of payments made to the PDI holder's containing the following towards redemption or the payment of the principal amount:

Names of the PDI holders.
Amount paid
Date of payment
Mode of payment (NEFT/DD/Cheque etc.)

1.7 BUSINESS DAY CONVENTION/DUE DATE OF PAYMENT

If the due date for any Coupon falls on a Sunday or a day which is a bank holiday in Mumbai, then the immediately succeeding Business Day shall be the due date for such payment.

If the due date in respect of any instalment of principal amount of the PDIs, liquidated damages and all other monies payable under the Deed falls on a Sunday or a day which is a bank holiday in Mumbai then the immediately preceding Business Day shall be the due date for such payment.

1.8 CALL OPTION

The Company shall on the Exercise Date have the right to redeem the PDIs, by exercising the "**Call Option**".

In the event the Company is desirous of exercising the Call Option, the Company shall provide a written notice to the Trustee in relation to exercise of the Call Option at least 15 (fifteen) calendar

days prior to the Exercise Date. Prior to the issue of such notice, the Company shall have obtained the approval in writing of the RBI for the exercise of such Call Option.

Upon issuance of the notice, the Company shall compulsorily redeem the PDIs (or part thereof as identified in the notice) on the relevant Exercise Date by making payment to the relevant PDI Holders, of the Outstanding Principal Amount in respect of the PDIs (or part thereof as identified in the notice) and accrued coupon in relation thereto.

1.9 PREMATURE REDEMPTION

The Company shall not redeem the Outstanding Principal Amount of the PDIs in full or in part, before the Exercise Date.

In the event that the Company is required to redeem the Outstanding Principal Amount of the PDIs in full or in part, or pay any monies in respect thereof including accrued Coupon, before the Exercise Date, due to change in Applicable Laws or under the terms of this Deed including on the occurrence of an Event of Default, the Company shall ensure that it shall obtain all requisite approvals, if any, of the RBI or any other applicable authorities and such redemption and payment shall be subject to receipt of such approvals, as applicable.

1.10 RIGHTS OF PDI HOLDER(S)

The PDI holder(s) will not be entitled to any rights and privileges of shareholders other than those available to them under statutory requirements. The PDIs shall not confer upon the holders the right to receive notice, or to attend and vote at the general meetings of the Company. The PDIs shall be subject to other usual terms and conditions as per the Memorandum and Articles of Association of the Company and the Debenture Trust Deed.

The debt obligation of the Company towards PDI holders, including any interest thereon, shall be subordinated to the claims of other secured creditors, depositors or any other obligation of the Company.

Since the debt obligation towards the PDI holders is subordinated, no PDI holder shall have a right to file any petition, application or any other proceeding for winding up, or any freeze action or any action whereby the regular business operations, going concern status, or the seniority of other creditors of the Company is put to any prejudice. Signing of application or acceptance of the Placement Memorandums for the Debenture will be deemed to be express consent by the PDI holder to adherence to this condition in view of the nature of the Debenture.

These PDIs will constitute a separate class of debt obligations of the Company in any scheme of restructuring, compromise or arrangement, and the claims of PDI holders will rank below the claims of other creditors of the Company.

1.11 RESTRICTION ON PREFERENTIAL PAYMENTS

The claims of the PDI holders shall be subordinated to the claims of other creditors of the Company.
The claims of the PDI Holders shall be superior to the claims of investors in the equity shareholding of the Company but subordinated to the claims of all other creditors of the Company.

However, the PDIs shall rank pari passu, inter se, and the Company shall pay and discharge all its liabilities to the PDI Holders under this Deed without preference or priority of one over the other.

1.12 PLACE AND MODE OF PAYMENT BY THE COMPANY

All Coupon monies, principal repayments and additional interest payable by the Company to the PDI holders shall be paid to the PDI holders as on the Record Date and in case of joint holders of PDIs, to the one whose name stands first in the Register of PDI holder(s) in Indian Rupee by other electronic mode of transfer like RTGS/NEFT/Direct Credit, at the sole risk of the applicant and to such bank account within India as the PDI holders intimate the Company in writing and available with the registrar and transfer agent. Credit for all payments will be given only on realisation.

1.13 TRANSFER OF PDIS

Transfer and transmission of the PDIs shall be subject to the Depositories Act, 1996, the rules made thereunder, the byelaws, rules and regulations of the Depositories as amended from time to time.

The PDIs shall be freely transferable and transmittable by the PDI holder(s) in whole or in part without the prior consent of the Company. The PDI holder(s) shall also have the right to novate, transfer or assign its rights and/or the benefits under the Transaction Documents upon such transfer/transmission of the PDIs.

It is clarified that the Company shall not assign any of the rights, duties or obligations under this Deed or in relation to the PDIs without the prior written consent of the Debenture Trustee (acting on the instructions of the Majority PDI holder(s)).

1.14 NOMINEE DIRECTOR

The Debenture Trustee shall have a right to appoint a nominee Director on the Board of Directors of the Company (hereinafter referred to as "**the Nominee Director**") in accordance with the provisions of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 in the event of:

(i) 2 (two) consecutive defaults in payment of interest to the PDI holder(s); or

(ii) Any default on the part of the Company in redemption of the PDIs on the Exercise Date, if the Company has exercised the Call Option.

The Nominee Director so appointed shall not be liable to retire by rotation nor shall be required to hold any qualification shares. The Company shall take steps to amend its Articles of Association for the purpose if necessary.

1.15 PDIS FREE FROM EQUITY

The PDI holders will be entitled to their PDIs free from equities or cross claims by the Company against the original or any intermediate holders thereof.

1.16 DEBENTURE HOLDERS NOT ENTITLED TO SHAREHOLDERS' RIGHTS

The PDI holders will not be entitled to any of the rights and privileges available to the shareholders including right to receive notices of or to attend and vote at general meetings of the Company, other than those available to them under relevant statutes.

If, however, any resolution affecting the rights attached to the PDIs is placed before the shareholders, such resolution will first be placed before the PDI holders for their consideration.

1.17 ISSUANCE OF DEBENTURE CERTIFICATES

The Company shall issue PDIs in dematerialized form to the PDI holders in accordance with the relevant provisions of the Companies Act, 2013/ SEBI guidelines/banking regulations/RBI guidelines/Depositories Act. Debenture certificates will not be issued to the allottees, since the PDIs are being issued in a dematerialized form.

1.18 ARTICLES OF DEED

The Deed shall be read in conjunction with the Information Memorandum and Private Placement Offer Letter and it is specifically agreed between the Trustee and the Company that in case of any repugnancy, inconsistency or where there is a conflict between the conditions as are stipulated in the Information Memorandum or the Private Placement Offer Letter and the Deed, the provisions as contained in Information Memorandum or the Private Placement Offer Letter shall prevail and override the provisions of the Deed and the Deed shall forthwith be amended to make it consistent with the terms of the Information Memorandum and/or the Private Placement Offer Letter.

1.19 RECEIPT BY PDI HOLDER

The receipt by each PDI Holder or if there be joint holders, then the receipt by the one whose name stands first in register of PDI Holder(s) or by the survivors or survivor of the PDI Holder(s) of the principal monies and Coupon payable in respect of each of such PDI shall be a good discharge to the Trustee and the Company.

1.20 TRUSTS OF PDIs NOT RECOGNIZED

The Trustee shall not be affected by any notice, express or implied, of the right, title or claim of any person to such monies other than the PDI Holders.

1.21 SURRENDER OF PDIs ON PAYMENT

For payment to the PDI Holder(s) of the Outstanding Principal Amount together with the accrued Coupon, the Company shall make the payment of the same to the PDI Holder(s) or to any subsequent transferee(s) who are entitled to receive the payment on the relevant date. Upon receipt of the aforesaid amounts, the PDI Holder(s) or the subsequent transferee(s), as the case may be, shall forthwith issue appropriate receipts in this regard to the Company and shall simultaneous thereto also surrender to the Company the PDIs in respect of which such payment has been made.

1.22 FAILURE TO SURRENDER THE PDIs

In the event of any PDI Holder(s) not surrendering such PDIs to the Company which the Company is willing to redeem or satisfy in accordance with the terms of these presents, within 30 (Thirty) days after the date on which the Company offers to redeem the PDIs, the Company shall be at liberty to deposit in a scheduled commercial bank in the name of the Company for the purpose an amount equal to the amount due to any such PDI Holder(s) in respect of such PDIs together with unclaimed Coupon thereon and upon such deposit being made subject to the condition that the monies deposited therein shall be withdrawn for settling the future claim of the PDI Holder(s), the PDIs which the Company is willing to redeem or satisfy as aforesaid shall be deemed to have been redeemed or satisfied in accordance with the provisions hereof. The Company agrees to furnish an undertaking from the abovementioned scheduled commercial bank that withdrawals from the aforesaid account shall be permitted only to meet the claims of the PDI Holder(s).

1.23 DEBENTURE REDEMPTION RESERVE AND RECOVERY EXPENSE FUND

At present under Applicable Law a Debenture Redemption Reserve is not required to be created for the issue of privately placed PDIs by Non-Banking Financial Companies registered with the RBI. Since the Company is a Non-Banking Financial Company registered with RBI, no Debenture Redemption Reserve is presently being created in respect of the PDIs. In case of change in Applicable Law requiring the Company to create the Debenture Redemption Reserve, the Company will create the Debenture Redemption Reserve as may be required under the Applicable Law.

Recovery Expense Funds:

The Company shall create the recovery expenses funds in terms of the Regulation 15 (1) (h) of the SEBI (DT) Regulation, 2020, Regulation 11 of SEBI (Issue and Listing of Non-Convertible Securities) Regulation, 2021,SEBI Circular dated 22.10.2020 and SEBI circular dated May 19, 2022 having reference number SEBI/HO/MIRSD/MIRSD_CRADT/CIR/ P/2022/67 in the manner as may be specified by the SEBI from time to time. Further, Company hereby agree and undertake to comply with provisions of recovery expenses as per Applicable Laws.

COMPANY'S COVENANTS

2.1 UTILIZATION OF PROCEEDS OF THE PDIS

The Company shall utilise the moneys received towards subscription of the PDIs for the purpose mentioned in Information Memorandum

2.2 REPRESENTATIONS AND WARRANTIES OF THE COMPANY

(i) STATUS:

It is a company, duly incorporated, registered and validly existing under the Applicable Laws of India.

It has the power to own its assets and carry on its business in substantially the same manner as it is being conducted.

(ii) BINDING OBLIGATIONS:

The obligations expressed to be assumed by it under the Transaction Documents are legal, valid, binding and enforceable obligations.

(iii) NON-CONFLICT WITH OTHER OBLIGATIONS:

The entry into, and performance by it of, and the transactions contemplated by the Transaction Documents do not and will not conflict with:

any Applicable Law; or

its constitutional documents; or

an order, writ, injunction or decree passed by any court or tribunal or Governmental Authority; or

any agreement or instrument binding upon it or any of its assets.

(iv) POWER AND AUTHORITY:

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Transaction Documents to which it is a party and the transactions contemplated by those Transaction Documents.

(v) VALIDITY AND ADMISSIBILITY IN EVIDENCE:

All approvals, authorizations, consents, permits (third party, statutory or otherwise) required or desirable:

to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Transaction Documents to which it is a party;

to make the Transaction Documents to which it is a party admissible in evidence in its jurisdiction of incorporation; and

for it to carry on its business, and which are material have been obtained or effected and are in full force and effect.

(vi) NO DEFAULT:

No Event of Default has currently occurred and is continuing or would reasonably be expected to result from the execution or performance of any Transaction Documents or the issuance of the PDIs. To the best of the Company's knowledge, no other event or circumstance is outstanding which constitutes (or which would, with the lapse of time, the giving of notice, the making of any determination under the relevant document or any combination of the foregoing, constitute) a default or termination event (however described) under any other agreement or instrument which is binding on the Company or any of its assets or which might have a Material Adverse Effect as on the date hereof.

(vii) RANKING:

Its payment obligations under the Transaction Documents shall rank:

superior to the claims of investors in equity shares of the Company; and
subordinated to the claims of other creditors of the Company

except for obligations mandatorily preferred by law applying to companies generally.

(viii) NO PROCEEDINGS PENDING:

There are no litigations, arbitration or administrative proceedings of or before any court, arbitral body or agency, which if adversely determined may have a Material Adverse Effect, which have (to the best of its knowledge and belief) been started against it except as disclosed by the Company in its annual reports, financial statements, the Information Memorandum, the Private Placement Offer Letter.

(ix) NO MISLEADING INFORMATION:

All information provided by the Issuer to the Debenture Holders for the purposes of this Issue is true and accurate in all material respects as at the date it was provided or as at the date (if any) on which it is stated.

(x) COMPLIANCE:

It is in compliance in all respects with all Applicable Laws for the performance of its obligations with respect to this Issue, including but not limited to environmental, social and taxation related laws, for them to carry on their business.

(xi) ASSETS:

Except for the security interests and encumbrances created and recorded with the Ministry of Corporate Affairs (available using CIN: U67190MH2006PLC159411 on the website http://www.mca.gov.in/MCA21/index.html under the heading Index of Charges), the Company has, free from any security interest or encumbrance, the absolute legal and beneficial title to, or valid leases or licenses of, or is otherwise entitled to use (in each case, where relevant, on arm's length terms), all material assets necessary for the conduct of its business as it is being, and is proposed to be, conducted.

(xii) FINANCIAL STATEMENTS:

Its financial statements most recently supplied to the Trustee were prepared in accordance IND AS consistently applied save to the extent expressly disclosed in such financial statements.

Its financial statements most recently supplied to the Trustee give a true and fair view and represent its financial condition and operations during the relevant financial year save to the extent expressly disclosed in such financial statements.

(xiii) SOLVENCY:

The Company is able to, and has not admitted its inability to, pay its debts as they mature and has not suspended making payment on any of its debts and it will not be deemed by a court to be unable to pay its debts within the meaning of Applicable Laws, nor in any such case, will it become so in consequence of entering into the Deed.

The value of the Assets of the Company is more than its respective Liabilities (taking into account contingent and prospective liabilities) and it has sufficient capital to carry on its business.

As on the date hereof, the Company has not taken any corporate action nor has taken any legal proceedings or other procedure or steps in relation to any bankruptcy proceedings.

2.3 MAKE THE RELEVANT FILINGS WITH THE REGISTRAR OF COMPANIES/SEBI

Pursuant to the provisions of the Companies Act, 2013 and the relevant rules thereunder, the Company undertakes to make the necessary filings of the documents mandated therein

2.4 REPORTING COVENANTS

The Company shall provide or cause to be provided to the Trustee, in form and substance reasonably satisfactory to the Trustee (and to the Debenture Holders if so requested), each of the following items:

(i) As soon as available and in any event within 5 calendar days after any change in the shareholding structure of the Company, an updated report reflecting the changes with respect to all of the Company's beneficial owners, as appropriate.

(ii) shall prepare and submit to the Debenture Trustee un-audited or audited quarterly and year to date standalone financial results on a quarterly basis in the format as specified by the Board within forty- five days from the end of the quarter, other than last quarter

a. such additional information or documents as the Trustee may reasonably request.

(iii) As soon as practicable, and in any event within 15 (Fifteen) Business Days after the Company obtains actual knowledge thereof, notice of the occurrence of any event or circumstance that could reasonably be expected to result in a Material Adverse Effect.

(iv) As soon as practicable, and in any event within 7 (Seven) Business Days after the Company obtains actual knowledge thereof, notice of the occurrence of any event which constitutes an Event of Default or any event which, after the notice, or lapse of time, or both, would constitute an Event of Default, specifying the nature of such event and any steps the Company is taking and proposes to take to remedy the same.

(v) The Company agrees that it shall forward to the Trustee promptly, whether a request for the same has been made or not:
   (a) a copy of the Statutory Auditors' and Directors' Annual Report, Balance Sheet and Statement of Profit & Loss and of all periodical and special reports at the same time as they are issued;
   (b) a copy of all the notices, call letters, circulars, proceedings, etc. of the meetings of debt security holders at the same time as they are sent to the holders of debt securities or advertised in the media;

(vi) The Company will permit the Trustee to examine and inspect the relevant books and records of the Company upon reasonable prior notice of 2 calendar days and at such reasonable times and intervals as the Trustee may reasonably request.

(vii) The Company shall provide or cause to be provided to the Trustee, in form and substance reasonably satisfactory to the Trustee, such additional documents or information as the Trustee may reasonably request from time to time in relation to the Issue.

2.5 AFFIRMATIVE COVENANTS: -

The Company shall -

(i) **LISTING**

Take all steps necessary to get the PDIs listed within 3 (Three) trading days from of the Issue Closing Date. In case of delay in listing of the PDIs, the Issuer will pay penal interest of 1 % p.a. over the Coupon Rate from the Deemed Date of Allotment till the listing of such PDIs. In the event that the PDIs are not listed within 3 (three) trading days from of the Issue Closing Date for any reason whatsoever, then to the extent that any PDI holders are Foreign Institutional Investors or sub-accounts of Foreign Institutional Investors or Qualified Foreign Investors, the Company undertakes to immediately redeem and/or buyback any and all PDIs which are held by such Foreign Institutional Investors or such sub-accounts of Foreign Institutional Investors or Qualified Investors. The PDIs have been listed on the WDM segment of BSE within 3 trading days from Issue Closing Date

(ii) **NOTICE OF WINDING UP OR OTHER LEGAL PROCESS**

Promptly inform the Trustee if it has notice of any application for winding up having been made or any statutory notice of winding up under the provisions of the Act, or any other notice under any other act relating to winding up or otherwise of any suit or other legal process intended to be filed or initiated against the Company and affecting or likely to affect the charged assets and the title to the properties of the Company or if a receiver is appointed in respect of any of its properties or businesses or undertakings.

(iii) **LOSS OR DAMAGE BY UNCOVERED RISKS**

Promptly inform the Trustee of any material loss or significant damage which the Company may suffer due to any force majeure circumstances such as earthquake, flood, tempest or typhoon, etc. against which the Company may not have insured its properties.

(iv) **COSTS AND EXPENSES**

Pay all costs, charges and expenses in any way incurred by the Debenture Trustee towards protection of PDI holders' interests, including travelling and other allowances and such taxes, duties, costs, charges and expenses in connection with or relating to the PDIs subject to such expenses, costs or charges being approved in writing by the Company before they are incurred and shall not include any foreign travel costs; The costs and expenses incurred by the Debenture Trustee and/or the PDI holders in the course of and/or for the purposes and/or in connection with the court proceedings initiated under this Clause, including but not limited to fees payable to the legal advisors / counsel of the Debenture Trustee and/or the PDI holders, shall be borne by the Company.

(v) **PRESERVE CORPORATE STATUS**

Diligently preserve and maintain its corporate existence and status and all rights, contracts privileges, franchises and concessions now held or hereafter acquired by it in the conduct of its business.

(vi) **CREDIT RATING**

The Company shall ensure that it would obtain the credit rating from SEBI registered Credit Rating Agency from time to time, till the redemption of all the PDIs in full.

(vii) **PAY STAMP DUTY**

Pay all such stamp duty (including any additional stamp duty), other duties, taxes, charges and penalties, if and when the Company may be required to pay according to the laws for the time being in force and in the event of the Company failing to pay such stamp duty, other duties, taxes and penalties as aforesaid, the Trustee will be at liberty (but shall not be bound) to pay the same and the Company shall reimburse the same to the Trustee on demand.

(viii) **FURNISH INFORMATION TO TRUSTEE**

a. The Company shall furnish quarterly report to the Trustee (as may be required in accordance with SEBI guidelines) containing the following particulars -

- Updated list of the names and addresses of the Debenture Holders.
- Details of the Coupon due, but unpaid and reasons thereof.
- The number and nature of grievances received from the Debenture Holders and resolved by the Company and Unresolved by the Company and the reasons for the same.
- Such other information/documents/reports as may be required by the Debenture Trustee from time to time

b. The Company shall promptly furnish to the Trustee the details of all the grievances received and shall comprise the following:
- Names of the complainants/Debenture Holders
- Nature of grievances/complaints
- Time taken for redressal of complaint/grievances etc.
- The steps taken by the Company to redress the same

(ix) Promptly and expeditiously attend to and redress the grievances, if any, of the Debenture Holders. The Company further undertakes that it shall promptly comply with the suggestions and directions that may be given in this regard, from time to time, by the Trustee and shall advise the Trustee periodically of the compliance.

(x) Inform the Trustee of any major change in the composition of its Board of Directors, which may amount to change in control as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(xi) Inform and provide the Trustee with applicable documents in respect of any and all information required to be provided to the Debenture Holders under the listing agreement to be entered into between the Company and the stock exchange on which the PDIs are proposed to be listed.

(xii) Utilisation certificate:
The Company shall provide Statutory auditor's certificate confirming that the issue proceeds has been utilized as per the provisions of the Information Memorandum / Private Placement Memorandum / Transaction Documents.

(xiii) Additional Covenants

If not already executed, the Issuer shall execute the Trust Deed before listing of the PDIs in respect of the PDIs allotted under the first series of PDIs. In case of a delay in execution of Trust Deed and Security Documents, the Issuer will refund the subscription with agreed rate of interest or will pay penal interest of atleast 2% p.a. over the Coupon Rate till these conditions are complied with at the option of the investor.

Default in Payment and Other Defaults

In case of default in payment of interest and/or principal redemption on the due dates or observance of any other terms, conditions or covenants as per the deed, Disclosure Document(s) in respect of a relevant tranche / series of the PDIs, additional interest/ default interest of atleast @ 2% p.a. or such other rate as may be prescribed under the Applicable Law over and above the applicable implicit yield / Coupon Rate/ Interest Rate will be payable by the Issuer for the defaulting period in respect of such tranche /series of the PDIs.

Delay in Listing

In case of delay in listing of the debt securities, wherever applicable, beyond 3 (Three) trading days from the Issue Closing Date or such number of days as may be allowed (for getting the PDIs listed) under the Applicable Law in respect of the relevant tranche of the PDIs, the Issuer will pay default/ additional interest of atleast 1 % p.a. over the coupon rate or such other rate as may be prescribed under the Applicable Law.

(xiv) The Company shall, on quarterly basis furnish to the Debenture Trustee, the following certificates:

within 60 days from the end of each quarter, the company shall furnish the compliance status with respect to financial covenants of the listed debt securities certified by statutory auditor of listed entity to Debenture Trustee as stipulated in the SEBI circular dated November 12, 2020 bearing number SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/230 and SEBI circular no. SEBI/HO/MIRSD/MIRSD_CRADT/CIR/ P/2022/67 dated May 19, 2022, (including any amendments or restatements thereof).

Such other information / details / reports as may be requested by the debenture trustee.

(xv) The Company shall, on monthly basis furnish to the Debenture Trustee, an updated list of the loans comprising the identified assets / portfolio of receivables on a monthly basis on or prior to the 15th (Fifteenth) day of each calendar month along with such other certifications in respect of the identified assets / portfolio of receivables as may be required by debenture trustee.

(xvi) The Company is aware that in terms of Regulation 14 of the SEBI (Debenture Trustees) Regulations, 1993 as amended from time to time, the Trust Deed has to contain the matters specified in Section 71 of the Companies Act, 2013 and Form No. SH.12 specified under the Companies (Share Capital and PDIs) Rules, 2014. The Company agrees to comply with all the clauses of Form No. SH.12 as specified under the Companies (Share Capital and PDIs) Rules, 2014 as if they are actually and physically incorporated in the deed.

(xvii) In terms of Clause 3.2 of the SEBI Circular dated 23.06.2020, the Company submits the following Bank Account details from which it proposes to pay the redemption amount and pre-authorise Debenture Trustee to seek debt redemption payment related information from the said bank. The Company has submitted a letter duly acknowledged by the said bank agreeing to provide debt redemption payment related information to the Debenture Trustee.

Bank Account Details: -

Name of Bank :- HDFC Bank
Account No. :- 00640350000413
Branch address:- No 3, Vastushree, College Link Road, Thatte Nagar, Nashik-422005

The Company further agrees and undertakes that it shall also inform the Debenture Trustee of any change in above bank details within 1 working day of such change.

(xviii) Company undertakes to comply with all the directions/guidelines/circulars/regulations issued by any regulatory authority with regard to the Debenture issue including latest amendments issued by SEBI from time to time and further company shall take such steps as may be required from time to time.

(xix) Information Utility

The Company agrees and consents that the Debenture Trustee shall be entitled to file with an Information Utility (as defined and set up under (Indian) Insolvency and Bankruptcy Code, 2016) all necessary information in relation to the transaction as required under the (Indian) Insolvency and Bankruptcy Code, 2016. The Company confirms that the Company will provide all the assistance to the Debenture Holders/ Debenture Trustee as may be required for initial submission of the Form C to the relevant Information Utility registered with Insolvency and Bankruptcy Board of India under the (Indian) Insolvency and Bankruptcy Code, 2016 and also any other help as may be required in the future in similar matters where financial creditor is under obligation to initiate some action.

(xx) The company shall provide relevant documents/ information, as applicable, to enable the Debenture Trustee(s) to conduct continuous and periodic due diligence, the Company shall submit relevant reports/ certification as may required by the Debenture Trustee, within the timelines mentioned in the SEBI circular SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/230 dated November 12, 2020 and SEBI circular no. SEBI/HO/MIRSD/MIRSD_CRADT/CIR/P/2022/67 dated May 19, 2022

Part I – Information to be submitted to Stock Exchange:

A. As per Regulation 51 (1) of the LODR Regulations, the Company shall promptly inform the Stock Exchange(s) of all information having bearing on the performance/operation of the Company, price sensitive information or any action that shall affect payment of interest or dividend or redemption of non-convertible securities. Further as per Regulation 52 (2) of the LODR Regulations, the Company, shall without prejudice to the generality of sub-regulation (1), having listed non-convertible securities shall make disclosures as specified in Part B of Schedule-III of the LODR Regulations.

B. Further, as per Regulation 51 (3) of the LODR Regulations, the Company shall disclose on its website, all such events or information which have been disclosed to the Stock Exchange(s) pursuant to LODR Regulation and such disclosures shall be hosted on the website of the Company for a minimum period of 5 (five) years and thereafter as per the archival policy of the Company, as disclosed on its website.

C. As per Regulation 52 (1) and (4) of the LODR Regulations, the Company is required to prepare and file unaudited or audited quarterly and year to date standalone financial results on a quarterly basis in the format as specified by the Board within 45 (forty- five) days from the end of the quarter, other than last quarter, to the recognised Stock Exchange.

D. The Company shall, while submitting quarterly/annual financial results, accordingly shall provide Debenture Trustee the following information, on the letter head of the Company, addressed to the Stock Exchange/(s):
   (a) debt equity ratio;
   (b) debt service coverage ratio;
   (c) interest service coverage ratio;
   (d) outstanding redeemable preference shares (quantity and value);
   (e) capital redemption reserve/debenture redemption reserve, as applicable;
   (f) net worth;
   (g) net profit after tax;
   (h) earnings per share;
   (i) current ratio;
   (j) long term debt to working capital;
   (k) bad debts to Account receivable ratio;
   (l) current liability ratio;
   (m) total debts to total assets;
   (n) debtors turnover;
   (o) inventory turnover;
   (p) operating margin (%);
   (q) net profit margin (%); and
   (r) sector specific equivalent ratios, as applicable.

E. As per Regulation 53 of the LODR Regulations, the Company shall submit to the and Stock Exchange and publish on its website the following:
   A. a copy of the annual report sent to the shareholders along with the notice of the annual general meeting, not later than the date of commencement of dispatch to its shareholders; and
   B. in the event of any changes to the annual report, the revised copy along with the details and explanation for the changes, not later than 48 (forty-eight) hours after the annual general meeting.

F. As per Regulation 57 (1) of the LODR Regulations, the Company shall submit a certificate to the Stock Exchange within 1 (one) working day of the interest or dividend or principal becoming due regarding status of payment in case of non-convertible securities.

G. As per Regulation 57 (4) of the LODR Regulations, the Company shall within 5 (five) working days prior to the beginning of the quarter provide details for all the non-convertible securities for which interest/dividend/principal obligations shall be payable during the quarter.

H. As per Regulation 57(5) of the LODR Regulations, the Company shall within 7 (seven) working days from the end of the quarter provide:

(b) a certificate confirming the payment of interest/dividend/principal obligations for non-convertible securities which were due in that quarter; and

(c) the details of all unpaid interest/dividend/principal obligations in relation to non-convertible securities at the end of the quarter.

I. Any further information which may be required to be submitted to the Stock Exchange pursuant to LODR Regulations, as amended from time to time.

Part II - Information to be submitted to the Debenture Trustee

A. The Company shall submit, a copy of the financial results submitted to Stock Exchange shall also be provided to Debenture Trustee on the same day the information is submitted to the Stock Exchange.

B. As per Regulation 53 of the LODR Regulations, the Company shall submit to the Debenture Trustee and publish on its website the following:

a copy of the annual report sent to the shareholders along with the notice of the annual general meeting, not later than the date of commencement of dispatch to its shareholders; and

in the event of any changes to the annual report, the revised copy along with the details and explanation for the changes, not later than 48 (forty-eight) hours after the annual general meeting.

C. In terms of the provisions of Regulation 56 of the LODR Regulations, Company shall promptly submit to the Debenture Trustee the following:-

(a) a copy of the annual report at the same time as it is issued along with a copy of certificate from the listed entity's auditors in respect of utilization of funds during the implementation period of the project for which the funds have been raised:

Provided that in the case of PDIs issued for financing working capital or general corporate purposes or for capital raising purposes the copy of the auditor's certificate may be submitted at the end of each financial year till the funds have been fully utilised or the purpose for which these funds were intended has been achieved.

(b) a copy of all notices, resolutions and circulars relating to –
new issue of non-convertible debt securities at the same time as they are sent to shareholders / holders of non-convertible debt securities;
the meetings of holders of non-convertible debt securities at the same time as they are sent to the holders of non-convertible debt securities or advertised in the media including those relating to proceedings of the meetings;

Intimations regarding:

i. any revision in the rating;
ii. any default in timely payment of interest or redemption or both in respect of the non-convertible debt securities;
iii. all covenants of the Issue (including side letters, accelerated payment clause, etc.).

D. The Company shall forward to Debenture Trustee any information sought and provide access to relevant books of accounts as required by it.

E. The Company may, subject to the consent of the Debenture Trustee, send the information stipulated in sub-regulation (1), in electronic form/fax.

F. The Company shall also disclose to the Debenture Trustee at the same time as it has intimated to the Stock Exchange, all material events and/or information as disclosed under Regulation 51 of LODR Regulations in so far as it relates to the interest, principal, issue and terms of non-

convertible debt securities, rating, creation of charge on the assets, notices, resolutions and meetings of holders of non-convertible debt securities.

Part – III Information to be submitted to the PDI holders

A. In terms of the provisions of the Regulation 58 of the LODR Regulations, Company shall send to the Debenture Holders the following documents and information:-

(a) Soft copies of the full annual reports to all the holders of non- convertible securities who have registered their email address(es) either with the listed entity or with any Depository;
(b) Hard copy of statement containing the salient features of all the documents, as specified in Section 136 of Companies Act and rules made thereunder to those holders of non-convertible securities who have not so registered;
(c) Hard copies of full annual reports to those holders of non-convertible securities, who request for the same;

The Company shall send the notice of all meetings of holders of non-convertible debt securities and holders of non-convertible redeemable preference shares specifically stating that the provisions for appointment of proxy as mentioned in Section 105 of the Companies Act, shall be applicable for such meeting.

The Company shall send proxy forms to holders of non-convertible debt securities and non-convertible redeemable preference shares which shall be worded in such a manner that holders of these securities may vote either for or against each resolution.

Part – IV Disclosures to be complied as per SEBI Debt Regulations and SEBI Operational Circular

(a) Intimation on status of payment
Issuer shall intimate to the Stock Exchange, Depositories and Debenture Trustee the status of payment of PDIs within 1 (one) working day of payment/ redemption date.
While intimating the status of payment to Debenture trustee(s), Issuer shall also intimate to Debenture Trustee that they have informed the status of payment or otherwise to the Stock Exchange and Depositories.

(b) Continuous assessment of default status
The Issuer shall inform the Stock Exchange, Depositories and Debenture Trustee latest by the second working day of April of each financial year on the updated status of payment of the PDIs.
In case the Issuer fails to intimate the updated status of payment of the concerned PDIs within the stipulated timelines, the Debenture Trustee shall carry independent assessment as given Clause 5.1 (A) (ix) above and intimate the status of payment of debt securities to the Stock Exchange and Depositories within 7th (seventh) working day of April of each financial year.
In case Issuer or Debenture Trustee does not intimate the status of payment of PDIs to Stock Exchange and Depositories within the stipulated timeline, transactions in such PDIs shall be restricted from 8th (eighth) working day of April of that financial year, until any further intimation is received from Issuer or Debenture Trustee regarding the same.
In case of any developments that impact the status of default of the PDIs (including restructuring of PDIs, NCLT/ NCLAT proceedings relating to insolvency/ bankruptcy, repayment, etc.), the Issuer/ Debenture Trustee shall intimate the Stock Exchanges and Depositories within 1 (one) working day of such development.

(c) Payment of debt securities or subsequent payment of defaulted PDIs

In case of receipt of intimation or subsequent intimation to the Depositories regarding full payment of redemption amount or any developments that impacts the status of default of the concerned debt securities (including restructuring of debt securities, IBC proceedings, its repayment, etc.) from Issuer or from Debenture Trustee, transactions shall be restricted in such debt securities by the Depositories immediately. The same shall be informed to the Stock Exchange and disseminated on respective Depositories' website, within 1 (one) working day of such restriction. Further, the concerned Debenture Holder shall be extinguished in the depository system on receipt of corporate action documents from the Issuer towards its extinguishment.

(d) The process explained in paragraphs (b) and (c) above shall be followed either till full payment on these PDIs is made by Issuer or the Issuer has been liquidated and money has been realised after completion of recovery proceedings.

(e) Filing Requirements

Issuers shall fill all the requisite fields as provided in **Annex - XIV-A** of the SEBI Operational Circular in the Centralized Database at the time of allotment of International Securities Identification Number. Depositories shall verify the information as provided by Issuer at the time of activation of International Securities Identification Number.

Post listing of securities, Issuer shall submit information in the requisite fields as provided in **Annex - XIV-B** of the SEBI Operational Circular to any of the stock exchanges where their securities are listed on a periodical basis and/or *'as and when'* basis (event based), as applicable. The Stock Exchange shall indicate the format of filing to the Issuers in this regard.

Issuer shall ensure that EBPs shall update on their websites, details of issuances done through the EBP platform at the end of the day after the acceptance of the bid by the Issuer in the format at **Annex - XV-B** of the SEBI Operational Circular.

(xxi) **TRANSFER OF UNCLAIMED REDEMPTION AMOUNTS**

The Company shall comply with the provisions of the Act relating to transfer of unclaimed / unpaid amounts of Coupon on PDIs and redemption of PDIs to the Investor Education and Protection Fund (IEPF), if applicable to it.

The Company further agrees and undertakes that during the currency of the deed it shall abide by the guidelines/listing requirements if any, issued from time to time by the SEBI/RBI.

(xxii) **FURTHER ASSURANCES**

The Company shall:

a. execute and/or do, at their own expense, all such deeds, assurances, documents, instruments, acts, matters and things, in such form and otherwise as the Trustee may reasonably or by law require or consider necessary in relation to enforcing or exercising any of the rights and authorities of the Trustee;

b. obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations necessary to enable it lawfully to enter into and perform

its obligations under the deed or to ensure the legality, validity, enforceability or admissibility in evidence in India of the deed;

c. comply with all Applicable Laws, as applicable in respect of the PDIs and obtain such regulatory approvals as may be required from time to time, including but not limited, in relation to the following (i) the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, as may be in force from time to time during the currency of the PDIs; and (ii) the provisions of the listing agreement entered into by the Company with the stock exchange in relation to the PDIs;

d. Any reference to the Debenture Trustee shall be a reference to the Debenture Trustee in its capacity as a trustee for the benefit of and acting on behalf of the Debenture Holders;

i. in accordance with Regulation 52 of the LODR Regulations, the Company shall file with the BSE the prescribed statements, financial statements and noting certificate of the Debenture Trustee within the timelines prescribed therein;

ii. in accordance with Regulation 52 of the LODR Regulations, the Company shall furnish to the Debenture Trustee a copy of the un-audited or audited financial results on a half yearly basis on the same day the information is submitted to stock exchanges

iii. in accordance with Regulation 56 of the LODR Regulations, the Company shall submit the following to the Debenture Trustee;

(a) a copy of the annual report at the same time as it is issued and a copy of the certificate from the Company's auditors in respect of utilisation of funds raised by the issue of the PDIs, at the same time or at the end of each Financial Year until such funds have been fully utilized or the purpose for which such funds were intended has been achieved;

(b) copy of all notices, resolutions and circulars relating to any new issue of non-convertible debt securities (at the same time as they are sent to shareholders/holders of non-convertible debt securities), the meetings of holders of non-convertible debt securities (at the same time as they are sent to the holders of non-convertible debt securities or advertised in the media including those relating to proceedings of the meetings);

(c) intimations regarding any revision in the rating, any default in timely payment of interest or redemption or both in respect of the non-convertible debt securities issued by the Company, any failure to create charge on the assets, and All covenants of the issue (including side letters, accelerated payment clause, etc.); and

(d) a copy of the statement, if any filed with the BSE in compliance of Regulation 52(7) of the LODR Regulations indicating material deviations, if any, in the use of funds raised by the issue of the PDIs from the object stated in the Information Memorandum

(e) submit such other disclosure to the Debenture Trustee as may be required under the (Issue and Listing of Non-Convertible Securities) Regulations, 2021, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other Applicable Laws, each as amended from time-to-time.

2.6 COVENANT AS TO DIVIDEND

The Company shall not declare or pay any dividend to its shareholders during any financial year where it has not paid all the dues to the Debenture holders /Trustee up to the date on which the dividend is proposed to be declared or paid or has not made satisfactory provisions therefor.

2.7 NEGATIVE COVENANTS: -

The Company shall not take any action in relation to the items set out in this Clause without obtaining a written consent from the Trustee (acting on the instructions of the debenture holders) at least 15 (Fifteen) business days prior to such action being taken. The Company agrees and confirms to provide to the Trustee all necessary documents in relation to action as listed below to enable the Trustee to give its consent.

CHANGE OF BUSINESS

Change the general nature and conduct of its business from that which is permitted under the relevant directions issued by the RBI.

CONSTITUTIONAL DOCUMENTS

Change its articles of incorporation or organizational documents in any material way which would prejudicially affect the interests of the Debenture Holders.

MERGER, CONSOLIDATION, ETC.

Undertake or permit any merger, demerger, consolidation, re-organisation, scheme of arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction.

DIVIDEND

Declare or pay any dividend to its shareholders during any financial year unless it has paid all the dues to the Debenture Holders/Trustee up to the date on which the dividend is proposed to be declared or paid or has made satisfactory provisions therefor.

DISPOSAL OF ASSETS

Sell, transfer, or otherwise dispose of in any manner whatsoever any material assets of the Company, other than in ordinary course of business including any securitization / portfolio sale of assets undertaken by the Company in its ordinary course of business.

2.8 REGISTER OF DEBENTURE HOLDERS

The Company shall, as required by Section 88 of the 2013 Act maintain at the registered office of the Company a Register of the Debenture Holder(s) with addresses of the Debenture Holder(s) with record of subsequent transfers and changes of ownership. For the above purpose, the Company shall request the registrar and transfer agent of the Issue to provide a list of Debenture Holder(s) as of the Record Date. The Trustee and/or the Debenture Holder(s) or any of them or any other person shall, as provided in Section 94 of the 2013 Act, be entitled to inspect the said

Register of Debenture Holder(s) and to take copies of or extracts from the same or any part thereof during usual business hours.

EVENTS OF DEFAULT AND REMEDIES

3.1. EVENTS OF DEFAULT

(i) PAYMENT DEFAULTS

The Company does not pay on the due date any amount payable pursuant to the deed at the place at which and in the currency in which it is expressed to be payable.

(ii) BREACH OF TERMS OF THE DEED

Except for the event contained in this Clause, the Company defaults in the performance of any of its representations, obligations and covenants provided in terms of the deed and such default has continued for a period of 30 (Thirty) Business Days from the date of receipt by the Company of a notice from the Trustee in relation thereto or the Company having obtained actual knowledge thereof, whichever is earlier.

(iii) INSOLVENCY / INABILITY TO PAY DEBTS

The Company admits in writing its inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its Indebtedness exceeding Rs. 1,00,00,000/- (Rupees One Crore Only).

(iv) MISREPRESENTATION

Any representation or warranty made by the Company in any Transaction Document or in any certificate, financial statement or other document delivered to the Trustee/ Debenture Holders by the Company shall prove to have been incorrect, false or misleading in any material respect when made or deemed made.

(v) MATERIAL ADVERSE CHANGE

There shall have occurred a change in the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of the Company since the date hereof that has resulted in a Material Adverse Effect and such Material Adverse Effect has not been remedied or rectified for a period of 30 (Thirty) Business days.

(vi) LIQUIDATION OR DISSOLUTION OF THE COMPANY / APPOINTMENT OF RECEIVER OR LIQUIDATOR

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

i. the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Company;
ii. a composition, compromise, assignment or arrangement with any creditor of the Company;

iii. the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Company;

iv. enforcement of any security over any assets of the Company or any analogous procedure or step is taken in any jurisdiction; or

v. any other event occurs or proceeding is instituted that under any Applicable Law would have an effect analogous to any of the events listed in clauses (i), (ii), (iii) and (iv) above**.**

(vii) **CREDITORS' PROCESS**

Any expropriation, attachment, sequestration, distress or execution affects any Asset or Assets of the Company having an aggregate value of 5% (Five percent) of the Total Assets of the Company and is not discharged within 30 (Thirty) calendar days or as given in the said order.

(viii) **JUDGMENT DEFAULTS**

One or more judgments or decrees shall be entered against the Company involving a liability (not paid or not covered by a reputable and solvent insurance company), individually or in the aggregate, exceeding 5% (Five percent) of the Total Assets of the Company and such judgments or decrees either shall be final and non-appealable or shall not be vacated, discharged or stayed pending appeal for any period of 30 (Thirty) calendar days.

(ix) **TRANSACTION DOCUMENTS**

The Deed or any other Transaction Document in whole or in part, becomes invalid or ceases to be a legally valid, binding and enforceable obligation of the Company.

(x) **UNLAWFULNESS**

It is or becomes unlawful for the Company to perform any of its obligations under the Transaction Documents and/or any obligation or obligations of the Company under any Transaction Document are not or cease to be valid, binding or enforceable.

(xi) **REPUDIATION**

The Company repudiates any of the Transaction Documents, or evidences an intention to repudiate any of the Transaction Documents.

3.2. **NOTICE ON THE HAPPENING OF AN EVENT OF DEFAULT BY THE COMPANY**

If any Event of Default or any event which, after the notice, or lapse of time, or both, would constitute an Event of Default has happened, the Company shall, forthwith give notice thereof to the Debenture Holders/Trustee in writing specifying the nature of such Event of Default, or of such event.

3.3. **CONSEQUENCES OF AN EVENT OF DEFAULT**

On and at any time after the occurrence of an Event of Default, unless such Event of Default at the request of the Company is expressly waived by the Trustee acting on the instructions of the Debenture Holder(s), (a) upon the expiry of the cure period provided to the Company, or (b) if

the cure period provided is mutually extended by the Parties to the trust deed upon the expiry of such extended period or (c) where it is not practical to provide a cure period, then forthwith, or (d) where no cure period has been provided and the Parties mutually agree to provide for a cure period, upon the expiry of such mutually agreed to cure period, the Trustee shall if so directed by the Majority Debenture Holder(s):

(i) declare that all or part of the Obligations of the Company under this Deed or under any of the other Transaction Documents be immediately due and payable, whereupon they shall become immediately due and payable;

(ii) accelerate the redemption of the PDIs;

(iii) exercise any other right that the Trustee and / or Debenture Holder(s) may have under the Transaction Documents or under Indian law

However, any payments to be made by the Company pursuant to this Clause shall be made only with the prior approval of the RBI, if required as per the extant RBI directions, guidelines and regulations in respect of PDIs and subordinated debt.

3.3.1. After the occurrence of an Event of Default under above clause, and the expiry of cure periods (if any) the Debenture Trustee shall send a notice to the Debenture Holder(s) (along with a copy to the Company) within 3 (three) days of the Event of Default by registered post/acknowledgement due or speed post/acknowledgement due or courier or hand delivery with proof of delivery and also through email as a text or as an attachment to email with a notification including a read receipt, and proof of dispatch of such notice or email, shall be maintained.

3.3.2. The notice shall contain the following:

request for positive consent for signing of the ICA;
the time period within which the consent needs to be provided by the Debenture Holder(s), viz. consent to be given within 15 days from the date of notice or such revised timelines as prescribed under Applicable Law; and
the date of meeting to be convened (which shall be within 30 days of the occurrence of Event of Default).

Provided that in case the Event of Default is cured between the date of notice and the date of meeting, then the convening of such a meeting may be dispensed with.

3.3.3. The Debenture Trustee(s) may in accordance with the decision of the Debenture Holder(s), sign the ICA and consider the resolution plan, if any, on behalf of the Debenture Holder(s)/ Beneficial Owners in accordance with the requirements under the extant RBI guidelines, SEBI circulars, guidelines and other Applicable Laws.

3.3.4. The Trustee shall also have the following rights (notwithstanding anything in these presents to the contrary):

(a) to appoint a nominee director as per the SEBI (Debenture Trustee) Regulations, 1993 on the board of directors of the Company[1] or to appoint an observer to all meetings of

[1] As per SEBI DT Regulation 15(1) (e)sand Companies Act 2013

the board of directors of the Company, in the manner more particularly set out in the deed;

(b) to levy default interest on overdue amounts as per the terms of issue;[2] and

(c) to exercise such other rights as the Debenture Holder(s) may deem fit under Applicable Law.

3.3.5. The Debenture Trustee after obtaining consent of Debenture Holder(s) for enforcement/initiation of legal proceedings, shall inform the designated stock exchange seeking release of the Recovery Expense Fund. The Debenture Trustee shall follow the procedure set out in the SEBI REF Circular for utilisation of the Recovery Expense Fund and be obligated to keep proper account of all expenses, costs including but not limited to legal expenses, hosting of meetings etc., incurred out of the Recovery Expense Fund towards legal proceedings .

3.3.6. All expenses over and above those met from the Recovery Expense Fund incurred by the Beneficial Owners(s)/Trustee after an Event of Default has occurred in connection with:-

(a) preservation of the Secured Assets (whether then or thereafter existing); and

(b) collection of amounts due under the deed,

shall be payable by the Company.

TRUSTEE'S RIGHTS, POWERS AND DISCRETIONS

4.1. GENERAL RIGHTS, POWERS AND DISCRETIONS

(i) The Trustee may, in relation to these presents, act on the opinion or advice of or any information obtained from any solicitor, counsel, advocate, valuer, surveyor, broker, auctioneer, qualified accountant or other expert whether obtained by the Company or by the Trustee or otherwise;

(ii) The Trustee shall, as regards all trusts, powers, authorities and discretions, have absolute and uncontrolled discretion as to the exercise thereof and to the mode and time of exercise thereof;

(iii) With a view to facilitating any dealing under any provisions of this document the Trustee shall have full power to consent (where such consent is required) to a specified transaction or class of transactions conditionally;

(iv) The Trustee shall not be responsible for the monies paid by applicants for the PDIs;

(v) The Trustee shall have full power, in consultation with the Debenture Holders, to determine all questions and doubts arising in relation to any of the provisions hereof and every such determination bona fide made (whether or not the same shall relate wholly or partially to the acts or proceedings of the Trustee) shall be conclusive and binding upon all persons interested

[2] Applicable in case of privately placed PDIs as per SEBI ILDS Regulations which provide that in case of default in payment of Interest and/or principal redemption on the due dates, additional interest of at least @ 2% p.a. over the coupon rate will be payable by the Company for the defaulting period

(vi) On the request from the debenture holders, the Trustee shall forward to them the copies of any information, documents received from the Company pursuant to the Deed.

(vii) Trustee assumes that investors have carefully read the general risks, management's perceptions of risk as set out in the information memorandum before making investments in PDIs.

(viii) Investors should note and be aware that the receipt of any coupon payment on due date(s) and principal amount at the maturity is subject to the credit risk of the issuer company.

(ix) Investor to note that decisions may be made by the majority on behalf of all the Debenture Holders may be adverse to the interest of an individual Debenture Holder who do not attend and vote at the relevant meeting and Debenture Holders who voted in a manner contrary to the majority.

(x) The Issuer Company is solely responsible for the correctness, adequacy and disclosure of all relevant information contained in the information memorandum

(xi) The Debenture Trustee shall not be liable for any action taken by it unless such liability is caused directly by its gross negligence and wilful misconduct as decided by court of competent jurisdiction.

PROVIDED that nothing contained in this Clause shall exempt the Trustee or any receiver, attorney, manager, agent or other person appointed by the Trustee from or indemnify them against any liability for gross negligence, wilful default or breach of trust nor any liability which by virtue of any rule or law would otherwise attach to them in respect of any negligence, default or breach of trust which they may be guilty of in relation to their duties as decided by court of competent jurisdiction.

4.2. POWER OF TRUSTEE TO DELEGATE

The Trustee being a corporation may, in the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in them act by an officer or officers for the time being of the Trustee and the Trustee may also, whenever they think it expedient, delegate by power of attorney or otherwise to any such officer all or any of the trusts, powers, authorities and discretions vested in them and any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as the Trustee may think fit.

4.3. POWER OF TRUSTEE TO INSPECT

The Trustee or its authorised representatives shall be entitled to carry out inspections of the Company's offices, records, registers and books of accounts upon giving a reasonable notice in writing to the Company; to the extent such inspection is necessary for exercising any of the powers or discharging any of its duties of the Trustee hereunder. The Trustee is also entitled to take copies and extracts of the same. Any representative of the Trustee shall have free access at all reasonable times to the Company's premises, records, registers and accounts and shall receive full co-operation and assistance from the Company. The cost of inspection, including travelling and other related expenses shall be borne and paid by the Company.

4.4. POWERS OF TRUSTEE TO EMPLOY AGENTS

The Trustee being a corporation may, in the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in them act by an agent/ agents. However, if any payments to be made to such person are to be borne by the Company, then the Trustee shall, unless an Event of Default has occurred and is continuing (subject to such costs and expenses being reasonable in the circumstances), seek the prior written approval of the Company before employing such agent or concurring in transacting any business with such agent.

4.5. RETIREMENT AND REMOVAL OF TRUSTEE

(i) RESIGNATION:

(a) The Trustee may at any time, without assigning any reason and without being responsible for any loss or costs occasioned thereby, resign as the Trustee, provided that they shall have given at least 1 (One) month's prior notice in writing to the Company in that behalf and that they shall continue to act as the Trustee until a successor trustee ("**Successor Trustee**") is appointed by the Company with the consent of at least the Majority Debenture Holders.

(b) The Company shall, upon receipt of notice of resignation issued by the Trustee, take prompt steps to appoint another entity competent to act as trustee for the Debenture Holders in place of the Trustee.

(ii) REMOVAL

The Debenture Holders may for sufficient cause but, after giving not less than 2 (two) months' notice in writing, remove the Trustee by passing a Special Resolution to that effect, and by the same resolution nominate an entity competent to act as their trustee and require the Company to appoint such entity as the Successor Trustee. The Company shall within 15 (fifteen) days of receipt of such Special Resolution passed by the Debenture Holders take all necessary steps to appoint the entity named in the resolution as the Successor Trustee and complete all necessary formalities to give effect to such appointment.

(iii) SUCCESSOR TRUSTEE AS THE TRUSTEE

Upon appointment of the Successor Trustee pursuant to the preceding sub-clause (i) or (ii), all references in the Deed to the Trustee shall unless repugnant to the context mean and refer to the Successor Trustee and the Successor Trustee shall without any further act or deed succeed to all the powers and authorities of the Trustee as if it had been originally appointed as the Trustee.

4.6. TRUSTEE'S REMUNERATION

The Company shall pay to the Trustee remuneration as per the terms of the fee letter issued by the Trustee to the Company.

Arrears of instalments of annual service charges, if any, shall carry interest at the rate specified in fee letter till the actual payment.

4.7. PDIS BEING IN THE NATURE OF SUB-ORDINATE DEBT

The Parties acknowledge and agree that the PDIs constitute "subordinated debt" for the Company in accordance with the prudential norms prescribed by the RBI and are governed by such norms as may be prescribed from time to time. The Company shall at all times enjoy the benefit of the PDIs as "subordinated debt", and any rights of the Debenture Holders or the Trustee under the Transaction Documents or any obligations of the Company under the Transaction Documents, which affects or curtails the characteristics of the PDIs as a "subordinate debt", shall to the extent required stand modified, altered or deleted, such that the PDIs continue to be regarded as "subordinated debt".

DEPOSITORY RELATED PROVISIONS

5.1 The Company has made depository arrangements with NSDL and CDSL for dematerialization of the PDIs. Each of the Debenture Holders has to necessarily hold the PDIs in dematerialized form and deal with the same as per the provisions of Depositories Act, 1996 (as amended from time to time) ("**Depositories Act**"). The normal procedures followed for transfer of securities held in dematerialized form shall be followed for transfer of these PDIs held in electronic form.

5.2 Debenture certificates will not be issued to the allottees, since the PDIs are being issued in a dematerialized form.

5.3 The depository account of the Debenture Holders with NSDL and CDSL, will be credited within 2 (two) Business Days from the Deemed Date of Allotment. The initial credit in the account will be akin to the letter of allotment. On the completion of all statutory formalities, such credit will be substituted with the number of PDIs allotted.

5.4 The PDIs held in the dematerialised form shall be taken as discharged on payment of the principal amount and Coupon thereon (including Default Interest if applicable) by the Company to the registered Beneficial Owner(s) on the Record Date. Such payment will be a legal discharge of the liability of the Company towards the Beneficial Owner(s). On such payments being made, the Company will inform NSDL and CDSL and accordingly the account of the Debenture Holder with NSDL will be adjusted.

5.5 A Register of Debenture Holders containing all relevant particulars shall be maintained by the Company at either its registered office or corporate office or at the office of the registrar and transfer agent.

5.6 Transfer of PDIs in dematerialised form would be in accordance with the rules/procedures as prescribed by NSDL, CDSL and the applicable depository participant.

5.7 Nothing provided herein shall prejudice any power of the Company to register as a Debenture Holder any person to whom the right to any PDIs of the Company has been transmitted by operation of law.

5.8 Upon any request received for rematerialisation, the Company shall rematerialise PDIs in accordance with the rules and procedures prescribed by Depositories Act. All costs arising from the request of rematerialisation shall be borne by the person requesting such rematerialisation

COVENANTS OF DEBENTURE TRUSTEE AGREEMENT

1. The Company shall have the PDIs listed on the Wholesale Debt Market segment of a recognized stock exchange (BSE Limited) in accordance with the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and SEBI (Listing Obligations and Discloser Requirement) Regulation, 2015, as amended from time to time, as soon as possible and in no event later than 3 (Three) trading days from the Issue Closing Date;

2. The proceeds of the issuance of the PDIs shall be used by the Company for the regular business activities of the Company including utilisation of proceeds for disbursement to meet the finance requirements of the borrowers of the Company and its other associated business objectives such as discharging existing debt obligations which were generally undertaken for business operations;

3. The Debenture Trustee and the Company shall prior to listing of the Debenture issue enter into a Debenture Trust Deed (hereinafter referred to as the "Debenture Trust Deed") and such other security and transaction documents as may be required from time to time in relation to the PDIs and in any case shall execute the said documents prior to listing of the Debenture issue.

A. The Debenture Trust Deed shall be finalized by the parties and consist of two parts: Part A containing statutory/standard information pertaining to the debt issue inter alia consisting of clauses pertaining to Form SH-12 in terms of Rule 18(5) of the Companies (Share Capital and PDIs) Rules, 2014; and Part B containing details specific to the particular debt issue. Where a Company fails to execute the Debenture Trust Deed within the period specified under regulation 18 (2) of SEBI (Issue and Listing of Non-Convertible Securities) Regulation, 2021 without prejudice to any liability arising on account of violation of the provisions of the Act and these regulations, the Company shall also pay interest of at least two percent per annum or such other rate, as specified by the Board to the holder of debt securities, over and above the agreed coupon rate, till the execution of the Debenture Trust Deed

4. The Company confirms that the Company is duly authorised to enter into the Agreement and each of the other transaction documents pertaining to the issue of the PDIs. The Company is validly existing and in good standing under the laws of India and each of the obligations contained shall be legal, valid and binding obligation enforceable against the Company.

5. **Documents required to be submitted prior to or simultaneously with execution of the Agreement:**

The terms of the Agreement shall be effective only upon the submission by the Company of the requisite information and documents to the satisfaction of the Debenture Trustee for carrying out the requisite due diligence as required in terms of the Relevant Laws

B. **Terms of carrying out due diligence:**

(a) The Debenture Trustee, either through itself or its agents /advisors/consultants, shall carry out requisite diligence. For the purpose of carrying out the due diligence as required in terms of the Relevant Laws, the Debenture Trustee, either through itself or its agents /advisors/consultants, shall have the power to examine the books of account of the Company and to have the Company's assets inspected by its officers and/or external auditors/valuers/consultants/lawyers/technical experts/management consultants appointed by the Debenture Trustee.

(b) Without prejudice to the aforesaid, the Company shall ensure that it provides and procures all information, representations, confirmations and disclosures as may be required in the sole discretion of the Debenture Trustee to carry out the requisite diligence in connection with the issuance and allotment of the PDIs, in accordance with the Relevant Laws.

C. The Company shall pay to the Debenture Trustee so long as it holds the office of the Debenture Trustee, remuneration and all reasonable costs, legal, travelling, charges and expenses as set out in the Debenture Trustee Consent Letter, for its services as the Debenture Trustee Arrears of the Debenture Trustee Fees, if any, shall carry interest at the rate specified in the Debenture Trustee Consent Letter.

D. The Company shall comply with the provisions of SEBI Debenture Trustee Regulations, SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with SEBI circular on "Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper", dated August 10, 2021 ("Debt Listing Regulations"), debt listing agreement, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (as amended from time to time), -the Companies Act and other applicable provisions under applicable laws, regulations and guidelines ("**Relevant Laws**") in connection with the issuance, allotment, listing and ensuring continued compliance of the PDIs until the redemption in full of the PDIs. Further the Company undertakes to comply with all regulations/provisions of Companies Act, 2013 and guidelines of other regulatory authorities in respect of allotment of PDIs till redemption[3] of such PDIs

E. The Agreement shall be effective on and from the date of execution and shall be in force till all the moneys in respect of the PDIs have been fully paid-off or until the appointment of the Debenture Trustee is terminated in accordance with the Debenture Trust Deed.

F. The Company shall inter-alia furnish / have furnished to the Debenture Trustee the following documents:
   a. Information Memorandum and/or Private Placement Offer Letter in relation to the Issue;
   b. The necessary corporate authorisations by way of board resolution and/or shareholder resolution for the Issue;
   c. Agreement with the registrar and transfer agent to the Issue;
   d. Letters from the Rating Agency regarding the rating afforded to the PDIs;

[3] As per the SEBI DT Amendment Reg.2017

e. The Debenture Trustee Agreement;
f. Proof of credit / dispatch of Debenture Certificates;
g. Details of the depository with whom the PDIs are held in dematerialised form;
h. Latest Annual Report of the Company;
i. Debenture Trust Deed;
j. ;
k. Confirmation/proofs of payment of interest and principal made to the Debenture Holders on the relevant due dates;
l. Statutory Auditor's Certificate for utilization of funds/Issue proceeds;
m. Periodical reports on quarterly basis as per SEBI Regulations;
n. Information to be submitted to the recognized stock exchange, on which the PDIs are proposed to be listed, on half yearly basis as per the Uniform Listing Agreement;
o. Beneficiary position reports as per list of debenture holders obtained from RTA;
p. In principle approval for listing of the PDIs from the recognized stock exchange on which the PDIs are proposed to be listed;
q. a resolution for allotment of PDIs and a list of the first allottees within a period of 30 (thirty) days from the date of allotment;
r. a return of allotment filed with the registrar of companies (Form No-PAS 3) within 30 (thirty) days from the date of filing with the registrar of companies;
s. a complete record of private placement offers made by the Company (Form No-PAS 5) within 30 (thirty) days from the date of filing with the registrar of companies;
t. a confirmation on the listing of the PDIs;
u. Certificate from the Director / Managing Director of the issuer company certifying the value of the book debts / receivables on a quarterly basis;
v. Certificate from independent Chartered Accountant giving the value of book debts / receivables on a quarterly basis;
w. Information to enable the Debenture Trustee to carry out the necessary due diligence
x. Periodical reports / information on quarterly/ half yearly / annual basis as required to be submitted to stock exchanges under the SEBI Debenture Regulations, NCS Regulation, debt listing agreement or the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (as amended from time to time);
y. Approval for listing of the PDIs from the stock exchange;
z. Listing application along with the required details / annexures submitted to the stock exchange ;
aa. Listing & trading permission from the Stock Exchange;
bb. Details of the recovery expenses fund to be created by the Company in the manner as may be specified by the SEBI from time to time along with duly acknowledged letter / confirmation from stock exchange on the amount of such fund maintained and the mode of maintenance.
cc. Bank account details of the Company along with copy of pre-authorisation letter issued by Company to its banker in relation to the payment of redemption amount; and
dd. Such other documents as may be reasonably required by the Debenture Trustee in accordance with the SEBI Regulations.

6. CONFIRMATION AND DECLARATION

(i) The Company declares and confirms that the Company or the person(s) in control of the Company, or its promoter(s) have not been restrained or prohibited or debarred by the Securities Exchange Board of India from accessing the securities market or dealing in securities.

(ii) The Company hereby declares and confirms that, as on the date of this Agreement, and the date of filing the Offer Document/Placement Memorandum/Disclosure Document, it is an

'eligible issuer' in accordance with Regulation 5 (1) of the SEBI (Issue and Listing of Non-convertible Securities) Regulation, 2021

(iii) The Company confirms that all necessary disclosures shall be made in the Information Memorandum including but not limited to statutory and other regulatory disclosures.

(iv) The Company agrees and confirms that the purpose of the issue is not for providing loan to or acquisitions of shares of any person who is a part of the same group or who is under the same management

(v) The Company confirms that all necessary disclosures shall be made in the Shelf Disclosure Document/Disclosure document/Private Placement Offer Letter including but not limited to statutory and other regulatory disclosures. Investors should carefully read and note the contents of the Information Memorandum/Disclosure document/ Private Placement Offer Letter. Each prospective investor should make its own independent assessment of the merit of the investment in the PDIs and the Company. Prospective Investor should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations arising from an investment in the PDIs and should possess the appropriate resources to analyze such investment and suitability of such investment to such investor's particular circumstance. Prospective investors are required to make their own independent evaluation and judgment before making the investment and are believed to be experienced in investing in debt markets and are able to bear the economic risk of investing in PDIs.

(vi) The Debenture Trustee *ipso facto* does not have the obligations of a borrower or a principal debtor or a guarantor as to the monies paid/invested by the subscribers to the PDIs.

(vii) The Company agree & undertake to comply with all regulations / provisions of the Companies Act, 2013, guidelines of other regulatory authorities in respect of allotment of PDIs till redemption.

(viii) The Company agrees and undertakes that all stamp duty and other expenses pertaining to the issue of the PDIs and execution of the transaction documents including the instrument of PDIs shall be solely borne by the Company.

(ix) In terms of Clause 3.2 of the SEBI Circular dated 23.06.2020, the Company shall on or prior to the date of execution of Debenture Trust Deed, provide to the Debenture Trustee, the bank account details from which the Company proposes to make the payment of redemption amount due to the Debenture Holder. Further, the Company undertakes that it shall preauthorize the Debenture Trustee to seek the redemption amount payment related information from the Bank.

Information/ documents to be provided by the Issuer Company, prior to entering into the Agreement:

Sl. No.	Information/ Documents
1.	An undertaking confirming that all the information provided to the Trustee are true and correct and the trustee may in good faith rely upon and shall not be liable for acting or refraining from acting upon such information furnished to it under this Agreement.
2.	Any other information, documents or records required by Debenture Trustee with regard to creation of security and perfection of security.

ANNEXURE V: APPLICATION FORM

HDFC CREDILA FINANCIAL SERVICES LIMITED
A public limited company incorporated under the Companies Act, 1956 with
CIN: U67190MH2006PLC159411
Date of Incorporation: February 1, 2006
Registered Office: B 301, Citi Point, Next to Kohinoor Continental,
Andheri - Kurla Road, Andheri (East), Mumbai 400 059
Telephone No: +91-22-2826 6636; Fax: +91-22-2471 2447
Website: www.hdfccredila.com

DEBENTURE SERIES APPLICATION FORM SERIAL NO.									

ISSUE OF UPTO 200 UNSECURED RATED LISTED PERPETUAL DEBT INSTRUMENTS (PDIS)

Rs. 1,00,00,000/- (RUPEES ONE CRORE ONLY) EACH AGGREGATING UPTO RS. 200,00,00,000/- (RUPEES TWO HUNDRED CRORE ONLY), FOR CASH AT PAR TO THE FACE VALUE

DEBENTURE SERIES APPLIED FOR:

Number of PDIs _____ In words _____

Amount Rs. _____/- in words Rupees _____ Only

DETAILS OF PAYMENT:

RTGS
No. _____ Drawn on _____

Funds transferred to HDFC Credila Financial Services Limited
Dated _____

Total Amount Enclosed
(In Figures) _____ (In words) _____

APPLICANT'S NAME IN FULL (CAPITALS)	**SPECIMEN SIGNATURE**

APPLICANT'S ADDRESS

ADDRESS	

STREET					
CITY					
PIN		**PHONE**		**FAX**	

APPLICANT'S PAN/GIR NO. _____ IT CIRCLE/WARD/DISTRICT ____

WE ARE ( ) COMPANY ( ) OTHERS ( ) SPECIFY

TAX RESIDENTIAL STATUS RESIDENT ( ) NON-RESIDENT ( )

We have read and understood the Terms and Conditions of the issue of PDIs including the Risk Factors described in the Memorandum and have considered these in making our decision to apply. We bind ourselves to these Terms and Conditions and wish to apply for allotment of these PDIs. We request you to please place our name(s) on the Register of Holders.

Name of the Authorised Signatory(ies)	Designation	Signature

Applicant's
Signature

We the undersigned, are agreeable to holding the PDIs of the Company in dematerialised form. Details of my/our Beneficial Owner Account are given below:

DEPOSITORY	**NSDL ( ) CDSL ( )**
DEPOSITORY PARTICIPANT NAME	
DP-ID	
BENEFICIARY ACCOUNT NUMBER	
NAME OF THE APPLICANT(S)	

Applicant Bank Account : (Settlement by way of Cheque / Demand Draft / Pay Order / Direct Credit / ECS / NEFT/RTGS/other permitted mechanisms)	Beneficiary Bank Name: Account No: IFSC Code: Branch:

FOR OFFICE USE ONLY
DATE OF RECEIPT _____ DATE OF CLEARANCE _____

(Note: Cheque and Drafts are subject to realisation)

We understand and confirm that the information provided in the Information Memorandum is provided by the Issuer and the same has not been verified by any legal advisors to the Issuer, the Arranger and other intermediaries and their agents and advisors associated with this Issue. We confirm that we have for the purpose of investing in these PDIs carried out our own due diligence and made our own decisions with respect to investment in these PDIs and have not relied on any representations made by anyone other than the Issuer, if any.

We understand that: i) in case of allotment of PDIs to us, our Beneficiary Account as mentioned above would get credited to the extent of allotted PDIs, ii) the Applicant must ensure that the sequence of names as mentioned in the Application Form matches the sequence of name held with our Depository Participant, iii) if the names of the Applicant in this application are not identical and also not in the same order as the Beneficiary Account details with the above mentioned Depository Participant or if the PDIs cannot be credited to our Beneficiary Account for any reason whatsoever, the Company shall be entitled at its sole discretion to reject the application or issue the PDIs in physical form.

We understand that we are assuming on our own account, all risk of loss that may occur or be suffered by us including as to the returns on and/or the sale value of the PDIs and shall not look directly or indirectly to the Arranger (or to any person acting on its or their behalf) to indemnify or otherwise hold us harmless in respect of any such loss and/or damage. We undertake that upon sale or transfer to subsequent investor or transferee ("**Transferee**"), we shall convey all the terms and conditions contained herein and in this Information Memorandum to such Transferee. In the event of any Transferee (including any intermediate or final holder of the PDIs) suing the Issuer (or any person acting on its or their behalf) we shall indemnify the Issuer and the Arranger (and all such persons acting on its or their behalf) and also hold the Issuer and Arranger and each of such person harmless in respect of any claim by any Transferee.

Annexure containing information required under section 285BA of the Income Tax Act, 1961 is enclosed with the Application Form.

Applicant's Signature

FOR OFFICE USE ONLY
DATE OF RECEIPT _____ DATE OF CLEARANCE _____

(Note: Cheque and Drafts are subject to realisation)

---------- (TEAR HERE) ----------

ACKNOWLEDGMENT SLIP

(To be filled in by Applicant) **SERIAL NO.**								**0**	**1**

Received from

Address _____

_____

Cheque/Draft/UTR # _____ Drawn on _____ for Rs. _____ on account of application of _____ Debenture

SECTION 11: DECLARATION

The Issuer declares that all the relevant provisions in the regulations/guidelines issued by RBI and/or SEBI and other applicable laws have been complied with and no statement made in this Information Memorandum is contrary to the provisions of the regulations/guidelines issued by SEBI and/or RBI and other applicable laws, as the case may be. The information contained in this Information Memorandum is as applicable to privately placed debt securities and subject to information available with the Issuer. The extent of disclosures made in the Information Memorandum is consistent with disclosures permitted by regulatory authorities to the issue of securities made by the companies in the past.

We further declare that:

a. The company is in compliance with the provisions of Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992, Companies Act and the rules and regulations
b. made thereunder
c. The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of PDIs, if applicable, is guaranteed by the Central Government;
d. The monies received under the offer shall be used only for the purposes and objects indicated in the Offer document;
e. whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association

NOTE TO INVESTORS

Investment in non-convertible securities involve a degree of risk and investors should not invest any funds in such securities unless they can afford to take the risk attached to such investments. Investors are advised to take an informed decision and to read the risk factors carefully before investing in this offering. For taking an investment decision, investors must rely on their examination of the issue including the risks involved in it. Specific attention of investors is invited to statement of 'Risk Factors' contained under Section 4 of this placement memorandum. These risks are not, and are not intended to be, a complete list of all risks and considerations relevant to the non-convertible securities or investor's decision to purchase such securities.

For **HDFC Credila Financial Services Limited**



Arijit Sanyal
Managing Director & CEO

Date: January 25, 2023

Shah Gupta & Co.
Chartered Accountants

38, Bombay Mutual Building,
2nd Floor, Dr. D N Road, Fort,
Mumbai – 400 001

Tel: + 91(22) 4085 1000
Fax: + 91(22) 4085 1015
Email contact@shahgupta.com
Web: www.shahgupta.com

Independent Auditors' Review Report on the Quarter and year to date Unaudited Financial Results Pursuant to the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

To,
THE BOARD OF DIRECTORS
HDFC CREDILA FINANCIAL SERVICES LIMITED

1. We have reviewed the accompanying Statement of Unaudited Financial Results of **HDFC Credila Financial Services Limited** (the 'Company'), for the quarter and nine months ended December 31, 2022 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 52 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulation").

2. This Statement, which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard (Ind AS) 34 "Interim Financial Reporting", prescribed under section 133 of the Companies Act, 2013 (the "Act"), the circulars, guidelines and directions issued by Reserve Bank of India ('RBI') from time to time ("RBI guidelines") read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 52 of Listing Regulation. Our responsibility is to issue a report on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ('SRE') 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under sub section (10) of section 143 of the Act and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review conducted and procedure performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standards specified under section 133 of the Act, as amended, read with relevant rules issued there under and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 52 of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

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

VIPUL KANTILAL CHOKSI

Digitally signed by VIPUL KANTILAL CHOKSI
DN: c=IN, o=PERSONAL, pseudonym=f8893140ba762aa75a3dbc5530, postalCode=400022, st=MAHARASHTRA, serialNumber=42d677e5b7dd4a94be1711e3e5a231868f09e1ac8afc253952d5732167abd5a3, cn=VIPUL KANTILAL CHOKSI
Date: 2023.01.18 12:47:49 +05'30'

Vipul K Choksi
Partner
M. No. 37606
Unique Document Identification Number (UDIN) for this document is: 23037606BGYDUJ7556
Place: Mumbai
Date: 18.01.2023

HDFC CREDILA FINANCIAL SERVICES LIMITED

(CIN: U67190MH2006PLC159411)

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

Tel No: 022-28266636 Website: www.hdfccredila.com Email: investor@hdfccredila.com

STATEMENT OF UNAUDITED FINANCIAL RESULTS

FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2022

(₹ in Lakhs)

	Particulars	Quarter ended			Nine months ended		Year ended 31 March 2022
		31 December 2022	30 September 2022	31 December 2021	31 December 2022	31 December 2021	
		Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Audited
I	**Revenue from operations**						
	Interest income	35,345.33	29,208.93	20,817.56	88,744.29	57,032.05	80,074.51
	Fees and commission income	447.36	986.05	389.81	1,696.32	1,300.60	1,750.24
	Net gain/(loss) on fair value changes	469.75	155.60	220.45	466.97	193.99	534.42
	Total Revenue from operations	**36,262.44**	**30,350.58**	**21,427.82**	**90,907.58**	**58,526.64**	**82,359.17**
II	**Other income**	0.06	0.20	-	0.26	-	0.54
III	**Total income (I + II)**	**36,262.50**	**30,350.78**	**21,427.82**	**90,907.84**	**58,526.64**	**82,359.71**
IV	**Expenses:**						
	(a) Finance costs	22,862.73	18,260.08	11,193.82	54,230.76	30,731.72	42,798.55
	(b) Impairment on financial instruments (Expected credit loss)	297.95	257.93	686.48	598.30	1,125.97	1,604.29
	(c) Employee benefits expense	2,364.71	2,246.37	1,165.01	6,033.87	3,442.84	4,974.46
	(d) Depreciation, amortisation and impairment	119.70	130.67	99.18	374.99	269.07	378.72
	(e) Other expenses	1,578.89	1,661.87	1,471.27	4,843.68	3,564.24	4,850.82
	Total expenses	**27,223.98**	**22,556.92**	**14,615.76**	**66,081.60**	**39,133.84**	**54,606.84**
V	**Profit before tax (III - IV)**	**9,038.52**	**7,793.86**	**6,812.06**	**24,826.24**	**19,392.80**	**27,752.87**
VI	**Tax expense**						
	(a) Current tax	2,897.59	1,788.16	1,838.66	7,298.15	5,448.32	7,602.22
	(b) Deferred tax	(595.25)	200.27	(45.97)	(967.49)	(484.95)	(487.06)
	Total tax expense	**2,302.34**	**1,988.43**	**1,792.69**	**6,330.66**	**4,963.37**	**7,115.16**
VII	**Net profit for the period/ year after tax (V - VI)**	**6,736.18**	**5,805.43**	**5,019.37**	**18,495.58**	**14,429.43**	**20,637.71**
VIII	**Other comprehensive income**	(73.80)	(35.04)	448.71	78.56	641.84	993.07
IX	**Total comprehensive income (VII + VIII)**	**6,662.38**	**5,770.39**	**5,468.08**	**18,574.14**	**15,071.27**	**21,630.78**
X	**Earnings per share** (refer note 7)						
	(a) Basic (₹)	5.00	4.40	3.81	13.92	10.95	15.66
	(b) Diluted (₹)	4.95	4.40	3.81	13.87	10.95	15.66
	(c) Face value per share (₹)	10.00	10.00	10.00	10.00	10.00	10.00
XI	**Disclosures under Regulation 52(4)**						
	1. Debt-Equity ratio	6.7	7.4	5.5	6.7	5.5	5.6
	2. Outstanding redeemable preference shares (quantity and value)	-	-	-	-	-	-
	3. Capital redemption reserve / Debenture redemption reserve (refer note 12)	-	-	-	-	-	-
	4. Net worth*	180,416.32	144,218.31	127,419.49	180,416.32	127,419.49	134,094.87
	5. Total debts to total assets (%)	84.68%	85.67%	82.52%	84.68%	82.52%	82.52%
	6. Net profit margin (%)	18.58%	19.13%	23.42%	20.35%	24.65%	25.06%
	7. Sector specific equivalent ratios						
	(a) Gross Stage 3 (%)	0.24%	0.35%	0.68%	0.24%	0.68%	0.57%
	(b) Net Stage 3 (%)	0.15%	0.23%	0.47%	0.15%	0.47%	0.38%

* Networth is equal to paid up equity share capital plus other equity less deferred tax assets less intangible assets.

Note: Debt service coverage ratio, Interest service coverage ratio, Current ratio, Long term debt to working capital ratio, Bad debts to account receivable ratio, Current liability ratio, Debtors turnover, Inventory turnover and Operating margin (%) are not applicable.

Notes :

1 The Company is a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with the Reserve Bank of India ("RBI") classified as an Investment and Credit Company.

2 The above financial results for the quarter and nine months ended 31 December 2022 along with comparative period, which have been subjected to limited review by the Statutory Auditors of the Company, have been reviewed by the Audit Committee and subsequently approved by the Board of Directors of the Company at their respective meetings held on 18 January 2023.

3 The financial results of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended. Accordingly, these financial results together with the results for the comparative reporting period have been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 - "Interim Financial Reporting", prescribed under section 133 of the Companies Act 2013 ("the Act"), and other recognized accounting practices generally accepted in India, in compliance with Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to circular SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated 29 July 2022.
These financial results have been prepared in the format prescribed under the notified schedule III of the Companies Act, 2013 for Non-Banking Financial Companies issued by the Ministry of Corporate Affairs ("MCA") on 11 October 2018, as amended, and on the basis of Ind AS that are applicable to the Company based on the MCA Notification GSR 111(E) and GSR 365(E) dated 16 February 2015 and 31 March 2016 respectively.

4 Pursuant to SEBI Circular No. SEBI/HO/DDHS/CIR/P/2021/613 dated 10 August 2021, the Company has listed Commercial Papers on BSE Limited.

5 The Company is primarily engaged in the business of financing and accordingly, there are no separate reportable segments as per Ind AS 108 dealing with operating segment.

6 The secured, listed, non-convertible debentures of the Company are secured by pari passu charge on the education loan receivables of the Company with a security cover of 1.05 times and 1.25 times, as applicable, of the principal outstanding and interest accrued thereon as on 31 December 2022. The security cover certificate as per Regulation 54(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached as 'Annexure 1'.

7 Earnings per equity share for the quarter and nine months ended 31 December 2022 and comparative periods have not been annualised.

8 The figures for the quarter ended 31 December 2022 and 31 December 2021 are the balancing figures between reviewed figures in respect of the nine months ended 31 December 2022 and 31 December 2021 and the reviewed figures for the half year ended 30 September 2022 and 30 September 2021 respectively.

9 Pursuant to Employee Stock Option Scheme (ESOP 2022) approved by the shareholders of the Company on 18 April 2022 for the issuance of 40,72,565 shares in aggregate to the eligible employees, the Company has granted 34,31,041 ESOPs during the nine months ended 31 December 2022. The options granted, are measured at the fair value of the options at the grant date using Black Scholes Model. The Company has recognised a charge of ₹ 692.58 lakhs for the nine months ended 31 December 2022 (Previous period: Nil) under employee benefit expenses for the same.

10 During the quarter ended 31 December 2022, the Company has issued 61,58,267 equity shares of ₹ 10 per share at a premium of ₹ 477.15 per share amounting to ₹ 30,000.00 lakhs on 14 November 2022 to Housing Development Finance Corporation Limited pursuant to a rights issue.

11 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 results 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.

12 The Company is not required to create debenture redemption reserve in terms of the Companies (Share Capital and Debenture) Rules, 2014 read with the Companies (Share Capital and Debenture) Amendments Rules, 2019.

For and on behalf of Board of Directors
HDFC Credila Financial Services Limited

ARIJIT SANYAL
Digitally signed by ARIJIT SANYAL
Date: 2023.01.18 11:58:39 +05'30'

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

VIPUL KANTILAL CHOKSI
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Date: 2023.01.18 12:54:16 +05'30'

Date:- 18 January 2023

Annexure 1

(₹ in Lakhs)

Security Cover Certificate as per Regulation 54(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as on 31 December 2022										
Column A	**Column B**	**Column E**	**Column F**	**Column G**	**Column H**		**Column J**	**Column M**	**Column N**	**Column O**
Particulars	**Description of asset for which this certificate relate**	**Pari-Passu Charge**	**Pari-Passu Charge**	**Pari-Passu Charge**	**Assets not offered as Security**	**Debt not backed by any assets offered as security**	**(Total C to H)**	**Relating to only those items covered by this certificate**		
		Debt for which this certificate being issued	**Assets shared by pari passu debt holder**	**Other assets on which there is pari-passu charge**				**Market Value for Pari passy charge Assets**	**Carrying/book value for pari passu charge assets where market value is not ascertainable or applicable**	**Total Value (K + L + M + N)**
		Yes/No	**Book Value**	**Book Value**						
Assets										
Property, Plant & Equipments			-	-	1,695.04	-	1,695.04	-	-	-
Capital Work in Progress			-	-	-	-	-	-	-	-
Intangible Assets			-	-	3.83	-	3.83	-	-	-
Intangible Assets under development			-	-	735.98	-	735.98	-	-	-
Investments			-	-	38,515.85	-	38,515.85	-	-	-
Loans	Education Loan	Yes	1,188,747.98	-	180,552.64	-	1,369,300.62	-	329,759.11	329,759.11
Trade Receivables			-	-	320.22	-	320.22	-	-	-
Cash & Cash Equivalents			-	-	5,329.27	-	5,329.27	-	-	-
Balance Balances			-	-	66.59	-	66.59	-	-	-
Others			-	-	12,725.08	-	12,725.08	-	-	-
Total			**1,188,747.98**		**239,944.50**		**1,428,692.48**			
Liabilities										
Debt Securities to which this certificate pertains		Yes	304,369.53	-	-	-	304,369.53	-	-	-
Other Debt sharing pari-passu charge with above debt			775,411.95	-	-	-	775,411.95	-	-	-
Other Debt			-	-	-	-	-	-	-	-
Subordinated Debt			-	-	110,974.15	110,974.15	110,974.15	-	-	-
Borrowings			-	-	-	-	-	-	-	-
Bank			-	-	-	-	-	-	-	-
Debt Securities			-	-	29,290.37	29,290.37	29,290.37	-	-	-
Others			-	-	-	-	-	-	-	-
Trade Payables			-	-	4,768.17	-	4,768.17	-	-	-
Lease Liabilites			-	-	-	-	-	-	-	-
Provisions			-	-	6,222.13	-	6,222.13	-	-	-
Others			-	-	13,647.06	-	13,647.06	-	-	-
Total			**1,079,781.48**		**164,901.87**		**1,244,683.35**		**329,759.11**	**329,759.11**
Cover on Book Value			**1.10**						**1.08**	**1.08**
Cover on Market Value										
			Pari-Passu Security Cover Ratio							

Notes :-

1. The secured non-convertible debentures have security cover of 1.05 times and 1.25 times, as applicable, on a pari-passu basis on education loan receivables. Accordingly, weighted average pari-passu security cover for all secured non-convertible debentures taken together is 1.08 times.

2. Since there is no exclusive charge on any assets of the Company, column C, D, I, K and L are not applicable

3. Education loan book of the Company is non trading book where loans are in the nature of held to maturity and created with a sole objective of collecting principal and interest. Therefore, the Company has considered the carrying value (before netting off impairment loss allowance) for this certificate.

Shah Gupta & Co.
Chartered Accountants

38, Bombay Mutual Building,
2nd Floor, Dr. D N Road, Fort,
Mumbai – 400 001

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Independent Auditors' Review Report on the Quarterly and Half year ended Unaudited Financial Results Pursuant to the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

To,
THE BOARD OF DIRECTORS
HDFC CREDILA FINANCIAL SERVICES LIMITED

1. We have reviewed the accompanying Statement of Unaudited Financial Results of **HDFC Credila Financial Services Limited** (the 'Company'), for the quarter and half year ended September 30, 2022 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 52 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulation").

2. This Statement, which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard (Ind AS) 34 "Interim Financial Reporting", prescribed under section 133 of the Companies Act, 2013 (the "Act"), the circulars, guidelines and directions issued by Reserve Bank of India ('RBI') from time to time ("RBI guidelines") read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 52 of Listing Regulation. Our responsibility is to issue a report on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ('SRE') 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

4. Based on our review conducted and procedure performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standards specified under section 133 of the Act, as amended, read with relevant rules issued there under and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 52 of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

5. The Statement includes the results for the comparative quarter and half year ended September 30, 2021, which have been reviewed by predecessor auditor who issued unmodified conclusion, whose report has been furnished to us and which has been relied upon by us for the purpose of our review of the Statement. Our conclusion is not modified in respect of this matter.

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

VIPUL KANTILAL CHOKSI

Digitally signed by VIPUL KANTILAL CHOKSI
DN: c=IN, o=PERSONAL, pseudonym=f8859814d0a762aaa75a3dbc55de9a551f42ffbaa4f9eed0d17a6548286705530, postalCode=400022, st=MAHARASHTRA, serialNumber=42d077e5b7db4fa4f8e1711e3a5a23186f859e1ed6a8259f12a5752167abd5a3, cn=VIPUL KANTILAL CHOKSI
Date: 2022.10.18 16:44:14 +05'30'

Vipul K Choksi
Partner
M. No. 37606
Unique Document Identification Number (UDIN) for this document is: 22037606BADVBR5674
Place: Mumbai
Date: 18.10.2022

HDFC CREDILA FINANCIAL SERVICES LIMITED

(CIN: U67190MH2006PLC159411)
Regd. Office: B-301, Citi Point, Andheri-Kurla Road, Andheri (East), Mumbai 400 059
Tel No: 022-28266636 Website: www.hdfccredila.com Email: investor@hdfccredila.com

STATEMENT OF PROFIT AND LOSS

FOR THE QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2022

(₹ in Lakhs)

	Particulars	Quarter ended			Half year ended		Year ended 31 March 2022
		30 September 2022	30 June 2022	30 September 2021	30 September 2022	30 September 2021	
		Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Audited
I	**Revenue from operations**						
	Interest income	29,208.93	24,190.03	18,976.51	53,398.96	36,214.49	80,074.51
	Fees and commission income	986.05	262.91	699.56	1,248.96	910.79	1,750.24
	Net gain/(loss) on fair value changes	155.60	(158.38)	(166.75)	(2.78)	(26.46)	534.42
	Total Revenue from operations	**30,350.58**	**24,294.56**	**19,509.32**	**54,645.14**	**37,098.82**	**82,359.17**
II	**Other income**	0.20	-	-	0.20	-	0.54
III	**Total income (I + II)**	**30,350.78**	**24,294.56**	**19,509.32**	**54,645.34**	**37,098.82**	**82,359.71**
IV	**Expenses:**						
	(a) Finance costs	18,260.08	13,107.95	10,156.09	31,368.03	19,537.90	42,798.55
	(b) Impairment on financial instruments (Expected credit loss)	257.93	42.42	281.80	300.35	439.49	1,604.29
	(c) Employee benefits expense	2,246.37	1,422.79	1,258.73	3,669.16	2,277.83	4,974.46
	(d) Depreciation, amortisation and impairment	130.67	124.62	84.38	255.29	169.89	378.72
	(e) Other expenses	1,661.87	1,602.92	1,057.42	3,264.79	2,092.97	4,850.82
	Total expenses	**22,556.92**	**16,300.70**	**12,838.42**	**38,857.62**	**24,518.08**	**54,606.84**
V	**Profit before tax (III - IV)**	**7,793.86**	**7,993.86**	**6,670.90**	**15,787.72**	**12,580.74**	**27,752.87**
VI	**Tax expense**						
	(a) Current tax	1,788.16	2,612.40	1,795.63	4,400.56	3,609.66	7,602.22
	(b) Deferred tax	200.27	(572.51)	(113.36)	(372.24)	(438.98)	(487.06)
	Total tax expense	**1,988.43**	**2,039.89**	**1,682.27**	**4,028.32**	**3,170.68**	**7,115.16**
VII	**Net profit for the period/ year after tax (V - VI)**	**5,805.43**	**5,953.97**	**4,988.63**	**11,759.40**	**9,410.06**	**20,637.71**
VIII	**Other comprehensive income**	(35.04)	187.40	207.84	152.36	193.13	993.07
IX	**Total comprehensive income (VII + VIII)**	**5,770.39**	**6,141.37**	**5,196.47**	**11,911.76**	**9,603.19**	**21,630.78**
X	**Earnings per share**						
	(a) Basic (₹)	4.40	4.52	3.79	8.92	7.14	15.66
	(b) Diluted (₹)	4.40	4.52	3.79	8.92	7.14	15.66
	(c) Face value per share (₹)	10.00	10.00	10.00	10.00	10.00	10.00
XI	**Disclosures under Regulation 52(4)**						
	1. Debt-Equity ratio	7.4	5.9	5.4	7.4	5.4	5.6
	2. Outstanding redeemable preference shares (quantity and value)	-	-	-	-	-	-
	3. Capital redemption reserve / Debenture redemption reserve	-	-	-	-	-	-
	4. Net worth*	144,218.31	138,232.25	121,937.38	144,218.31	121,937.38	134,094.87
	5. Total debts to total assets (%)	85.67%	82.27%	81.90%	85.67%	81.90%	82.52%
	6. Net profit margin (%)	19.13%	24.51%	25.57%	21.52%	25.36%	25.06%
	7. Sector specific equivalent ratios						
	(a) Gross Stage 3 (%)	0.35%	0.50%	0.65%	0.35%	0.65%	0.57%
	(b) Net Stage 3 (%)	0.23%	0.33%	0.45%	0.23%	0.45%	0.38%

* Networth is equal to paid up equity share capital plus other equity less deferred tax assets less intangible assets.

Note: Debt service coverage ratio, Interest service coverage ratio, Current ratio, Long term debt to working capital ratio, Bad debts to account receivable ratio, Current liability ratio, Debtors turnover, Inventory turnover and Operating margin (%) are not applicable.

Notes :

1 Statement of Assets and Liabilities as at 30 September 2022

(₹ in Lakhs)

Particulars	As at 30 September 2022	As at 31 March 2022
	Reviewed	Audited
ASSETS		
Financial assets		
i. Cash and cash equivalents	1,295.93	2,730.33
ii. Bank balances other than (i) above	65.88	142.54
iii. Derivative financial instruments	9,125.05	3,048.08
iv. Trade receivables	365.28	48.50
v. Loans	1,211,427.86	878,684.22
vi. Investments	18,447.29	18,901.13
vii. Other financial assets	2,680.59	3,122.06
Total financial assets	**1,243,407.88**	**906,676.86**
Non financial assets		
i. Current tax assets (net)	228.18	279.55
ii. Deferred tax assets (net)	2,151.17	1,778.77
iii. Property, plant and equipment	1,570.08	1,324.31
iv. Other intangible assets	6.57	12.29
v. Intangible assets under development	503.01	174.47
vi. Other non financial assets	541.64	454.72
Total non financial assets	**5,000.65**	**4,024.11**
Total assets	**1,248,408.53**	**910,700.97**
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities		
i. Derivative financial instruments	12,643.04	7,157.05
ii. Trade payables		
(a) Total outstanding dues of micro enterprises & small enterprises	17.23	64.71
(b) Total outstanding dues other than micro enterprises & small enterprises	3,174.94	2,155.27
iii. Debt securities	266,036.77	210,177.80
iv. Borrowings (other than debt securities)	698,035.65	481,537.99
v. Subordinated liabilities	105,431.83	59,787.61
vi. Other financial liabilities	13,558.02	12,079.34
Total financial liabilities	**1,098,897.48**	**772,959.77**
Non financial liabilities		
i. Current tax liability (net)	336.10	-
ii. Provisions	546.00	444.83
iii. Other non financial liabilities	1,749.89	1,235.97
Total non financial liabilities	**2,631.99**	**1,680.80**
EQUITY		
i. Equity share capital	13,179.82	13,179.82
ii. Other equity	133,699.24	122,880.58
Total equity	**146,879.06**	**136,060.40**
Total liabilities and equity	**1,248,408.53**	**910,700.97**

Notes (continued)

2 Statement of cash flow for the half year ended 30 September 2022

(₹ in Lakhs)

Particulars	For the half year ended 30 September 2022	For the half year ended 30 September 2021
	Reviewed	Reviewed
A. Operating activities		
Profit before tax	15,787.72	12,580.74
Adjustments to reconcile profit before tax to net cash flows :		
Depreciation & amortisation	255.29	169.89
Impairment on financial instruments (Expected credit loss)	300.35	439.49
(Profit)/loss on property, plant and equipment sold/discarded	(0.20)	2.94
Interest income	(53,398.96)	(36,214.49)
Interest expense	31,281.54	19,495.18
Provision for employee benefits	12.35	28.97
Employee share based payments expense	224.89	-
Net gain on fair value changes	2.78	26.46
	(5,534.24)	**(3,470.82)**
Cash inflow towards interest received	32,509.77	28,916.95
Cash outflow towards interest paid	(28,260.73)	(19,537.66)
Cash (utilised in) / generated from operations before working capital changes	**(1,285.20)**	**5,908.47**
Working capital changes		
(Increase) / Decrease in financial assets and non financial assets	(402.57)	(243.20)
Increase / (Decrease) in financial and non financial liabilities	1,610.18	536.61
Net cash from operations	**(77.59)**	**6,201.88**
Loans disbursed (net)	(312,259.86)	(135,712.27)
(Investment)/Redemption in/from cash management schemes of mutual funds (net)	3,363.11	3,465.96
Income tax paid	(4,069.99)	(3,217.05)
Net cash flows from/(used in) operating activities	**(313,044.33)**	**(129,261.48)**
B. Investing activities		
Investments (net)	(2,794.15)	(3,651.79)
Purchase of property, plant and equipment and intangible assets	(620.74)	(47.55)
Proceeds from sale of property, plant and equipment	0.20	0.13
Net cash flows from/(used in) investing activities	**(3,414.69)**	**(3,699.21)**
C. Financing activities		
Debt securities & subordinated liabilities issued	165,829.42	84,143.66
Debt securities & subordinated liabilities repaid	(60,000.00)	(27,500.00)
Borrowings (other than debt securities) taken	270,322.80	126,677.88
Borrowings (other than debt securities) repaid	(59,602.16)	(59,914.98)
Lease payments	(207.46)	(134.71)
Dividend paid	(1,317.98)	-
Net cash flows from/(used in) financing activities	**315,024.62**	**123,271.85**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(1,434.40)**	**(9,688.84)**
Cash and cash equivalents at the beginning of the period	**2,730.33**	**10,741.60**
Cash and cash equivalents at the end of the period	**1,295.93**	**1,052.76**

Notes :

3 The Company is a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with the Reserve Bank of India ("RBI") classified as an Investment and Credit Company.

4 The above financial results for the quarter and half year ended 30 September 2022 along with comparative period, which have been subjected to limited review by the Statutory Auditors of the Company, have been reviewed by the Audit Committee and subsequently approved by the Board of Directors of the Company at their respective meetings held on 18 October 2022.

5 The financial results of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended. Accordingly, these financial results together with the results for the comparative reporting period have been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 - "Interim Financial Reporting", prescribed under section 133 of the Companies Act 2013 ("the Act"), and other recognized accounting practices generally accepted in India, in compliance with Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to circular SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated 29 July 2022.
These financial results have been prepared in the format prescribed under the notified schedule III of the Companies Act, 2013 for Non-Banking Financial Companies issued by Ministry of Corporate Affairs ("MCA") on 11 October 2018, as amended, and on the basis of Ind AS that are applicable to the Company based on the MCA Notification GSR 111(E) and GSR 365(E) dated 16 February 2015 and 31 March 2016 respectively.

6 Pursuant to SEBI Circular No. SEBI/HO/DDHS/CIR/P/2021/613 dated 10 August 2021, the Company has listed Commercial Papers on BSE Limited.

7 The Company is primarily engaged in the business of financing and accordingly, there are no separate reportable segments as per Ind AS 108 dealing with operating segment.

8 The secured, listed, non convertible debentures of the Company are secured by pari passu charge on the education loan receivables of the Company with a security cover of 1.05 times of the principal outstanding and interest accrued thereon as on 30 September 2022. The security cover certificate as per Regulation 54(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached as Annexure 1.

9 Earnings per equity share for the quarter and half year ended 30 September 2022 and comparative periods have not been annualised.

10 The figures for the quarter ended 30 September 2022 and 30 September 2021 are the balancing figures between reviewed figures in respect of the half year ended 30 September 2022 and 30 September 2021 and the reviewed figures for the quarter ended 30 June 2022 and 30 June 2021 respectively.

11 Pursuant to Employee Stock Option Scheme (ESOP 2022) approved by the shareholders of the Company on 18 April 2022 for the issuance of 40,72,565 shares in aggregate to the eligible employees, the Company has granted 31,27,141 ESOPs during the quarter ended 30 September 2022. The options granted, are measured at the fair value of the options at the grant date using Black Scholes Model. The fair value of the options is accounted under employee benefit expenses over the vesting period on a straight line basis, which amounted to ₹ 224.89 lakhs for the quarter ended 30 September 2022 (Previous period: Nil)

12 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 results 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.

13 The Company is not required to create debenture redemption reserve in terms of the Companies (Share Capital and Debenture) Rules, 2014 read with the Companies (Share Capital and Debenture) Amendments Rules, 2019.

14 Disclosure pursuant to RBI notification on "Resolution Framework for COVID-19-related Stress" dated 6 August 2020 and on "Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses" dated 5 May 2021 as at 30 September 2022 is given below:

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year 31 March 2022 (A)	Of (A), aggregate debt that slipped into NPA during the half-year ended 30 September 2022	Of (A) amount written off during the half-year ended 30 September 2022	Of (A) amount paid by the borrowers during the half-year ended 30 September 2022**	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended 30 September 2022
Personal Loans	5,502.13	196.33	-	1,308.06	3,997.74
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	**5,502.13**	**196.33**	**-**	**1,308.06**	**3,997.74**

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

** Includes loans outstanding upgraded to "Standard" from "Standard Restructured" on satisfactory performance during the specified period of 12 months.

For and on behalf of Board of Directors
HDFC Credila Financial Services Limited

ARIJIT SANYAL
Digitally signed by ARIJIT SANYAL
Date: 2022.10.18 16:37:47 +05'30'

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

VIPUL KANTILAL CHOKSI
Digitally signed by VIPUL KANTILAL CHOKSI
DN: c=IN, o=PERSONAL, pseudonym=f88938140ba762aa75a3dbc55de9a551f42ffbae4f9eed0d17a65482667c0530, postalCode=400022, st=MAHARASHTRA, serialNumber=42d677e5b7dd4a94be1711e3e5a231868f09e1ac8afc253952d5732167abd5a3, cn=VIPUL KANTILAL CHOKSI
Date: 2022.10.18 16:49:09 +05'30'

Date:- 18 October 2022

Annexure 1

(₹ in Lakhs)

Security Cover Certificate as per Regulation 54(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as on 30 September 2022										
Column A	**Column B**	**Column E**	**Column F**	**Column G**	**Column H**		**Column J**	**Column M**	**Column N**	**Column O**
Particulars	**Description of asset for which this certificate relate**	**Pari-Passu Charge**	**Pari-Passu Charge**	**Pari-Passu Charge**	**Assets not offered as Security**	**Debt not backed by any assets offered as security**	**(Total C to H)**	**Relating to only those items covered by this certificate**		
		Debt for which this certificate being issued	**Assets shared by pari passu debt holder**	**Other assets on which there is pari-passu charge**				**Market Value for Pari passy charge Assets**	**Carrying/book value for pari passu charge assets where market value is not ascertainable or applicable**	**Total Value (K + L + M + N)**
		Yes/No	**Book Value**	**Book Value**						
Assets										
Property, Plant & Equipments			-	-	1,570.08	-	1,570.08	-	-	-
Capital Work in Progress			-	-	-	-	-	-	-	-
Intangible Assets			-	-	6.57	-	6.57	-	-	-
Intangible Assets under development			-	-	503.01	-	503.01	-	-	-
Investments			-	-	18,447.29	-	18,447.29	-	-	-
Loans	Education Loan	Yes	1,020,284.39	-	196,508.70	-	1,216,793.09	-	245,980.78	245,980.78
Trade Receivables			-	-	365.28	-	365.28	-	-	-
Cash & Cash Equivalents			-	-	1,295.93	-	1,295.93	-	-	-
Balance Balances			-	-	65.88	-	65.88	-	-	-
Others			-	-	14,726.63	-	14,726.63	-	-	-
Total			**1,020,284.39**		**233,489.37**		**1,253,773.76**			
Liabilities										
Debt Securities to which this certificate pertains		Yes	234,267.41	-	-	-	234,267.41	-	-	-
Other Debt sharing pari-passu charge with above debt			698,568.22	-	-	-	698,568.22	-	-	-
Other Debt			-	-	-	-	-	-	-	-
Subordinated Debt			-	-	109,174.99	109,174.99	109,174.99	-	-	-
Borrowings			-	-	-	-	-	-	-	-
Bank			-	-	-	-	-	-	-	-
Debt Securities			-	-	39,228.12	39,228.12	39,228.12	-	-	-
Others			-	-	-	-	-	-	-	-
Trade Payables			-	-	3,192.17	-	3,192.17	-	-	-
Lease Liabilites			-	-	-	-	-	-	-	-
Provisions			-	-	5,911.23	-	5,911.23	-	-	-
Others			-	-	16,552.56	-	16,552.56	-	-	-
Total			**932,835.63**		**174,059.07**		**1,106,894.70**		**245,980.78**	**245,980.78**
Cover on Book Value			**1.09**						**1.05**	**1.05**
Cover on Market Value										
			Pari-Passu Security Cover Ratio							

Notes :-

1. Since there is no exclusive charge on any assets of the Company, column C, D, I, K and L are not applicable

2. Education loan book of the Company is non trading book where loans are in the nature of held to maturity and created with a sole objective of collecting principal and interest. Therefore, the Company has considered the carrying value (before netting off impairment loss allowance) for this certificate.

HDFC CREDILA FINANCIAL SERVICES LIMITED

(Formerly known as HDFC Credila Financial Services Private Limited)

A Wholly Owned Subsidiary of
Housing Development Finance Corporation Limited

Seventeenth Annual Report 2021-2022

Board of Directors

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

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

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

MR. BISWAMOHAN MAHAPATRA
Independent Director
(DIN: 06990345)

MR. SUNIL SHAH
Independent Director
(DIN: 00137105)

MR. RAJESH GUPTA
Independent Director
(DIN: 00229040)

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

Senior Executives

MR. MANJEET BIJLANI
Chief Financial Officer

MS. AKANKSHA KANDOI
Company Secretary

Statutory Auditors

SHAH GUPTA & CO.
Chartered Accountants

Secretarial Auditors

Vinod Kothari & Company
Company Secretaries

Debenture Trustee

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

Banks

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

Registered Office

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

Registrar & Transfer Agents

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

Directors' Report

TO THE MEMBERS

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

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

DIVIDEND

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

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

REVIEW OF OPERATIONS

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

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

PROFIT TO BE CARRIED FORWARD TO RESERVES

Your directors propose to transfer ₹ 41.28 crore as per Section 45-IC of the Reserve Bank of India Act, 1934 to the Special Reserve of the Company for the year ended on March 31, 2022.

LENDING OPERATIONS

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

RESOURCE MOBILISATION

PERPETUAL DEBT

As at March 31, 2022, the Company's outstanding Perpetual Debt stood at ₹ 275 crore, which was considered as Tier I & Tier II capital under the guidelines issued by the Reserve Bank of India (RBI) for the purpose of computation of capital adequacy of the Company. The Perpetual Debt has been assigned the rating of 'ICRA AA+' and 'CARE AA+' by ICRA and CARE respectively. It is subordinated to the present and future senior indebtedness of the Company and is perpetual in nature with a call option after 10 years from the date of issue. The Company's Perpetual Debt is listed on the BSE Limited.

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

SUBORDINATED DEBT

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

Directors' Report

CARE and ICRA respectively. Based on the balance term to maturity, as at March 31, 2022, ₹ 292 crore of the book value of this debt was considered as Tier II capital under the guidelines issued by the RBI for the purpose of computation of capital adequacy of the Company.

The Company has been regular in its payment obligations towards Subordinated Debt.

NON-CONVERTIBLE DEBENTURES (NCD)

During the year in review, the Company issued Secured, Rated, Listed, Redeemable NCDs amounting to ₹ 950 crore on a private placement basis. The Company's NCDs have been listed on the Wholesale Debt Market segment of the BSE Limited. Various NCD issues have been assigned the rating of 'CRISIL AAA', 'CARE AAA' and 'ICRA AAA' by CRISIL, CARE and ICRA respectively. As at March 31, 2022, the Company's outstanding NCDs stood at ₹ 2,050 crore.

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

LOANS

TERM LOANS FROM BANKS

As at March 31, 2022, the total term loans outstanding from banks amounted to ₹ 4,059 crore as compared to ₹ 2,081 crore as at March 31, 2021. The Bank Loans have been assigned the highest rating of 'ICRA AAA' by ICRA.

EXTERNAL COMMERCIAL BORROWINGS (ECB)

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

COMMERCIAL PAPER (CP)

The Company's CPs have been assigned the highest possible rating of 'CRISIL A1+ and 'ICRA A1+' by CRISIL and ICRA respectively, signifying the highest safety for timely servicing of debt obligations. The face value of the CPs outstanding as at March 31, 2022 was ₹ 100 crore as compared to ₹ 75 crore as at March 31, 2021.

The Company has listed its commercial papers since FY '21 with the BSE Limited.

DEPOSITS

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

AUTHORISED SHARE CAPITAL

The Authorised Share Capital of the Company consists of Equity Share Capital of ₹ 155,00,00,000, composed of 15,50,00,000 Equity Shares of ₹ 10 each.

The Issued and Subscribed Share Capital of the Company consists of Equity Share Capital of ₹ 131,79,82,260 composed of 13,17,98,226 Equity Shares of ₹ 10 each.

Employee Stock Option Scheme (ESOS)

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

The scheme is yet to be implemented.

REGULATORY GUIDELINES/AMENDMENTS

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

CAPITAL ADEQUACY RATIO (CAR)

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

Directors' Report

SUBSIDIARY/ASSOCIATE COMPANY

The Company does not have any subsidiary or associate company.

PARTICULARS OF EMPLOYEES' REMUNERATION

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

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

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

The Company has adopted a stringent policy on prevention, prohibition and redressal of sexual harassment of women at the workplace in line with provisions of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder.

The Company has set up an Internal Complaints Committee (ICC) as required under the said Act to redress complaints pertaining to sexual harassment. All employees (viz., permanent, contractual, temporary, trainees) are covered under this policy. Any complaint received by the ICC shall be dealt with appropriately and in accordance with the policy and applicable laws and regulations as provided in the Act.

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

VIGIL MECHANISM/WHISTLE BLOWER POLICY

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

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

The policy is placed on the website of the Company at **www.hdfccredila.com**.

LOANS, GUARANTEES OR INVESTMENTS

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

As regards investments made by the Company, details of the same are provided in notes to the financial statements of the Company for the year ended March 31, 2022 (Note 9).

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

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

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

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

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

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

DIRECTORS

All directors of the Company have confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations and that they are not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013. The details on the number of Board/Committee Meetings held are provided in the Report of the Directors on Corporate Governance, which forms part of this Report.

Directors' Report

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

STATUTORY AUDITORS

Messrs. Shah Gupta & Co. Chartered Accountants, (Firm Registration No.: 109574W) were appointed as the statutory auditors of the Company at the Extra Ordinary General Meeting held on November 19, 2021, for a term of 3 consecutive years to hold office as such until the conclusion of the 19th Annual General Meeting.

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

INTERNAL AUDITORS

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

SECRETARIAL AUDIT

Pursuant to the provisions in Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Messrs. Vinod Kothari & Company, Practicing Company Secretaries, to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report is annexed to this Report and does not contain any qualifications.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

b) The accounting policies selected have been applied consistently. Reasonable and prudent judgments and estimates have been made to give a true and fair view of the state of affairs of the Company as at the end of FY '22 and of the profit of the Company for the said period

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

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

e) The Directors have laid down internal financial controls to be followed by the Company, and such internal controls are adequate and operating effectively

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

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

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

INTERNAL FINANCIAL CONTROL

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

SECRETARIAL STANDARDS

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

Directors' Report

ANNUAL RETURN

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

ACKNOWLEDGEMENTS

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

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

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

On behalf of the Board of Directors

Mumbai
April 21, 2022

V. Srinivasa Rangan
Chairman

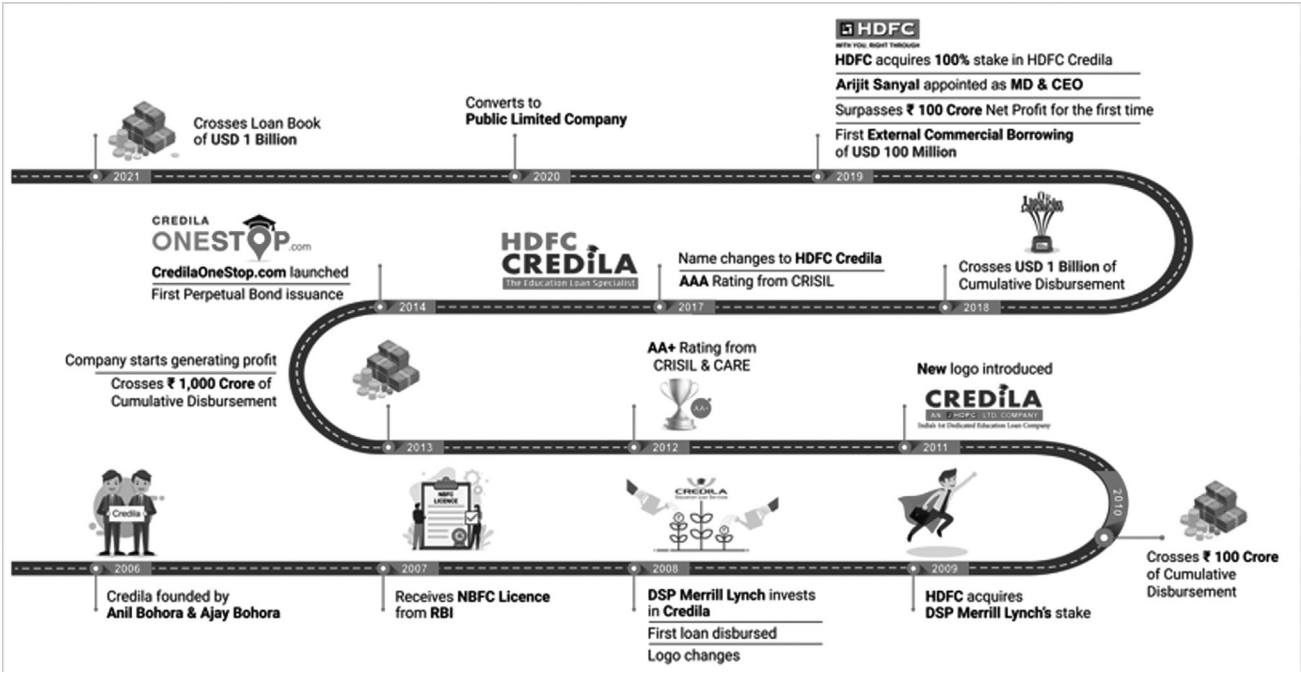
Annex to Directors' Report - I

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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



HDFC Credila has obtained a AAA credit rating from major rating agencies including CRISIL, CARE and ICRA for its long-term financial instruments and an A1+ credit rating from CRISIL and ICRA for its short-term financial instruments. Further, HDFC Credila has been notified as an eligible financial institution for the purpose of Section 80E of the Income Tax Act, 1961 vide Notification No. 79/2010[F.No.178/49/2008-ITA-I], dated 13-10-2010 whereby customers of the Company can avail benefits of income tax deduction in respect of the interest paid by them on their education loan subject to certain conditions as laid under the Income Tax Act, 1961 and amendments made thereto hereinafter.

MACROECONOMIC OVERVIEW

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

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

Annex to Directors' Report - I (Continued)

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

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

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

INDUSTRY STRUCTURE AND SCOPE

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

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

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

In the year 2021-22, there were 8,997 AICTE-approved institutes – 3,627 undergraduate institutes with an intake of 13.26 lakh, 4,790 postgraduate institutes with an intake of 6.36 lakh and 3,994 diploma institutes with an intake of 10.12 lakh students. Of these, a significant number of institutes are private, and over the years have helped bridge the demand-supply gap for quality education in the country.[14]

The increasingly upwardly mobile Indian households have been focused on education overseas, for reasons ranging from the availability of a diverse range of study programmes to the demand-supply imbalance of education institutes in India. While the demand-supply equation is being addressed, there is still a significant section of population willing to pursue opportunities abroad.

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

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

Annex to Directors' Report - I (Continued)

KEY GROWTH DRIVERS/OPPORTUNITIES

Large population with favourable demographics

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

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

Government initiatives

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

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

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

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

- Along with quality and excellence in higher education, the government plans to allow all its affiliated colleges to become 'degree-awarding multidisciplinary autonomous institutions' by the year 2035[15]
- Institutional collaboration is proposed whereby an undergraduate student, upon completion of his/her degree course, need not take another entrance test but would get direct entry in a master's programme of a partner institution[16]
- In addition to universities, nearly 900 autonomous colleges across the country will be able to offer courses remotely as the Government opens up the online sector in a major reform to achieve 50% GER by the year 2035 (as proposed in NEP 2020)[17]

To formalise the involvement of the Ed-Tech sector in digital education, Ed-Tech companies will soon be allowed to 'collaborate' with higher education institutes offering online undergraduate and postgraduate degrees to help develop course content and carry out student evaluation.[17]

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

Outward-looking aspirational population

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

With countries such as the US, UK and Canada implementing policy changes favourable to international students, there has been a surge in the number of Indian students opting for higher education overseas. This number outpaced the domestic student growth by >6x over the last three years. The number of Indian students overseas was ~770,000 in 2019, which is further expected to reach ~1.8 million students with a total spend of US$ 75 - 85 billion in 2024.[19]

Rising cost of education

Education today has moved beyond the more traditional Arts, Commerce and Science degrees that were considered mainstream until not too long ago. With STEM courses becoming increasingly popular, there is now a plethora of courses for the aspiring student to choose from.

However, the fact remains that these non-conventional programmes come at an often-steep cost, making education loans a necessity to fulfil education aspirations.

EDUCATION LOAN MARKET OPPORTUNITY

There are ~3.85 crore[14] students currently enrolled in higher education in India, making this an attractive business opportunity. As per a report published by the Federal Reserve Bank of New York, education loan outstanding in the USA stood at US$1.58 trillion[20] (₹ 120.61 lakh crore) in December 2021. Given that USA's population is ~25% of India's, this indicates a much higher penetration of education loans as compared to that in India, and thus presents a sizeable opportunity/potential for the Indian education loan industry.

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

Annex to Directors' Report - I (Continued)

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

The presence of fintech companies poses both a source of competition as well as a potential opportunity for HDFC Credila. The Company is exploring partnerships as well as co-lending opportunities with such fintechs. This presents an opportunity to expand sourcing channels and product offerings as well as to leverage technology for future lending. HDFC Credila has developed strong domain expertise, providing tailor-made solutions and competitive education loan products. With an efficient domain-specific technology platform for loan processing and dynamic credit underwriting, the Company is well equipped to expand its business to fund students both in India and overseas.

Competitive Business Environment

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

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

The education loans market in India is large enough to accommodate multiple lenders. It is to be noted that whilst PSBs are the largest and most significant competitors, a substantial portion of their lending is geared towards the Priority Sector, which constitutes ~70-75% of education loans disbursed[21]. As the incumbent NBFC, the Company addresses the segment that does not encompass the catchment covered by PSBs.

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

Business Impact of COVID-19

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

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

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

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

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

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

Annex to Directors' Report - I (Continued)

Regulatory and Business Environment

Regulatory Environment

RBI Guidelines for Appointment of Statutory Auditors

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

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

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

RBI Guidelines on Resolution Framework – 2.0

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

RBI Guidelines on Distribution of Dividend

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

RBI Guidelines on Risk Based Internal Audit

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

RBI Guidelines on Scale Based Regulation

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

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

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

RBI Guidelines on appointment of an Internal Ombudsman

The RBI has issued guidelines on appointment of an Internal Ombudsman by NBFCs on November 15, 2021 and provided a timeline of 6 months for complying with the requirements. The Company is in the process of appointing an Internal Ombudsman and complying with the other requirements of the guidelines.

Business Strategy

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

Annex to Directors' Report - I (Continued)

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

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

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

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

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

Segment of Focus and Performance

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

With over 16 years of experience in the Education Finance market, HDFC Credila has developed strong domain expertise and built a brand name as one of the most trusted education loan providers in India, providing hassle-free, tailor-made solutions for prospective students. The Company has an efficient domain specific technology platform for loan sourcing, lead management, loan processing, credit underwriting, recovery, operations and servicing. The Company has made several technological changes to enhance customer service as well as simplified its application and tranche disbursement process to enhance customer experience.

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

Business Update

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

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

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

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

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

Annex to Directors' Report - I (Continued)

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

Cost of Borrowing

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

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

Risks and Concerns

The Company inculcates and nurtures a conscientious risk culture, driven by a clear governance structure whilst incorporating the 'Three Lines of Defense' Approach. The Company has formalised a principle-based approach towards responsible risk taking. The Company's risk management processes are guided by well-defined policies, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. There are two Board level sub-committees (Risk Management Committee and Audit Committee) to deal with risk management-related matters, which have been further defined across various functional areas.

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

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

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

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

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

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

iv. ***Operational risks:*** Operational risks are very broad and intrinsic to any business. These may vary from non-adherence to processes and policies, improper authorisations, information technology and cyber security risks, risk of fraud, employee errors and

Annex to Directors' Report - I (Continued)

omissions, lack of training and knowledge, etc. Such risks can be mitigated through a comprehensive system of internal controls and training. Additionally, the Company ensures that regular internal and branch audits are conducted to assess any deviation from processes laid down in its Policies and Standard Operating Procedures (SOPs).

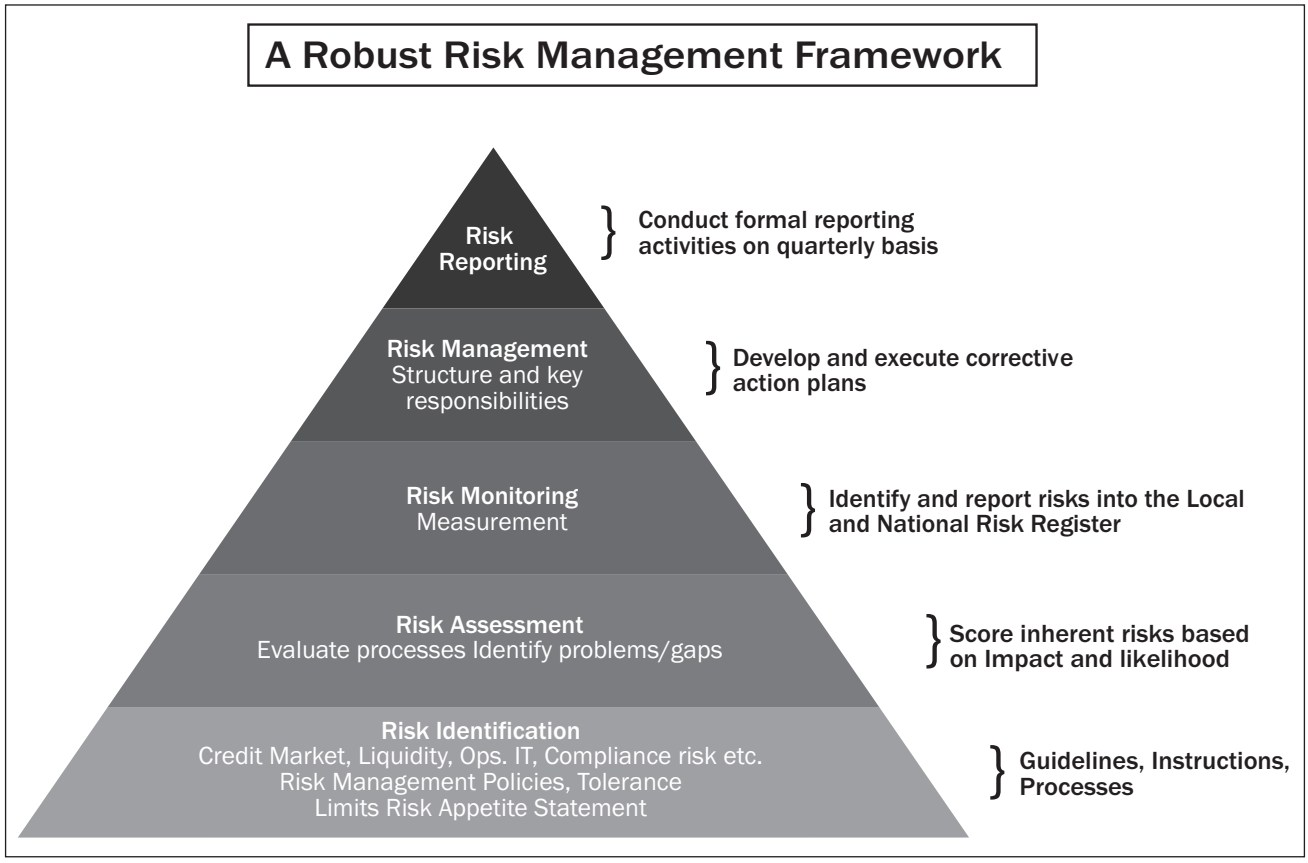
As a lender in the education loans sector, the biggest threat that the Company faces is the dynamic macroeconomic environment in India and overseas. For students to be able to continue to repay their education loans, it is critical to have strong employment and business opportunities.

Geopolitical tensions across world constitute another major threat. An increase in geopolitical risks could result in subdued global/bilateral trade, border closures, immigration restrictions, abrupt mass exodus etc. which could adversely impact our business both due to immigration/visa restrictions as well as reduced employment opportunities due to economic slowdowns. For instance, the ongoing war between Ukraine and Russia has left many Indian students pursuing their education in these countries facing an uncertain future, which the Indian government is aiming to address.

Internal Control Mechanisms

The Company has appointed a Head of Internal Audit and instituted a Risk based Internal Audit Policy during the financial year as required per the RBI guidelines on Risk Based Internal Audit. All significant Internal Audit observations are reported every quarter to the Audit Committee of the Board of Directors of the Company. The Audit Committee has been constituted under Section 177 of the Companies Act, 2013 with specified terms of reference.

The Company has SOPs, Internal Financial Controls (IFCs) and Risk Registers as per the Risk Management Policy. Further, the Company has implemented internal control systems which are commensurate with the nature and size of the business. Secretarial Audit is conducted by a firm of practicing company secretaries. During the year, the Internal Auditors carried out the compliance audit of filing of returns with the RBI within the statutory deadlines.



Annex to Directors' Report - I (Continued)

Significant Initiatives of the Company during the financial year:

Data Analytics

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

Following are the highlights of the achievements this financial year:

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

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

Introduction of Fraud Prevention Solution

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

Development of Early Warning Signal System

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

Economic Outlook

The Company tracks important economic indicators such as GDP, inflation, exchange rates and unemployment rates for eight major countries wherein HDFC Credila has significant exposure owing to funding students pursuing their education there. These include the United States of America (USA), Canada, Australia, New Zealand, India, United Kingdom (UK), Ireland and Germany. Further, the Company has deepened its tracking of immigration laws prevailing in USA, Canada and UK to identify the latest trends regarding shifting customer preferences and evolving business dynamics.

Portfolio Monitoring

The Company, through its Risk Appetite Statement defines certain threshold limits for a portfolio at the level of country of study for various product segments. These threshold limits are monitored for adherence thereto on a monthly basis from the perspective of concentration risk. Further, they are reviewed periodically based on business dynamics and regulatory conditions. One such review was completed in Q3 FY 22 and the Risk Appetite Statement has accordingly been modified in line with the Company's business model and market conditions.

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

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

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

Annex to Directors' Report - I (Continued)

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

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

Below are the performance highlights of FY'22:

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

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

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

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

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

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

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

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

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

Annex to Directors' Report - I (Continued)

The Company had 329 employees as of March 31, 2022.

There has been no industrial dispute during the year.

Outlook

India Brand Equity Foundation (IBEF) estimates that India's higher education scenario will undergo the following changes by 2030:[23]

- The combination training method, which involves online learning and games, is expected to grow by 38% in the next 2 to 4 years
- Adoption of transformative and innovative approaches in higher education
- GER expected to rise to 50%
- India is poised to emerge as the single largest provider of global talent, with one in four graduates in the world being a product of the Indian higher education system
- India is expected to have 20+ of its universities among the global top 200

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

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

Opportunities in E-Learning

India has become the second largest market for e-learning after the USA. The online education market in India is forecasted to reach US$ 8.6 billion by 2026[24]. Various government initiatives are being adopted to boost the growth of the distance education market, besides focusing on new education techniques, such as E-learning* and M-learning**. Furthermore, with online modes of education being used by several educational organisations, the higher education sector in India is gearing up for significant changes and developments in the years to come.

School Fee Financing and Infrastructure/Wholesale Lending

The Indian school education system is one of the largest in the world with ~15 lakh schools, ~97 lakh teachers and ~26.5 crore students in the pre-primary to higher secondary level from varied socio-economic backgrounds[12].

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

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

School infrastructure development is a domain which constantly demands capital for construction, renovation, upgrading facilities, equipment, machinery, computers, labs, books, software and hardware, and much more. Teaching and non-teaching staff form another subset of this ecosystem with their individual requirement for finance.

Work Permits and Immigration Laws

In a bid to attract and retain talent, visa fee refunds, extra time for English language tests and health check-ups, extended stay and work periods are among the many benefits that the Australian government is offering to attract Indian students[25]. In Canada, a larger number of international students are getting a Post-Graduation Work Permit (PGWP), which allows eligible international graduates to work anywhere in Canada for up to three years, depending on the length of their study programme.[26] The UK boasts of a welcome move for international students – those who have successfully completed an undergraduate or master's degree will be able to benefit from a two-year work visa upon graduation.[27] The US too has waived the in-person interview requirements especially for Indian students, in a bid to simplify the process and encourage students to apply for higher education.[28]

Government Initiatives

The Government aims to implement NEP 2020 rapidly across states, laying the foundation to establish education complexes, introduce a wider range of subjects in higher

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

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

Annex to Directors' Report - I (Continued)

education institutions and implement flexible entry-exit schemes in colleges and universities.

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

The Centre and State Governments aim to increase public investment in the Education sector to 6% of GDP. Public Investment in the education sector was 4.39% of GDP in FY '20.[29]

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Annex to Directors' Report - II

THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

The Company believes in conducting its business responsibly, fairly and in a transparent manner. It continually seeks ways to bring about an overall positive impact on the society and environment where it operates, as part of its social objectives. The main objective of the CSR Policy of the Company is to lay down guidelines to make CSR a key business process for sustainable development of the society and the environment in which it operates. The implementation and monitoring of the CSR Policy is in compliance with the CSR objective and policy of the Company.

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

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

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

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

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

INGA Health Foundation (IHF)

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

Aishwarya Trust

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

Blind People's Association (India) (BPA)

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

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

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

Annex to Directors' Report - II (Continued)

Access Life Foundation

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

Salaam Baalak Trust (SBT)

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

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

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

Holy Family Hospital, New Delhi

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

Aseema Charitable Trust

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

Sri Chaitanya Seva Trust

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

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

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

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

Composition of the CSR Committee

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

Annex to Directors' Report - II (Continued)

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

Details of the impact assessment of CSR projects carried out in pursuance of Sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014: Not Applicable

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

1. Average Net Profit of the Company for last three financial years : ₹ 178,86,42,039.33
2. a) Two percent of Average Net Profit of the Company as per Section 135(5) : ₹ 3,57,72,841
   b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years : Nil
   c) Amount required to be set off for the financial year : Nil
   d) Total CSR obligation for the financial year (7a+7b-7c) : ₹ 3,57,72,841
3. a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5).		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5).		
	Amount	Amount	Amount	Amount	Amount
3,57,72,841	NA	—	NA	—	—

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

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

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

Annex to Directors' Report - II (Continued)

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

d) Amount spent on administrative overheads : Nil

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

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

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

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

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

Annex to Directors' Report - II (Continued)

5. In case of creation or acquisition of capital asset(s), furnish the details relating to the asset(s) so created or acquired through CSR spent in the financial year (asset-wise details): Not Applicable
   a) Date of creation or acquisition of the capital asset(s)
   b) Amount of CSR spent for creation or acquisition of capital asset
   c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.
   d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset)
6. Specify the reason(s), if the Company has failed to spend 2% of the Average Net Profit as per section 135(5): Not Applicable

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

Mumbai
April 21, 2022

V. Srinivasa Rangan
Chairman of the Board

Sunil Shah
Chairman of the CSR Committee

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

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

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

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

The Company has adopted the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information and the Code of Conduct to regulate, monitor and report trading by Designated Persons in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015 amended from time to time.

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

BOARD OF DIRECTORS

COMPOSITION

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

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

None of the Directors of the Company are related to each other.

The roles of the Chairperson and the CEO are distinct and separate.

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

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

Annex to Directors' Report - III (Continued)

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

Notes:

As per disclosure(s) received, the Directors did not hold Memberships in more than ten Committees and Chairpersonship in more than five Committees.

[1]Number of Directorships includes Directorships held in Public Limited Companies excluding Private Limited Companies, Section 8 Companies, and Foreign Companies.

[2]For the purpose of considering the Committee Memberships and Chairpersonship, the Audit Committee and the Stakeholders' Relationship Committee of Public Limited Companies (including HVDLE if the same is a Public Limited Co.) have been considered.

CHANGE IN BOARD COMPOSITION

There were no new appointments or resignations during the year.

RESPONSIBILITIES

The responsibilities of the Board of Directors include:

- Disclosure of interest (material or otherwise) in any transaction or matter directly affecting the Company
- Maintaining high ethical standards
- Treating all shareholders fairly
- Conducting in a manner so as to meet the expectations of operational transparency while at the same time maintaining confidentiality of information in order to foster a culture of robust decision-making
- Providing strategic guidance to the Company, ensuring effective monitoring of the management whilst being accountable to the Company and its shareholders
- Setting up a corporate culture and the values by which executives throughout the HDFC Group shall conduct themselves

Annex to Directors' Report - III (Continued)

- Acting on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and its shareholders
- Encouraging continuing directors' training to ensure that they are kept up to date
- Ensuring that applicable accounting standards have been followed in the preparation of annual accounts
- Ensuring that the annual accounts are prepared on a going concern basis
- Ensuring that the accounting policies selected have been applied consistently
- Overseeing that proper and sufficient care has been taken for the maintenance of adequate accounting records and for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities
- Ensuring that the internal financial controls laid down to be followed by the Company are adequate and operating effectively
- Ensuring that the compliance management systems are adequate and operating effectively
- Exercising objective independent judgement on corporate affairs
- Assigning a sufficient number of non-executive members of the Board of Directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest
- To define and disclose the mandate, composition and working procedures of the committees of the Board of Directors as when they are established

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

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

Board Expertise and Attributes

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

A tabular representation of the same is as below:

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

Annex to Directors' Report - III (Continued)

ROLE OF INDEPENDENT DIRECTORS

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

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

APPOINTMENT OF INDEPENDENT DIRECTORS

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

FAMILIARISATION PROGRAMME

The Company conducts familiarisation programmes for its directors from time to time. The familiarisation programme ensures that the non-executive directors are updated on the business and regulatory environment and the overall operations of the Company. This enables the non-executive directors to take better informed decisions in the interest of the Company and its stakeholders. The Company also provides directors with a reference manual periodically which inter alia covers a brief about the Company, its products and services offered, the roles, functions, powers and duties of the directors, the detailed charter of various committees, the disclosures/declarations to be submitted by directors and list of various policies/codes adopted by the Company. The Board also meets various functional heads of the Company and is briefed on the performance of the Company in the respective areas. An overview of the familiarisation programme during the year has been placed on the Company's website.

BOARD MEETINGS AND PROCEDURES

All Directors participate in discussing strategy, performance, financials and risk management of the Company. The Board follows a set of appropriate standard procedures in the conduct of Board meetings which is summarised below:

The notice of each Board and Committee meeting is given in writing through email to each Director, members of Senior Management and Statutory and Internal Auditors, as and when required. The Company also makes arrangements for participation of Directors in the meeting through videoconferencing (VC), if for any reason they are unable to participate in the meeting in person. The Board meets at least once a quarter to review the financial and operational performance of the Company.

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

The members of the Board have access to all the information of the Company. Members of the senior management team are invited to attend the Board and Committee meetings to provide additional inputs on the items under discussion. Urgent matters are also considered and approved by passing a Resolution by Circulation, which are noted at the next meeting. The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. The draft minutes of each Board and Committee meeting are circulated to the members of the Board/Committee within 15 days from the date of the meeting and the comments, if any, on the draft minutes are received within 7 days of its circulation. The minutes are finalised and recorded in the Minutes Book within 30 days of the respective meetings.

Annex to Directors' Report - III (Continued)

During the year under review, the Board met 5 times. The meetings were held on April 29, 2021, July 26, 2021, October 20, 2021, January 20, 2022 and March 26, 2022.

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

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

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

COMMITTEES

To enable better and more focused attention on the affairs of the Company and as required under regulatory provisions, the Company has constituted various Committees. These Committees lay down the groundwork for decision-making and report at the subsequent Board meeting.

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

The terms of reference of the Committees are approved by the Board. Meetings of the Committees are held on a regular basis depending upon the business to be transacted by the Committees. Minutes of the Committee meetings/report on the activities of the Committee are submitted to the Board on a periodical basis. Matters requiring the Board's attention/approval are generally placed in the form of notes to the Board from the respective Committee.

The Company has constituted the following Committees of the Board of Directors of the Company with specific terms of reference:

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

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

AUDIT COMMITTEE

The Audit Committee consists of a majority of Independent Directors. The Chairman of the Committee is an Independent Director. The composition, quorum, powers, role and scope are in accordance with the provisions of Section 177 of the Companies Act, 2013 and Reserve Bank of India Master Direction on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. All the members of the Audit Committee have accounting and financial management expertise as stipulated under the Act.

Annex to Directors' Report - III (Continued)

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

Composition:

The Composition of the Audit Committee as on March 31, 2022 is as under:

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

Terms of Reference:

The terms of reference of the Audit Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder and Part C of Schedule II of the Listing Regulations which include:

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

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

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

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

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

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

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

(viii) Scrutiny of inter corporate loans and investments

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

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

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

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

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

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

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

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

Annex to Directors' Report - III (Continued)

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

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

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

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

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

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

a) Matters to be included in the directors' responsibility statement under Section 134 of the Companies Act, 2013

b) Changes if any, in accounting policies and practices

c) Major accounting entries involving estimates based on exercise of judgment management

d) Significant adjustment made in financial statements arising out of audit findings

e) Compliance with listing and other legal requirements relating to financial statements

f) Disclosure of related party transactions

g) Modified opinion(s) in the draft audit report

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

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

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

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

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

(xxviii) Review statement of deviations:

a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s)

b) annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice

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

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

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

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

(xxxiii) Review statement of significant related party transactions

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

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

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

Annex to Directors' Report - III (Continued)

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

(xxxviii) Review the functioning of the whistle blower mechanism

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

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

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

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

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

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

Meetings and Attendance during the year:

During the year, the Committee met 5 times. The meetings were held on April 29, 2021, July 26, 2021, October 20, 2021, January 20, 2022 and March 29, 2022. The gap between two meetings did not exceed one hundred and twenty days.

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Biswamohan Mahapatra (Chairman)	5	5	100.00%	3,75,000
Mr. Subodh Salunke	5	5	100.00%	3,75,000
Ms. Madhumita Ganguli	5	5	100.00%	3,75,000
Mr. Sunil Shah	5	5	100.00%	3,75,000
Mr. Rajesh Gupta	5	5	100.00%	3,75,000

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

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was formed in compliance with Reserve Bank of India Master Direction on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 which monitors the risk management strategy of the Company. The Risk Management Committee of the Board meets on a quarterly basis and reports to the Board of Directors.

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

Annex to Directors' Report - III (Continued)

Composition:

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

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

Terms of Reference:

(i) Ensure formulation and implementation of the Risk Management Framework and Risk Management Policy reviewing the risk profile of the Company which shall include:
   a) A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectorial, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee
   b) Measures for risk mitigation including systems and processes for internal control of identified risks
   c) Business continuity plan

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

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

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

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

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

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

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

Meetings and Attendance during the year:

During the year, the Committee met 4 times. The meetings were held on April 29, 2021, July 21, 2021, October 11, 2021 and January 13, 2022.

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees Paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	4	4	100.00%	3,00,000
Mr. Subodh Salunke	4	4	100.00%	3,00,000
Mr. Biswamohan Mahapatra	4	4	100.00%	3,00,000
Mr. Sunil Shah	4	4	100.00%	3,00,000
Mr. Arijit Sanyal	4	4	100.00%	—

Annex to Directors' Report - III (Continued)

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (NRC) was formed in compliance with the provisions of the Section 178 of the Companies Act, 2013 and Reserve Bank of India Master Direction on Non- Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Composition:

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

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

Terms of Reference:

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

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

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

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

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

  c) Consider the time commitments of the candidates

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

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

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

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

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

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

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

Annex to Directors' Report - III (Continued)

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

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

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

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

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

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

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

The Company Secretary is the Secretary to the Committee.

Meetings and Attendance during the year:

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

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. B. Mahapatra (Chairman)	3	3	100.00%	2,25,000
Mr. V. Srinivasa Rangan	3	3	100.00%	2,25,000
Mr. Sunil Shah	3	3	100.00%	2,25,000

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

Performance Evaluation Criteria for Independent Directors:

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

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

Annex to Directors' Report - III (Continued)

Composition:

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

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

Terms of Reference:

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

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

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

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

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

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

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

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

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

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

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

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

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

Annex to Directors' Report - III (Continued)

Meetings and Attendance during the year:

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

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

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

STAKEHOLDERS RELATIONSHIP COMMITTEE

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

Composition:

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

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

Terms of Reference:

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

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

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

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

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

Meetings and Attendance during the year:

During the year, the Committee met once on February 25, 2022. Mr. Manjeet Bijlani, Chief Financial Officer and Ms. Akanksha Kandoi, Company Secretary are the Compliance Officers.

Annex to Directors' Report - III (Continued)

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Rajesh Gupta (Chairman)	1	1	100.00%	75,000
Ms. Madhumita Ganguli	1	1	100.00%	75,000
Mr. Arijit Sanyal	1	1	100.00%	—

Details of Investor Complaints:

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

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

ASSET-LIABILITY MANAGEMENT COMMITTEE (ALCO)

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

Composition:

The Composition of the Asset-Liability Management Committee (ALCO) as on March 31, 2022 is as under:

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

Terms of Reference:

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

Meetings and Attendance during the year:

During the year, the Committee met 4 times. The meetings were held on June 25, 2021, September 22, 2021, December 15, 2021 and March 16, 2022.

Annex to Directors' Report - III (Continued)

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Arijit Sanyal (Chairman)	4	4	100.00%	—
Mr. V. Srinivasa Rangan	4	4	100.00%	3,00,000
Mr. Subodh Salunke	4	4	100.00%	3,00,000
Mr. Sebastian Fernandez	4	4	100.00%	—
Mr. Manjeet Bijlani	4	4	100.00%	—
Mr. Yatin Sahasrabudhe	4	4	100.00%	—
Mr. Laxmikant Tople	4	4	100.00%	—

IT STRATEGY COMMITTEE

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

Composition:

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

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

Terms of Reference:

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

Meetings and Attendance during the year:

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

Annex to Directors' Report - III (Continued)

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

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

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

ALLOTMENT COMMITTEE

Composition:

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

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

Terms of Reference:

i) Ensuring compliance with the Companies Act, 2013 and rules made thereunder relating to the issue and allotment of securities as may be issued by the Company from time to time

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

Meetings and Attendance during the year:

During the year, the Committee met 4 times. The Meetings were held on August 02, 2021, November 25, 2021, February 01, 2022 and February 25, 2022.

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	4	4	100.00%	3,00,000
Mr. Subodh Salunke	4	4	100.00%	3,00,000

MEETING OF INDEPENDENT DIRECTORS

The Independent Directors met once during the year to evaluate the Directors of the Company, the Chairman, and the Board as a whole and the Committees thereof. The independent directors also assessed the quality, quantity and timeliness of the flow of information between the Company's management and the Board which enables the Board to effectively and reasonably perform its duties. The meeting was held on February 25, 2022. All the Independent Directors attended the meeting and were paid sitting fees of ₹ 75,000 each.

Annex to Directors' Report - III (Continued)

REMUNERATION POLICY

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

The Remuneration Policy is placed on the Company's website. The remuneration paid to the directors is in line with the remuneration policy of the Company.

REMUNERATION OF DIRECTORS

Non-Executive Directors:

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

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

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

**Nominee shareholder of HDFC Ltd.*

Executive Director:

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

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

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

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

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

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

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

**Forms part of deputation cost.*

Annex to Directors' Report - III (Continued)

BOARD EVALUATION

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

The NRC had sought feedback from the directors through structured questionnaires. Mr. Biswamohan Mahapatra, Independent Director and the Chairman of the NRC had evaluated the feedback and communicated the outcome of the evaluation to the NRC and the Chairman of the Board. The Independent Directors also reviewed the performance of the Non-Executive Directors, the Chairman and the Board as a whole.

SUCCESSION PLANNING

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

INVESTOR GRIEVANCES

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

CODE OF CONDUCT

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

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

DEALING WITH UNPUBLISHED PRICE SENSITIVE INFORMATION

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

TRANSACTIONS WITH NON-EXECUTIVE DIRECTORS

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

RELATED PARTY TRANSACTIONS

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

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

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

Annex to Directors' Report - III (Continued)

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

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

WHISTLE BLOWER POLICY

The Company has a Board-approved Whistle Blower Policy and vigil mechanism to ensure that all employees/directors of the Company work in a conducive environment and are given a platform to freely express their concerns or grievances on various matters pertaining to any malpractice, actual/suspected fraud or violation of the Company's code of conduct. The policy is placed on the Company's website. The policy provides that the whistle blower shall be protected against any detrimental action as a result of any allegations made in good faith and allows direct access to the chairman of the Audit Committee.

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

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

STRICTURES AND PENALTIES

During the year in review, as also during the last three years, no penalties or strictures were imposed on the Company by any stock exchange, SEBI or other statutory authority on matters relating to the capital markets.

ACCOUNTING STANDARDS

The Company has complied with the applicable Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs under Section 133 of the Companies Act, 2013 and rules made thereunder. The financial statements for the year have been prepared in accordance with Schedule III to the Companies Act, 2013.

SECRETARIAL STANDARDS

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

PROCEEDS FROM PRIVATE PLACEMENT ISSUES

During the year in review, the Company raised an amount of ₹ 950 crore through secured redeemable Non-Convertible Debentures (NCDs), issued in various tranches on a private placement basis. The funds raised from the issuance of NCDs were utilised for regular business activities including utilisation of proceeds for disbursement to meet the finance requirements of the borrowers of the Company and other associated business objectives such as discharging existing debt obligations which were generally undertaken for business operations.

SHAREHOLDERS

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

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

Annex to Directors' Report - III (Continued)

ANNUAL GENERAL MEETINGS (AGM)

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

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

POSTAL BALLOT

There was no postal ballot conducted during the year.

COMPLIANCE

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

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

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

CERTIFICATION OF FINANCIAL REPORTING AND INTERNAL CONTROLS

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

GOING CONCERN

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

On behalf of the Board of Directors

Mumbai
April 21, 2022

V. Srinivasa Rangan
Chairman of the Board

Compliance with Code of Conduct

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

April 21, 2022
Mumbai

Arijit Sanyal
Managing Director & CEO

Secretarial Audit Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2022

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

To,

The Members,

HDFC Credila Financial Services Limited

(Formerly known as HDFC Credila Financial Services Private Limited)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HDFC Credila Financial Services Limited ['**Company**'] for the year ended 31st March 2022 ['**Audit Period**']. The secretarial audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing our opinion thereon.

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

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the year ended on 31st March, 2022, according to the provisions of the following, to the extent applicable:

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

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

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

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

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

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

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

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

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

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

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

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

(a) The Reserve Bank of India Act, 1934;

(b) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('Directions, 2016');

(c) Miscellaneous Instructions to all Non-Banking Financial Companies;

(d) Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016;

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

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

Secretarial Audit Report (Continued)

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

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

(i) Master Direction - Information Technology Framework for the NBFC Sector;

(vii) RBI Commercial Paper Directions, 2017, effective from 10th August, 2017 (as amended from time to time) w.r.t. issue of commercial papers and applicable Operating Guidelines issued by FIMMDA (Fixed Income Money Market and Derivatives Association of India), and SEBI Circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated 22nd October, 2019 on 'Framework for listing of Commercial Paper';

(viii) Laws specifically applicable to a Corporate Agent, as identified by the management, that is to say:

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

We have also examined compliance with the applicable clauses of the Secretarial Standards for Board Meetings [SS-1], and for General Meetings [SS-2] issued by the Institute of Company Secretaries of India.

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

Recommendations as a matter of best practice:

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

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non- Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the Audit Period.

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

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

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

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

1. **Private Placement of Secured Non-Convertible Debentures ('NCDs'):**

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

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

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

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

Secretarial Audit Report (Continued)

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

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

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

   During the Audit Period, approval of shareholders was obtained at the Extraordinary General meeting held on March 31, 2022 for approving ESOP-22 scheme with a total stock option of 40,72,565 towards an equal number of equity shares of face value ₹ 10 each of the Company.

5. **Redemption of NCDs**

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

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

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

Place: Mumbai
Date: April 14, 2022

ANNEXURE I

ANNEXURE TO SECRETARIAL AUDIT REPORT (NON-QUALIFIED)

To,

The Board of Directors,

HDFC Credila Financial Services Limited

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

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit. The list of documents for the purpose, as seen by us, is listed in **Annexure II**;
2. We have followed the audit practices and the processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion;
3. Our Audit examination is restricted only upto legal compliances of the applicable laws to be done by the Company, we have not checked the practical aspects relating to the same.
4. Wherever our Audit has required our examination of books and records maintained by the Company, we have also relied upon electronic versions of such books and records, as provided to us through online communication. Wherever for the purposes of our Audit, there was a need for physical access to any of the places of business of the Company, the same was not possible due to the lockdowns and travel restrictions imposed by Central and State Governments respectively. We have conducted online verification & examination of records, as facilitated by the Company, due to Covid 19 and subsequent lockdown situation for the purpose of issuing this Report.
5. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company as well as correctness of the values and figures reported in various disclosures and returns as required to be submitted by the Company under the specified laws, though we have relied to a certain extent on the information furnished in such returns.
6. Wherever required, we have obtained the management representation/ confirmation about the compliance of laws, rules and regulation and happening of events etc.
7. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedure on test basis.
8. Due to the inherent limitations of an audit including internal, financial, and operating controls, there is an unavoidable risk that some misstatements or material non-compliances may not be detected, even though the audit is properly planned and performed in accordance with audit practices.
9. The contents of this Report has to be read in conjunction with and not in isolation of the observations, if any, in the report(s) furnished/to be furnished by any other auditor(s)/agencies/authorities with respect to the Company.
10. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

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

Place: Mumbai
Date: April 14, 2022

ANNEXURE II

LIST OF DOCUMENTS

1. Minutes' books for the meetings of the following held during the Audit Period were provided:
   - 1.1 Board of Directors;
   - 1.2 Audit Committee;
   - 1.3 Nomination and Remuneration Committee;
   - 1.4 Corporate Social Responsibility Committee;
   - 1.5 Risk Management Committee;
   - 1.6 Asset Liability Management Committee;
   - 1.7 IT Strategy Committee;
   - 1.8 Annual General Meeting, Extraordinary General meetings.
2. Notice and Agenda papers for Board Meeting and Committee (s) Meeting;
3. Annual Report 2020-21;
4. Disclosures under Act, 2013 and Rules made thereunder;
5. Selected policies framed under applicable laws to the Company;
6. Documents pertaining to applicable SEBI Regulations;
7. Forms and returns filed with the ROC & RBI.
8. Documents relating to issue of Non-Convertible Debentures and Commercial Papers;
9. Documents relating to Corporate Agents under IRDA Regulations.

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

To,
The Board of Directors,
HDFC Credila Financial Services Limited
We have examined:

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

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

(c) website of the listed entity,

(d) any other document/filing, as may be relevant, which has been relied upon to make this certification, for the year ended March 31, 2022 ("Review Period") in respect of compliance with the provisions of:

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

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

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

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

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

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

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

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

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

(g) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018; and circulars/ guidelines issued thereunder;

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

(a) The listed entity has complied with the provisions of the above Regulations and circulars/guidelines issued thereunder, subject to the following matters specified below: -

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

Sr. No	Compliance Requirement (Regulations/ circulars / guidelines including specific clause)	Deviations	Observations/ Remarks of the Practicing Company Secretary
1	Reg. 17 (1)(b) of the Listing Regulations: where the regular non- executive chairperson is related to any promoter, at least half of the board of directors of the listed entity shall consist of independent directors.	Mr. V. S Rangan is the Chairperson of the Company and is a whole-time director of the promoter listed entity and is therefore, related to the promoter, under Listing Regulations.As on March 31, 2022 3 out of 7 directors are independent directors, which is less than one half.Presently, this is **NOT** a non-compliance as theprovisions become mandatory from April 1, 2023.	The Company is a 'high value debt listed entity' and the said provision is applicable on a 'comply or explain' basis till March 31, 2023. The Company has reported the deviation in the quarterly compliance report filed under Reg. 27 (2) (a) of the Listing Regulations.
2	Reg. 18 (1) of the Listing Regulations: Atleast two- thirds of the members of the Audit Committee should be independent directors.	As on March 31, 2022 3 out of 5 members of the Audit Committee are independent directors, which is less than two-thirds.Presently, this is **NOT** a non-compliance as the provisions become mandatory from April 1, 2023.	

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

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

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

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

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

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

Place: Mumbai
Date: April 14, 2022

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
HDFC Credila Financial Services Limited
(Formerly HDFC Credila Financial Services Private Limited)

We have examined the compliance of Corporate Governance by HDFC Credila Financial Services Limited ("**the Company**") for the financial year ending on March 31, 2022, as stipulated in Regulations 15 to 27 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") applicable on a 'comply or explain' basis to the Company, being a 'high value debt listed entity, on the basis of examination of documents provided in **Annexure I**.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, except for the composition of the Board and Audit Committee in terms of number of independent directors.

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

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

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

Place: Mumbai
Date: April 14, 2022

ANNEXURE I
LIST OF DOCUMENTS

1. Signed Minutes of following (except for few meetings held in March, 2022):
   - Board Meetings;
   - Audit Committee Meetings;
   - Nomination and Remuneration Committee Meetings;
   - Risk Management Committee Meetings;
   - Corporate Social Responsibility Committee Meetings;
   - Annual General Meeting and Extraordinary General Meetings;
2. Policies framed under the Listing Regulations as available on the website;
3. Annual Disclosures received from Directors pursuant to Section 184(1);
4. Declaration by Independent Directors;
5. Details of other directorship as reflecting in Director's Master Data on MCA and stock exchange filing for corporate governance under Reg. 27 (2);

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

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

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of HDFC CREDILA FINANCIAL SERVICES LIMITED having CIN U67190MH2006PLC159411 and having registered office at B - 301, Citi Point, Next to Kohinoor Continental Andheri - Kurla Road, Andheri (East) Mumbai 400059 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2022 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India and Ministry of Corporate Affairs, or any such other Statutory Authority.

Details of Directors:

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

Ensuring the eligibility of the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification.

This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Sujata R. Rajebahadur
Company Secretary
Membership No: F5728

Independent Auditor's Report

To the Members of
HDFC Credila Financial Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **HDFC Credila Financial Services Limited** ("the Company"), which comprise the balance sheet as at March 31, 2022, and the statement of Profit and Loss including the statement of other comprehensive income, the cash flows statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances, including off-balance sheet elements **Charge: INR 1,604.29 lakhs for year ended 31 March 2022** **Provision: INR 5,230.85 lakhs on 31 March 2022**	
Refer to the accounting policies in "Note 31 to the Financial Statements: Impairment on financial instruments", "Note 2.4 to the Financial Statements: Use of estimates and judgements" and "Note 8 to the Financial Statements: Loans.	
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.	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.

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances, including off-balance sheet elements	
• Qualitative adjustments – Adjustments to the model-driven ECL results are recorded by management to address known impairment model limitations or emerging trends as well as risks not captured by models. This aggregates to ₹ 2,304.14 of the ECL balances as at March 31, 2022. These adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to economic uncertainty as a result of COVID-19. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, including off balance sheet elements, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Note 8.1 to the financial statements provide necessary details in relation to the credit risk associated with the loan portfolio of the Company including relevant details of the ECL provision recognized in the financial statements. Disclosures The disclosures regarding the Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results. Further, disclosures to be provided as per RBI circulars with regards to non-performing assets and provisions will also be an area of focus, and are related to an area of significant estimate.	Involvement of specialists - we involved specialists for the following: • Evaluating the appropriateness of the Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used (including management overlays). • For models which were updated during the year, evaluating whether the updates were appropriate. • The reasonableness of the Company's considerations of the impact of the current economic environment due to COVID-19 on the ECL determination. **Test of details** Key aspects of our testing included: • Testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied. • Model calculations testing through re-performance, where possible. • Test of details of post model adjustments, considering the size and complexity of management overlays with a focus on COVID-19 related overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions and inspecting the calculation methodology and tracing of the data used back to source data. • Assessing disclosures - We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. As part of this we assessed whether the disclosure of the key judgements and assumptions made was sufficient clear.

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Information technology (IT) IT systems and controls relating to Loan Management System The Company's processes related to sanctioning, disbursements, and recovery of loans and advances are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses Loan Management System to manage its loan portfolio. We have identified IT systems and controls relating to Loan Management System and Oracle, as key audit matter due to the large transaction volumes and the increasing challenge to protect the Company's systems and controls over data integrity.	Our audit procedures to assess the IT system controls relating to Loan Management System included the following: • Understood General IT Control i.e. access controls, program/ system change, program development, computer operations (i.e. job processing, data system backup incident management) over Loan Management System and Oracle. • Understood IT infrastructure i.e. operating systems and databases supporting the in-scope system; • Test checked the General IT Controls for design and operating effectiveness for the audit period over the Loan Management System and Oracle; • Understood IT application controls covering – - user access and roles, segregation of duties, and - reports; • Test checked the IT application controls for design and operating effectiveness for the audit period; • Performed testing to determine that these controls remained unchanged during the audit period or were changed following the standard change management process; • Test checked controls over the IT infrastructure covering user access (including privilege users); • Performed testing for the program development controls and migration controls over setting up, implementation and building up of the IT application for Oracle; • Performed procedures around Cybersecurity and COVID-19 related remote working scenario and the impact (if any) on financial statements

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Management for the Financial Statements

The Company's management and Board of Directors is responsible for the matters stated in sub-section (5) of Section 134 of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in

Independent Auditors' Report (Continued)

Responsibilities of the Management for the Financial Statements (Continued)

equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under clause (i) of sub-section (3) of Section 143 of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Independent Auditors' Report (Continued)

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

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

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

Report on Other Legal and Regulatory Requirements

1 As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

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

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

c. The balance sheet, the statement of profit and loss including other comprehensive income, the statement of cash flow and the statement of changes in equity dealt with by this report are in agreement with the books of account.

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

e. On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act.

f. With respect to the adequacy of the internal financial controls over financial reporting with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to this report.

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

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

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

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

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 43 to the financial statements; and

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

iv. (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are either material either individually or in aggregate) have been advanced or loaned or invested (either from borrowed funds or share

Independent Auditors' Report (Continued)

premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The Management has represented that, to the best of its knowledge and belief, no funds (which are either material either individually or in aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on the audit procedures that have been considered reasonable and appropriate on the circumstances, nothing has come to our notice that has caused us to believe that the representation under sub-cluse (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

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

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

Vipul K Choksi
M. No. 37606
UDIN: 22037606AHMVGY3598

Place: Mumbai
Date: April 21, 2022

Appendix A to the Independent Auditors' Report

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

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

(B) The Company is maintaining proper records showing full particulars of Intangible Assets.

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

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable property during the year. Accordingly, reporting under paragraph 3 (i) (c) of the Order is not applicable.

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

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

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

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

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

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

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

(c) In respect of the aforesaid loans granted by the Company, the schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations except in respect of non-performing loans.

(d) In respect of the following loans/advances in nature of loans, the total amount overdue for more than ninety days as at March 31, 2022 is ₹ 5,061.57 lakhs. In such instances, in our opinion, reasonable steps have been taken by the Company for the recovery of the principal amounts and interest thereon.

(₹ in Lakhs)

No. of cases	Principal Amount Overdue	Interest Overdue	Total Overdue	Remarks (if any)
205	4,851.08	210.49	5,061.57	NA

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

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

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

Appendix A to the Independent Auditors' Report (Continued)

(v) According to the information and explanations given to us, the Company has not accepted any deposits or amounts which are deemed to be deposits from the public within the meaning of Section 73 to Section 76 of the Act and the Rules framed there under to the extent notified.

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

(vii) (a) According to the information and explanations given to us, and the records of the company examined by us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, service tax, goods and service tax, cess and other material statutory dues applicable to it. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, service tax, goods and service tax, cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of sales tax, wealth tax, service tax, goods and service tax, income tax, duty of excise, duty of excise, value added tax, and cess which have not been deposited on account of any dispute.

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

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

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

(c) In our opinion and according to the information and explanations given to us, the money raised by way of the term loans have been applied by the Company during the year for the purpose for which it was raised other than temporary deployment pending application of proceeds.

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

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

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

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

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

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

Appendix A to the Independent Auditors' Report (Continued)

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

(b) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, a report under sub-clause (12) of Section 143 of the Act, in Form ADT-4, was not required to be filed. Accordingly, reporting under clause 3(xi)(b) of the Order is not applicable to the Company.

(c) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, and as represented to us by the management, no whistle-blower complaints have been received during the year by the Company. Accordingly, reporting under clause 3(xi)(c) of the Order is not applicable to the Company.

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

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

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

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

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

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

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

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

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

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

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

(xix) According to the information and explanations given to us and on the basis of the financial ratios (Also refer Note 35 to the financial statements), ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of

Appendix A to the Independent Auditors' Report (Continued)

meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date will get discharged by the Company as and when they fall due.

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

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

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

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

Vipul K Choksi
M. No. 37606
UDIN: 22037606AHMVGY3598

Place: Mumbai
Date: April 21, 2022

Annexure B to the Independent Auditors' Report

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of sub-section (3) of Section 143 of the Act

We have audited the internal financial controls over financial reporting of **HDFC Credila Financial Services Limited** ("the Company") as of March 31, 2022 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

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

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

Annexure B to the Independent Auditors' Report (Continued)

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

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls with reference to these financial statements and such internal financial controls were operating effectively as at March 31, 2022, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Vipul K Choksi
M. No. 37606
UDIN: 22037606AHMVGY3598

Place: Mumbai
Date: April 21, 2022

Balance sheet as at 31 March 2022

(Currency: INR in Lakhs)

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

See accompanying notes to the financial statements

As per our report of even date attached.

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

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 21 April 2022

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

V.S.Rangan
Chairman
(DIN - 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN - 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 21 April 2022

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

(Currency: INR in Lakhs)

	Particulars	Note no	For the year ended 31 March 2022	For the year ended 31 March 2021
	Revenue from operations			
	(a) Interest income	25	**80,074.51**	69,705.90
	(b) Fees and commission income	26	**1,750.24**	879.89
	(c) Net gain on fair value changes	27	**534.42**	760.75
I.	**Total revenue from operations**		**82,359.17**	71,346.54
II.	**Other income**		**0.54**	0.01
III.	**Total income (I + II)**		**82,359.71**	71,346.55
IV.	**Expenses**			
	(a) Finance costs	28	**42,798.55**	41,869.15
	(b) Impairment on financial instruments (Expected credit loss)	31	**1,604.29**	884.55
	(c) Employee benefit expense	29	**4,974.46**	3,543.51
	(d) Depreciation and amortisation	13	**378.72**	316.79
	(e) Other expenses	30	**4,850.82**	3,954.81
	Total expenses		**54,606.84**	50,568.81
V.	**Profit before Tax (III - IV)**		**27,752.87**	20,777.74
	Tax expense			
	— Current tax	33	**7,602.22**	5,414.00
	— Deferred Tax	12	**(487.06)**	(159.09)
VI.	**Total tax expense**		**7,115.16**	5,254.91
VII.	**Net profit after tax (V - VI)**		**20,637.71**	15,522.83
	Other comprehensive income			
	(a) Items that will not be reclassified to profit or loss			
	— Remeasurement of the defined benefit plans		**4.49**	(7.60)
	— Income tax relating to the above item that will not be reclassified to profit or loss		**(1.13)**	1.91
	(b) Items that will be reclassified to profit or loss			
	— Cash flow hedge reserves		**1,391.32**	428.08
	— Income tax relating to the above item that will be reclassified to profit or loss		**(350.25)**	(107.00)
	— Fair value of investments		**(68.63)**	(73.88)
	— Income tax relating to the above item that will be reclassified to profit or loss		**17.27**	19.00
VIII.	**Other comprehensive income**		**993.07**	260.51
IX.	**Total comprehensive income (VII + VIII)**		**21,630.78**	15,783.34
X.	**Earnings per equity share:**			
	(a) Basic (in ₹)	34	**15.66**	11.78
	(b) Diluted (in ₹)	34	**15.66**	11.78
	(c) Face value per share (in ₹)		**10**	10

See accompanying notes to the financial statements

As per our report of even date attached.

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

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 21 April 2022

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

V.S.Rangan
Chairman
(DIN - 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN - 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 21 April 2022

Statement of cash flow for the year ended 31 March 2022

(Currency: INR in Lakhs)

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

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

See accompanying notes forming part of the financial statements

As per our report of even date attached.

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

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 21 April 2022

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

V.S.Rangan
Chairman
(DIN - 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN - 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 21 April 2022

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

A. Equity share capital

(Currency: INR in Lakhs)

FY 2021-22

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

FY 2020-21

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

B. Other equity

(Currency: INR in Lakhs)

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

	Reserves and surplus				Other comprehensive income			Total
	Capital reserve	Securities premium	Retained earnings	Statutory reserve	Employee benefit expenses	Effective portion of cash flow hedges	Fair value of investments	
Balance as at 01 April 2020	**109.46**	**43,236.51**	**34,245.25**	**9,568.97**	**(40.73)**	**(1,653.00)**	**—**	**85,466.46**
Profit for the year	—	—	15,522.83	—	—	—	—	15,522.83
Other comprehensive income for the year	—	—	—	—	(5.69)	321.08	(54.88)	260.51
Total comprehensive income for the year	**—**	**—**	**15,522.83**	**—**	**(5.69)**	**321.08**	**(54.88)**	**15,783.34**
Transfer from retained earnings	—	—	(3,104.60)	3,104.60	—	—	—	—
Balance as at 31 March 2021	**109.46**	**43,236.51**	**46,663.48**	**12,673.57**	**(46.42)**	**(1,331.92)**	**(54.88)**	**101,249.80**

See accompanying notes to the financial statements

As per our report of even date attached.

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

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 21 April 2022

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

V.S.Rangan
Chairman
(DIN - 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN - 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 21 April 2022

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

1. COMPANY OVERVIEW

HDFC Credila Financial Services Limited, formerly known as HDFC Credila Financial Services Private Limited (the "Company") is engaged in the business of originating, funding and servicing loans for the education of Indian students and in providing ancillary services related to the said business activities. The Company is a wholly owned subsidiary of Housing Development Finance Corporation Limited ("HDFC"/ "Holding Company").

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

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

2. BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 as per section 133 of the Companies Act, 2013 (the "Act") and relevant amendment rules issued thereafter ("Ind AS").

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

The Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity are prepared and presented in the format prescribed in the Schedule III to the Act. The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows".

Amounts in the financial statements are presented in Indian Rupees in lakhs rounded off to two decimal places as permitted by Schedule III to the Act. Per share data is presented in Indian Rupee to two decimal places. The Company presents its Balance Sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 36.

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

These financial statements were approved by the Company's Board of Directors and authorised for issue on 21 April 2022.

2.2 Functional and presentation currency

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

2.3 Basis of measurement

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

Historical cost is generally the amount of cash or cash equivalents paid or the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

Fair value measurements under Ind AS are categorised into fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
- Level 2 inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 where unobservable inputs are used for the valuation of assets or liabilities

2.4 Use of estimates and judgements

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

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

1. Impairment of financial assets – Note 31 & 8.1.

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

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

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

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

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

   The Company's EIR methodology recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle including prepayments. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, and fee income/expense that are integral parts of the instrument.

3. Recognition of deferred tax assets; availability of future taxable profits against which tax losses carried forward and unutilised tax breaks can be used – Note 12

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

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

3.1.1 Interest income - EIR method

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

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or where appropriate a shorter period to the net carrying amount of the financial instrument. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and commission paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets measured at FVTPL, transaction costs are recognised in statement of profit and loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECL).

3.1.2 Net Gain or Loss on Fair Value Changes

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

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

3.1.3 Commission income

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

3.1.4 Other fees

Other fees represent documentation charges, ACH/ECS swap charges, cheque bouncing charges, penal interest charges and these are recognised as income when the amounts become due and there is no uncertainty in realisation.

3.2 Financial instruments

3.2.1 Recognition and Initial Measurement

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

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs and revenues directly attributable to the acquisition of financial assets or financial liabilities designated at FVTPL are recognised immediately in statement of profit and loss.

3.2.2 Classification and subsequent measurement

Financial Assets

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

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit and loss ("FVTPL")

Business model assessment

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

The Company considers all relevant information available when making the business model assessment. The Company takes into account all relevant evidence available such as:

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

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

- **Amortised cost**

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

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

Solely Payments of Principal and Interest ("SPPI") Test

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

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

All the lending arrangements of the Company, have contractual cash flows that are SPPI. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic

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

lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

- **Fair value through other comprehensive income**

  The Company classifies and measures certain debt instruments at FVOCI when the investments are held within business model, the objective of which is achieved by both, collecting contractual cash flows and selling the financial instruments and the contractual terms of the financial instruments meet the SPPI test. The Company measures investments in Government and other debt securities, held for the purpose of maintaining the minimum levels of High Quality Liquid Assets (HQLA) required by RBI guidelines at FVOCI.

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

- **Fair Value through Profit and Loss**

  Financial assets at FVTPL are:

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

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

  Subsequent measurement and gains and losses

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

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.
Debt Instruments at FVOCI	These assets are subsequently measured at fair value. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on subsequent measurement is recognised in OCI and on derecognition the cumulative gain or loss recognised in OCI is recycled to statement of profit and loss.
Equity Instrument at FVOCI	Gains and losses on equity instruments at FVOCI are never recycled to the statement of profit and loss. Dividends are recognised in profit or loss as dividend income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss.

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

Financial liabilities and equity instruments

- **Classification as debt or equity**

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

- **Equity instruments**

  An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the face value and proceeds received in excess of the face value are recognised as Securities Premium.

- **Financial Liabilities**

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

  Financial liabilities are classified as measured at amortised cost except the borrowings which are designated as hedged items and are classified and measured at FVTPL or FVOCI.

  Subsequent measurement and gains and losses

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

  Undrawn commitments

  Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Commitment starts from the date of the first tranche loan draw down till the study period is over or the amount is fully drawn down, whichever is earlier. Undrawn loan commitments form part of the exposure at default considered for the ECL provisions.

  The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the balance sheet. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 8.1.

3.2.3 Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Company's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

3.2.4 Modification and derecognition

Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

3.2.5 Impairment

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

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

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

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

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

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

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

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

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

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

Measurement of expected credit losses

The Company measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The Company calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the portfolio EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

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

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

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

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

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

Significant increase in credit risk

The Company monitors all financial instruments that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a

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

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

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

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

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

Credit-impaired financial assets

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

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

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

Loans restructured under RBI's Resolution Framework for Covid 19 related stress where significant financial stress was visible have been considered as Credit Impaired. Such loans continue to be in Stage 3 until they exhibit regular payment of renegotiated principal and interest over a minimum observation of period, typically 12 months-post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to Stage 1 or 2 and a fresh assessment of the risk of default be done for such loans.

Definition of default

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

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

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

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

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

Loans restructured under the RBI's Resolution Framework 1.0 and 2.0 for COVID-19-related Stress are not included in the definition of default given that this is a result of disruption caused by the COVID-19 pandemic and is exceptional in nature.

Trade receivables and contract assets

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated for changes in the forward-looking estimates.

3.2.6 Collateral valuation and repossession

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

In case of delinquent customers, the Company liquidates the collateral assets and recovers the amount due against the loan. Any surplus funds are returned to the customers/obligors.

3.2.7 Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities could result in impairment gains.

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

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

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

3.2.9 Derivative Financial Instruments

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

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

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

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

Hedge Accounting

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

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

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

Fair Value Hedges

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

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

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

Cash Flow Hedges

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

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in other comprehensive income ("OCI") within other equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the statement of profit and loss. When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss.

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

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

3.3 Cash and cash equivalents

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

3.4 Property, plant and equipment ("PPE")

Recognition and measurement

PPE is recognised when it is probable that future economic benefits associated with the item are expected to flow to the Company and the cost of the item can be measured reliably. Advances paid in respect of PPE are presented under other non-financial assets. PPE held for use are stated in the balance sheet at original cost net of tax / duty credits availed, less accumulated depreciation and accumulated impairment losses. Administrative or other general overhead expenses and borrowing costs that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the PPE.

PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss. PPE not ready for the intended use on the date of the Balance Sheet is disclosed as "capital work-in-progress".

Depreciation

Depreciation is recognised using straight line method so as to write off the cost of the assets less their residual values over their estimated useful lives as specified in Schedule II to the Act or or in case of assets where the estimated useful life was determined by technical evaluation, over the useful life so determined. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end with the effect of any change in the estimates of useful life / residual value is accounted on prospective basis.

Depreciation for additions to/deductions from, owned assets is calculated pro rata to the period of use. The useful life of the property, plant and equipment held by the Company is as follows:

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

* For the above class of assets, based on technical advice and the internal assessment done, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the of the Companies Act, 2013.

3.5 Intangible assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible

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

assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in statement of profit and loss when the asset is derecognised.

Intangible assets not ready for use on the date of Balance Sheet is disclosed as 'Intangible assets under development'.

Intangible assets are amortised on straight line basis over the estimated useful life of 5 years. The method of amortisation and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

3.6 Impairment of non-financial assets

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

3.7 Employee benefits

i) Short term employee benefits

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

ii) Defined contribution plan

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

Provident fund

The Company's contribution paid/ payable during the year towards provident fund is charged to statement of profit and loss every year. In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount on a monthly basis at a determined rate to the pension scheme administered by the Regional Provident Fund Commission ("RPFC").

iii) Defined benefit plans

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

Gratuity and other post retirement benefits

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Gratuity is a defined benefit plan. The cost of providing benefits is determined annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

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

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

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

iv) Other long term employee benefits

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

3.8 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:

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

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

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.

Contingent liability is disclosed in case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and
- a present obligation arising from past events, when no reliable estimate is possible.

Contingent Assets:

Contingent assets are not recognised in the financial statements. Contingent assets are disclosed where an inflow of economic benefits is probable.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

3.9 Taxes on Income

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

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

Current tax

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

Off-set of Current tax assets and tax liabilities

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

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

Deferred tax

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

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

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

3.10 Goods and services tax input credit

Goods and services tax input credit asset is recognised in the books of accounts in the period in which the supply of goods or service received is recognised and when there is no uncertainty in availing/utilising the credits.

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except when the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

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

3.11 Borrowing costs

Borrowing costs include interest expense calculated using the EIR method and finance charges in respect of assets acquired on finance lease. EIR includes interest and amortization of ancillary cost incurred in connection with the borrowing of funds.

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

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

3.12 Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary assets and liabilities are reported at the prevailing closing spot rate. Non monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the statement of profit and loss in the period in which they arise.

3.13 Segments

The Company's main business is providing education loans for higher education in India and abroad. All other activities of the Company revolve around the main business. This in the context of Ind AS 108 – Operating Segments reporting is considered to constitute one reportable segment.

3.14 Earnings per share ("EPS")

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

3.15 Commitments

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

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

3.16 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

- changes during the period in operating receivables and payables transactions of a non-cash nature;
- non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses; and
- all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

3.17 Lease accounting

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

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

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

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

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

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU asset") and a corresponding lease liability for all lease arrangements in which it is a lessee. Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any significant initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

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

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

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

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

(Currency: INR in Lakhs)

4 CASH AND CASH EQUIVALENTS

See accounting policy in note no 3.3

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

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

Balances with bank in current accounts includes amount with related parties ₹ 2,725.77 lakhs (as at 31 March 2021: ₹ 7,212.56 lakhs) [Refer note 37].

5 BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
In deposits accounts having original maturity more than 3 months	**88.22**	117.40
Deposits with banks to the extent held as security against the borrowings and guarantees*	**54.32**	158.70
Total	**142.54**	276.10

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

Amount in deposit accounts having original maturity more than 3 months includes amount with related parties ₹ 85 lakhs (as at 31 March 2021: ₹ 10 lakhs) [Refer note 37].

Fixed deposits with banks earn interest at fixed rate.

6 DERIVATIVE FINANCIAL INSTRUMENTS

See accounting policy in note no 3.2

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

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

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

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

(Currency: INR in Lakhs)

	As at 31 March 2022			As at 31 March 2021		
	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
Part I						
(i) Currency derivatives:						
- Currency swaps (Principal only swaps)	75,900.00	2,813.55	—	73,600.00	1,647.15	—
Subtotal (i)	**75,900.00**	**2,813.55**	**—**	**73,600.00**	**1,647.15**	**—**
(ii) Interest rate derivatives						
- Interest Rate Swaps (USD/USD)	75,900.00	234.53	—	73,600.00	—	1,443.58
- Interest Rate Swaps (INR/INR)	167,500.00	—	7,157.05	142,500.00	—	**4,149.92**
Subtotal(ii)	**243,400.00**	**234.53**	**7,157.05**	**216,100.00**	**—**	**5,593.50**
Total Derivative financial instruments (i)+(ii)	**319,300.00**	**3,048.08**	**7,157.05**	**289,700.00**	**1,647.15**	**5,593.50**
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
- Interest rate derivatives	167,500.00	—	7,157.05	142,500.00	—	4,149.92
Subtotal (i)	**167,500.00**	**—**	**7,157.05**	**142,500.00**	**—**	**4,149.92**
(ii) Cash flow hedging:						
- Currency derivatives	75,900.00	2,813.55	—	73,600.00	1,647.15	—
- Interest rate derivatives	75,900.00	234.53	—	73,600.00	—	1,443.58
Subtotal (ii)	**151,800.00**	**3,048.08**	**—**	**147,200.00**	**1,647.15**	**1,443.58**
Total Derivative financial instruments (i)+(ii)	**319,300.00**	**3,048.08**	**7,157.05**	**289,700.00**	**1,647.15**	**5,593.50**

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

6.2 Refer note 38.3.2.2 for foreign currency risk.

7 TRADE RECEIVABLES

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

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

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

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

7 TRADE RECEIVABLES (Continued)

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

(Currency: INR in Lakhs)

Trade receivable days past due		Current	1-30 days past due	31-60 days past due	61-90 days past due	91-360 days past due	More than 360 days past due	Total
31 March 2022	ECL Rate							
	Estimated total gross carrying amount at default	48.47	–	–	–	0.03	–	48.50
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	48.47	–	–	–	0.03	–	48.50
31 March 2021	Estimated total gross carrying amount at default	29.56	–	–	–	–	–	29.56
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	29.56	–	–	–	–	–	29.56

Trade receivables ageing schedule

As at 31 March 2022

Sr. No.	Particulars	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Undisputed trade receivables - considered good *	48.50	–	–	–	–	48.50
ii.	Undisputed trade receivables - which have significant increase in credit risk	–	–	–	–	–	–
iii.	Undisputed trade receivables - credit impaired	–	–	–	–	–	–
iv.	Disputed trade receivables - considered good	–	–	–	–	–	–
v.	Disputed trade receivables - which have significant increase in credit risk	–	–	–	–	–	–
vi.	Disputed trade receivables - credit impaired	–	–	–	–	–	–

* Includes unbilled dues of ₹ 6.5 lakhs

As at 31 March 2021

Sr. No.	Particulars	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Undisputed trade receivables - considered good	29.56	–	–	–	–	29.56
ii.	Undisputed trade receivables - which have significant increase in credit risk	–	–	–	–	–	–
iii.	Undisputed trade receivables - credit impaired	–	–	–	–	–	–
iv.	Disputed trade receivables - considered good	–	–	–	–	–	–
v.	Disputed trade receivables - which have significant increase in credit risk	–	–	–	–	–	–
vi.	Disputed trade receivables - credit impaired	–	–	–	–	–	–

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

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

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

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

8 LOANS AND ADVANCES (at amortised cost)

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

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

*Impairment loss allowance does not include ₹ 109.70 lakhs (as at 31 March 2021 ₹ 18.39 lakhs) towards loan commitments. [Refer note 21]

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

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

a. Immovable property

b. Fixed deposit

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

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

The quarterly asset cover statements filed by the Company with banks and financial institutions as per sanctioned terms and conditions are in agreement with the books of accounts.

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

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

The Company has not granted any loans or advances to promoters, directors, KMPs and the related parties that are repayable on demand or without specifying any terms or period of repayment.

8.1 Expected credit loss ("ECL")

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

a. Key components of credit risk assessment

The key components of credit risk assessment are:

— Probability of Default ("PD"): represents the likelihood of default over a defined time horizon.

— Exposure at Default ("EAD"): represents how much the counter-party is likely to be borrowing at the time of default.

— Loss Given Default ("LGD"): represents the proportion of EAD that is likely to be lost post-default.

— The ECL is computed as a product of PD, LGD and EAD.

b. Analysis of inputs to the ECL model under multiple economic scenarios

The Company considers PD estimates that have been adjusted using the macro economic overlay. A macroeconomic overlay has been computed taking into account the portfolio specific macroeconomic factors having statistically significant correlation with the default rate of the Company and that capture the economic conditions of the country of study of the borrowers. During the year, the Company has updated its macro economic model and it now factors in macro economic variables of India, USA and Canada for the respective portfolio. The Company uses management judgement to determine the weights attributable to the three scenarios considered; i.e. a base case, an upside and a downside. The scalar rates applied to the PD have been computed using statistical and regression analysis.

c. Definition and assessment of default

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

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

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

Loans restructured under the RBI's Resolution Framework for COVID-19-related Stress are not included in the definition of default given that this is a result of disruption caused by the COVID-19 pandemic and is exceptional in nature. The same has been excluded from the computation of the ECL model and a separate management overlay has been created to provide for the impact of the COVID-19 pandemic.

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

— 0-30 days past due loans classified as Stage 1

— 31-90 days past due loans classified as Stage 2 and

— Above 90 days past due loans classified as Stage 3

Along with delinquency buckets; the internally developed criteria's to analyse whether there is increase in credit risk or whether the asset is credit impaired are considered for staging of loans.

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

8.1 Expected credit loss (continued)

d. Other Inputs to the ECL Computation

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

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

e. Internal grading system

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

The Company's internal credit rating grades:

Internal rating grade	Internal rating description
Standard - No Overdue	Principal or interest payment not overdue
Standard Restructured	Accounts restructured under RBI's Resolution Framework for COVID 19 related Stress
SMA-0	Principal or interest payment overdue between 1-30 days
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days
NPA	Principal or interest payment overdue more than 90 days

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

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

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

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

g. Other Management overlay

The Company has identified certain cases as Doubtful Assets and Loss Assets, based on the loans being unsecured in nature and requiring 100% provision under the applicable Income Recognition and Asset Classification norms of the RBI. The maximum provision as per the ECL model is limited to the percentage of Loss Given Default, hence the Company has created additional management overlay to provide for 100% provision against these unsecured doubtful and loss Assets.

h. One time restructuring under RBI Resolution Framework

During the year ended 31 March 2022, the Company has restructured loan accounts in accordance with the Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses as per the RBI Circular dated 05 May 2021 (Resolution Framework 2.0). These accounts have been reviewed and assessed as having a significant increase in credit risk and have been classified as Stage 2 and Stage 3 in accordance with the Company's provisioning policy under the ECL framework.

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

8.1 Expected credit loss (continued)

Details of resolution plan implemented under the Resolution Framework 1.0 as per RBI circular dated 06 August 2020 and Resolution Framework 2.0 as per RBI circular dated 05 May 2021 are disclosed in note 39.21.

i. Credit quality of assets

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

(Currency: INR in Lakhs)

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

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

Reconciliation of the gross carrying amount:

(Currency: INR in Lakhs)

Particulars	As at 31 March 2022				As at 31 March 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**618,860.52**	**4,100.10**	**3,735.10**	**626,695.72**	623,866.49	1,043.11	756.55	625,666.15
Transfers during the year								
transfers to Stage 1	**3,898.61**	**(3,020.23)**	**(878.38)**	**–**	2,358.27	(2,146.24)	(212.02)	–
transfers to Stage 2	**(6,438.43)**	**6,653.26**	**(214.83)**	**–**	(6,149.50)	6,324.41	(174.91)	–
transfers to Stage 3	**(1,500.42)**	**(1,289.81)**	**2,790.24**	**–**	(2,921.36)	(597.29)	3,518.65	–
	(4,040.25)	**2,343.22**	**1,697.03**	**–**	(6,712.60)	3,580.87	3,131.72	–
Increase in EAD - new assets originated or purchased/ further increase in existing assets (net)	**468,082.54**	**338.21**	**406.26**	**468,827.00**	189,172.73	456.06	468.39	190,097.18
Assets repaid in part or full (excluding write offs)	**(208,999.87)**	**(1,940.67)**	**(731.03)**	**(211,671.57)**	(187,466.09)	(979.94)	(603.27)	(189,049.31)
Amounts written off	–	–	**(45.79)**	**(45.79)**	–	–	(18.30)	(18.30)
Gross carrying amount closing balance	**873,902.94**	**4,840.86**	**5,061.57**	**883,805.37**	618,860.52	4,100.10	3,735.10	626,695.72

1. The amounts written off presented above are subject to enforcement activity.
2. Considering the disruption caused by the COVID-19 pandemic the Company had offered one time restructuring to loans eligible under the RBI's Resolution Framework 1.0 during the previous year and Resolution Framework 2.0 during the current year. The financial assets mentioned above were modified due to said Frameworks and were based on terms and conditions which did not result in substantial modifications in the cash flows and hence were not derecognised.

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

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

8.1 Expected credit loss (continued)

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

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

(Currency: INR in Lakhs)

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

The increase in impairment loss allowance of the portfolio was driven by an increase in the gross size of the portfolio, movements between stages as a result of increase in credit risk and change the PD and LGD methodology during the year.

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

(Currency: INR in Lakhs)

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

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

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

9 INVESTMENTS

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

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

10 OTHER FINANCIAL ASSETS

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

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

11 CURRENT TAX ASSETS (net)

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

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

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

12 DEFERRED TAX

See accounting policy in note no 3.9

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

(Currency: INR in Lakhs)

a. FY 2021-22

Particulars	Deferred tax assets	Deferred tax liabilities	Changes in deferred tax recorded in statement of profit and loss	Changes in deferred tax recorded in other comprehensive income
	As at 31 March 2022	As at 31 March 2022	2021-22	2021-22
Depreciation on property, plant and equipment and intangible assets	5.90	–	(1.10)	–
Application of effective interest rate on financial assets	875.80	–	269.80	–
Application of effective interest rate on financial liabilities	–	301.71	(57.71)	–
Impairment on financial instruments	1,082.98	–	323.98	–
Provisions for employee benefits	84.35	–	(19.52)	(1.13)
Right of use assets & lease liabilities	15.89	–	1.89	–
Derivative financial assets	–	59.03	–	(59.03)
Derivative financial liabilities	1,800.89	–	756.29	(363.40)
Fair valuation / revaluation of financial liabilities	–	1,751.05	(781.05)	–
Unrealised (gain) / loss on investments	–	11.52	(5.52)	–
Fair valuation of investments	36.27	–	–	17.27
Total	**3,902.08**	**2,123.31**	**487.06**	**(406.29)**
Net deferred tax asset as at 31 March 2022		**1,778.77**		

b. FY 2020-21

(Currency: INR in Lakhs)

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

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

13 PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

See accounting policy in note no 3.4 & 3.5

The changes in the carrying value of property, plant and equipment & intangible assets for the year ended 31 March 2022 are as follows:

(Currency: INR in Lakhs)

Particulars		Gross Block				Accumulated depreciation/amortisation				Net Block	
		As at 01 April 2021	Additions during the year	Deletions/ Write-offs during the year	As at 31 March 2022	As at 01 April 2021	For the year	Deletions/ Write- offs during the year	As at 31 March 2022	As at 31 March 2022	As at 31 March 2021
A	**Tangible assets:**										
	Office equipment	95.37	7.49	5.42	97.44	61.67	17.76	5.16	74.27	23.17	33.70
	Computers	316.52	71.03	17.19	370.36	124.25	62.76	17.08	169.93	200.43	192.28
	Furniture & fixtures	84.57	4.27	7.22	81.62	29.84	8.74	4.14	34.44	47.18	54.73
	Right of use assets	983.26	917.59	252.91	1,647.94	426.49	276.72	108.80	594.41	1,053.53	556.77
	Sub-total (A)	**1,479.72**	**1,000.38**	**282.74**	**2,197.36**	**642.25**	**365.98**	**135.18**	**873.05**	**1,324.31**	**837.48**
B	**Intangible assets:**										
	Other software	84.50	–	–	84.50	59.48	12.74	–	72.22	12.29	25.02
	Sub-total (B)	**84.50**	–	–	**84.50**	**59.48**	**12.74**	–	**72.22**	**12.29**	**25.02**
C	**Intangible assets under development (C)**	–	174.47	–	174.47	–	–	–	–	174.47	–
	Total (A+B+C)	**1,564.22**	**1,174.85**	**282.74**	**2,456.33**	**701.73**	**378.72**	**135.18**	**945.27**	**1,511.06**	**862.50**

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

(Currency: INR in Lakhs)

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

Notes:

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

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

13.1 Intangible assets under development aging schedule

As at 31 March 2022

(Currency: INR in Lakhs)

Sr. No.	Particulars	Amount in intangible assets under development for a period of				Total
		Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Projects in progress	174.47	—	—	—	174.47
ii.	Projects temporarily suspended	—	—	—	—	—

Note: There are no intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan.

14 OTHER NON FINANCIAL ASSETS

See accounting policy in note no 3.6 & 3.10

(Currency: INR in Lakhs)

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

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

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

15 TRADE PAYABLES

(Currency: INR in Lakhs)

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

Trade payables include ₹ 64.71 lakhs (as at 31 March 2021 ₹ 169.04 lakhs) payable to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006. The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and the Auditors have placed reliance on the same. The amount of principal and interest outstanding during the year is given below.

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
a) Amount outstanding but not due as at year end	**—**	—
b) Amount due but unpaid as at the year end	**64.71**	169.04
c) Amounts paid after appointed date during the year	**—**	—
d) Amount of interest accrued and unpaid as at year end	**—**	—
e) The amount of further interest due and payable even in the succeeding year	**—**	—
Total	**64.71**	169.04

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

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

Trade payables aging schedule

As at 31 March 2022

Sr. No.	Particulars	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Micro, Small and Medium Enterprises ("MSME")	64.71	—	—	—	**64.71**
ii.	Others	251.04	—	—	—	**251.04**
iii.	Disputed dues - MSME	—	—	—	—	**—**
iv.	Disputed dues - Others	—	—	—	—	**—**
v.	Accrued expenses	1,857.32	19.09	27.83	—	**1,904.23**
vi.	**Total**	**2,173.07**	**19.09**	**27.83**	**—**	**2,219.98**

As at 31 March 2021

Sr. No.	Particulars	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
i.	Micro, Small and Medium Enterprises ("MSME")	169.04	—	—	—	**169.04**
ii.	Others	280.33	0.64	1.27	1.80	**284.05**
iii.	Disputed dues - MSME	—	—	—	—	**—**
iv.	Disputed dues - Others	—	—	—	—	**—**
v.	Accrued expenses	991.08	28.31	6.14	**7.02**	**1,032.55**
vi.	**Total**	**1,440.45**	**28.95**	**7.41**	**8.82**	**1,485.64**

16 DEBT SECURITIES

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

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

16.1 **Terms of nominal value of debentures and repayment terms as at 31 March 2022** (Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Debt securities					
Secured non-convertible debentures					
5.99% - 7.00%	—	19,990.40	—	—	**19,990.40**
7.01% - 8.00%	—	—	19,966.54	84,897.86	**104,864.40**
8.01% - 9.00%	—	9,979.28	—	39,922.58	**49,901.86**
9.01% - 10.00%	—	—	—	—	**—**
Benchmark linked (3 months T-Bill)	—	29,975.89	—	—	**29,975.89**
Total	**—**	**59,945.57**	**19,966.54**	**124,820.44**	**204,732.55**

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

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

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Commercial paper					
4.00% - 8.00%	9,825.62	—	—	—	**9,825.62**
8.01% - 10.00%	—	—	—	—	—
Total	**9,825.62**	—	—	—	**9,825.62**
Total debt securities	**9,825.62**	**59,945.57**	**19,966.54**	**124,820.44**	**214,558.17**

The above table does not include unrealised gain of ₹ 4,380.37 lakhs on fair valuation of non-convertible debentures designated at FVTPL.

Terms of nominal value of debentures and repayment terms as at 31 March 2021 (Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Debt securities					
Secured non-convertible debentures					
5.99% - 7.00%	—	19,983.68	—	19,977.98	**39,961.65**
7.01% - 8.00%	39,969.34	—	19,956.38	—	**59,925.72**
8.01% - 9.00%	29,988.24	—	9,971.07	39,915.20	**79,874.52**
9.01% - 10.00%	—	—	—	—	—
Benchmark linked (3 months T-Bill)	—	—	—	—	—
Total	**69,957.58**	**19,983.68**	**29,927.45**	**59,893.18**	**179,761.89**
Commercial paper					
5.75% - 8.00%	7,431.83	—	—	—	**7,431.83**
8.01% - 10.00%	—	—	—	—	—
Total	**7,431.83**	—	—	—	**7,431.83**
Total debt securities	**77,389.41**	**19,983.68**	**29,927.45**	**59,893.18**	**187,193.72**

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

All secured non convertible debentures are secured by pari-passu charge on education loan receivables and have bullet repayment on maturity date.

All commercial papers are unsecured and have bullet repayment on maturity date.

During the year, the Company raised ₹ 95,000 lakhs (previous year ₹ 40,000 lakhs) through issue of long term, secured, non-convertible debentures.

The Company has used the funds raised through debt securities for the purpose for which it was taken.

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

17 BORROWINGS (OTHER THAN DEBT SECURITIES) — at amortised cost

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

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

17.1 Terms of borrowings and repayment as at 31 March 2022

(Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Borrowings (Other than debt securities)					
Term loans from banks					
5.00% - 6.00%	9,862.75	35,667.32	41,663.96	9,995.21	**97,189.24**
6.00% - 7.00%	52,271.16	126,412.05	99,432.58	30,611.86	**308,727.65**
7.01% - 8.00%	—	—	—	—	**—**
8.01% - 9.00%	—	—	—	—	**—**
Total	**62,133.91**	**162,079.37**	**141,096.54**	**40,607.07**	**405,916.89**
Overdrafts & working capital demand loans from banks					
7.01% - 8.00%	—	—	—	—	**—**
8.01% - 9.00%	—	—	—	—	**—**
Total	—	—	—	—	**—**
External commercial borrowing (ECBs)					
1 Month LIBOR + 100 bps to 140 bps	75,621.10	—	—	—	**75,621.10**
Total	**75,621.10**	—	—	—	**75,621.10**
Total borrowings (Other than debt securities)	**137,755.01**	**162,079.37**	**141,096.54**	**40,607.07**	**481,537.99**

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

Terms of borrowings and repayment as at 31 March 2021 (Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Borrowings (Other than debt securities)					
Term loans from banks					
5.00% - 6.00%	—	—	—	—	**—**
6.00% - 7.00%	21,869.55	32,014.00	8,571.05	6,781.19	**69,235.79**
7.01% - 8.00%	39,857.46	68,515.60	14,638.08	15,852.14	**138,863.28**
8.01% - 9.00%	—	—	—	—	**—**
Total	**61,727.01**	**100,529.60**	**23,209.13**	**22,633.33**	**208,099.07**
Overdrafts & working capital demand loans from banks					
7.01% - 8.00%	230.89	—	—	—	**230.89**
8.01% - 9.00%	—	—	—	—	**—**
Total	**230.89**	—	—	—	**230.89**
External commercial borrowing (ECBs)					
1 Month LIBOR + 100 bps to 140 bps	—	73,043.25	—	—	**73,043.25**
Total	**—**	**73,043.25**	—	—	**73,043.25**
Total borrowings (Other than debt securities)	**61,957.90**	**173,572.85**	**23,209.13**	**22,633.33**	**281,373.21**

All term loans from banks and financial institutions, bank overdrafts, working capital demand loans and ECBs are secured by pari-passu charge on the education loan receivables of the Company.

The borrowings have not been guaranteed by directors or others. Also there is no default in repayment of borrowings and interest thereon.

Term loans, bank overdrafts and working capital demand loans are borrowed at floating rate of interest.

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

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

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

18 Subordinated liablities

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

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

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

18.1 **Terms of borrowings and repayment as at 31 March 2022** (Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Subordinated liabilities					
Subordinated debts					
8.10% - 9.00%	—	—	—	9,979.59	**9,979.59**
9.01% - 10.00%	—	—	9,985.46	14,947.15	**24,932.61**
Total	—	—	**9,985.46**	**24,926.74**	**34,912.20**
Perpetual debt instruments					
8.75% - 10.00%	—	—	—	12,469.63	**12,469.63**
10.01% - 11.00%	—	—	9,987.93	—	**9,987.93**
11.01% - 11.75%	—	—	4,994.93	—	**4,994.93**
Total	—	—	**14,982.86**	**12,469.63**	**27,452.49**
Total subordinated liabilities	—	—	**24,968.32**	**37,396.37**	**62,364.69**

The above table does not include unrealised gain of ₹ 1,871.32 lakhs on fair valuation of subordinated debts designated at FVTPL and unrealised gain of ₹ 705.76 lakhs on fair valuation of perpetual debt instruments designated at FVTPL.

Terms of borrowings and repayment as at 31 March 2021 (Currency: INR in Lakhs)

Particulars	0-1 year	1-3 years	3-5 years	> 5 years	Total
Subordinated liabilities					
Subordinated debts					
8.10% - 9.00%	—	—	—	9,976.88	**9,976.88**
9.01% - 10.00%	—	—	9,983.52	14,942.08	**24,925.60**
Total	—	—	**9,983.52**	**24,918.96**	**34,902.48**
Perpetual debt instruments					
8.75% - 10.00%	—	—	—	12,465.89	**12,465.89**
10.01% - 11.00%	—	—	9,984.65	—	**9,984.65**
11.01% - 11.75%	—	—	4,992.99	—	**4,992.99**
Total	—	—	**14,977.64**	**12,465.89**	**27,443.53**
Total subordinated liabilities	—	—	**24,961.16**	**37,384.85**	**62,346.01**

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

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

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

As at 31 March 2022, the Company's outstanding subordinated debt is ₹ 33,040.89 lakhs (as at 31 March 2021 ₹ 33,551.76 lakhs). These debentures are subordinated to present and future senior indebtedness of the Company and qualify as Tier II capital under RBI guidelines for assessing capital adequacy. Based on balance term to maturity as at 31 March 2022, 88% (as at 31 March 2021 94%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of the capital adequacy computation.

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

19 OTHER FINANCIAL LIABILITIES

See accounting policy in note no 3.2 & 3.17

(Currency: INR in Lakhs)

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

19.1 Operating leases:

See accounting policy in note no 3.17

In accordance with the Ind AS 116 on "Leases", the following disclosures in respect of operating leases are made:

The Company has acquired its office premises on operating lease basis for periods ranging from 1 year to 9 years.

The Company has recognised lease liabilities and right to use assets as follows:

(Currency: INR in Lakhs)

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

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

19.1 **Operating leases:** (Continued)

Lease liabilities and lease cash flows

(Currency: INR in Lakhs)

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

Amount recognised in statement of profit or loss

(Currency: INR in Lakhs)

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

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

20 CURRENT TAX LIABILITY (NET)

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

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

21 PROVISIONS

See accounting policy in note no 3.8

(Currency: INR in Lakhs)

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

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

22 OTHER NON FINANCIAL LIABILITIES

(Currency: INR in Lakhs)

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

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

23 SHARE CAPITAL

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

	As at 31 March 2022	As at 31 March 2021
Authorised		
15,50,00,000 (previous year 13,30,00,000) Equity shares of ₹ 10 each	**15,500.00**	13,300.00
Nil (previous year 2,20,00,000) Compulsorily convertible preference shares ("CCPS") of ₹ 10 each	**—**	2,200.00
Total	**15,500.00**	15,500.00
Issued, subscribed and fully paid up		
13,17,98,226 (previous year 13,17,98,226) Equity shares of ₹ 10 each	**13,179.82**	13,179.82
Total	**13,179.82**	13,179.82

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

Particulars	As at 31 March 2022		As at 31 March 2021	
	Number	₹ in lakh	Number	₹ in lakh
Equity shares				
At the beginning of the year	**13,17,98,226**	**13,179.82**	13,17,98,226	13,179.82
At the end of the year	**13,17,98,226**	**13,179.82**	13,17,98,226	13,179.82
Issued and subscribed share capital	**13,17,98,226**	**13,179.82**	13,17,98,226	13,179.82

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

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

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

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

23 SHARE CAPITAL (Continued)

23.3 Details of shareholders of promoters are given below:

As at 31 March 2022

Sr. No.	Shares held by promoters at the end of the year			% Change during the year
	Promoter name	No. of shares	% of total shares	
i.	Housing Development Finance Corporation Limited*	**13,17,98,226**	100%	Nil
	Total	**13,17,98,226**	100%	Nil

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

As at 31 March 2021

Sr. No.	Shares held by promoters at the end of the year			% Change during the year
	Promoter name	No. of shares	% of total shares	
i.	Housing Development Finance Corporation Limited*	**13,17,98,226**	100%	Nil
	Total	**13,17,98,226**	100%	Nil

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

23.4 *Terms and rights attached to equity shares*

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

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

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

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

The shareholders have at its Extraordinary General meeting held on 31 March 2022 approved ESOP-2022 scheme with a total stock option of 40,72,565 towards an equal number of equity shares of face value ₹ 10 each of the Company. The revised ESOP-2022 scheme has been approved by the shareholders at its Extraordinary General meeting held on 18 April 2022. The scheme is yet to be implemented.

24 OTHER EQUITY

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

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

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

24 OTHER EQUITY (Continued)

24.1 Nature of reserves

Capital reserve: It was created on account of non convertible debentures issue cost which were transferred to securities premium account (during the financial year 2016-17).

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

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

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

Impairment reserve: In terms of RBI notification on Implementation of Indian Accounting Standards, dated 13 March 2020 (as amended), Company has to create impairment reserve. This reserve represents the difference where impairment allowance under Ind AS 109 is lower than the provisioning required under income recognition, asset classification and provisioning ("IRACP") norms (including standard asset provisioning). Currently, Company carries higher impairement allowance under Ind AS 109 than the specified requirement under IRACP norms.

Other comprehensive income:-

Remeasurement of the defined benefit plans: It represents the gain/ (loss) on account of actuarial valuation of defined benefit obligation.

Effective portion of cash flow hedges: It represents the cumulative gains/(losses) arising on revaluation of the hedging instruments and hedged item designated as cash flow hedges through OCI.

Fair value of investments: The Company recognises changes in the fair value of its investments in debt instruments held with a dual business objective of collect and sell in other comprehensive income. These changes are accumulated in the FVOCI debt investments reserve. The Company transfers amounts from this reserve to profit or loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the statement of profit and loss.

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

Particulars	Amount
Risk category	
Derivative instruments	
Cash flow hedging reserve	
As at 31 March 2020	(1,653.00)
Add: Revaluation of external commercial borrowings	2,070.00
Add: Changes in fair value of interest rate swaps	630.34
Add: Changes in fair value of principal only swaps*	(2,272.26)
Less: Income tax relating to above (net)	(107.00)
As at 31 March 2021	**(1,331.92)**
Add: Revaluation of external commercial borrowings	(2,300.00)
Add: Changes in fair value of interest rate swaps	1,678.11
Add: Changes in fair value of principal only swaps*	2,013.21
Less: Income tax relating to above (net)	(350.25)
As at 31 March 2022	**(290.85)**

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

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

25 INTEREST INCOME

See accounting policy in note no 3.1.1

(Currency: INR in Lakhs)

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

Interest income includes ₹ 1,347.79 lakhs (previous year ₹ 1,839.70 lakhs) of origination fees (net of DSA commission) which is amortized as per EIR method. Amortization as per EIR method is based on interest to total interest of financial assets along with prepayment assumption.

Interest income on Stage 3 assets is recognised on the net carrying value (the gross carrying value as reduced by the impairment loss allowance). Accordingly the total interest income is net of such interest on credit impaired assets amounting to ₹ 32.40 lakhs (previous year ₹ 110.33 lakhs).

26 FEES AND COMMISSION INCOME

See accounting policy in note no 3.1.2, 3.1.3 & 3.1.4

(Currency: INR in Lakhs)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Type of service		
Commission [Refer note 37.2]	**1,683.59**	866.58
Other fees	**66.65**	13.31
Total	**1,750.24**	879.89
Geographical markets		
India	**1,750.24**	879.89
Outside India	**—**	—
Total	**1,750.24**	879.89
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	**1,750.24**	879.89
Performance obligation satisfied over a period of time	**—**	—
Total	**1,750.24**	879.89

Trade receivables

(Currency: INR in Lakhs)

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

No revenue from transactions with a single external customer amounted to 10 percent or more of the Company's total revenue during the year ended 31 March 2022 or 31 March 2021.

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

27 NET GAIN ON FAIR VALUE CHANGES

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

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

28 FINANCE COSTS

See accounting policy in note no 3.11

(Currency: INR in Lakhs)

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

29 EMPLOYEE BENEFIT EXPENSES

See accounting policy in note no 3.7

(Currency: INR in Lakhs)

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

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

30 OTHER EXPENSES

(Currency: INR in Lakhs)

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

30.1 Other expenses

30.1.1 Payments to auditors

(Currency: INR in Lakhs)

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

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

30.1.2 Expenditure incurred for corporate social responsibility

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

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

During the financial year 2021-22

(Currency: INR in Lakhs)

Particulars	In cash	Yet to be paid
a) Construction/acquisition of any asset	**—**	—
b) On purposes other than (a) above	**357.73**	—

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

30 OTHER EXPENSES (Continued)

During the financial year 2020-21

(Currency: INR in Lakhs)

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

c. Additional disclosures in respect of corporate social responsibility

(Currency: INR in Lakhs)

Particulars	FY 2021-22	FY 2020-21
Shortfall at the end of the year	**Nil**	Nil
Total of previous years shortfall	**Nil**	Nil
Reason for shortfall	**Not applicable**	Not applicable
Amount paid to related party	**Nil**	**Nil**

d. Nature of CSR activities

(Currency: INR in Lakhs)

Sr. No.	Nature of CSR activity	FY 2021-22	FY 2020-21
1	Eradicating hunger, poverty and promoting education	**15.00**	32.79
2	Promoting education	**53.44**	56.84
3	Promoting health care	**270.70**	203.50
4	Promoting special education among the differently abled	**—**	14.29
5	Promoting special education and health among the differently abled	**18.59**	—
	Total	**357.73**	307.42

30.1.3 Expenditure in foreign currency

(Currency: INR in Lakhs)

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

31 IMPAIRMENT ON FINANCIAL INSTRUMENTS

See accounting policy in note no 3.2.5

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

(Currency: INR in Lakhs)

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

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

31 IMPAIRMENT ON FINANCIAL INSTRUMENTS (Continued)

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

(Currency: INR in Lakhs)

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

32 EMPLOYEE BENEFIT EXPENSES

See accounting policy in note no 3.7

As required by Ind AS 19 - "Employee Benefits", the following disclosures have been made:

1 Defined contribution plans

The Company makes provident fund contribution which is defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ 149.57 lakhs (previous year ₹ 122.82 lakhs) for provident fund contributions in the statement of profit and loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

2 Defined benefit plan

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

a Characteristics of the defined benefit plan -

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

Type of plan	—	Post employment benefit
Benefits offered	—	15/ 26 × salary × duration of service
Salary definition	—	Last drawn basic salary including dearness allowance (if any)
Benefit ceiling	—	Benefit ceiling of ₹ 20 lakhs was applied
Vesting conditions	—	5 years of continuous service (not applicable in case of death/disability)
Benefit eligibility	—	Upon death or resignation / withdrawal or retirement
Retirement age	—	58 years

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

32 EMPLOYEE BENEFIT EXPENSES (Continued)

b Risks associated with defined benefit plan -

i. Actuarial risk:

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

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

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

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

ii. Investment risk:

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

iii. Liquidity risk:

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

iv. Market risk:

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

v. Legislative risk:

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

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

32 EMPLOYEE BENEFIT EXPENSES (Continued)

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

I Components of employer expense (Currency: INR in Lakhs)

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

II Net liability recognised in the balance sheet (Currency: INR in Lakhs)

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

III Changes in defined benefit obligation (Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Present value of defined benefit obligation as at the beginning of the year	**313.54**	266.17
2	Current service cost	**52.05**	44.82
3	Interest cost	**19.40**	15.91
4	Actuarial loss/(gain)	**(4.63)**	7.78
5	Prior year charges	**—**	—
6	Benefits paid	**(52.72)**	(21.14)
7	Present value of defined benefit obligation as at the end of the year	**327.64**	313.54

Notes to the financial statements for the year ended 31 March 2022 (Continued)

32 EMPLOYEE BENEFIT EXPENSES (Continued)

IV Reconciliation of Liability

(Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Opening net liability	**305.63**	257.77
2	Expenses recognised	**70.58**	60.26
3	Other comprehensive income	**(4.49)**	7.60
4	Benefits paid	**—**	—
5	Contribution to plan assets	**(59.33)**	(20.00)
6	Amount recognised in the balance sheet under provision for employee benefits	**312.39**	305.63
	— Short-term provisions	**54.09**	47.84
	— Long-term provisions	**258.30**	257.79

V Reconciliation of Plan Assets

(Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Opening value of plan assets	**7.91**	8.40
2	Expenses incurred in the fund	**—**	—
3	Expected return	**0.87**	0.47
4	Actuarial gains\(losses)	**(0.14)**	0.18
5	Contribution by employer	**59.33**	20.00
6	Benefits paid	**(52.72)**	(21.14)
7	Closing value of plan assets	**15.25**	7.91

VI Actual return on Plan Assets

(Currency: INR in Lakhs)

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Expected return on plan assets	**0.87**	0.47
2	Actuarial gain on plan assets	**(0.14)**	0.18
3	Actual return on plan assets	**—**	—

VII Actuarial assumptions

		Gratuity	
		2021-22 ₹	2020-21 ₹
1	Discount rate	**6.70%**	6.25%
2	Return on plan assets	**6.70%**	6.25%
3	Attrition rate	**15%**	15%
4	Salary escalation rate	**7.00%**	7.00%
5	Mortality rate	Indian Assured Lives Mortality (2012-14) Table	

Notes to the financial statements for the year ended 31 March 2022 (Continued)

32 EMPLOYEE BENEFIT EXPENSES (Continued)

VIII Sensitivity analysis for actuarial assumptions

Sensitivity to key assumptions (Currency: INR in Lakhs)

Particulars	31 March 2022 (12 months)	31 March 2021 (12 months)
Discount rate sensitivity	₹	₹
Increase by 0.5%	**319.03**	305.10
(% change)	**(2.63)%**	(2.69)%
Decrease by 0.5%	**336.71**	322.45
(% change)	**2.77%**	2.84%
Salary growth rate sensitivity		
Increase by 0.5%	**335.12**	321.03
(% change)	**2.28%**	2.39%
Decrease by 0.5%	**320.30**	305.99
(% change)	**(2.24)%**	(2.41)%
Withdrawal rate (W.R.) Sensitivity		
W.R. x 110%	**327.34**	312.33
(% change)	**(0.09)%**	(0.39)%
W.R. x 90%	**327.72**	314.68
(% change)	**0.02%**	0.36%

A description of methods used for sensitivity analysis and its limitations:

Sensitivity analysis is performed by varying a single parameter while keeping all the other parameters unchanged.

Sensitivity analysis fails to focus on the interrelationship between underlying parameters. Hence, the results may vary if two or more variables are changed simultaneously.

The method used does not indicate anything about the likelihood of change in any parameter and the extent of the change if any.

IX The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The discount rate is based on the prevailing market yields of Government Securities as at the balance sheet date for the estimated term of the obligations.

X Experience adjustments:

Gratuity (Currency: INR in Lakhs)

		2021-22 ₹	2020-21 ₹	2019-20 ₹	2018-19 ₹	2017-18 ₹
1	Present value of defined benefit obligation	**327.64**	313.54	266.17	219.08	177.13
2	Present value of defined benefit assets	**(15.25)**	(7.91)	(8.40)	(35.00)	(38.86)
3	Experience adjustment on plan liabilities	**3.44**	8.46	4.87	3.22	5.82
4	Experience adjustment on plan assets	**(0.14)**	0.18	0.65	0.78	0.56
5	Unrecognised past service cost	—	—	—	—	—
6	(Excess)/short of obligation over plan assets	**312.39**	305.63	257.77	184.08	138.27

The Company expects to contribute approximately ₹ 312.39 lakhs (previous year ₹ 305.63 lakhs) to the gratuity fund.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

32 EMPLOYEE BENEFIT EXPENSES (Continued)

XI Investment pattern

(Currency: INR in Lakhs)

	Gratuity	
	2021-22	2020-21
Government of India securities	**0%**	0%
State government securities	**0%**	0%
High quality corporate bonds	**0%**	0%
Equity shares of listed companies	**0%**	0%
Property	**0%**	0%
Special deposit scheme	**0%**	0%
Policy of insurance*	**100%**	100%
Bank balance	**0%**	0%
Other investments	**0%**	0%
Total	**100%**	100%

* Components of investment by the insurance company are:

	Gratuity	
	2021-22	2020-21
Government Securities	**38.10%**	32.90%
Corporate bonds -		
AAA	**48.31%**	50.18%
AA+	**8.20%**	10.40%
AA	**2.78%**	2.78%
Cash, deposits, MMI	**2.61%**	3.74%
Total	**100.00%**	100.00%

Compensated absences

The actuarial liability of compensated absences of privilege leave of the employees of the Company is ₹ 22.74 lakhs (previous year ₹ 111.38 lakhs)

33 INCOME TAXES

33.1 Income tax recognised in profit or loss

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Current tax		
In respect of the current year	**7,600.11**	5,476.18
In respect of prior years	**2.11**	(62.18)
Total current tax	**7,602.22**	5,414.00
Deferred tax		
In respect of the current year: origination & reversal of temporary differences	**(487.06)**	(159.09)
Total income tax expense recognised in the current year relating to continuing operations	**7,115.16**	5,254.91

Notes to the financial statements for the year ended 31 March 2022 (Continued)

33.2 **Reconciliation of income tax expense of the year can be reconciled to the accounting profit as follows:**

(Currency: INR in Lakhs)

Sr. No.	Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
(i)	**Profit before tax**	**27,752.87**	20,777.74
(ii)	Income tax expense calculated at 25.168% on (i) above	**6,984.84**	5,229.34
(iii)	Effect of expenses that are not deductible in determining taxable profit	**90.04**	71.75
(iv)	Adjustments in respect of current income tax of prior years	**2.11**	(62.18)
(v)	Others	**38.17**	16.00
(vi)	**Income tax expense recognised in statement of profit and loss [(ii) + (iii) + (iv) + (v)]**	**7,115.16**	5,254.91
(vii)	**Effective tax rate [(vi) / (i)]**	**25.64%**	25.29%

The tax rate used for the reconciliations above is the corporate tax rate of 25.168% for the year 2021-22 and for the year 2020-21 payable by the corporate entities in India on taxable profits under tax law in Indian jurisdiction.

34 EARNINGS PER SHARE ("EPS")

See accounting policy in note no 3.14

Basic EPS is calculated by dividing the net profit for the year attributable to equity holders of Company by the weighted average number of equity shares outstanding during the year.

In accordance with the Ind AS 33 - "Earnings Per Share", following disclosures are made:

Particulars	Units	2021-22	2020-21
Profit after tax	₹ in lakhs	**20,637.71**	15,522.83
Less: Dividend on preference shares and attributable tax thereon	₹ in lakhs	**—**	—
Profit after tax for basic EPS	₹ in lakhs	**20,637.71**	15,522.83
Weighted average number of equity shares for calculating basic earnings per share	Numbers	**13,17,98,226**	13,17,98,226
Face value of equity shares	₹	**10**	10
Basic earnings per share	₹	**15.66**	11.78
Profit after tax for diluted EPS	₹ in lakhs	**20,637.71**	15,522.83
Weighted average number of equity shares for calculating diluted earnings per share	Numbers	**13,17,98,226**	13,17,98,226
Face value of equity shares	₹	**10**	10
Diluted earnings per share	₹	**15.66**	11.78

Notes to the financial statements for the year ended 31 March 2022 (Continued)

35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled, based on the prepayment and refinance assumptions approved by the Asset Liability Management Committee of the Company.

(Currency: INR in Lakhs)

	31 March 2022			31 March 2021		
	Within 12 months	**After 12 months**	**Total**	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	**2,730.33**	**–**	**2,730.33**	10,741.60	–	10,741.60
Bank balance other than (a) above	**142.54**	**–**	**142.54**	251.06	25.04	276.10
Derivative financial instruments	**3,048.08**	**–**	**3,048.08**	118.80	1,528.35	1,647.15
Trade receivables	**48.50**	**–**	**48.50**	29.56	–	29.56
Loans	**180,608.31**	**698,075.91**	**878,684.22**	125,089.50	497,952.27	623,041.77
Investments	**7,099.08**	**11,802.05**	**18,901.13**	17,883.56	2,994.34	20,877.90
Other financial assets	**2,966.91**	**155.15**	**3,122.06**	602.13	97.37	699.50
Non-financial assets						
Current tax asset	**–**	**279.55**	**279.55**	–	85.22	85.22
Deferred tax assets (net)	**–**	**1,778.77**	**1,778.77**	–	1,698.00	1,698.00
Property, plant and equipment	**–**	**1,324.31**	**1,324.31**	–	837.48	837.48
Other intangible assets	**–**	**12.29**	**12.29**	–	25.02	25.02
Intangible assets under development	**–**	**174.47**	**174.47**	–	–	–
Other non-financial assets	**454.72**	**–**	**454.72**	345.34	–	345.34
Total assets	**197,098.47**	**713,602.50**	**910,700.97**	**155,061.55**	**505,243.09**	**660,304.64**
Liabilities						
Financial liabilities						
Derivative financial instruments	**–**	**7,157.05**	**7,157.05**	–	5,593.50	5,593.50
Trade payables						
(i) Total outstanding dues of creditors micro enterprises and small enterprises	**64.71**	**–**	**64.71**	169.04	**–**	169.04
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	**2,155.27**	–	**2,155.27**	1,315.13	–	1,315.13
Debt securities	**9,825.62**	**200,352.18**	**210,177.80**	23,216.82	161,927.05	185,143.87
Borrowings (other than debt securities)	**137,755.01**	**343,782.98**	**481,537.99**	18,749.00	262,624.21	281,373.21
Subordinated liabilities	**–**	**59,787.61**	**59,787.61**	–	60,543.26	60,543.26
Other financial liabilities	**11,248.67**	**830.67**	**12,079.34**	**9,874.11**	**607.22**	**10,481.33**
Non-financial liabilities						
Current tax liability	**–**	**–**	**–**	67.31	–	67.31
Provisions	**62.62**	**382.21**	**444.83**	65.95	369.45	435.40
Other non-financial liabilities	**1,235.97**	**–**	**1,235.97**	752.97	–	752.97
Total liabilities	**162,347.87**	**612,292.70**	**774,640.57**	54,210.33	491,664.69	545,875.02
Net	**34,750.60**	**101,309.80**	**136,060.40**	100,851.22	13,578.40	114,429.62

Notes to the financial statements for the year ended 31 March 2022 (Continued)

36 CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

See accounting policy in note no 3.2 & 3.12

36.1 For the period ended 31 March 2022

(Currency: INR in Lakhs)

Particulars	31 March 2021	Cash flows	Fair Value Impact	Forex Impact	Others*	31 March 2022
Debt securities	185,143.87	26,108.18	(2,330.51)	—	1,256.27	210,177.80
Borrowings other than debt securities	281,373.21	197,543.75	—	2,300.00	321.03	481,537.99
Subordinated Liabilities	60,543.26	—	(774.33)	—	18.68	59,787.61
Total liabilities from financing activities	**527,060.34**	**223,651.93**	**(3,104.84)**	**2,300.00**	**1,595.98**	**751,503.40**

36.2 For the period ended 31 March 2021

(Currency: INR in Lakhs)

Particulars	31 March 2020	Cash flows	Fair Value Impact	Forex Impact	Others*	31 March 2021
Debt securities	222,912.41	(35,596.64)	(2,943.07)	—	771.17	185,143.87
Borrowings other than debt securities	300,603.29	(17,414.98)	—	(2,070.00)	254.90	281,373.21
Subordinated Liabilities	62,327.90	—	(1,802.76)	—	18.12	60,543.26
Total liabilities from financing activities	**585,843.60**	**(53,011.62)**	**(4,745.83)**	**(2,070.00)**	**1,044.19**	**527,060.34**

*Others column includes effect of amortisation of initial issue cost as per Ind AS.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

37 RELATED PARTY DISCLOSURES

As per Ind AS 24 - "Related Party Disclosures", following disclosure are made:

37.1 Details of related parties

1 Holding Company
Housing Development Finance Corporation Limited

2 Fellow subsidiaries with whom transactions have taken place during the year
HDFC ERGO General Insurance Company Limited
HDFC Life Insurance Company Limited
HDFC Sales Private Limited

3 Associates of Holding Company
HDFC Bank Limited
HDFC Securities Limited

4 Key Management Personnel
Mr. V. Srinivasa Rangan, Chairman
Mr. Subodh Salunke, Non Executive Vice Chairman
Ms. Madhumita Ganguli, Non- Executive Director
Mr. B. Mahapatra, Independent Director
Mr. Sunil Shah, Independent Director
Mr. Rajesh Gupta, Independent Director
Mr. Arijit Sanyal, Managing Director & CEO

5 Key Management Personnel of Holding Company
Mr. Deepak S. Parekh, Non-Executive Chairman of Holding Company
Mr. Keki M. Mistry, Vice Chairman & CEO of Holding Company
Ms. Renu Sud Karnad, Managing Director of Holding Company
Mr. V. Srinivasa Rangan, Executive Director of Holding Company
Mr. Nasser Munjee, Independent Director of Holding Company
Dr. Jamshed J. Irani, Independent Director of Holding Company
Mr. Upendra K. Sinha, Independent Director of Holding Company
Mr. Jalaj Ashwin Dani, Independent Director of Holding Company
Dr. Bhaskar Ghosh, Independent Director of Holding Company
Ms. Ireena Vittal, Independent Director of Holding Company

37 RELATED PARTY DISCLOSURES (continued)

37.2 The nature and volume of transactions of the Company with the above related parties were as follows: (Currency: INR in Lakhs)

Particulars		Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Total	
		2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1	Commission received for sourcing home loans	**0.02**	(2.35)	–	–	–	–	–	–	–	–	**0.02**	(2.35)
2	Commission received for sourcing fixed deposits	**50.14**	22.28	–	–	–	–	–	–	–	–	**50.14**	22.28
3	Commission received for sourcing insurance	–	–	**162.50**	62.20	–	–	–	–	–	–	**162.50**	62.20
4	Interest income on deposits	–	–	–	–	**3.23**	55.88	–	–	–	–	**3.23**	55.88
5	Interest income on education loans	–	–	–	–	–	–	–	–	–	7.94	**–**	7.94
6	Staff expenses of non executive vice chairman on deputation	–	17.70	–	–	–	–	–	–	–	–	–	17.70
7	Staff expenses of managing director & CEO on deputation	**224.16**	63.90	–	–	–	–	–	–	–	–	**224.16**	63.90
8	Staff expenses of employees on deputation	**158.64**	86.53	–	–	–	–	–	–	–	–	**158.64**	86.53
9	Staff welfare expenses of employees on deputation	**2.19**	1.05	–	–	–	–	–	–	–	–	**2.19**	1.05
10	Employee's health insurance premium	–	–	37.54	14.28	–	–	–	–	–	–	**37.54**	14.28
11	Employee's group term insurance premium	–	–	**3.67**	1.07	–	–	–	–	–	–	**3.67**	1.07
12	Reimbursement of GST expenses on brand usage	3.96	4.44	–	–	–	–	–	–	–	–	**3.96**	4.44
13	Reimbursement of expenses	**9.09**	–	–	–	–	–	–	–	–	–	**9.09**	–
14	Rent expenses	91.50	63.90	–	–	–	–	–	–	–	–	**91.50**	63.90
15	Interest paid on non convertible debentures	–	–	–	–	–	5,520.00	–	–	–	–	**–**	5,520.00
16	Directors' liability insurance premium	–	–	**0.95**	0.99	–	–	–	–	–	–	**0.95**	0.99
17	Cyber security insurance premium	–	–	20.29	16.69	–	–	–	–	–	–	**20.29**	16.69
18	Technology support charges	26.20	–	–	–	–	–	–	–	–	–	**26.20**	–
19	Education loan given	–	–	–	–	–	–	–	–	–	107.89	**–**	107.89
20	Bank charges	–	–	–	–	3.55	4.81	–	–	–	–	**3.55**	4.81
21	Commission paid on sourcing of education loans	–	–	147.06	32.08	1,270.38	447.58	–	–	–	–	1,417.44	479.66
22	Contribution to group gratuity policy	–	–	59.33	20.00	–	–	–	–	–	–	**59.33**	20.00
23	Directors' sitting fees	–	–	–	–	–	–	84.75	70.50	–	–	**84.75**	70.50

37 RELATED PARTY DISCLOSURES (continued)

37.3 Balance outstanding at the end of the year

(Currency: INR in Lakhs)

	Particulars	Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Total	
		2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1	Commission receivable for sourcing home loans	**0.03**	–	–	–	–	–	–	–	–	–	**0.03**	–
2	Commission receivable for sourcing fixed deposits	**0.73**	0.11	–	–	–	–	–	–	–	–	**0.73**	0.11
3	Commission receivable for sourcing insurance	–	–	6.55	8.85	–	–	–	–	–	–	**6.55**	8.85
4	Staff welfare expenses of employee on deputation payable	2.38	–	–	–	–	–	–	–	–	–	**2.38**	–
5	Reimbursement of expenses payable	8.57	–	–	–	–	–	–	–	–	–	**8.57**	–
6	Technology support charges payable	28.30	–	–	–	–	–	–	–	–	–	28.30	–
7	Advance employees' insurance premium	–	–	0.34	0.21	–	–	–	–	–	–	**0.34**	0.21
8	Employee insurance premium (prepaid expense)	–	–	14.82	2.32	–	–	–	–	–	–	**14.82**	2.32
9	Cyber security insurance premium (prepaid expense)	–	–	24.52	19.81	–	–	–	–	–	–	**24.52**	19.81
10	Directors' liability insurance premium (prepaid expense)	–	–	0.97	0.67	–	–	–	–	–	–	**0.97**	0.67
11	Education loan	–	–	–	–	–	–	–	–	–	108.49	**–**	108.49
12	Balance in current accounts	–	–	–	–	2,725.77	7,212.56	–	–	–	–	**2,725.77**	7,212.56
13	Interest accrued on deposits	–	–	–	–	3.23	0.63	–	–	–	–	**3.23**	0.63
14	Trade payables	–	–	10.45	7.67	**349.16**	164.13	–	–	–	–	**359.61**	171.80
15	Deposits held	–	–	–	–	85.00	10.00	–	–	–	–	**85.00**	10.00
16	Security deposit placed	–	–	**2.00**	2.00	–	–	–	–	–	–	**2.00**	2.00

Notes: 1. There were no guarantee given or security provided during the year to the related parties.

2. All aforesaid transactions are in ordinary course of business and at arm's length basis.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38 FINANCIAL INSTRUMENTS

See accounting policy in note no 3.2

38.1 Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and is comfortably meeting the minimum capital adequacy requirements stipulated by the Reserve Bank of India (RBI) for NBFCs. The Company is required to maintain minimum capital adequacy ratio of 15% and minimum Tier I capital of 10%.

(Currency: INR in Lakhs)

CAPITAL TO RISK ASSETS RATIO (CRAR)	31 March 2022	31 March 2021
CRAR (%)	**18.93**	24.02
CRAR - Tier I capital (%)	**14.84**	17.67
CRAR - Tier II capital (%)	**4.09**	6.35

The Company also monitors capital using debt-equity ratio, which is total debt divided by total equity.

(Currency: INR in Lakhs)

Particulars	31 March 2022	31 March 2021
Net debt*	**748,773.07**	516,318.74
Total equity	**134,094.87**	112,706.60
Net debt to equity ratio	**5.58**	4.58

* Cash and cash equivalents have been reduced from gross debt amount for net debt to equity ratio calculated above.

The Company has complied in full with all its externally imposed capital requirements over the reported period.

Loan covenants

Under the terms of the major borrowing facilities, the Company has complied with the covenants throughout the reporting period.

38.2 Categories of financial instruments

(Currency: INR in Lakhs)

Particulars	31 March 2022			31 March 2021		
	FVTPL	FVOCI / CashFlow HedgeReserve	Amortised cost	FVTPL	FVOCI / CashFlow HedgeReserve	Amortised cost
Financial assets						
Derivative financial assets	–	3,048.08	–	–	1,647.15	–
Trade receivables	–	–	48.50	–	–	29.56
Loans	–	–	878,684.22	–	–	623,041.77
Investments	7,099.08	11,802.05	–	17,883.56	2,994.34	–
Other financial assets	–	–	3,122.06	–	–	699.50
Total financial assets	**7,099.08**	**14,850.13**	**881,854.78**	**17,883.56**	**4,641.49**	**623,770.83**
Financial liabilities						
Derivative financial liabilities	7,157.05	–	–	4,149.92	1,443.58	–
Trade payables	–	–	2,219.98	–	–	1,484.17
Debt securities	110,435.20	–	99,742.60	87,770.78	–	97,373.09
Borrowings (other than debt securities)	–	–	469,042.71	–	–	281,373.21
Subordinated liabilities	49,798.38	–	9,989.23	50,557.63	–	9,985.63
Other financial liabilities	–	–	12,079.34	–	–	10,481.33
Total financial liabilities	**167,390.63**	**–**	**593,073.87**	**142,478.32**	**1,443.58**	**400,697.44**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.2 Categories of financial instruments (continued)

38.2.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

(Currency: INR in Lakhs)

Financial assets and liabilities measured at fair value - recurring fair value measurements	Level 1	Level 2	Level 3	Total
As at 31 March 2022				
Financial assets				
Financial Investments at FVTPL				
Mutual Funds	7,099.08	—	—	7,099.08
Financial Investments at FVOCI				
Government Securities	11,802.05	—	—	11,802.05
Derivatives designated as fair value hedges				
Interest Rate Swaps	—	234.54	—	234.54
Derivatives designated as cash flow hedges				
Currency swaps - Principal Only swaps	—	2,813.55	—	2,813.55
Total financial assets	**18,901.13**	**3,048.09**	**—**	**21,949.22**
Financial liabilities				
Financial Investments at FVTPL				
Non-Convertible Debentures	—	160,233.57	—	160,233.57
Derivatives designated as fair value hedges				
Interest Rate Swaps - INR OIS	—	7,157.06	—	7,157.06
Derivatives designated as cash flow hedges				
Interest rate swaps - USD IRS	—	—	—	—
Total financial liabilities	**—**	**167,390.63**	**—**	**167,390.63**

As at 31 March 2021				
Financial assets				
Financial Investments at FVTPL				
Mutual Funds	17,883.56	—	—	17,883.56
Financial Investments at FVOCI				
Government Securities	2,994.34	—	—	2,994.34
Derivatives designated as fair value hedges				
Interest Rate Swaps	—	—	—	—
Derivatives designated as cash flow hedges				
Currency swaps - Principal Only swaps	—	1,647.15	—	1,647.15
Total financial assets	**20,877.90**	**1,647.15**	—	**22,525.05**
Financial liabilities				
Financial Investments at FVTPL				
Non-Convertible Debentures	—	138,328.40	—	138,328.40
Derivatives designated as fair value hedges				
Interest Rate Swaps - INR OIS	—	4,149.92	—	4,149.92
Derivatives designated as cash flow hedges				
Interest rate swaps - USD IRS	—	1,443.58	—	1,443.58
Total financial liabilities	—	**143,921.90**	—	**143,921.90**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.2 Categories of Financial Instruments (continued)

38.2.1 Fair value hierarchy (continued)

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes units of mutual funds (open ended).

Level 2: The fair value of financial instruments that are not traded in an active market for example, derivative instruments is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There has been no transfers between level 1, level 2 and level 3 for the year ended 31 March 2022 and 31 March 2021.

38.2.2 Valuation technique used to determine fair value

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method using the closing curves available on the market terminals as at the end of reporting period.

The Company measures financial instruments, such as investments at fair value.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

38.2.3 Fair value of financial instruments not measured at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements.

(Currency: INR in Lakhs)

Particulars	31 March 2022			31 March 2021		
	Carrying Value	**Fair Value**	**Fair Value Hierarchy**	Carrying Value	Fair Value	Fair Value Hierarchy
Financial liabilities at amortised cost						
Non convertible debentures	**91,443.17**	**88,766.34**	**Level 2**	91,703.58	91,569.05	Level 2
Perpetual debt instruments	**10,509.44**	**11,106.80**	**Level 2**	10,505.84	11,519.70	Level 2
Subordinated liabilities	—	—	—	—	—	—
Total financial liabilities	**101,952.61**	**99,873.14**		102,209.42	103,088.75	

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.2.3 Fair value of financial instruments not measured at fair value (Continued)

1) **Note:** The fair value of the financial liabilities are considered at the amount, at which the instrument could be exchanged in current transaction between willing parties, other than in forced or liquidation sale. Carrying value includes interest accrued as on year end.

2) **Loans:**
Substantially all loans reprice frequently, with interest rates reflecting current market pricing, the carrying value of these loans amounting to ₹ 883,805.37 lakhs (as at 31 March 2021 ₹ 626,695.72 lakhs) approximates their fair value.

3) **Other financial assets and liabilities**
With respect to bank balances and cash and cash equivalents (Refer note 4 and 5), trade receivables (Refer note 7), other financial assets (Refer note 10), trade payables (Refer note 15) and other financial liabilities (Refer note 19), the carrying value approximates the fair value.

38.3 Financial risk management

The Company has to manage various risks associated with the lending business. These risks include credit risk, liquidity risk, foreign exchange risk, interest rate risk and counterparty risk.

The Liquidity Risk Management Framework and Financial Risk Management Policy as approved by the Board of Directors sets limits for exposures on currency and other parameters. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Interest rate risks is mitigated by entering into interest rate swaps. The currency risk on the borrowings is actively managed mainly through a principal only swaps. Counterparty risk is reviewed periodically to ensure that exposure to various counterparties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of Asset Liability Management, the Company has entered into interest rate swaps, wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to various benchmarks.

38.3.1 Credit risk

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to the Company. In its lending operations, the Company is principally exposed to credit risk.

The credit risk is governed by the Credit Policy approved by the Board of Directors. The Credit Policy outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits.

The Company monitors and manages credit risk at an individual borrower level as well as at portfolio level. The Company has a structured and standardized credit approval process, which includes an established procedure for credit appraisal, loan disbursal, collection and recovery. The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk.

38.3.1.1 Education Loans

Our customers for retail loans are low, middle and high-income, salaried and self-employed individuals. The Company's credit officers evaluate credit proposals on the basis of active credit policy as on the date of approval. The criteria typically include factors such as the student academic & entrance scores, country / university / college / course of study, future potential for the student, co-borrower's income & obligations, the loan-to-value ratio and demographic parameters subject to regulatory guidelines. Any deviations need to be approved at the designated levels.

The various process controls such as PAN check, CERSAI database scrubbing, credit bureau report analysis are undertaken prior to approval of a loan. In addition External agencies such as field investigation agencies facilitate a comprehensive due diligence process including visits to offices and homes.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.1.1 Education Loans (continued)

The Company analyses the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality. The Company obtains collateral depending upon the loan amount, country of study, etc. as per the product group matrix.

Analysis of risk concentration

Since the Company provides only retail education loans, there is not significant concentration risk at the borrower / counterparty level.

Concentration based on the geographic study location of student being funded is as follows

Principal	India	USA	Canada	Other Countries	Total
As at 31 March 2022	**8%**	**52%**	**22%**	**19%**	**100%**
As at 31 March 2021	9%	56%	17%	18%	100%

The Company has introduced risk tolerance limits in terms of threshold limits for unsecured loans by geographic segments based on country of study of the students seeking education loans.

38.3.1.2 Risk management and portfolio review

The Company reviews the portfolio regularly on various parameters to look at the trend in defaults and take necessary measures.

The credit team does multi level checks and ensure adherence to the terms of the credit policy prior to the commitment and disbursement of credit facilities. The central operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and compliance with regulatory guidelines.

The branch credit team/operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and life insurance policy which covers in case of death of student during the term of the loan.

The Credit Committee of the Company, apart from approving proposals, regularly reviews the credit quality of the portfolio and various sub-portfolios. An actionable summary of the reviews carried out by the Credit Committee of the Company is shared with the branches & management team through regular interaction and communication.

38.3.1.3 Collateral and other credit enhancements

Based on the Board approved credit policy, the Company provides fully secured, partially secured and unsecured education loans to individuals. The parameters relating to acceptability and valuation of each type of collateral are a part of the Credit Policy of the Company.„ The Company obtains collateral in the form of mortgages over immovable properties, fixed deposits and insurance policies. The Company does not have any credit enhancement arrangement.

In case of delinquent customers the Company has the right to repossess the collaterals pledged as security and liquidate the same to recover the amounts due against the outstanding loan. Any surplus funds after adjusting such outstanding dues are returned to the customers/obligors.

Disclosure of credit quality and the gross carrying value for credit risk and year-end stage classification are further disclosed in note 8.1.

The tables set out below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral and the net exposure to credit risk. The fair value of the collateral is done as per the Credit Policy at the time of sanction of the loan.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.1.3 Collateral and other credit enhancements (Continued)

Fair value of collaterals and credit enhancements held

a. As at 31 March 2022 (Currency: INR in Lakhs)

Education Loans					
Gross Carrying Value	**Immovable properties**	**Fixed deposits**	**Total collateral**	**Unsecured exposure**	**Total ECL**
883,805.37	**294,570.66**	**9,777.67**	**304,348.33**	**579,457.04**	**5,121.15**

b. As at 31 March 2021 (Currency: INR in Lakhs)

Education Loans					
Gross Carrying Value	Immovable properties	Fixed deposits	Total collateral	Unsecured exposure	Total ECL
626,695.72	252,582.08	7,486.88	260,068.96	366,626.76	3,653.95

38.3.2 Market risk

It is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

38.3.2.1 Interest rate risk

The Company's core business is providing education loans. The Company raises money from diversified sources like market borrowings, term loans and foreign currency borrowings amongst others. In view of the financial nature of the assets and liabilities of the Company, changes in market interest rates can adversely affect its financial condition. The fluctuations in interest rates can be due to internal and external factors. Internal factors include the composition of assets and liabilities across maturities, existing rates and re-pricing of various sources of borrowings. External factors include macro economic developments, competitive pressures, market conditions, regulatory developments and global factors. The rise or fall in interest rates impact the Company's net interest income depending on whether the balance sheet is asset sensitive or liability sensitive.

The Company uses traditional gap analysis report to determine the Company's vulnerability to movements in interest rates. The Gap is the difference between Rate Sensitive Assets ("RSA") and Rate Sensitive Liabilities ("RSL") for each time bucket. It indicates whether the Company is in a position to benefit from rising interest rates by having a positive gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative gap (RSL > RSA). The Company also fixes tolerance limits for the same under the Liquidity Risk Management Framework ("LRMF"), Asset Liability Management ("ALM") & Financial Risk Management ("FRM") Policy.

(1) Interest rate risk exposure

The break-up of the Company's borrowings into variable rate and fixed rate at the end of the reporting periods are as below:

Particulars	**31 March 2022**	31 March 2021
Variable rate borrowing	**75%**	66%
Fixed rate borrowing	**25%**	34%
Total borrowing	**100%**	100%

(2) Interest rate sensitivity

The impact of 10 bps change in interest rates on financial assets and liabilities on the profit after tax for the year ended 31 March 2022 is ₹ 206.21 lakhs (previous year ₹ 205.67 lakhs).

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.2.2 Foreign currency exchange rate risk

The Company's outstanding borrowings consist of external commercial borrowing as well and hence the Company is exposed to foreign currency exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency i.e. INR. The objective of the hedges is to minimize the volatility of the INR cash flows. The Company's risk management policy allows it to keep the foreign currency risk open upto 5% of the total borrowings.

The Company currently uses currency swaps to hedge its exposure in foreign currency risk. The Company designates the fair value of the currency swaps contracts as hedging instruments. In case the hedge effectiveness is 100%, the change in the fair value of the currency swaps contracts and the change in carrying value of the underlying foreign currency liability are compared and the difference is recognised in cash flow hedge reserve. During the years ended March 31, 2022 and 2021, the Company did not have any hedging instruments with terms which were not aligned with those of the hedged items.

(1) Foreign currency risk exposure:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows

(Currency: INR in Lakhs)

Particulars	31 March 2022	31 March 2021
	USD	USD
Financial liabilities		
Foreign currency loan	**(75,900.00)**	(73,600.00)
Interest accrued on foreign currency loan	**(26.09)**	(38.58)
Exposure to foreign currency risk (liabilities) (a)	**(75,926.09)**	(73,638.58)
Derivative financial instruments		
Foreign exchange derivative contracts	**75,900.00**	73,600.00
Exposure to foreign currency risk (assets) - (b)	**75,900.00**	73,600.00
Net exposure to foreign currency risk (c) = (a) + (b)	**(26.09)**	(38.58)

(2) Foreign currency sensitivity analysis:

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign exchange swap contracts designated as cash flow hedges.

(Currency: INR in Lakhs)

Particulars	Impact on profit after tax		Impact on other components of equity	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
USD sensitivity				
INR/USD - increase by 1%*	**—**	—	**28.14**	16.47
INR/USD - decrease by 1%*	**—**	—	**(28.14)**	(16.47)

* Assuming all other variable is constant

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.2.2 Foreign currency exchange rate risk (continued)

(3) Hedging policy

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item and so a qualitative and quantitative assessment of effectiveness is performed. Economic relationship between the hedged item and the hedging instrument is being assessed at the end of the reporting period by performing the hedge effectiveness testing.

A. Cash flow hedge

The impact of the hedging instrument and hedged item on the balance sheet:

Hedging instrument (Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	Weighted average contract /strike price ofthe hedging instrument	Change in fair value used for measuring ineffectiveness for the period - profit / (loss)
As at 31 March 2022					
INR USD - Principal only swaps	75,900.00	2,813.55	Derivative financial instrument	72.46	1,166.41
INR USD - Interest rate swap	75,900.00	234.53		—	1,678.11
Total	**151,800.00**	**3,048.08**		**72.46**	**2,844.52**

Hedging instrument (Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	Weighted average contract /strike price ofthe hedging instrument	Change in fair value used for measuring ineffectiveness for the period - profit / (loss)
As at 31 March 2021					
INR USD - Principal only swaps	73,600.00	1,647.15	Derivative Financial Instrument	71.62	(2,330.76)
INR USD - Interest rate swap	73,600.00	(1,443.58)		-	630.34
Total	**147,200.00**	**203.57**		**71.62**	**(1,700.42)**

Hedged Item (Currency: INR in Lakhs)

Particulars	Change in the value of hedged item used as thebasis for recognising hedge ineffectiveness		Cash flow hedgereserve as at	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
External commercial borrowings	(2,300.00)	(2,070.00)	(4,343.00)	(2,043.00)
Total	**(2,300.00)**	**(2,070.00)**	**(4,343.00)**	**(2,043.00)**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

38.3.2.2 Foreign currency exchange rate risk (continued)

The impact of the cashflow hedges in the statement of profit and loss and other comprehensive income:

(Currency: INR in Lakhs)

Particulars	Hedging gains or (losses) recognised in OCI		Hedging ineffectiveness recognised in statement of profit and loss		Line item in the statement of profit or loss that includes hegde ineffectiveness
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021	
Principal only swap	1,166.41	(2,330.76)	—	—	Not applicable
USD-INR Interest rate swap	1,678.11	630.34	—	—	

B. Fair value hedge

The impact of the hedging instrument and hedged item on the balance sheet:

Hedging instrument

(Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount - Asset	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Interest rate swap as at				
31 March 2022	167,500.00	(7,157.05)	Derivative Financial Instruments	(3,007.13)
31 March 2021	142,500.00	(4,149.92)		(5,049.91)

Hedged item

(Currency: INR in Lakhs)

Particulars	Notional amount	Accumulated fairvalue adjustment - Liability	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Non-convertible debentures				
31 March 2022	167,500.00	(6,957.45)	Debt securities and Subordinated liabilities	(3,104.84)
31 March 2021	142,500.00	(3,852.62)		(4,745.83)

The impact of the fair value hedges in the statement of profit and loss:

(Currency: INR in Lakhs)

Particulars	Hedging ineffectiveness recognised in statement of profit and lossprofit/(loss)		Line item in the statement of profit or loss
	31 March 2022	31 March 2021	
Interest rate swaps	**97.70**	(304.08)	Net gain on fair value changes

Notes to the financial statements for the year ended 31 March 2022 (Continued)

(4) Hedge ratio

The foreign exchange currency swap contracts are denominated in the same currency as the highly probable foreign currency cash flow on principal payments, therefore the hedge ratio is 1:1. The notional amount of interest rate swap is equal to the portion of variable rate loans that is being hedged, and therefore the hedge ratio for interest rate swap is also 1:1.

38.3.2.3 Interest Rate Benchmark Reform

As on March 31, 2022, the Company has foreign currency borrowings of USD 100 million on which it pays USD LIBOR (London Inter-bank Offered Rate). The Company has undertaken principal only swaps and USD Interest Rate Swaps of notional amount of USD 100 million each to hedge the foreign currency and fx interest rate risks. The valuations of these hedges are impacted by, among other variables, changes in USD LIBOR.

As part of the LIBOR discontinuation process, the ICE Benchmark Administration Limited ("IBA"), the authorized administrator of LIBOR, published the decision to cease publication of one month USD LIBORs after June 30, 2023. The Company's USD 100 million borrowing is due for repayment by March 2023. Since the Company's borrowings and hedges linked to LIBOR will mature prior to the discontinuation of the relevant tenor USD LIBORs, the Company will not be impacted by the transition to alternate benchmark rates for the existing borrowing.

38.3.3 Liquidity risk

(1) Maturities of financial liabilities

The tables below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

(Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2022	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-derivatives					
Trade payables	2,219.98	—	—	—	2,219.98
Debt securities at amortised cost	9,825.62	49,966.29	—	39,950.69	99,742.60
Debt securities at FVTPL	—	29,303.24	—	81,131.96	110,435.20
Borrowings (other than debt securities)	137,755.01	162,079.37	141,096.54	40,607.07	481,537.99
Subordinated liabilities at amortised cost	—	9,989.23	—	—	9,989.23
Subordinated liabilities at FVTPL	—	—	14,562.04	35,236.34	49,798.38
Other financial liabilities	11,248.67	437.90	350.38	42.39	12,079.34
Total non-derivatives liabilities	**161,049.28**	**251,776.03**	**156,008.95**	**196,968.45**	**765,802.72**
Derivatives (net settled)					
Currency swaps - principal only swaps	—	—	—	—	—
Interest rate swaps	—	536.11	721.57	5,899.37	7,157.05
Total derivatives liabilities	**—**	**536.11**	**721.57**	**5,899.37**	**7,157.05**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

(Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2021	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-derivatives					
Trade payables	1,484.16	–	–	–	1,484.16
Debt securities at amortised cost	77,389.41	19,983.68	–	–	97,373.09
Debt securities at FVTPL	–	–	29,731.20	58,039.58	87,770.78
Borrowings (other than debt securities)	61,957.90	173,572.85	23,209.13	22,633.33	281,373.21
Subordinated liabilities at amortised cost	–	–	9,985.63	–	9,985.63
Subordinated liabilities at FVTPL	–	–	14,746.51	35,811.12	50,557.63
Other financial liabilities	10,070.01	256.04	128.99	26.29	10,481.33
Total non-derivatives liabilities	**150,901.48**	**193,812.57**	**77,801.46**	**116,510.32**	**539,025.83**
Derivatives (net settled)					
Currency swaps - principal only swaps	–	–	–	–	–
Interest rate swaps	–	1,443.58	453.82	3,696.10	5,593.50
Total derivatives liabilities	**–**	**1,443.58**	**453.82**	**3,696.10**	**5,593.50**

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company

The Company has prepared financial statements for the year ended 31 March 2022, in accordance with Ind AS. Accordingly, the relevant disclosures are based on the carrying values as reflected in the financial statements prepared as per requirements of Ind AS.

39.1 Capital to risk assets ratio (CRAR)

(Currency: INR in Lakhs)

Items	2021-22	2020-21
CRAR (%)	**18.93**	24.02
CRAR - Tier I capital (%)	**14.84**	17.67
CRAR - Tier II capital (%)	**4.09**	6.35
Amount of subordinated debt raised as Tier-II capital	**–**	–
Amount raised by issue of Perpetual Debt Instrument	**–**	–

The CRAR has been computed in accordance with requirements of Annex XXVI of Master Direction DNBR. PD.008/03.10.119/ 2016-17 dated 01 September 2016 (as amended) ("RBI Master Directions") i.e. "Regulatory Guidance on Implementation of Indian Accounting Standards by NBFCs" read with guidelines in Chapter IV of the RBI Master Directions.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.2 Investments

(Currency: INR in Lakhs)

	Items		Current Year (2021-22)	Previous Year (2020-21)
1	**Value of investments**			
	i)	Gross value of investments	**18,901.13**	20,877.90
		a) In India	**18,901.13**	20,877.90
		b) Outside India	**—**	—
	ii)	Provision for depreciation	**—**	—
		a) In India	**—**	—
		b) Outside India	**—**	—
	iii)	Net value of investments	**18,901.13**	20,877.90
		a) In India	**18,901.13**	20,877.90
		b) Outside India	**—**	—
2	**Movement of provisions held towards depreciation on investments**			
	i)	Opening balance	**—**	—
	ii)	Add : Provisions made during the year	**—**	—
	iii)	Less : Write-off / write-back of excess provisions during the year	**—**	—
	iv)	Closing balance	**—**	—

39.3 Derivatives

39.3.1 Forward Rate Agreement / Interest Rate Swap

(Currency: INR in Lakhs)

Particulars		Current Year (2021-22)	Previous Year (2020-21)
(i)	The notional principal of swap agreements*	**319,300.00**	289,700.00
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**3,010.96**	1,759.28
(iii)	Collateral required by the applicable NBFC upon entering into swaps	**—**	—
(iv)	Concentration of credit risk arising from the swaps**	**100%**	100%
(v)	The fair value of the swap book	**(4,108.97)**	(3,946.35)

* Includes USD IRS - Notional of USD 100 millions converted at year end exchange rate.

** Concentration of credit risk arising from swap is with banks.

(Currency: INR in Lakhs)

Benchmark	Current Year (2021-22)	Previous Year (2020-21)	Terms
	Notional Principal (INR in Lakhs)		
OIS	**167,500.00**	142,500.00	Fixed Receivable V/s Floating Payable
	Notional Principal (USD Millions)		
USD LIBOR	**100.00**	100.00	Fixed Payable V/s Floating Receivable

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.3.2 Exchange Traded Interest Rate Derivatives

The Company has not entered into any exchange traded derivative.

39.3.3 Disclosures on Risk Exposure in Derivatives

a. Qualitative Disclosure

Financial Risk Management

The Company has to manage various risks associated with the lending business. These risks include liquidity risk, exchange risk, interest rate risk and counterparty risk.

The Financial Risk Management Policy as approved by the Board sets limits for exposures on currency and other parameters. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Liquidity risk and Interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of maturity profiles. The currency risk on the borrowings is actively managed mainly through principal only swaps. Counter party risk is reviewed periodically to ensure that exposure to various counter parties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of management of interest rate risk, the Company has entered into interest rate swaps wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to a benchmark.

Constituents of Derivative Business

Financial Risk Management of the Company constitutes the Audit Committee, Risk Management Committee, Asset Liability Committee ("ALCO") and Derivative Committee.

The Company periodically monitors various counter party risk and market risk limits, within the risk architecture and processes of the Company.

Hedging Policy

The Company has a Financial Risk Management policy approved by the Board of Directors. For derivative contracts designated as hedges, the Company documents at inception, the relationship between the hedging instrument and hedged item. Hedge effectiveness is ascertained periodically on a forward looking basis and is reviewed by the Derivative Committee at each reporting period. Hedge effectiveness is measured by the degree to which changes in the fair value or cashflows of the hedged item that are attributed to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Measurement and Accounting

All derivative contracts are recognised on the balance sheet and measured at fair value. Hedge accounting is applied to all the derivative instruments as per Ind AS 109. Gain / loss arising on account of fair value changes are recognised in the Statement of Profit and Loss to the extent of ineffective portion of hedge instruments and hedged items. The gains / losses of effective portion of hedge instrument are offset against gain / losses of hedged items in other comprehensive income.

The Company has entered into fair value hedges like interest rate swaps on fixed rate rupee liabilities as a part of the Asset Liability management whereby a portion of the fixed rate liabilities are converted to floating rate. The Company has a mark to market loss of ₹ 7,157.05 lakhs on outstanding fair value hedges.

The Company has entered into cashflow hedges to hedge currency risk and interest rate risk on certain foreign currency loans. Under the cashflow hedge, the hedging instrument is measured at fair value and any gain or loss that is determined to be an effective hedge is recognized in equity i.e., cash flow hedge reserve.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.3.3 Disclosures on Risk Exposure in Derivatives (Continued)

Movements in the cash flow hedge reserve are as follows (as per Ind AS financials):

(Currency: INR in Lakhs)

Particulars	Current Year (2021-22)	Previous Year (2020-21)
Opening balance	**(1,331.92)**	(1,653.00)
(Credits) / debit in the cash flow reserve	**1,041.07**	321.08
Closing balance	**(290.85)**	(1,331.92)

b. Quantitative disclosures

(Currency: INR in Lakhs)

Sl. No.	Particular	Currency derivatives*		Interest rate derivatives**	
		Current Year (2021-22)	Previous Year (2020-21)	Current Year (2021-22)	Previous Year (2020-21)
(i)	Derivatives (notional principal amount)	**75,900.00**	73,600.00	**243,400.00**	216,100.00
(ii)	Marked to market positions				
	a) Asset (+)	**2,813.55**	1,647.15	234.53	—
	b) Liability (-)	—	—	**(7,157.05)**	(5,593.50)
(iii)	Credit exposure	**1,518.00**	4,945.92	**4,104.50**	4,111.00
(iv)	Unhedged exposures	**26.09**	38.58	—	—

* Currency Derivatives includes Principal Only swaps.

** Includes USD IRS - Notional of USD 100 Millions converted at year end exchange rate.

39.4 Disclosures relating to Securitisation

a. The Company has not securitised any of its exposures during the year.

b. The Company has neither purchased nor sold any non-performing financial assets during the year.

39.5 Exposures

39.5.1 Exposure to real estate sector

The Company does not have any direct / indirect exposure to real estate as the primary purpose of the loan is for education.

39.5.2 The Company does not have any capital market exposure.

39.5.3 There is no financing of parent company product during the current year.

39.5.4 The Company has not exceeded single borrower limit ("SGL") and nor has exceeded the group borrower limit ("GBL").

39.5.5 The Company has not given any loans against intangible securities.

39.6 The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory & Development Authority of India ("IRDAI").

39.7 During financial year under audit, no penalty has been levied by any regulator.

39.8 Related Party Transactions and Policy on dealing with Related Party Transactions

Details of the related party transactions are provided in the note 37. the Company's Policy on dealing with related party transactions is available on its website.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.9 Rating assigned by credit rating agencies and migration of rating during the year:

(Currency: INR in Lakhs)

Sr. No.	Rating agency	Programme	Ratings Assigned
1	CRISIL Limited	Commercial paper	**CRISIL A1+ / Stable**
		Subordinated debt	**CRISIL AAA / Stable**
		Non-convertible debenture	**CRISIL AAA / Stable**
2	ICRA Limited	Bank Loan	**ICRA AAA / Stable**
		Commercial paper	**ICRA A1+ / Stable**
		Perpetual debt instrument	**ICRA AA+ / Stable**
		Subordinated debt	**ICRA AAA / Stable**
		Non-convertible debenture	**ICRA AAA / Stable**
3	CARE Ratings Limited	Perpetual debt instrument	**CARE AA+ / Stable**
		Non-convertible debenture	**CARE AAA / Stable**
		Subordinated debt	**CARE AAA / Stable**

There were no changes in any of the ratings or outlook during the year.

39.10 Remuneration of Directors

Details of remuneration given to non-executive directors are disclosed below:

(Currency: INR in Lakhs)

Name	Designation	Remuneration for FY 2021-22
Mr. V. Srinivasa Rangan	Chairman	16.50
Mr. Subodh Salunke	Vice- Chairman	18.00
Mrs. Madhumita Ganguli	Non- Executive Director	9.75
Mr. B. Mahapatra	Independent Director	16.50
Mr. Sunil Shah	Independent Director	15.00
Mr. Rajesh Gupta	Independent Director	9.00

39.11 Provisions and contingencies

(Currency: INR in Lakhs)

Break up of 'provisions and contingencies' shown under the head expenses in statement of profit and loss	Current Year (2021-22)	Previous Year (2020-21)
Provisions for depreciation on investment	—	—
Provision towards NPAs*	**509.18**	1,092.67
Provision for Standard Assets	**1,049.32**	(226.42)
Provision made towards tax expenses	**7,115.16**	5,254.91
Other provision and contingencies (with details)		
Provision for employee benefits		
— Compensated absences	**24.23**	41.99
— Gratuity	**70.58**	60.26

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.12 The Company has not made any drawdown from existing reserves.

39.13 Concentration of advances, exposures and NPAs*:

39.13.1 The Company is a non deposit accepting NBFC and hence does not have any depositors.

39.13.2 Concentration of advances (Currency: INR in Lakhs)

	Current Year (2021-22)	Previous Year (2020-21)
Total advances to twenty largest borrowers	**1,982.45**	1,976.27
Percentage of advances to twenty largest borrowers to total advances of the NBFC	**0.22%**	0.32%

39.13.3 Concentration of exposures [on limit basis or outstanding basis whichever is higher] (Currency: INR in Lakhs)

	Current Year (2021-22)	Previous Year (2020-21)
Total exposure to twenty largest borrowers / customers	**2,150.43**	2,103.98
Percentage of exposures to twenty largest borrowers/ customers to Total exposure of the NBFC on borrowers / customers	**0.21%**	0.30%

39.13.4 Concentration of NPAs* (Currency: INR in Lakhs)

	Current Year (2021-22)	Previous Year (2020-21)
Total exposure to top four NPA accounts	**263.69**	255.62

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

39.13.5 Sector-wise NPAs* (Currency: INR in Lakhs)

Sr. No.	**Sector**	**Percentage of NPAs to total advances in that sector current year (2021-22)**	Percentage of NPAs to total advances in that sector previous year (2020-21)
1	Agriculture & allied activities	**—**	—
2	MSME	**—**	—
3	Corporate borrowers	**—**	—
4	Services	**—**	—
5	Unsecured personal loans	**—**	—
6	Auto loans	**—**	—
7	Other personal loans	**—**	—
8	Education loans	**0.57%**	0.60%

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.13.6 Movement of NPAs*

(Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2021-22)	Previous Year (2020-21)
(i)	Net NPAs to net advances	**0.38%**	0.40%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	**3,735.10**	756.55
	(b) Additions during the year	**3,133.73**	3,241.61
	(c) Reductions during the year	**(1,807.26)**	(263.07)
	(d) Closing balance	**5,061.57**	3,735.10
(iii)	Movement of Net NPAs		
	(a) Opening balance	**2,514.76**	628.31
	(b) Additions during the year	**1,979.32**	2,104.31
	(c) Reductions during the year	**(1,162.61)**	(217.86)
	(d) Closing balance	**3,331.47**	2,514.76
(iv)	Movement of provisions for NPAs*		
	(a) Opening balance	**1,220.34**	128.24
	(b) Provisions made during the year	**1,154.41**	1,137.30
	(c) Write-off / write-back of excess provisions	**(644.65)**	(45.21)
	(d) Closing balance	**1,730.10**	1,220.34

* NPAs presented above reflects credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

39.14 The Company does not have any overseas assets.

39.15 The Company has not sponsored any off-balance sheet SPVs.

39.16 Customer complaints

(Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2021-22)	Previous Year (2020-21)
a	No. of complaints pending at the beginning of the year	**4**	–
b	No. of complaints received during the year	**336**	171
c	No. of complaints redressed during the year	**340**	167
d	No. of complaints pending at the end of the year	**—**	4

39.17 Asset liability management

Maturity pattern of certain items of assets and liabilities As at 31 March 2022:

(Currency: INR in Lakhs)

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings *	1,378	690	13,618	28,840	37,765	251,981	156,076	202,824	693,172
Foreign currency liabilities	26	–	–	–	75,621	–	–	–	75,647
Assets									
Advances	17,830	15,824	15,584	45,544	85,825	295,342	197,471	208,655	882,075
Investments	–	–	–	–	7,099	2,088	8,303	1,411	18,901
Foreign currency assets	–	–	–	–	–	–	–	–	–

The above statements are prepared based on the prepayment assumptions approved by the ALCO.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

Maturity pattern of certain items of assets and liabilities As at 31 March 2021: (Currency: INR in Lakhs)

Particulars	1 day to 30 days(one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings *	3,062	207	7,741	7,366	32,933	115,207	163,223	137,474	467,213
Foreign currency liabilities	39	–	–	–	–	73,043	–	–	73,082
Assets									
Advances	12,201	10,612	10,494	31,182	60,600	213,001	143,623	143,762	625,475
Investments	2,000	2,000	2,000	6,000	5,884	–	2,994	–	20,878
Foreign currency assets	–	–	–	–	–	–	–	–	–

The above statements are prepared based on the refinance and prepayment assumptions approved by the ALCO.

* The above tables as at 31 March 2022 and 31 March 2021 include interest accrued but not due on borrowings but does not include unrealised gains on fair valuation of debt securities and subordinated liabilities.

39.18 Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 19 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016]

(Currency: INR in Lakhs)

Particulars					
Liabilities side :		**As at 31 March 2022**		As at 31 March 2021	
1)	**Loans and advances availed by the non banking financial company inclusive of interest accrued thereon but not paid:**	**Amount outstanding**	**Amount overdue**	Amount outstanding	Amount overdue
	a) Debentures — Secured	**211,386.63**	—	185,453.71	—
	— Unsecured (Other than falling within the meaning of public deposit)	**65,998.22**	—	65,984.65	—
	b) Deferred credit	**—**	**—**	—	—
	c) Term loan	**481,609.09**	—	281,155.10	—
	d) Inter - corporate loans and borrowing	**—**	**—**	—	—
	e) Commercial paper	**9,825.62**	—	7,431.84	—
	f) Other loan	**—**	**—**	230.89	—
	g) Book overdraft	**—**	**—**	—	—

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.18 Schedule.... (Continued)

Asset side :		**As at 31 March 2022**	As at 31 March 2021
2)	**Break-up of loans and advances including bills receivables [other than those included in (4) below] :**	**Amount outstanding**	Amount outstanding
	a) Secured	**304,348.33**	260,068.96
	b) Unsecured	**579,457.04**	366,626.76
3)	**Break up of leased assets and stock on hire and other assets counting towards Asset Financing activities**		
	(i) Lease assets including lease rentals under sundry debtors:		
	(a) Financial lease	—	—
	(b) Operating lease	—	—
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	—	—
	(b) Repossessed Assets	—	—
	(iii) Other loans counting towards AFC activities		
	(a) Loans where assets have been repossessed	—	—
	(b) Loans other than (a) above	—	—

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

(Currency: INR in Lakhs)

Asset Side :		As at 31 March 2022	As at 31 March 2021
4)	**Break of investments:**		
	Current investments:		
	1. Quoted:		
	(i) Shares:		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and bonds	—	—
	(iii) Units of mutual funds	**7,099.08**	17,883.56
	(iv) Government Securities	—	—
	(v) Others (please specify)	—	—
	2. Unquoted:		
	(i) Shares:		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and bonds	—	—
	(iii) Units of mutual funds	—	—
	(iv) Government Securities	—	—
	(v) Others (please specify)	—	—
	Long term investments:		
	1. Quoted:		
	(i) Shares:		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and bonds	—	—
	(iii) Units of mutual funds	—	—
	(iv) Government Securities	**11,802.05**	2,994.34
	(v) Others (please specify)	—	—
	2. Unquoted:		
	(i) Shares:		
	(a) Equity	—	—
	(b) Preference	—	—
	(ii) Debentures and bonds	—	—
	(iii) Units of mutual funds	—	—
	(iv) Government Securities	—	—
	(v) Others (please specify)	—	—

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (Continued)

39.18 Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016] (Continued)

(Currency: INR in Lakhs)

		As at 31 March 2022			As at 31 March 2021		
5)	**Borrower group-wise classification of assets financed as in (2) and (3) above :**						
	Category	**Amount outstanding**			Amount outstanding		
		Secured	**Unsecured**	**Total**	Secured	Unsecured	Total
	1. Related parties						
	(a) Subsidiaries	—	—	—	—	—	—
	(b) Companies in the same group	—	—	—	—	—	—
	(c) Other related parties	—	—	—	108.49	—	108.49
	2. Other than related parties	**304,348.33**	**579,457.04**	**883,805.37**	259,960.47	366,626.76	626,587.23
	Total	**304,348.33**	**579,457.04**	**883,805.37**	260,068.96	366,626.76	626,695.72

(Currency: INR in Lakhs)

6)	**Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**				
	Category	**Market value / break up or fair value or NAV**	**Book value (Net of provisions)**	Market value / break up or fair value or NAV	Book value (Net of provisions)
	1. Related parties				
	(a) Subsidiaries	—	—	—	—
	(b) Companies in the same group	—	—	—	—
	(c) Other related parties	—	—	—	—
	2. Other than related parties	**18,901.13**	**18,901.13**	20,877.90	20,877.90
	Total	**18,901.13**	**18,901.13**	20,877.90	20,877.90

(Currency: INR in Lakhs)

7)	**Other information**	**As at March 31, 2022**	As at March 31, 2021
	Particulars	**Amount**	Amount
	i) Gross non performing assets (NPAs)*		
	a) Related parties	**—**	—
	b) Other than related parties	**5,061.57**	3,735.10
	ii) Net non performing assets (NPAs)*		
	a) Related parties	**—**	—
	b) Other than related parties	**3,331.47**	2,514.76
	iii) Assets acquired in satisfaction of debt	**—**	—

* NPAs presented above reflect credit impaired assets as per Ind AS which includes restructured assets classified as Stage 3.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

39.19 Disclosure pursuant to Para 15A of the RBI Master Direction on "Guidelines on Liquidity Risk Management Framework":

39.19.1 Public Disclosure on Liquidity Risk

A. As at 31 March 2022

i. Funding Concentration based on significant counterparty [1]

(Currency: INR in Lakhs)

Number of Significant Counterparties	Amount	% of Total Deposits	% of Total Liabilities
23 (Twenty Three)	582,716	NA	75%

ii. Top 20 large deposits

Not applicable. The Company being a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India does not accept public deposits.

iii. Top 10 borrowings

(Currency: INR in Lakhs)

Amount	% of Total Borrowings
338,182	45%

iv. Funding Concentration based on significant instrument/product [2]

(Currency: INR in Lakhs)

Name of the instrument/product	Amount	% of Total Liabilities
Secured non convertible debentures	200,352	26%
Commercial paper	9,826	1%
Term loans from banks	405,917	52%
External commercial borrowings	75,621	10%
Overdrafts and working capital facilities	—	0%
Subordinated tier II non convertible debentures	33,041	4%
Perpetual debt instruments to the extent that do not qualify as equity	26,747	3%
Total Borrowings	**751,503**	**97%**
Total Liabilities [3]	**774,641**	**—**

v. Stock Ratios:

(Currency: INR in Lakhs)

Particulars	as a % of total public funds [4]	as a % of total liabilities [3]	as a % of total assets
Commercial papers	1%	1%	1%
Non-convertible debentures (original maturity of less than one year)	0%	0%	0%
Other short-term liabilities	20%	20%	17%

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

vi. Institutional set-up for liquidity risk management

The Liquidity Risk Management of the Company is governed by the Liquidity Risk Management Framework ("LRMF"), Asset Liability Management ("ALM") & Financial Risk Management ("FRM") Policy approved by the Board of Directors. The Board has the overall responsibility for management of liquidity risk. The Board decides the strategy, policies and procedures to manage liquidity risk in accordance with the liquidity risk tolerance/limits approved by it. The Risk Management Committee (RMC), which is a committee of the Board, is responsible for evaluating the overall risks faced by the Company including liquidity risk. The Asset Liability Management Committee ("ALCO") is responsible for ensuring adherence to the liquidity risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy. The role of the ALCO with respect to liquidity risk includes, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions at an entity level.

***Notes:**

1 Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.

2 Significant instrument/product is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.

3 Total Liabilities has been computed as sum of all liabilities (as per Balance Sheet) less Equities and Reserves/Surplus.

4 Public funds is as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

39.19.2 LCR Disclosure as at 31 March 2022

(Currency: INR in Lakhs)

Particulars		For the quarter ended 30 June 2021		For the quarter ended 30 September 2021		For the quarter ended 31 December 2021		For the quarter ended 31 March 2022	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
A	**High Quality Liquid Assets (HQLA)**								
1	Balance in Current Accounts	1,346	1,346	1,860	1,860	1,061	1,061	1,646	1,646
2	Investment in Government Securities	3,347	3,347	6,510	6,510	7,673	7,673	12,403	12,403
	Total HQLA	**4,693**	**4,693**	**8,370**	**8,370**	**8,734**	**8,734**	**14,049**	**14,049**
B	**Cash Outflows**								
1	Unsecured wholesale funding	3,492	4,016	8,982	10,329	10,097	11,611	16,541	19,022
2	Secured wholesale funding	10,104	11,620	7,191	8,270	16,523	19,002	20,591	23,679
3	Additional requirements, of which	—	—	—	—	—	—	—	—
	Outflows related to derivative exposures and other collateral requirements	345	396	486	559	387	445	283	325
	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
	Credit and liquidity facilities	—	—	—	—	—	—	—	—
4	Other contractual funding obligations	18,438	21,204	38,547	44,329	27,126	31,195	25,092	28,856
	TOTAL CASH OUTFLOWS	**32,379**	**37,236**	**55,207**	**63,488**	**54,133**	**62,253**	**62,506**	**71,882**
C	**Cash Inflows**								
1	Secured lending	—	—	—	—	—	—	—	—
2	Inflows from fully performing exposures	17,248	12,936	20,646	15,485	19,522	14,641	20,722	15,542
3	Other cash inflows	21,302	15,976	49,228	36,921	54,681	41,010	63,681	47,761
	TOTAL CASH INFLOWS	**38,549**	**28,912**	**69,874**	**52,406**	**74,203**	**55,652**	**84,404**	**63,303**
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**	
	TOTAL HQLA	**4,693**		**8,370**		**8,734**		**14,049**	
	TOTAL NET CASH OUTFLOWS [Stressed Outflows - (Minimum of Stressed Inflows OR 75% of Stressed Outflows)]	**9,309**		**15,872**		**15,563**		**17,970**	
	LIQUIDITY COVERAGE RATIO (%)	**50%**		**53%**		**56%**		**78%**	

* Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

* Weighted values are calculated after the application of respective haircuts (for HQLA) and stress factors on inflow and outflow.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

(Currency: INR in Lakhs)

E Qualitative Disclosure on LCR

As per Para 15B of of the RBI Master Direction, all non-deposit taking NBFCs with asset size of ₹ 5,000 crore and above but less than ₹ 10,000 crore shall maintain a liquidity buffer in terms of LCR which will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (HQLA) to survive any acute liquidity stress scenario lasting for 30 days.

Road Map for NBFCs to adhere the LCR is as per the table (as prescribed by RBI).

From	01/Dec/20	01/Dec/21	01/Dec/22	01/Dec/23	01/Dec/24
Minimum LCR	30%	50%	60%	85%	100%

As required under above requirements, the Company is required to maintain LCR at 50% with effect from 1st December 2021. The LCR for the quarter ended 31 March 2022 is at 78% based on daily average of the quarter (Q4 FY21-22) as agaist 63% for the quarter ended 31 March 2021. The company was compliant with maintenance of stipulated LCR.

LCR has been defined as : Stock of high quality liquid assets (HQLAs) divided by Total net cash outflow over the next 30 calendar days.

Composition of HQLA:

Liquid assets comprise of high quality assets that can be readily encashed or used as collateral to obtain cash in a range of stress scenarios. There are three categories of assets included in the stock of HQLAs, viz. assets with 0%, 15% and 50% haircuts. The HQLA maintained by the Company comprises Government securities (including Treasury bills) and cash balance maintained in current account. The average HQLAs for the quarter ended 31 March 2022 were ₹ 14,049 lakhs, of which, investment in Government securities constituted ₹ 12,403 lakhs and balance with banks of ₹ 1,646 lakhs. The HQLA level was increased gradually in accordance with change in LCR requirements from 30% to 50% w.e.f. 1 December 2021.

Main drivers to the LCR:

All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Total expected cash outflows (stressed outflows) are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by 115% (15% being the rate at which they are expected to run off further or be drawn down). Total expected cash inflows (stressed inflows) are calculated by multiplying the outstanding balances of various categories of contractual receivables by 75% (25% being the rate at which they are expected to under-flow). However, total cash inflows are subjected to an aggregate cap of 75% of total expected cash outflows.

The total net cash outflow is the total expected stressed cash outflows minus total expected stressed cash inflows for the subsequent 30 calendar days. The net stressed cash outflow for the quarter ended 31 March 2022 were at ₹ 17,970 lakhs as against ₹ 6,235 lakhs for the quarter ended 31 March 2021. The increase in cash outflow was mainly driven by increase in scheduled repayment of borrowings and increase in the projected disbursements. The Company has hedged foreign exchange risks and interest rate risks by using derivatives instruments viz., principal only swap (POS), USD - INR interest rate swap and INR - OIS interest rate swap.

Liquidity Management in the Company is driven by the LRMF, FRM and ALM Policy of the Company and other regulatory prescriptions. The ALCO has been empowered by the Company's Board to formulate the funding strategies to ensure that the funding sources are well diversified and is consistent with the requirements of the Company. In addition to the LCR reporting, the Company prepares Structural Liquidity statements to assess the liquidity needs of the Company on an ongoing basis. The Management is of the view that the Company has sufficient liquidity cover to meet its likely future short term requirements.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

(Currency: INR in Lakhs)

39.20 Disclosure as per Annexure XXVI on "Regulatory Guidance on Implementation of Indian Accounting Standards by NBFCs"

A. As at 31 March 2022

(Currency: INR in Lakhs)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	873,902.94	2,527.39	871,375.55	3,506.66	(979.27)
	Stage 2	2,474.84	522.68	1,952.16	9.92	512.76
Standard restructured	Stage 2	2,366.02	340.98	2,025.04	227.04	113.94
	Stage 3	3,136.12	782.82	2,353.30	292.98	489.84
Subtotal for Performing Assets		**881,879.92**	**4,173.87**	**877,706.05**	**4,036.60**	**137.27**
Non-Performing Assets (NPA)						
Substandard	Stage 3	843.58	220.68	622.90	81.90	138.78
Doubtful - up to 1 year	Stage 3	459.30	85.67	373.63	300.59	(214.92)
1 to 3 years	Stage 3	293.93	312.29	(18.36)	111.86	200.43
More than 3 years	Stage 3	–	–	–	–	–
Subtotal for doubtful		753.23	397.96	355.27	412.45	(14.49)
Loss	Stage 3	328.64	328.64	–	277.70	50.94
Subtotal for NPA		**1,925.45**	**947.28**	**978.17**	**772.05**	**175.23**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	–	92.01	(92.01)	–	92.01
	Stage 2	–	17.69	(17.69)	–	17.69
	Stage 3	–	–	–	–	–
Subtotal		**–**	**109.70**	**(109.70)**	**–**	**109.70**
	Stage 1	**873,902.94**	**2,619.40**	**871,283.54**	**3,506.66**	**(887.26)**
	Stage 2	**4,840.86**	**881.35**	**3,959.51**	**236.96**	**644.39**
Total	**Stage 3**	**5,061.57**	**1,730.10**	**3,331.47**	**1,065.03**	**665.07**
Total		**883,805.37**	**5,230.85**	**878,574.52**	**4,808.65**	**422.20**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39 Disclosures pursuant to Reserve Bank of India Guidelines, to the extent applicable to the Company (continued)

39.20 Disclosure as per Annexure XXVI on "Regulatory Guidance on Implementation of Indian Accounting Standards by NBFCs"

B. As at 31 March 2021

(Currency: INR in Lakhs)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	618,860.53	2,028.67	616,831.86	2,482.47	(453.80)
	Stage 2	2,053.13	268.75	1,784.38	8.22	260.53
Standard restructured	Stage 2	2,046.97	136.19	1,910.78	203.61	(67.42)
	Stage 3	2,064.24	536.77	1,527.47	201.57	335.20
Subtotal for Performing Assets		**625,024.87**	**2,970.38**	**622,054.49**	**2,895.87**	**74.51**
Non-Performing Assets (NPA)						
Substandard	Stage 3	1,035.02	264.40	770.62	99.13	165.27
Doubtful - up to 1 year	Stage 3	189.62	45.65	143.97	67.85	(22.20)
1 to 3 years	Stage 3	92.92	20.23	72.69	33.22	(12.99)
More than 3 years	Stage 3	–	–	–	–	–
Subtotal for doubtful		282.54	65.88	216.66	101.07	(35.19)
Loss	Stage 3	353.29	353.29	–	306.40	46.89
Subtotal for NPA		**1,670.85**	**683.57**	**987.28**	**506.60**	**176.97**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	–	17.66	(17.66)	–	17.66
	Stage 2	–	0.16	(0.16)	–	0.16
	Stage 3	–	0.58	(0.58)	–	0.58
Subtotal		**–**	**18.40**	**(18.40)**	**–**	**18.40**
Total	**Stage 1**	**618,860.52**	**2,046.33**	**616,814.20**	**2,482.47**	**(436.14)**
	Stage 2	**4,100.10**	**405.10**	**3,695.00**	**211.83**	**193.27**
	Stage 3	**3,735.10**	**1,220.92**	**2,514.17**	**708.17**	**512.75**
Total		**626,695.72**	**3,672.34**	**623,023.37**	**3,402.48**	**269.88**

Notes to the financial statements for the year ended 31 March 2022 (Continued)

39.21 Disclosure pursuant to RBI notification on "Resolution Framework for COVID-19-related Stress" dated August 6, 2020 and on "Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses" dated May 5, 2021

(Currency: INR in Lakhs)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end 30 September 2021**	Of (A), aggregate debt that slipped into NPA during the half-year ended 31 March 2022	Of (A) amount written off during the half-year ended 31 March 2022	Of (A) amount paid by the borrowers during the half-year ended 31 March 2022^	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended 31 March 2022
Personal Loans	6,123.62	197.37	—	424.12	5,502.14
Corporate persons*	–	–	–	–	–
Of which, MSMEs	–	–	–	–	–
Others	–	–	–	–	–
Total	**6,123.62**	**197.37**	—	424.12	**5,502.14**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

** Includes restructuring done in respect of requests received as on 30 September 2021 implemented subsequently.

^ Amount paid by borrower during the half year in net of additions in the account including additions due to interest capitalisation.

39.22 The disclosures as required by the Master Direction - Monitoring of frauds in NBFCs issued by RBI dated 29 September 2016

There were no incidents of frauds reported to RBI during the current year and the previous year.

40 Segment reporting

There is no separate reportable segment as per Ind AS 108 on "Operating Segments" in respect of the Company.

The Company operates in single segment only. There are no operations outside India and hence there is no external revenue or assets which requires disclosure.

41 Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

42 The Company does not have any contingent liabilities as on the balance sheet date.

43 Capital expenditures contracted for as at the balance sheet date but not recognized in the financial statements amount to ₹ 27.40 lakhs (previous year ₹ Nil) towards purchase of Computers.

Notes to the financial statements for the year ended 31 March 2022 (Continued)

44 The Parliament has approved the Code on Social Security, 2020 ('Code') which may impact the contribution by the Company towards Provident Fund and Gratuity. The effective date from which the Code and its provisions would be applicable is yet to be notified and the rules which would provide the details based on which financial impact can be determined are yet to be framed. The Company will complete its evaluation and will give appropriate impact, if any, in the financial result following the Code becoming effective and the related rules being framed and notified. The Company has taken professional opinion in this regard and will ensure that it makes adequate provisions to remain compliant with all requirements.

45 Events after the reporting period

There have been no events after the reporting date that require disclosure in these financial statements.

As per our report of even date attached.

For **Shah Gupta & Co.**
Chartered Accountants
Firm's Registration No: 109574W

Vipul K Choksi
Partner
Membership No: 37606

Place : Mumbai
Date : 21 April 2022

For and on behalf of Board of Directors of
HDFC Credila Financial Services Limited
CIN No: U67190MH2006PLC159411

V.S.Rangan
Chairman
(DIN - 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN - 08386684)

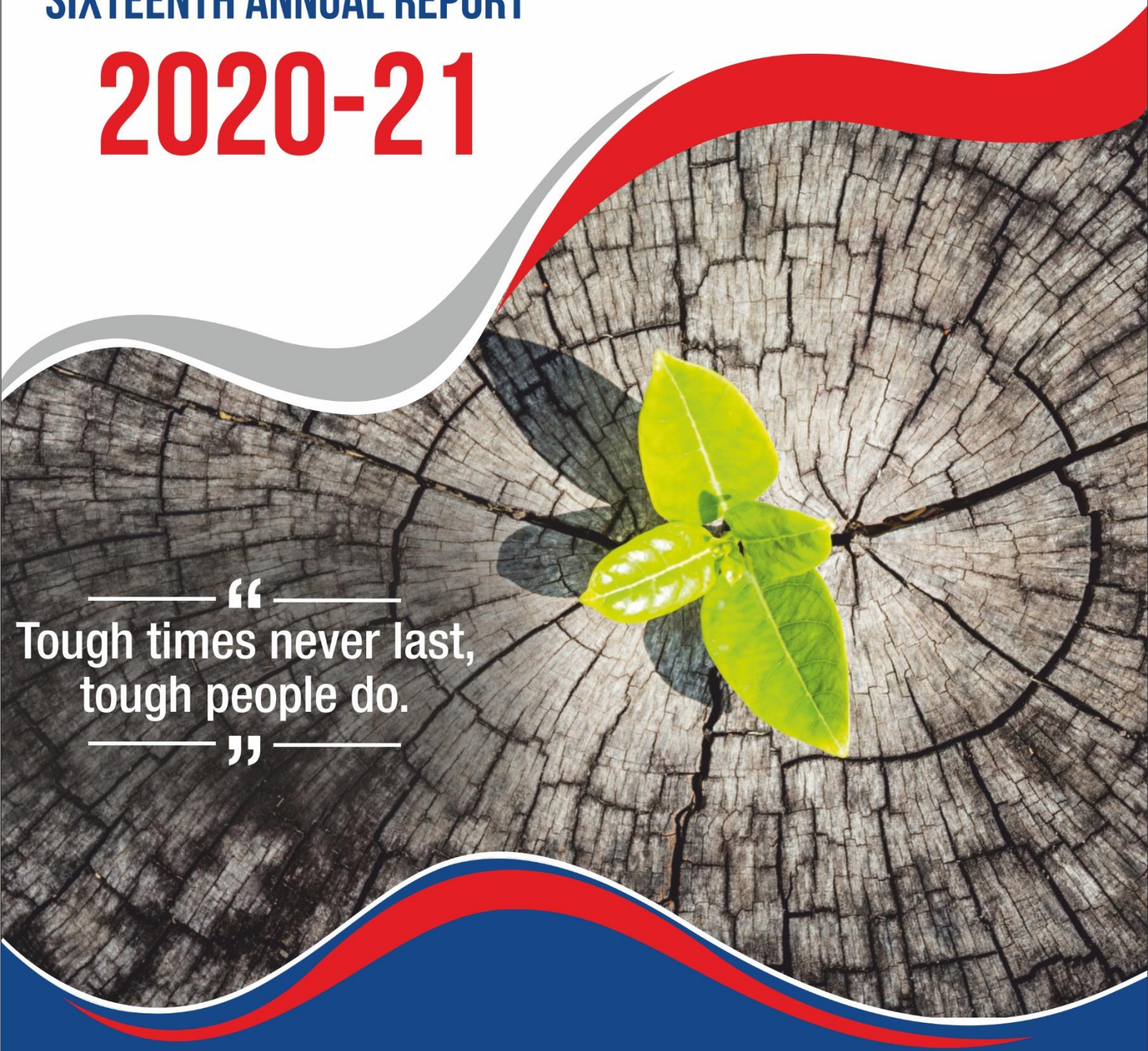
Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 21 April 2022

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

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43. Secretarial Audit Report

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.

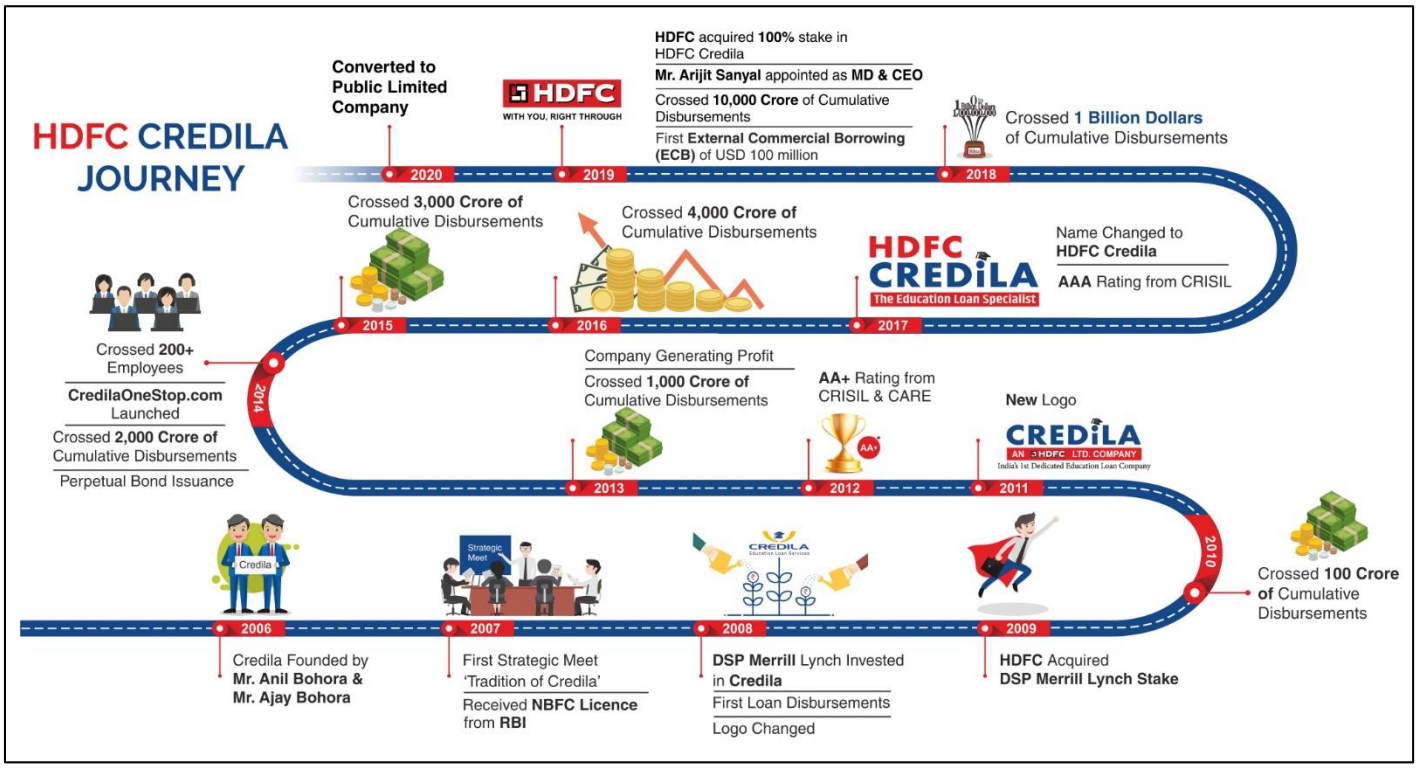
The increase in remuneration of Key Managerial Personnel is based on the overall performance of the Company. Owing to the pandemic, the Company has decided to hold back the increase in remuneration of the Key Managerial Personnel and employees forming part of the Senior management pool.

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.

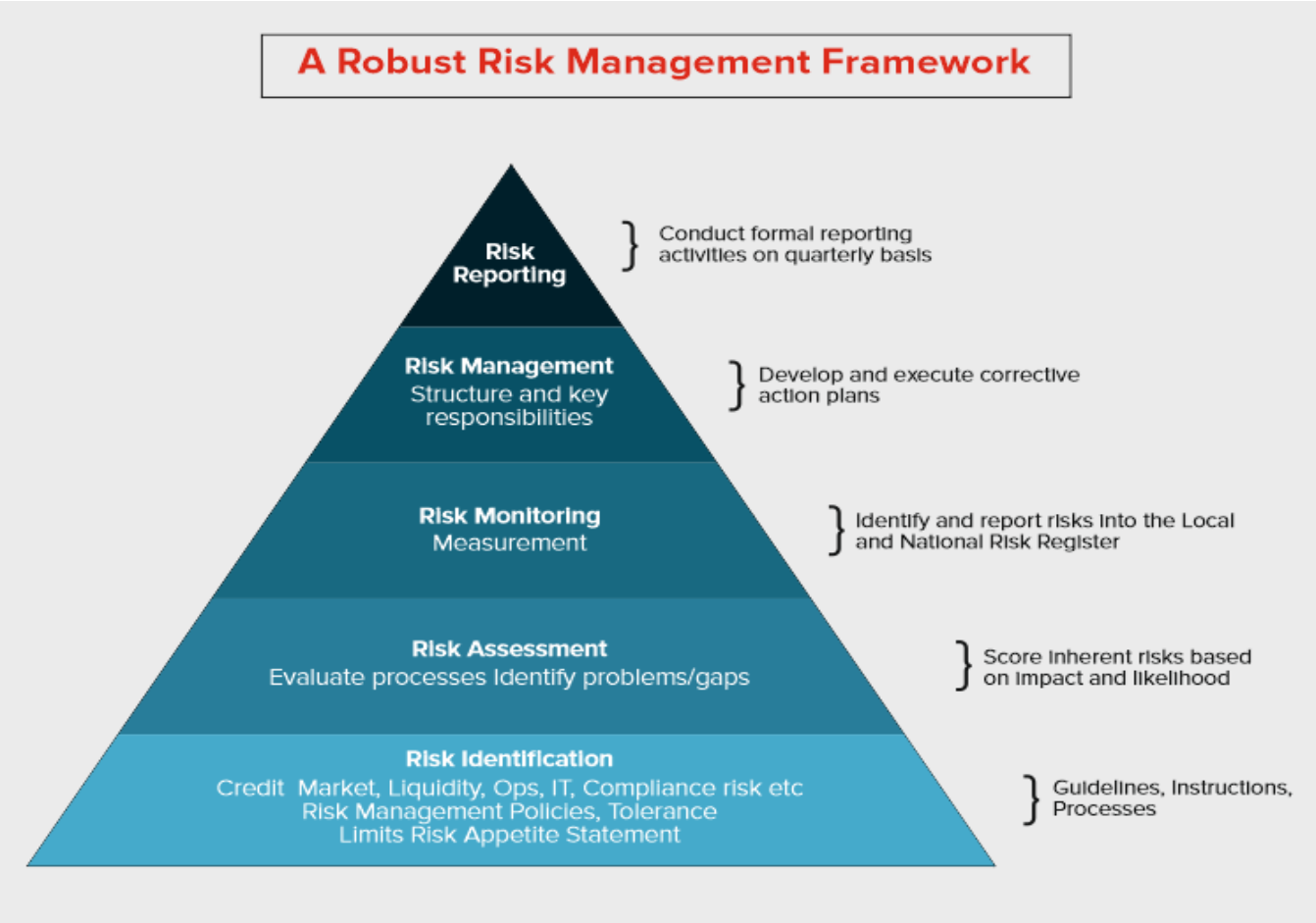
- ***Operational risks:*** Operational risks are very broad and intrinsic to any business. These may vary from non-adherence to processes and policy, improper authorization, information technology risks relating to the loan processing system, risk of fraud, employee errors, lack of training and knowledge, 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)

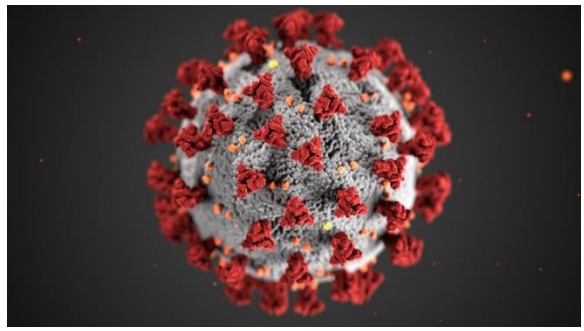


HDFC Credila granted support to Salaam Baalak Trust (SBT).

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 Sun Life 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.

B S R & Co. LLP
Chartered Accountants

14th Floor, Central B Wing and North C Wing,
Nesco IT Park 4, Nesco Center,
Western Express Highway,
Goregaon (East), Mumbai - 400 063

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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)*

Key audit matter	How the matter was addressed in our audit
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**	
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.	
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.	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.

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

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

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

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

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

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

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

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

HDFC Credila Financial Services Limited

(formerly known as HDFC Credila Financial Services Private Limited)

Notes to the financial statements

for the year ended 31 March 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

Provisions are recognised only when:

- the Company has a present obligation (legal or constructive) as a result of a past event; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

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.

Contingent liability is disclosed in case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and
- a present obligation arising from past events, when no reliable estimate is possible.

Contingent Assets:

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.

Notes to the financial statements (continued)

as at 31 March 2021

(Currency: INR in Lakhs)

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

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			As at 31 March 2020		
	At fair value			At fair value		
	Through other comprehensive income	**Through profit or loss**	**Total**	Through other comprehensive income	Through profit or loss	Total
Investment in mutual funds	-	**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

Notes to the financial statements (continued)

for the year ended 31 March 2021

(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**

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].

Notes to the financial statements (continued)

as at 31 March 2021

(Currency: INR in Lakhs)

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.

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.

Notes to the financial statements (continued)

for the year ended 31 March 2021

(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**	**-**

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

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.

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

(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.

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

Notes to the financial statements (continued)

for the year ended 31 March 2021

(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

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.

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

Notes to the financial statements (continued)

for the year ended 31 March 2021

(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

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 personnel		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**

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.

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

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.

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)**

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

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**

(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**

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

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.

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)

39.3.1 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.

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)

39.9 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**	-

(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.

(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	-		-	

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)		-	-

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)

	As at 31 March 2021			As at 31 March 2020		
5) Borrower group-wise classification of assets financed as in (2) and (3) above :						
Category	**Amount net of provisions**			Amount net of provisions		
	Secured	**Unsecured**	**Total**	Secured	Unsecured	Total
1. Related parties						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-
(c) Other related parties	**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	**Market value / break up or fair value or NAV**	**Book value (Net of provisions)**	Market value / break up or fair value or NAV	Book value (Net of provisions)
1. Related parties				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	**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	**As at March 31, 2021**	As at March 31, 2020
Particulars	**Amount**	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%

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)

39.19.1 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**

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.

Notes to the financial statements (continued)

for the year ended 31 March 2021

(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

HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED

A Wholly Owned Subsidiary of
Housing Development Finance Corporation Limited

Fifteenth Annual Report 2019-2020

Board of Directors

MR. V. SRINIVASA RANGAN *(DIN: 00030248)*
Non-Executive Chairman
MR. SUBODH SALUNKE *(DIN: 03053815)*
Non-Executive Vice Chairman
MR. ARIJIT SANYAL *(DIN: 08386684)*
Managing Director & Chief Executive Officer
Appointed with effect from January 17, 2020
MR. BISWAMOHAN MAHAPATRA *(DIN: 06990345)*
Independent Director
MR. SUNIL SHAH *(DIN: 00137105)*
Independent Director
Appointed with effect from July 05, 2019
MR. RAJESH GUPTA *(DIN: 00229040)*
Independent Director
Appointed with effect from January 17, 2020
MS. MADHUMITA GANGULI *(DIN: 00676830)*
Non-Executive Director
MR. ANIL BOHORA *(DIN: 00694396)*
Managing Director
Resigned with effect from December 12, 2019
MR. AJAY BOHORA *(DIN: 00694444)*
Managing Director and Chief Executive Officer
Resigned with effect from December 12, 2019
MR. SUDHIN CHOKSEY *(DIN: 08386684)*
Independent Director
Resigned with effect from October 11, 2019
MR. SURESH BADAMI *(DIN: 08224871)*
Independent Director
Resigned with effect from April 19, 2019

Senior Executives
MR. SHRIDHAR HEBBAR
Chief Operating Officer
Interim Chief Financial officer
Up to May 10, 2020
MR. MANJEET BIJLANI
Chief Financial officer
Appointed with effect from May 11, 2020
MR. SEBASTIAN FERNANDEZ
Chief Risk Officer
MS. AKANKSHA KANDOI
Company Secretary

Statutory Auditors
BSR & Co. LLP *Chartered Accountants*

Secretarial Auditors
Vinod Kothari & Company *Company Secretaries*

Bankers
HDFC Bank Ltd • Corporation Bank • Indian Bank • ICICI Bank Ltd • Allahabad Bank • Andhra Bank • Punjab National Bank Jammu & Kashmir Bank Ltd • Sumitomo Mitsui Banking Corporation Ltd • Canara Bank • Shinhan Bank • Abu Dhabi Commercial Bank PJSC • DBS Bank • Axis Bank Ltd • Federal Bank • Citibank • Kotak Mahindra Bank • IndusInd Bank Ltd • State Bank of India Syndicate Bank • Bank of India • Standard Chartered Bank

Debenture Trustee
IDBI Trusteeship Services Limited,
Asian Building, Ground Floor, 17,
R. Kamani Marg, Ballard Estate, Mumbai – 400 001.
Tel No.: 022 - 4080 7001

Registered Office:
B-301, Citi Point, Andheri Kurla Road,
Andheri(E), Mumbai - 400 059.
Tel. No.: 022-2825 6636
Fax No. : 022-2471 2447
CIN: U67190MH2006PTC159411
Website: http://www.hdfccredila.com.

Registrar & Transfer Agents
Adroit Corporate Services Pvt. Ltd.
17-20, Jafferbhoy Ind. Estate, 1st Floor, Makwana Road,
Marol Naka, Andheri (E), Mumbai - 400059
Tel. No.: 022- 4227 0400
Fax No. : 022- 2850 3748

Directors' Report

TO THE MEMBERS

Your Directors are pleased to present the Fifteenth Annual Report of the Company with the audited accounts for the year ended on March 31, 2020.

Financial Results	**For the year ended March 31, 2020 (₹ in crore)**	For the year ended March 31, 2019 (₹ in crore)
Total Income	**726.58**	603.53
Less: Total Operating Expenses	**92.05**	71.90
Gross Profit Before Interest and Depreciation	**634.53**	531.63
Less: Interest and Finance Charges	**462.27**	373.83
Less: Depreciation	**3.00**	0.89
Profit before Tax	**169.26**	156.91
Less: Provision for Taxation	**45.68**	56.94
Less: Provision for Deferred Tax	**0.48**	(1.73)
Profit after Tax	**123.10**	101.70
Other Comprehensive Income	**(16.84)**	(0.10)
Total Comprehensive Income	**106.26**	101.60
Less: Transfer to Reserve as per Section 45- IC (1) of RBI Act	**24.62**	20.34
Less: Dividend on Compulsorily Convertible Preference Shares	**0.01**	0.01
Less: Dividend Distribution Tax	**0.001**	0.001
Balance carried to Balance Sheet	**81.63**	81.25

Dividend

In order to conserve the resources for future growth, your Directors do not recommend any dividend on equity shares for the year ended on March 31, 2020.

Review of Operations

During the financial year ended on March 31, 2020, the Company earned a profit before tax of ₹ 169.26 crore as compared to the profit before tax of ₹ 156.91 crore in the previous year. The Company's loan book has grown by 17% in this financial year and its total income has increased by 20%. While achieving a robust growth, the Company has continued to maintain quality of its portfolio.

There was no change in the nature of business of your Company nor was there any material change or commitment that would affect its financial position during the year.

Profit to be carried forward to Reserves

Your Directors propose to transfer ₹ 25 crore as per section 45-IC of the Reserve Bank of India Act, 1934 to the Special Reserve of the Company for the year ended on March 31, 2020.

Repayments

During the year under review, the Company received ₹ 1,379 crore by way of repayment of principal including prepayments, as compared to ₹ 1,134 crore received during the previous year.

Resource Mobilization

Perpetual Debt

As at March 31, 2020, the Company's outstanding Perpetual Debt stood at ₹ 275 crore and was considered as Tier I and Tier II capital under the guidelines issued by the Reserve Bank of India (RBI) for the purpose of computation of capital adequacy of the Company. The Perpetual Debt has been assigned the rating of 'ICRA AA+' and 'CARE AA+' by ICRA and CARE respectively. It is subordinated to the present and future senior indebtedness of the Company and is perpetual in nature with a call option after 10 years from the date of the issue. The Company's Perpetual Debt is listed on the BSE Limited. The Company has been regular in its payment obligation towards the Perpetual Debt.

Subordinated Debt

During the year under review, the Company issued Unsecured, Rated, Listed and Redeemable, Non - Convertible Subordinated Tier- II Debentures amounting to ₹ 150 crore.

As at March 31, 2020, the Company's outstanding Subordinated Debt stood at ₹ 350 crore. This debt is subordinated to the present and future senior indebtedness of the Company. It has been assigned a rating of 'CRISIL AAA', 'CARE AAA' and "ICRA AAA" by CRISIL, CARE and ICRA respectively. Based on the balance term to maturity, as at March 31, 2020, ₹ 350 crore of the book value of this debt was considered as Tier II capital under the guidelines issued by the RBI for the purpose of computation of capital adequacy of the Company. The Company has been regular in its payment obligations towards the Subordinated Debt.

Non-Convertible Debentures (NCD)

During the year under review, Company issued Secured, Rated, Listed, Redeemable NCDs amounting to ₹ 900 crore on a private placement basis. The Company's NCDs have been listed on the Wholesale Debt Market segment of the BSE Limited. Various NCD issues have been assigned the rating of 'CRISIL AAA', 'CARE AAA' and 'ICRA AAA' by CRISIL, CARE and ICRA respectively. As at March 31, 2020, the Company's outstanding NCDs stood at ₹ 2000 crore.

The Company has been regular in its payment obligations towards the NCDs. The Company is in compliance with the provisions of the Master Direction-Non-Banking Financial Company- Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Loans

Term Loans from Banks

As at March 31, 2020, the total term loans outstanding from banks amounted to ₹ 2,256 crore as compared to ₹ 1,991 crore as at March 31, 2019. Bank Loans have been assigned the highest rating of 'ICRA AAA' by ICRA.

External Commercial Borrowings

During the year under review, the Company has availed External Commercial Borrowing (ECBs) of USD 100 million for further lending of education loans as per the ECB guidelines issued by Reserve Bank of India ("RBI"). As at March 31, 2020, the ECBs Outstanding stood at ₹ 748 crore in rupee terms.

Commercial Paper

The Company's Commercial Papers have been assigned the highest rating of 'CRISIL A1+ and 'ICRA A1+' by CRISIL and ICRA respectively, signifying highest safety for timely servicing of debt ligations. The face value of the Commercial Papers outstanding as at March 31, 2020 was ₹ 225 crore as compared to ₹ 580 crore as at March 31, 2019.

The Company has listed its commercial papers during the year with the BSE Ltd.

Deposits

The Company has not accepted any deposit during the financial year 2019-20. Pursuant to the RBI regulations applicable to a Systemically Important Non-Deposit taking NBFC (ND-SI-NBFC), no amount of principal or interest was outstanding as at March 31, 2020.

Authorized Share Capital

The Authorized Share Capital of the Company was reclassified by means of passing Shareholders' Resolution on August 5, 2019. The Authorized Equity Share Capital of ₹ 88,00,00,000 divided into 8,80,00,000 Equity Shares of ₹ 10 each was increased to ₹ 108,00,00,000 divided into 10,80,00,000 Equity Shares of ₹ 10/- each and the Authorized Preference Share Capital of ₹ 67,00,00,000 divided into 6,70,00,000 Compulsorily Convertible Preference Shares of ₹ 10 each was reduced to ₹ 47,00,00,000 divided into 4,70,00,000 Compulsorily Convertible Preference Shares of ₹ 10/- each, thus the total Authorized Share Capital remaining the same. The Authorized Share Capital of the Company was further reclassified by means of passing Shareholders' Resolution on March 18, 2020. The Authorized Equity Share Capital of ₹ 108,00,00,000 divided into 10,80,00,000 Equity Shares of ₹ 10 each was increased to ₹ 133,00,00,000 divided into 13,30,00,000 Equity Shares of ₹ 10/-

each and the Authorized Preference Share Capital of ₹ 47,00,00,000 divided into 4,70,00,000 Compulsorily Convertible Preference Shares of ₹ 10 each was reduced to ₹ 22,00,00,000 divided into 2,20,00,000 Compulsorily Convertible Preference Shares of ₹ 10/- each, thus the total Authorized Share Capital remaining the same.

Conversion of Compulsorily Convertible Preference Shares

i. 49,99,992 CCPS-IV of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 per share
ii. 49,99,995 CCPS-V of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 per share
iii. 99,99,990 CCPS-VI of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 per share
iv. 49,99,995 CCPS-VII of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 per share
v. 50,00,000 CCPS-VIII of ₹ 10 each were into equity shares of face value of ₹ 10 each at a premium of ₹ 8 per share
vi. 60,00,000 CCPS- I of ₹ 10 each were converted into equity shares of face value of ₹ 10 each
vii. 90,00,000 CCPS- II of ₹ 10 each were converted into equity shares of face value of ₹ 10 each
viii. 1,49,99,992 CCPS-III of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 per share
ix. 49,99,992 CCPS-IV (series -2) of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 per share
x. 20,00,000 CCPS-IX of ₹ 10 each were converted into equity shares at a price of ₹ 10 each at a premium of ₹ 10 per share

Regulatory Guidelines/Amendments

The Company has complied with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 prescribed by RBI regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, etc.

Capital Adequacy Ratio

The Company's Capital Adequacy Ratio (CAR) stood at 22.27% as on March 31, 2020, of which Tier I capital was 14.70% and Tier II capital was 7.57%. As per the regulatory norms, the minimum requirement for the CAR and Tier I capital as at March 31, 2020 are 15% and 10% respectively.

Subsidiary / Associate Companies

The Company does not have any subsidiary or associate company.

Particulars of Employees' Remuneration

The Company had 258 employees as of March 31, 2020. During the year, one employee employed throughout the year was in receipt of remuneration of ₹1.02 crore or more per annum and two employees employed for part of the year were in receipt of remuneration of ₹ 8.5 lakh or more per month.

In accordance with the provisions of Rule 5.2 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and particulars of the top ten employees in terms of remuneration drawn of the aforesaid employees are set out in the annexure to the Directors' Report. In terms of the provisions of Section 136(1) of the Companies Act, 2013 read with the rule, the Directors' Report (excluding the annexure) is being sent to all shareholders of the Company. Any shareholder interested in obtaining a copy of the annexure may write to the Company.

Further disclosures on managerial remuneration are provided in Annexure 1 appended to the Directors' Report.

Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace

The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment of women in the workplace in line with the provisions of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. The Company has set up an Internal Complaints Committee as required under the said Act to redress complaints pertaining to sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. Any complaint which is received by the Committee is to be dealt with appropriately, sensitively and confidentially in the most judicious and unbiased manner within the time frame as provided in the Act.

There were no complaints received during the year under review.

Vigil Mechanism/Whistle Blower Policy

The Company has in place a Vigil Mechanism and Whistle Blower Policy to ensure that all the employees and directors of the Company work in a conducive environment and are given a platform to freely express

their concerns or grievances on various matters pertaining to any malpractice, actual/suspected fraud, leakage of Unpublished Price Sensitive Information or violation of the Company's Code of Conduct.

In order to ensure highest standards of governance within the Company, under the Whistleblower Policy, other stakeholders including borrowers, key partners, direct selling agents and vendors can report any misconduct, leakage of Unpublished Price Sensitive Information or act that is not in the interest of the Company. The policy provides that the whistleblower shall be protected against any detrimental action as a result of any allegations made by him or her in good faith.

The policy is placed on the website of the Company at http://www.hdfccredila.com

Loans, Guarantees or Investments

Education loans are given by the Company in the ordinary course of business, details of which are provided in the Financial Statements.

As regards investments made by the Company, the details of the same are provided in notes to the financial statements of the Company for the year ended March 31, 2020 (Note 9).

Particulars of Contracts or Arrangements with Related Parties

The Company has not entered into any contract or arrangement with related parties referred to in Section 188(1) of the Companies Act, 2013 requiring disclosure in Form No. AOC-2, as prescribed under Rule 8(2) of the Companies (Accounts) Rules, 2014.

Details of other related party transactions are provided in the notes to the financial statements.

The Company's Policy on dealing with Related Party Transactions is available on its website at http://www.hdfccredila.com.

Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

During the financial year 2019 -20, the Company expended ₹ 12.74 crore, including upfront fees and interest expenses on external commercial borrowing of ₹ 11.77 crore, (previous year ₹ 1.37 crore) in foreign currency.

The Company being a Non-Banking Finance Company, its activities are not energy intensive. However, the Company has taken adequate measures for conservation of energy and usage of alternative source of energy, wherever possible.

Directors

Mr. Suresh Badami, Independent Director, resigned from the Board with effect from April 19, 2019. Mr. Sudhin Choksey, Independent Director, resigned from the Board with effect from October 11, 2019. The Board placed on record its sincere appreciation for the invaluable contribution made by the Independent Directors to the Board

The Board and the shareholders appointed Mr. Sunil Shah as Independent Director of the Company for a term of five consecutive years with effect from July 5, 2019.

The Board appointed Mr. Rajesh Gupta with effect from January 17, 2020 as Independent Director of the Company for a term of five consecutive years. His appointment is subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting

The Board has approved the re-appointment of Mr. Biswamohan Mahapatra as Independent Director of the Company for a term of five consecutive years with effect from March 30, 2020, subject to the approval of the shareholders at the ensuing Annual General Meeting as his first term of five years expired on March 29, 2020. The Board deliberated on the contributions made by Mr. Biswamohan Mahapatra and concluded that given his experience, knowledge and strategic inputs to the Board, it would be beneficial for the Company to retain him as Director.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. V. Srinivasa Rangan retires by rotation at the ensuing Annual General Meeting. He is eligible for re-appointment.

The necessary resolutions for the appointment/re-appointment of the Directors and their brief profiles have been included in the notice convening the ensuing Annual General Meeting All the directors of the Company have confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations and that they are not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013. The details on the number of Board/ Committee Meetings held are provided in the Report of the Directors on Corporate Governance, which forms part of this Report.

The Independent Directors have also confirmed that they satisfy the criteria of Independence as provided under Section 149(6) of the Companies Act, 2013. The Independent Directors have complied with the Code of Conduct as prescribed under Schedule IV of the Companies Act, 2013.

Statutory Auditors

Messrs. B S R & Co. LLP, Chartered Accountants (Firm Registration Number 101248W/W-100022) were appointed as the statutory auditors of the Company at the Annual General Meeting held on May 30, 2017, for a term of 5 consecutive years to hold office as such until the conclusion of the 17th Annual General Meeting.

The Statutory Auditors have not made any qualifications, reservations or adverse remarks or disclaimers in their report. The report of the Statutory Auditors is annexed to this Report. Further, during the year under review, the Statutory Auditors have not come across or reported any incident of fraud to the Audit of Directors.

Internal Auditors

Messrs. Chandabhoy & Jassoobhoy, Chartered Accountants, are the internal auditors of the Company appointed to review the internal controls and compliances under various regulations that are applicable to the Company.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Messrs. Vinod Kothari & Company, practicing company secretaries to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed to this Report and does not contain any qualifications.

Significant and Material Orders passed by the Regulators or Courts or Tribunals

During the year, no significant or material orders were passed by any regulator or court or tribunal against the Company impacting the going concern status and the Company's operations in future.

Subsequent Events

The COVID-19 pandemic has caused widespread disruption to the business environment both globally as well as in India since its outbreak in December 2019 and is expected to impact the Company and its operations as well. Subsequent to the outbreak of COVID-19 in India, the Company has diligently followed RBI's Circular on COVID-19 - Operational and Business Continuity Measures dated March 16, 2020. However, the Company awaits the opening of embassies and universities across the world for more clarity on the university admissions cycle as well as visibility of visa issuances. It is very difficult at this stage in the absence of reliable information to assess the impact on the US and Abroad Business where approximately 90% of the Company`s business is done.

A government of India directive dated March 22, 2020 has directed a lockdown of offices and commercial establishments across the country and continues till date.

The Company in response to such directives has shut all its offices and the employees are working from home. Given that the admission to the Indian colleges happen during the months from March to June 2020, this could impact the growth of India business as well. The RBI, vide circular RBI/2019-20/186 and Statement on Developmental and Regulatory Policies dated March 27, 2020, permitted banks and financial institutions to provide a moratorium for all payments (both principal and interest) due between March 1, 2020 and May 30, 2020. This relief measure was announced for customers who are repaying loans of any kind, to tide over their financial difficulty in servicing the debts. The Company has extended this benefit of deferment of payment to all its customers, except those who voluntarily opted out of this facility.

Directors' Responsibility Statement

In accordance with the provisions of Section 134(3) (c) of the Companies Act, 2013 and based on the information provided by the management, your directors state that:

a) In the preparation of annual accounts, the applicable accounting standards have been followed

b) Accounting policies selected have been applied consistently. Reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at the end of financial year 2019-20 and of the profit of the Company for that period

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities

d) The annual accounts of the Company have been prepared on a going concern basis

e) The directors had laid down internal financial controls to be followed by the company and such internal controls were adequate and operating effectively

f) Systems to ensure compliance with the provisions of all applicable laws are in place, adequate and operating effectively

Management Discussion and Analysis Report and Report of the Directors on Corporate Governance

The Management Discussion and Analysis Report and the Report of the

Directors on Corporate Governance form part of this report.

Internal Financial Control

The Company has put in place adequate policies and procedures to ensure that the system of internal financial control is commensurate with the size and nature of the Company`s business. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the Company, prevention and detection of frauds, accuracy and completeness of accounting records and ensuring compliance with corporate policies.

Secretarial Standards

The Company has complied with the applicable provisions of Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.

Annual Return and Extract thereof

The extract of Annual Return in Form No. MGT-9 as required under the provisions of the Companies Act, 2013 is annexed to this report. The Annual Return for the financial year 2019-20 has also been uploaded at http://www.hdfccredila.com/about/investor-relation.html

Acknowledgements

The Company acknowledges the role of all its key stakeholders - shareholders, debenture holders, borrowers, channel partners and lenders for their continued support to the Company.

Your directors place on record their gratitude for the support of various regulatory authorities including RBI, Securities and Exchange Board of India, Ministry of Corporate Affairs, Registrar of Companies, Financial Intelligence Unit (India), BSE Limited and the depositories.

While recognizing the challenging work environment, your Directors place on record their appreciation for the hard work, loyalty and efforts of the employees whose professionalism has ensured excellent all-round performance of the Company.

On behalf of the Board of Directors

Mumbai
May 11, 2020

V. Srinivasa Rangan
Chairman

Annex to Directors' Report - I

DISCLOSURES ON MANAGERIAL REMUNERATION

Details of remuneration as required under Rule 5.1 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided below:

Ratio of remuneration of each director to the median employee's remuneration for the financial year 2019-20

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. V. Srinivasa Rangan	Chairman	1.93
Mr. Subodh Salunke[1]	Vice Chairman	13.18
Mr. Arijit Sanyal[2]	Managing Director & Chief Executive Officer	2.85
Mr. Biswamohan Mahapatra	Independent Director	1.27
Mr. Sunil Shah[3]	Independent Director	1.07
Mr. Sudhin Choksey[4]	Independent Director	0.25
Mr. Suresh Badami[5]	Independent Director	-
Mr. Rajesh Gupta[6]	Independent Director	0.36
Ms. Madhumita Ganguli	Non- Executive Director	0.59
Mr. Anil Bohora[##]	Managing Director	16.98
Mr. Ajay Bohora[##]	Managing Director & Chief Executive Officer	16.75

[1]Designation changed from Executive Vice Chairman to Non-Executive Vice Chairman with effect from January 18, 2020

[2] Appointed as Managing Director & Chief Executive Officer with effect from January 17, 2020

[3]Appointed with effect from July 5, 2019

[4]Resigned with effect from October 11, 2019

[5]Resigned with effect from April 19, 2019

[6]Appointed with effect from January 17, 2020

[##]Resigned with effect from December 12, 2019

Percentage increase in the remuneration of each director and key managerial personnel in the financial year 2019-20

Name	Designation	Increase in Remuneration (%)
Mr. Subodh Salunke[1]	Vice Chairman	-
Mr. Anil Bohora[##]	Managing Director	-
Mr. Ajay Bohora[##]	Managing Director & Chief Executive Officer	-
Mr. Arijit Sanyal[2]	Managing Director & Chief Executive Officer	-
Mr. Sebastian Fernandez[3]	Chief Risk Officer (erstwhile Chief Financial Officer)	-
Mr. Shridhar Hebbar[4]	Chief Financial Officer	-
Ms. Akanksha Kandoi	Company Secretary	17%

[1] Designation Changed from Executive Vice Chairman to Non-Executive Vice Chairman with effect from January 18, 2020. Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.

[2]Appointed as Managing Director and Chief Executive Officer with effect from January 17, 2020. Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.

[3]Designation changed from Chief Financial Officer to Chief Risk Officer with effect from August 19, 2019. Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.

[4] Appointed as Interim Chief Financial Officer with effect from January 17, 2020. (Stepped down as the Interim Chief Financial Officer with effect from May 10, 2020. Mr. Manjeet Bijlani was appointed as the Chief Financial Officer with effect from May 11, 2020). Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.

[##] Resigned with effect from December 12, 2019. Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.

Sitting fees of the directors was revised and approved at the Board Meeting of the Company held on January 17, 2020.

Sitting fees for Board Meetings was revised from ₹ 40,000 to ₹ 75,000 per meeting and for Committee Meetings from ₹ 25,000 to ₹ 75,000 per meeting during the year under review.

Number of permanent employees

The number of employees in the Company as at March 31, 2020 was 258.

Average percentile increase already incorporated in salaries of employees other than managerial personnel in the previous financial year and its comparison with the percentile increase in managerial remuneration.

The average increase in the remuneration of all employees was 11% during the financial year 2019-20.

During the year, 1 employee who was employed throughout the year was in receipt of remuneration of ₹ 1.02 crore or more per annum and there were 2 employees employed for part of the year who were in receipt of remuneration of ₹ 8.5 lakhs or more per month.

The average increase in the remuneration of both, the managerial and non-managerial personnel was determined based on the overall performance of the Company. Further, the criteria for remuneration of non- managerial personnel is based on an internal evaluation, while the remuneration of the managerial personnel is based on the Remuneration Policy of the Company as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors.

The Remuneration Policy of the Company is uploaded on the website of the Company at https://www.hdfccredila.com/about/corporate-governance.html

The Company reiterates that there were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

The increase in remuneration of Key Managerial Personnel is based on the overall performance of the Company. As elucidated above, the Company performed well on various financial parameters. In addition, a peer comparison of other education finance companies reaffirmed the Company's strong performance in the previous financial year.

Annex to Directors' Report - 2

HDFC Credila Financial Services Private Limited (HDFC Credila) is India's first dedicated education loans company. The Company provides education loan to Indian students to pursue higher education in India and abroad.

HDFC Credila is registered as a Non-Deposit taking Non-Banking Financial Institution (NBFI-ND) with the Reserve Bank of India (RBI). The Company is classified as a Systemically Important Non-Deposit taking Non-Banking Financial Institution (NBFC-ND-SI) as per RBI regulations.

HDFC Credila has a AAA credit rating from all the major rating agencies: CRISIL, CARE & ICRA. Further, HDFC Credila has been notified as an eligible financial institution for purpose of section 80E of the Income Tax Act, 1961, vide Notification No. 79/2010[F.No.178/49/2008-ITA-I], dated 13-10-2010 whereby customers of the Company can avail benefits of income tax deduction in respect of the interest paid by them on their education loan, subject to certain conditions as laid under the Income Tax Act, 1961 and amendments made thereto hereinafter.

Industry Structure and Scope

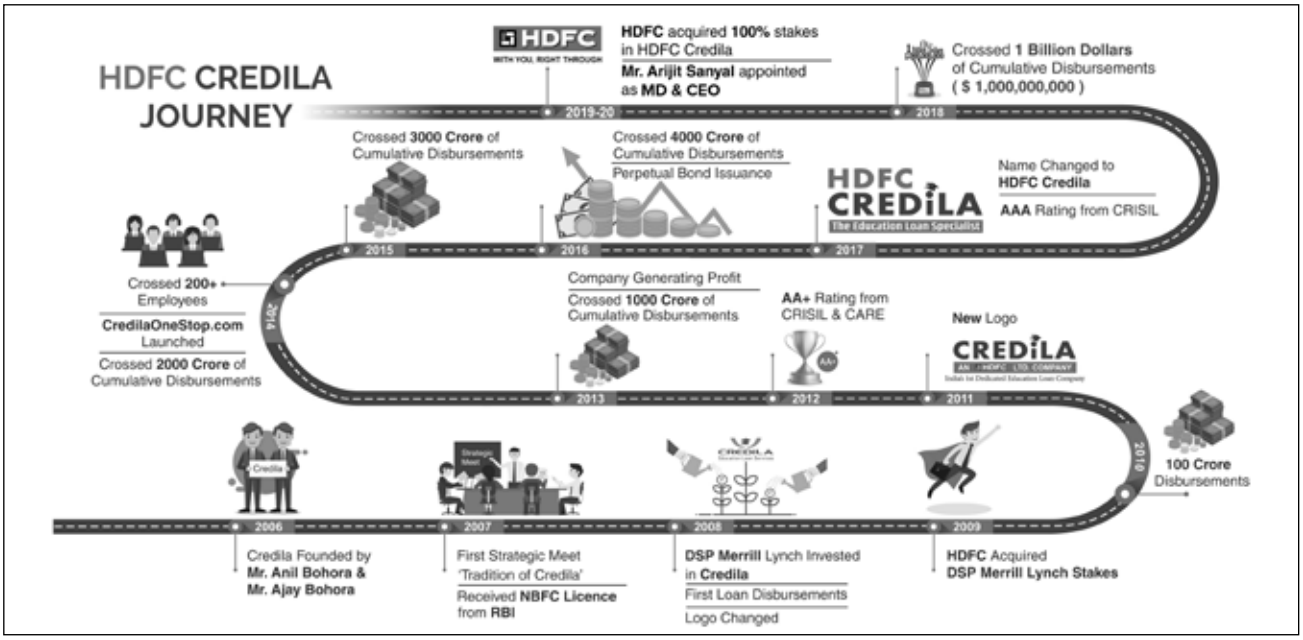
India's education sector offers a great opportunity as India has the largest population in the world in the age bracket of 5 - 24 years. India's higher education segment is expected to increase to ₹ 2,44,824 crore (US$ 35.03 billion) by 2025[1].

As per the Ministry of Human Resource Development report[2] dated March 2018, over 26 crore students are in K-12 (Kindergarten to Std. XII) in India, more than any other country. This constitutes a huge pool of talented youth who will enter the Indian higher education system. Currently, as per AICTE data, over 3,070[3] management institutes are operational in India with total intake capacity of over 3.7[3] lakh students. Most of these institutes are private. Unlike the past, where there was a mismatch between demand and supply of management institutes, today there is an ample supply of such institutes.

Education continues to be a priority for Indian families. Increasing cost of education is making it imperative for students to avail an education loan. India has around 3.7[1] crore students who are pursuing higher education in over 993 Universities, 39,931[1] institutes and 10,725 standalone Institutes. The complexity and dynamics of the sector warrants a growing need for specialized education loan providers. A combination of students' academic and personal background and future potential is considered to analyze the credit worthiness and risk profile. HDFC Credila leverages its domain knowledge and expertise in education loans to offer customized products for students, making HDFC Credila standout as one of the leaders in the Education Finance industry.

Most public sector banks and some NBFCs in India offer education loans. As per RBI, education loans outstanding under priority sector for Banks in India stands at ₹ 59,106[4] crore on March 2020.

Also, the trend among Indian students



Annex to Directors' Report - 2 (Continued)

to pursue their dreams of higher education abroad continues as the annual number of students going abroad is rising. This is primarily due to the rising awareness, higher aspirations, on-campus grooming experience, availability of specialized courses etc.

Road Ahead[1]

It is estimated that India's higher education will undergo the following changes by 2030:

- The combination training method, which involves online learning and games, is expected to grow by up to 38% in the next 2-4 years
- Adoption of transformative and innovative approaches in Higher education
- Augmented Gross Enrolment Ratio will rise to 50%
- Emerge as a single largest provider of global talent, with one in four graduates in the world being a product of the Indian higher education system
- Have more than 20 universities among the global top 200

India has become the second largest market for e-learning after the US. The sector is expected to reach US$ 1.96 billion by 2021 with around 9.5 million users. Various government initiatives are being adopted to boost the growth of distance education market, besides focusing on new education techniques, such as E-learning and M-learning. Furthermore, with online modes of education being used by several educational organizations, the higher education sector in India is set for some major changes and developments in the years to come. The impact of COVID-19 on the overall global macro-economy, classroom teaching and pedagogy in general may also potentially accelerate some of the above structural shifts in the Education Finance industry.

Opportunities

Education loans as an asset class is in a nascent stage in India with huge growth potential. Gross Enrollment Ratio (GER)* in India for higher education is 26.30%[5] which is far lower than that of developed countries.

*GER is the number of students enrolled in a given level of education, expressed as a percentage of the population number of that age group.

The Domestic market opportunity: 3.7[1] crore students currently enrolled in Higher Education in India.

International Education Loan Market opportunity:

In developed countries like USA where the population is around 25% of India's, education loans outstanding is high. As per a report published by Federal Reserve Bank of New York, the education loans outstanding stands at $1.5 trillion (₹ 114.27 lakh crore)[6] on December 2019. This indicates a much higher penetration as compared to that in India and hence a huge potential for the Indian Education Loan Industry.

Fintech companies have also entered the education loans sector over the last few years. While most were initially focused on school-fee finance, many are now expanding to higher education loans for online courses, executive/professional courses, etc. Some fintech companies are even extending loans to students pursuing higher education in the US, UK etc. Some others are not in the business of lending themselves but are more in the nature of platforms or marketplaces offering various cross-sell services with banks and NBFCs.

The presence of fintech companies poses both a source of competition as well as a potential opportunity for HDFC Credila.

HDFC Credila is exploring partnerships as well as co-lending opportunities with such companies. This presents an opportunity to expand sourcing channels, product offerings and also to leverage technology for future lending.

Threats

Employment opportunities are uncertain in India as well as in the rest of the world. Various factors like automation and digitization further accelerated by the impact of COVID-19, coupled with job creation not keeping pace with ever increasing additions to the workforce has further added to uncertainty in employment opportunities. This has contributed to the relatively slow growth in salary levels of fresh graduates which has been lagging the rising cost of education over the last few years. This could result in higher levels of delinquency in education loans.

The vast geographical reach and corresponding distribution capabilities of banks is another threat. Many new NBFCs, Fintech companies and Indian Banks have entered the education loan market. Many of these are offering competitive products in the same segments/target markets as HDFC Credila. While high delinquencies and limited access to funds for some NBFCs and Fintech companies have resulted in slower growth, they are now beginning to expand in the

Annex to Directors' Report - 2 (Continued)

Indian market. Some international education loan companies are also enhancing their presence in India to take advantage of the increasing number of Indian students pursuing higher education abroad.

As a lender in the education loans sector, the biggest threat that the Company faces is the dynamic macroeconomic environment in India and abroad. The ever-changing immigration & visa laws, work permits and other policies etc. impact employment opportunities across the world. This requires constant tracking and monitoring in order to assess and mitigate risks.

Impact of COVID-19

The ongoing COVID-19 crisis has not only created a worldwide health emergency but has also stressed the financial situation of individuals and businesses alike. HDFC Credila has strictly adhered to the guidelines and directions issued by the Government and the Reserve Bank of India (RBI). The RBI, vide COVID-19 Regulatory Package dated March 27, 2020, had permitted banks and financial institutions to provide a moratorium for all payments (both principal & interest) due between March 1 and May 30, 2020.This relief measure was announced for customers with term loans of any kind. HDFC Credila has extended this benefit of deferment of payment to all customers, except those who specifically communicated their preference to continue loan repayments as per their regular payment schedule.

HDFC Credila has also adapted its operating process to enable employees to work from home during the period of the lockdown. Besides the above measures, HDFC Credila has also been encouraging its customers to use online and digital platforms to carry out transactions.

HDFC Credila is also assessing the cost of disruptions to its business due to the ongoing COVID-19 crisis. Considering the fact that the COVID-19 crisis is not over yet, it is too early to quantify its impact. The company will continue to closely monitor the situation as it evolves and to work closely with all its stakeholders while following the regulations imposed by the government.

Segment of Focus & Performance

The Company focuses only on education loans. The Company has two main product categories - secured education loans and unsecured education loans. Currently, 43% of the Company's education loans portfolio is secured and 57% is unsecured. Both these product categories continue to perform well. The Non-Performing Assets of the Company is only 0.12%, as compared to 8% of the Industry.

With more than a decade's experience in the education loans segment, HDFC Credila has developed strong domain expertise and built a brand name as one of the most trusted education loan providers in India, providing tailor-made solutions for students. The Company has an efficient domain specific technology platform for loan sourcing, lead management, loan processing, credit, underwriting, recovery, operations and servicing. The Company uses its home-grown technology platform which enables it to grow and still remain cost effective. The Company's focus will continue to be on prudent credit norms, constant monitoring of portfolio performance and fine tuning of policies.

Risks and Concerns

The Company inculcates and nurtures a conscientious risk culture, driven by a clear governance structure whilst incorporating the 'Three lines of Defense'. The Company has formalized a principled approach towards taking risks responsibly.

The Company's risk management processes are guided by well-defined policies, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. There are two Board level sub-committees (Risk Management Committee and Audit Committee) to deal with risk management related specific matters and has delegated powers for different functional areas.

The following specialized committees comprising senior management personnel ensure oversight and effective implementation of the overall Risk Management Framework:

- Internal Risk Management Committee (IRMC)
- HDFC Credila Credit Committee (HCCC)
- Asset Liability Committee (ALCO)
- Outsourcing Management Committee (OMC)

Annex to Directors' Report - 2 (Continued)

- IT Steering Committee

Based on the Risk Management Framework and Policy formulated and adopted by the Risk Management Committee of the Company, the following risks have been identified by the Company:

- Credit risk: The risk of loss due to the failure of the borrowers to repay their debt obligations as per the contractual terms agreed upon. The Credit risk of the Company is managed by adhering to the Credit Policy of the Company which lays down a set of credit and underwriting norms, along with structured credit approval process which includes a thorough check of various qualitative and quantitative information to ascertain the credit-worthiness of the borrower considering that education loans as an asset class across the world and in India have relatively higher NPAs.
- Finance and compliance: Fluctuations in interest rate affect spread, liquidity risk can affect fund raising, non-compliance with laws and regulations are potential risks. For carrying on its daily operations, the Company raises its funds from both the banking system as well as market instruments, which are vulnerable to interest rate movements in the market. The Asset Liability Management Committee (ALCO) of the Company comprising of senior management ensures a diversified strategy while raising resources which ensures optimal cost of funds while ensuring stability of resource raising. While raising funds through different instruments, the Company also faces an asset-liability mismatch caused by difference in maturity profile of its assets and liabilities. The ALCO monitors the liquidity position to ensure it can meet all borrowers and lenders related funds requirement.
- Sales and Marketing: Banks offering education loans at lower rates is a business risk. The inability of the Company to generate adequate quality leads, misrepresentation or wrong commitments on the part of the sales team can also pose risks to the Company. The Company is constantly working on reducing its cost of borrowing, product innovation and research, training and improving the distribution channels.
- Operational risks: Operational risks are very broad and intrinsic to any business. These may vary from non-adherence to the processes and policy, improper authorization, a change in key management personnel, information technology risks relating to the loan processing system, risk of fraud, employee errors, lack of training and knowledge, etc. Operational risk is mitigated through a comprehensive system of internal controls and training. Additionally, regular internal audits and branch audits are conducted to check on any deviation from process laid down in the Standard Operating Practices and Policies.

Most importantly, for students to be able to continue to repay their education loans, it's critical to have strong employment and business opportunities in India and abroad. Uncertainties regarding the above, in addition to other macro-economic factors, global policies on visas, work-permits, etc. can be a concern.

Internal Control System

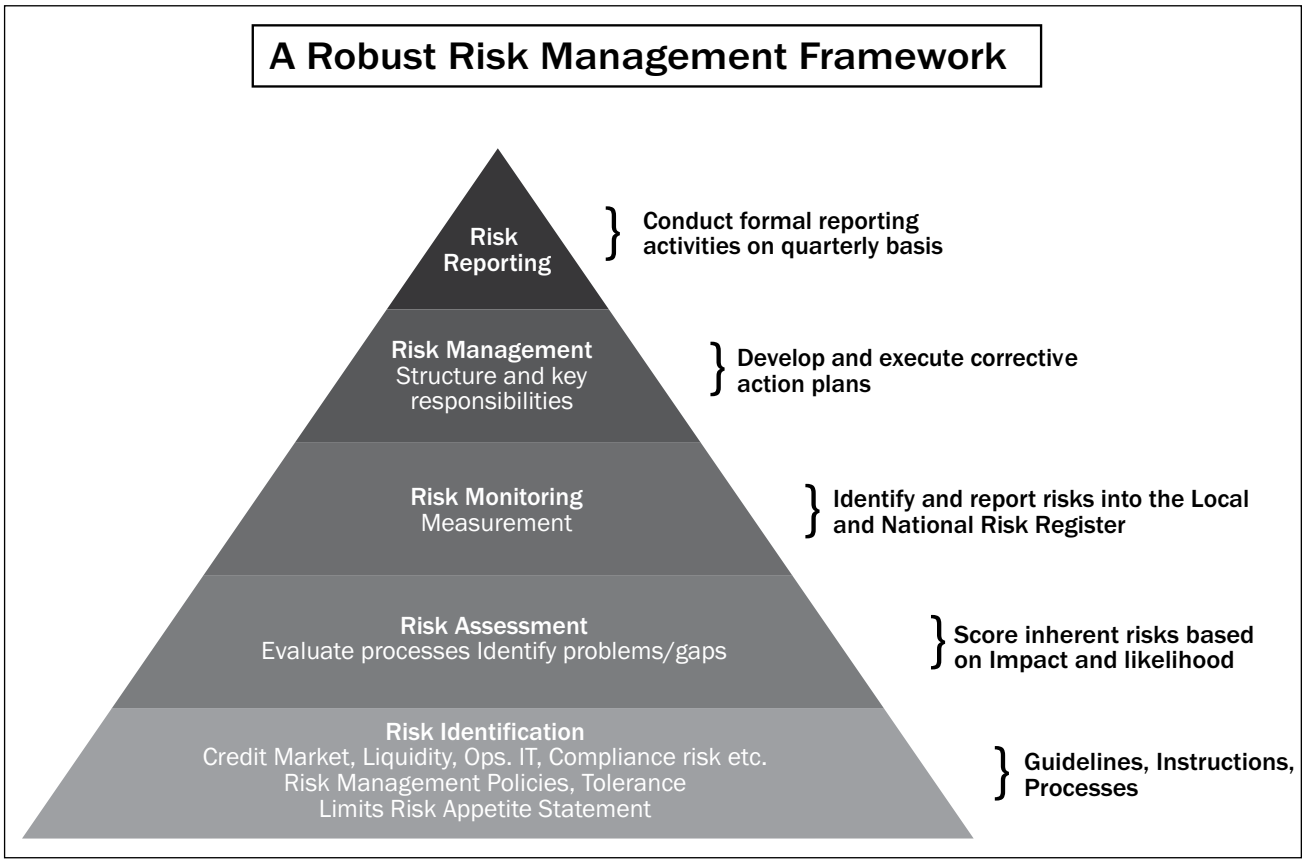
The Internal Audits are carried out by an independent Chartered Accountants firm. All significant Internal Audit observations are reported to the Audit Committee of the Board of Directors of the Company. The Audit Committee has been constituted under section 177 of the Companies Act, 2013 with specified terms of reference.

The Company has Standard Operating Procedures (SOPs), Internal Financial Controls (IFCs) and Risk Registers as per the Risk Management Policy. Also, the Company has put together internal control systems which are commensurate with the nature and size of the business.

Secretarial Audit is conducted by a firm of practicing company secretaries. During the year, the Internal Auditors carried out

Annex to Directors' Report - 2 (Continued)

compliance audit of filing of returns with the RBI. A snapshot of the company's risk management framework is given below:



Discussion on Financial Performance with respect to Operational Performance

During the financial year 2019 - 20, education loans disbursed by the Company grew by 1% from ₹ 2,082 crore in the previous year to ₹ 2,094 crore. The Company disbursed education loans to 9,206 students (previous year 9,726 students).

The financial and operational performance of the Company for the year ended on March 31, 2020 has been good with an increase in the loan book by 17%. The Company has also seen an increase in net profit after tax of over 21% to ₹ 123 crore.

Material developments in Human Resources / Industrial Relations front, including number of people employed

During the year, various training programs were held at different locations on numerous topics.

During the year, the Supreme Court has provided judgment relating to components of salary structure that need to be considered while computing the contribution to provident fund under the EPF Act on February 28, 2019. There are interpretative aspects related to the judgment including the effective date of application. The Company will continue to assess any further developments in this matter.

There has been no industrial dispute during the year.

Sources:

[1]https://www.ibef.org/industry/education-presentation

[2]https://mhrd.gov.in/sites/upload_files/mhrd/files/statistics-new/ESAG-2018.pdf

[3]https://facilities.aicte-india.org/dashboard/pages/dashboardaicte.php

[4]https://rbidocs.rbi.org.in/rdocs/content/docs/PR2298SD30042020.xlsx

[5]http://aishe.nic.in/aishe/viewDocument.action;jsessionid=DFA54282723906954E58686D9C111E6F?documentId=262

[6]https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2019Q4.pdf

Annex to Directors' Report - 3

The Annual Report on Corporate Social Responsibility (CSR) Activities

[Pursuant to Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014]

1. **A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken**
   The Company believes in conducting its business responsibly, fairly and in a most transparent manner. It continually seeks ways to bring about an overall positive impact on the society and environment where it operates as a part of its social objectives.
   The main objective of the CSR Policy of the Company is to lay down guidelines to make CSR a key business process for sustainable development of the society and the environment in which it operates. The CSR Policy of the Company is available on the Company's website http://www.hdfccredila.com
   The CSR objective of the Company is "empowerment of underprivileged children, empowerment of girl child and education". The implementation and monitoring of the CSR Policy is in compliance with the CSR objective and policy of the Company.
2. **The Composition of the CSR Committee**
   Mr. Sunil Shah (Chairman), Mr. Biswamohan Mahapatra, Mr. V. Srinivasa Rangan, Ms. Madhumita Ganguli
3. Average net profit of the Company for last three financial years : ₹ 130,75,14,587
4. Prescribed CSR Expenditure (2% of the amount as in item 3 above) : ₹ 2,61,50,292
5. Details of CSR spent during the financial year:
   (a) Total amount to be spent for the financial year (2019-20) : ₹ 2,61,50,292
   (b) Amount unspent, if any : NIL
   Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR Project/Activity Identified	Sector	Location	Project/ Programme wise budget (₹)	Amount Spent (₹)	Cumulative expenditure up to the reporting period (₹)	Directly or through Implementing Agency
1	Promoting education among underprivileged children by providing an improved learning environment and building a movement of Leaders to eliminate educational inequality	Promoting education	Pune (Maharashtra) and Bangalore (Karnataka)	98,16,198	98,16,198	98,16,198	Implementing Agency: Teach for India
2	Treating the less fortunate children born with facial deformities of cleft, lip and palate	Treatment of underprivileged children	Mumbai (Maharashtra) and Bangalore (Karnataka)	74,95,600	75,19,228	75,19,228	Implementing Agency INGA Health Foundation
3	Promoting education	Promoting education	Mumbai and Igatpuri-Nashik (Maharashtra)	87,91,965	87,91,965	87,91,965	Implementing Agency: Aseema Charitable Trust
4	Overheads	Overhead expenses including capacity building of CSR core staff	Administrative Overheads	46,529	22,901	22,901	
		Total		**2,61,50,292**	**2,61,50,292**	**2,61,50,292**	

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report. - Not Applicable.

Annex to Directors' Report - 3 (Continued)

7. Total amount of CSR is spent through implementation agencies.
8. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and policy of the Company

For HDFC Credila Financial Services Private Limited

Mumbai	Mr. Arijit Sanyal	Mr. Sunil Shah
May 11, 2020	Managing Director & Chief Executive Officer	Chairman of the CSR Committee

Annex to Directors' Report - 4

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN	U67190MH2006PTC159411
Registration Date	February 1, 2006
Name of the Company	**HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED**
Category / Sub-Category of the Company	Company limited by shares/Non-Government Company
Address of the Registered office and contact details	B - 301, Citi Point, Next to Kohinoor Continental, Andheri - Kurla Road, Andheri (East), Mumbai, 400 059. Tel No.: 022-2826 6636
Whether listed Company Yes / No	Yes (The Debt securities of the Company are listed on the BSE Ltd.)
Name, Address and Contact details of Registrar and Transfer Agent, if any	Adroit Corporate Services Private Limited 19 / 20 Jaferbhoy Ind. Estate, 1st Floor, Makwana Road, Marol, Andheri (E), Mumbai – 400 059. Tel. No. : 022- 4227 0400 / 2859 6060 Email id: info@adroitcorporate.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company: -

Sr. No.	Name and Description of main products / services	NIC Code of the Product / Service	% of total turnover of the Company
1	Providing Education Loans for higher education	64,920	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	**HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED** Ramon House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai, 400020.	L70100MH1977PLC019916	Holding Company	100%	2(46) of the Companies Act, 2013

Annex to Directors' Report - 4 (Continued)

IV. SHARE HOLDING PATTERN (Equity Share Capital breakup as percentage of total equity)

(i) Category-wise Shareholding:

	No. of Shares held at the end of the beginning of the year (April 01, 2019)				No. of Shares held at the end of the year (March 31, 2020)				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
A. Promoters									
(1) Indian									
(a) Individual/ HUF	57,35,000	–	57,35,000	8.31	0	–	0	0.00	(-) 8.31
(b) Central Govt.	–	–	–	–	–	–	–	–	–
(c) State Govt.(s)	–	–	–	–	–	–	–	–	–
(d) Bodies Corp.	–	–	–	–	–	–	–	–	–
(e) Banks / FI	5,75,50,786	0	5,75,50,786	83.38	13,17,98,226	–	–	100.00	(+) 16.62
(f) Any other	–	–	–	–	–	–	–	–	–
Sub-total (A) (1)	**6,32,85,786**	**–**	**6,32,85,786**	**91.69**	**13,17,98,226**	**–**	**–**	**100.00**	**(+) 8.31**
(2) Foreign									
(a) NRIs-Individuals	57,35,000	–	57,35,000	8.31	0	–	0	0.00	(-) 8.31
(b) Other-Individuals	–	–	–	–	–	–	–	–	–
(c) Bodies Corp.	–	–	–	–	–	–	–	–	–
(d) Banks / FI	–	–	–	–	–	–	–	–	–
(e) Any Other	–	–	–	–	–	–	–	–	–
Sub-total (A) (2)	**57,35,000**	**–**	**57,35,000**	**8.31**	**0**	**–**	**0**	**0.00**	(-) 8.31
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	**6,90,20,786**	**–**	**6,90,20,786**	**100**	**13,17,98,226**	**–**	**–**	**100**	**–**
B. Public Shareholding									
1. Institutions	**–**	**–**	–	–	–	–	–	–	–
Sub-total (B)(1)	**–**	**–**	–	–	–	–	–	–	–
2. Non-Institutions	**–**	**–**	–	–	–	–	–	–	–
Sub-total (B)(2)	**–**	**–**	–	–	–	–	–	–	–
Total Public Shareholding (B)=(B)(1)+(B)(2)	**–**	**–**	–	–	–	–	–	–	–
C. Shares held by Custodian for GDRs and ADRs	**–**	**–**	–	–	–	–	–	–	–
Grand Total (A+B+C)	**6,90,20,786**	**–**	**6,90,20,786**	**100**	**13,17,98,226**	**–**	**–**	**100**	**–**

Annex to Directors' Report - 4 (Continued)

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (April 01, 2019)			Shareholding at the end of the year (March 31, 2020)			% change in shareholding during theyear
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total shares	
1	Housing Development Finance Corporation Limited	5,75,50,786	83.38	–	13,17,98,226	100.00	–	(+) 16.62
2	Anil Bohora	57,35,000	8.31	–	0	0	–	(-) 8.31
3	Ajay Bohora	57,35,000	8.31	–	0	0	–	(-) 8.31
	Total	**6,90,20,786**	**100.00**	**–**	**13,17,98,226**	**100.00**	**–**	**–**

(iii) Change in Promoters' Shareholding:

Date	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	Housing Development Finance Corporation Limited				
	At the beginning of the year	5,75,50,786	83.38%		
10/05/2019	Allotment of equity shares on Conversion	80,12,810		6,55,63,596	85.11%
06/07/2019	Allotment of equity shares on Conversion of CCPS	76,92,300		7,32,55,896	86.46%
13/08/2019	Allotment of equity shares on Conversion of CCPS	38,46,150		7,71,02,046	87.05%
23/08/2019	Allotment of equity shares on Right Basis	18,11,600		7,89,13,646	87.31%
12/12/2019	Transfer of Shares from Mr. Anil Bohora and Mr. Ajay Bohora (Individual Promoters)	1,14,70,000		9,03,83,645	100.00%
18/03/2020	Allotment of equity shares on Conversion of CCPS	1,66,66,653		10,70,50,298	100.00%
19/03/2020	Allotment of equity shares on Conversion of CCPS	1,87,77,778		12,58,28,077	100.00%
31/03/2020	Allotment of equity shares on Right Basis	59,70,149		13,17,98,226	100.00%
	At the end of the year	**13,17,98,226**	**100.00%**	**13,17,98,226**	**100.00%**

Annex to Directors' Report - 4 (Continued)

Date	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	Mr. Anil Bohora				
	At the beginning of the year	**57,35,000**			
12/12/2019	Transfer of Shares to Housing Development Finance Corporation Limited	(-) 57,35,000			
	At the end of the year	**0**	**0.00%**	**0**	**0.00%**
	Mr. Ajay Bohora				
	At the beginning of the year	**57,35,000**			
12/12/2019	Transfer of Shares to Housing Development Finance Corporation Limited	(-) 57,35,000			
	At the end of the year	**0**	**0.00%**	**0**	**0.00%**

Note: Housing Development Finance Corporation Limited transferred 6 shares to 6 individual nominees. The number of shareholders increased to seven during the year under review.

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NIL.

(v) **Shareholding of Directors and Key Managerial Personnel:** Nil

Annex to Directors' Report - 4 (Continued)

V. INDEBTEDNESS

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	3,725.17	1,038.53	—	4,763.70
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	58.66	25.16	—	83.82
Total (i+ii+iii)	**3,783.82**	**1,063.69**	**—**	**4,847.51**
Change in Indebtedness during the financial year				
• Addition	1299.93	—	—	1,299.93
• Reduction	—	-181.00	—	-181.00
Net Change	**1299.93**	**-181.00**	**—**	**1,118.93**
Indebtedness at the end of the financial year				
i) Principal Amount	5,012.14	846.29	—	5,858.44
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	71.61	36.40	—	108.01
Total (i+ii+iii)	**5,083.76**	**882.69**	**—**	**5,966.45**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Mr. Arijit Sanyal (Appointed as Managing Director & Chief Executive Officer w.e.f January 17, 2020) (₹)	Mr. Subodh Salunke (Ceased to be Whole Time Director w.e.f January 17, 2020) (₹)	Mr. Anil Bohora (Resigned as Managing Director w.e.f December 12, 2019) (₹)	Mr. Ajay Bohora (Resigned as Managing Director & Chief Executive Officer w.e.f December 12, 2019) (₹)	Total Amount (₹)
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	—	—	1,05,83,890	1,04,40,140	2,10,24,030
	(b) Value of perquisites under Section 17(2) Income-tax Act, 1961	—	—	—	—	—
	c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	—	—	—	—	—
2	Stock Option	—	—	—	—	—
3	Sweat Equity	—	—	—	—	—
4	Commission					
	- as % of profit	—	—	—	—	—
	- others	—	—	—	—	—
5	Others - Deputation cost	17,77,452	77,65,047	—	—	95,42,499
	Total	**17,77,452**	**77,65,047**	**1,05,83,890**	**1,04,40,140**	**3,05,66,529**
	Overall Ceiling as per the Companies Act, 2013	₹ 8.46 crore each (5% of the net profits of the Company)				₹ 16.92 crore (10% of the net profits of the Company)

Annex to Directors' Report - 4 (Continued)

B. Remuneration to other Directors:

Name of Directors	Particulars of Remuneration			
	Fees for attending Board / Committee meetings (₹)	Commission paid for financial year (₹)	Others, please specify (₹)	Total Amount (₹)
Mr. V. Srinivasa Rangan	12,05,000	–	–	12,05,000
Mr. Biswamohan Mahapatra	7,90,000	–	–	7,90,000
Mr. Sunil Shah[1]	6,65,000	–	–	6,65,000
Mr. Rajesh Gupta[2]	2,25,000	–	–	2,25,000
Mr. Subodh Salunke[3]	4,50,000	–	–	4,50,000
Ms. Madhumita Ganguli	3,65,000	–	–	3,65,000
Mr. Sudhin Choksey[4]	1,55,000	–	–	1,55,000
Total	38,55,000	–	–	38,55,000
Overall Ceiling as per the Companies Act, 2013	100,000#	1.69 crores (1% of the Net Profits) ##		

[1]Appointed as Independent Director with effect from July 05, 2019

[2]Appointed as Independent Director with effect from. January 17, 2020

[3]Ceased to be a Whole Time Director and designation changed from "Executive Vice Chairman" to "Non Executive Vice Chairman"

[4]Resigned as Independent Director with effect from October 11, 2019

Per meeting sitting fees.

The Company pays sitting fees per meeting to directors (other than Managing Directors) for attending the meeting of Board or Committee thereof as follows:

For Board Meeting - ₹ 75,000 per meeting
- ₹ 40,000 per meeting up to January 17,2020

For Committee Meeting - ₹ 75,000 per meeting
- ₹ 25,000 per meeting up to January 17,2020

Excludes sitting fees

Annex to Directors' Report - 4 (Continued)

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole Time Director:

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount (₹)
		Mr. Shridhar Hebbar[1] (Chief Financial Officer) (₹)	Mr. Sebastian Fernandez[2] (Chief Financial Officer) (₹)	Ms. Akanksha Kandoi (Company Secretary) (₹)	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	23,73,855	16,45,803	35,02,062	75,21,720
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	—	—	—	—
	c) Profits in lieu of salary under Section 17(3) of the Income- tax Act, 1961	—	—	—	—
2	Stock Option	—	—	—	—
3	Sweat Equity	—	—	—	—
4	Commission	—	—	—	—
	- as % of profit	—	—	—	—
	- others, specify	—	—	—	—
5	Others, please specify	—	—	—	—
	Total	**23,73,855**	**16,45,803**	**35,02,062**	**75,21,720**

[1]Appointed as Interim Chief Financial Officer with effect from January 17, 2020. Resigned as Interim Chief Financial Officer with effect from May 10, 2020.

[2]Resigned as Chief Financial Officer with effect from August 18, 2019. Appointed as Chief Risk Officer with effect from August 19,2019.

Note: Mr. Manjeet Bijlani has been appointed as Chief Financial Officer with effect from May 11, 2020.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

During the year, no penalties were levied against the Company, its directors or any of its officers under the Companies Act, 2013 nor was there any punishment or compounding of offences against the Company, its directors or any of its officers.

Annex to Directors' Report – 5

Report of the Directors on Corporate Governance

The need for good Corporate Governance has intensified due to growing competition and complex business environment. It is the application of best management practices and compliances in true letter and spirit, adherence to ethical standards for effective management and discharge of social responsibility for sustainable development of all stakeholders. Corporate Governance includes adherence to all laws, rules, regulations and guidelines, as applicable. The principles of corporate governance have become conventional wisdom with the realization that it is a necessary tool for the economic health of a company and for the society at large. The Indian regulatory framework has ensured that the interests of stakeholders are well protected. The primary responsibility of good governance lies within an organization.

The Board of Directors of the Company is responsible for ensuring fairness, transparency and accountability of the Company's business operations. They must also provide appropriate directions, with regard to leadership, vision, strategies, policies, monitoring, supervision and accountability to shareholders and to achieve greater levels of performance on a sustained basis as well as adherence to the best practices of Corporate Governance. The Board plays a pivotal role in creation of stakeholder value and ensures that the Company adopts sound and ethical business practices and that the resources of the Company are optimally used.

Company's philosophy on Corporate Governance

The Company has recognized its role as a corporate citizen and aims to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, stakeholders, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The Corporate Governance philosophy has been strengthened with the implementation of the Code of Conduct applicable to the Company and its employees. The Company endeavors to abide by its value system guided by the principles of accountability, transparency and timely disclosure of matters of interest to the stakeholders and ensuring thorough compliance with the applicable laws and conducting business in best ethical manner.

The Company is not only committed to follow the Corporate Governance practices embodied in various regulatory provisions, but is constantly striving to adopt and adhere to the emerging best practices and benchmarking itself against such practices.

The Company has adopted the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information and the Code of Conduct to regulate, monitor and report trading by Designated Persons revised in terms of Regulations 8 and 9 respectively of SEBI (prohibition of insider trading) Regulations, 2015, SEBI (prohibition of insider trading) (Amendment) Regulations, 2018 and SEBI (prohibition of insider trading) (Amendment) Regulations, 2019.Both the aforementioned codes are effective from April 1, 2019.

The Board of Directors has taken cognizance of various regulatory changes in the overall governance framework and remains committed to imbibe the spirit of governance in all spheres of the Company's business

Board of Directors

Composition

The Board of Directors (Board) has a mix of Executive, Non-Executive and Independent Directors. The Board comprises of Directors having expertise in banking, finance, accountancy, economics, law, etc.

As on March 31, 2020, the Board comprised of seven members, comprising of three Independent Directors, three Non-Executive Directors and one Managing Director & Chief Executive Officer. Three Non-Executive Directors include one Woman Director.

The Board is thus duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.

All the Independent Directors have confirmed that they satisfy the criteria laid down for an Independent Director under Section 149(6) of the Act. All the Directors of the Company fulfill the 'fit and proper criteria' as prescribed under applicable regulations.

Annex to Directors' Report - 5 (Continued)

The Board is of the opinion that the Independent Directors appointed during the year possess integrity, expertise and experience relevant for performing their duties and responsibilities.

Change in Board Composition

Sl. No	Name of Director	Nature of Change	Effective Date
1	Mr. Suresh Badami	Resigned as Independent Director	April 19, 2019
2	Mr. Sunil Shah	Appointed as Independent Director	July 05, 2019
3	Mr. Sudhin Choksey	Resigned as Independent Director	October 11, 2019
4	Mr. Ajay Bohora	Resigned as Managing Director & Chief Executive Officer	December 12, 2019
5	Mr. Anil Bohora	Resigned as Managing Director	December 12, 2019
6	Mr. Arijit Sanyal	Appointed as Managing Director & Chief Executive Officer	January 17, 2020
7	Mr. Subodh Salunke	Change in Designation from "Executive Vice Chairman" to "Non-Executive Vice Chairman"	January 18, 2020
8	Mr. Rajesh Gupta	Appointed as Independent Director	January 17, 2020
9	Mr. Biswamohan Mahapatra	Reappointed as Independent Director subject to approval of shareholders	January 17, 2020

The Board placed on record its sincere appreciation for the invaluable contributions made by the resigning directors to the Company during their tenures.

The Board appointed Mr. Sunil Shah as Independent Director of the Company for a term of 5 consecutive years each. His appointment was approved by the members of the Company at the last Annual General Meeting.

The Board also appointed Mr. Rajesh Gupta as Independent Director of the Company for a term of 5 consecutive years. His appointment is subject to the approval of the members of the Company at the ensuing Annual General Meeting.

The Board also reappointed Mr. Biswamohan Mahapatra as Independent Director of the Company for a term of 5 consecutive years. His appointment is subject to the approval of the members of the Company at the ensuing Annual General Meeting.

The Board also appointed Mr. Arijit Sanyal as Chief Executive Officer on December 12, 2019. He was subsequently appointed as Managing Director & Chief Executive Officer of the Company for a term of 5 consecutive years on January 17, 2020 subject to the approval of the members of the Company at the ensuing Annual General Meeting.

The Directors of the Company bring to the Board a wide range of experience and skills. The brief profiles of the directors are set out in the Notice convening the Annual General Meeting of the Company.

Responsibilities

The Board represents the interest of the Company's shareholders in optimizing long-term value by providing the Management with guidance and strategic direction on shareholders' behalf. The Board's mandate is to oversee the Company's strategic direction, review financial, operational and investment performance, approve annual business plan, ensure regulatory compliance and safeguard interest of all stakeholders. The Board plays a pivotal role in ensuring good governance and creating value for all stakeholders. The Directors acknowledge their duties as prescribed under the Act, the Rules framed thereunder and the Guidelines.

Role of Independent Directors

The Independent Directors of the Company bring an independent judgment to the Board's deliberation and objectivity in the Board's decision-making process. The Independent Directors participate constructively and actively in the meetings of the Committees of the Board in which they are members. They represent and safeguard the interest of all stakeholders.

Annex to Directors' Report - 5 (Continued)

Board Meetings and Procedures

All Directors participate in discussing the strategies, performance, financials and risk management of the Company. The Board follows a set of appropriate standard procedures in the conduct of Board meetings which is summarized below:

The notice of each Board and Committee meeting is given in writing through email to each Director, members of Senior Management and Statutory and Internal Auditors, as and when required. The Company also makes arrangements for participation of Directors in the meeting through video-conferencing (VC), if for any reason they are unable to participate in the meeting in person. The Board meets at least once a quarter to review the financial and operational performance of the Company.

The Company Secretary in consultation with the Management prepares a detailed agenda for the meetings. All departments communicate with the Company Secretary in advance with regard to matters requiring approval of the Board to enable inclusion of the same in the agenda for the meetings. With the objective of transparent flow of information from the Management, detailed agenda notes are sent to all the Directors in advance. The Members of the Board are also free to recommend inclusion of any matter in the agenda for discussion. In case of matters requiring urgent consideration by the Board and arising post the dispatch of agenda, the same is taken up for discussion by the Board as part of 'Any other business' with the permission of the Chairman and consent of majority of the Board members present at the meeting.

The members of the Board have access to all the information of the Company. Members of Senior Management team are invited to attend the Board and Committee meetings so as to provide additional inputs on the items being discussed. Urgent matters are also considered and approved by passing Resolution by Circulation, which are noted at the next meeting. The Company Secretary records the minutes of the proceedings of each Board and Committee meetings. The draft minutes of each Board and Committee meetings are circulated to the members of the Board / Committee within fifteen days from the date of meeting and the comments, if any on the draft minutes are received within seven days of its circulation. The minutes are finalized within thirty days and thereafter recorded in the Minutes Book.

During the year under review, the Board met nine times. The meetings were held on May 10, 2019, July 27, 2019, September 27, 2019, October 23, 2019, December 11, 2019, December 12, 2019, January 17, 2020, March 18, 2020 and March 19, 2020.

The attendance of each Director at the above-mentioned Board Meetings along with the sitting fees paid to them are listed below:

Directors	Board meetings			
	Number of meetings held during their tenure	Number of meetings attended	% of meetings attended	Sitting fees* paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	9	9	100.00%	4,30,000
Mr. Subodh Salunke[1] (Vice Chairman)	9	8	89.00%	1,50,000
Mr. Biswamohan Mahapatra	9	8	89.00%	3,90,000
Mr. Sudhin Choksey[2]	3	2	66.67%	80,000
Mr. Sunil Shah[3]	8	8	100.00%	3,90,000
Mr. Rajesh Gupta[4]	2	2	100.00%	1,50,000
Ms. Madhumita Ganguli	9	6	67.00%	2,40,000
Mr. Arijit Sanyal[5]	2	2	100.00%	—
Mr. Anil Bohora[6]	5	4	80.00%	—
Mr. Ajay Bohora[7]	5	5	100.00%	—

*Sitting fees was increased from ₹ 40,000 to ₹ 75,000 per meeting from March 18, 2020

[1] Mr. Subodh Salunke`s designation changed from "Executive Vice Chairman" to "Non-Executive Vice Chairman with effect from January 18, 2020. Hence entitled to sitting fees.

Annex to Directors' Report - 5 (Continued)

[2]Mr. Sudhin Choksey resigned as Director and Chairman of the Committee with effect from October 11, 2019.

[3]Mr. Sunil Shah was appointed as Director and a member of the Audit Committee with effect from July 05, 2019.

[4]Mr. Rajesh Gupta was inducted as Director at the Board Meeting held on January 17, 2020 with effect from the same date.

[5]Mr. Arijit Sanyal was appointed as Managing Director & Chief Executive Officer at the Board Meeting held on January 17, 2020 with effect from the same date.

[6]Mr. Anil Bohora resigned as Managing Director with effect from December 12, 2019

[7]Mr. Ajay Bohora resigned as Managing Director & Chief Executive Officer with effect from December 12, 2019

Leave of absence was granted to the directors who could not attend the respective meetings.

The Board also met on May 11, 2020 and inter-alia considered and approved the audited financial statements for the year ended March 31, 2020.

Committees

To enable better and more focused attention on the affairs of the Company and as required under regulatory provisions, the Company has constituted various Committees. These Committees lay down the groundwork for decision-making and report at the subsequent Board meeting. The terms of reference of the Committees are approved by the Board. Meetings of the Committees are held on a regular basis depending upon the business to be transacted by the Committees. Minutes of the Committee meetings/ report on the activities of the Committee are submitted to the Board on a periodical basis. Matters requiring the Board's attention / approval are generally placed in the form of notes to the Board from the respective Committee. The Company has constituted the following Committees of the Board of Directors of the Company with specific terms of reference:

i) Audit Committee
ii) Risk Management Committee
iii) Nomination and Remuneration Committee
iv) Corporate Social Responsibility Committee
v) Allotment Committee
vi) Asset Liability Management Committee
vii) IT Strategy Committee

The role and composition of various Committees, including the number of meetings held during the year and the related attendance of the Committee Members at the said meetings, are given below.

Audit Committee

The Audit Committee consists of a majority of Independent Directors. The Audit Committee was reconstituted during the year and the present members of the Committee are Mr. Biswamohan Mahapatra (Chairman), Mr. Sunil Shah, Mr. Subodh Salunke, Mrs. Madhumita Ganguli and Mr. Rajesh Gupta.

The Chairman of the Committee is an Independent Director. The composition of the Committee is in conformity with the provisions of Section 177 of the Companies Act, 2013 (the Act) and the Guidelines.

All the members of the Audit Committee have accounting and financial management expertise as stipulated under the Act.

The members of the Senior Management and Auditors are invited to participate in the meetings of the Committee. The Committee invites Senior Executives as it considers their presence to be appropriate at its meetings. The Chairman of the Committee briefs the Board of Directors about significant discussions and decisions taken at its meeting.

The terms of reference of the Audit Committee inter alia include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, financial statements, internal control systems and procedures, records relating to related party transactions, analysis of risks and compliance of regulatory guidelines and quarterly review of changes in macro-economic factors and deciding on the requirement of updating the ECL Model. The Committee also ensures that an Information Systems audit of the internal systems and processes is conducted to assess operational

Annex to Directors' Report - 5 (Continued)

risks faced by the Company. The financial results are made available to the Committee in advance. This enables the Committee to review and discuss them with the auditors before recommending them to the Board of Directors for approval.

During the year, the Committee met four times. The meetings were held on May 10, 2019, July 27, 2019, October 23, 2019 and January 17, 2020.

The details of the attendance of the members of the Committee at the meetings along with sitting fees paid are listed below:

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Biswamohan Mahapatra (Chairman)	4	4	100.00%	1,00,000
Mr. Sudhin Choksey[1]	2	2	100.00%	50,000
Mr. Subodh Salunke	4	3	75.00%	—
Ms. Madhumita Ganguli	4	3	75.00%	75,000
Mr. Sunil Shah[2]	3	3	100.00%	75,000
Mr. Rajesh Gupta[3]	0	0	—	—

[1]Mr. Sudhin Choksey resigned as Director and Chairman of the Committee with effect from October 11, 2019.
[2]Mr. Sunil Shah was appointed as Director and a Member of the Committee with effect from July 05, 2019
[3]Mr. Rajesh Gupta was inducted as a Member of the Committee by the Board, post the Committee Meeting held on January 17, 2020 with effect from the same date.

Leave of absence was granted to the directors who could not attend the respective meetings.

The Committee also met on May 11, 2020 for review of the audited financial statements for the year ended March 31, 2020 and recommended the same for the approval of the Board.

Risk Management Committee

With the objective of ensuring that the risks impacting the business of the Company are identified and appropriate measures are taken to mitigate the same, the Company has formulated and adopted a risk management framework. The framework lays down the procedures for identification of risks, assessment of its impact on the business of the Company and the efficacy of the measures taken to mitigate the same. The risks are evaluated at an inherent and residual level, based on the impact of such risks and the likelihood of its occurrence.

Regional managers and the functional heads of the Company are responsible for identifying, monitoring and reviewing the risk profile of their respective region/function on a quarterly basis, which is reviewed by the Internal Risk Management Committee. During the year, the Internal Risk Management Committee met twice. The Committee is responsible to ensure that an appropriate methodology, processes, and systems are in place to monitor, identify and review risks associated with the business of the Company.

The terms of reference of the Committee inter alia is to ensure formulation and implementation of Risk Management Framework and Policy, review the Risk profile of the Company, seek information from employees, obtain outside legal counsel or professional advice if necessary, investigate any activity within terms of reference, investigate any matter in relation to the items stated above or referred to it by the Board.

The Committee was reconstituted during the year and present members of the Committee are Mr. V. Srinivasa Rangan (Chairman), Mr. Subodh Salunke, Mr. Biswamohan Mahapatra, Mr. Sunil Shah and Mr. Arijit Sanyal.

During the year, the Committee met three times. The meetings were held on July 27, 2019, October 23, 2019 and January 17, 2020.

Annex to Directors' Report - 5 (Continued)

The details of the attendance of the members of the Committee at the Meetings along with sitting fees paid are listed below

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	3	3	100.00%	75,000
Mr. Subodh Salunke	3	2	66.67%	—
Mr. Biswamohan Mahapatra[1]	2	2	100.00%	50,000
Mr. Sunil Shah[1]	2	2	100.00%	50,000
Mr. Arijit Sanyal[2]	0	0	—	—
Mr. Ajay Bohora[3]	2	2	100.00%	—

[1]Mr. Biswamohan Mahapatra and Mr. Sunil Shah were appointed as Members of the Committee with effect from October 16, 2019

[2]Mr. Arijit Sanyal was inducted as a Member of the Committee by the Board, post the Committee Meeting held on January 17, 2020 with effect from the same date

[3]Mr. Ajay Bohora resigned as Managing Director & CEO and Member of the Committee with effect from December 12, 2019

Nomination and Remuneration Committee (NRC)

The Nomination & Remuneration Committee consists of two Independent Directors. The Committee was reconstituted during the year and present members of the Committee are Mr. Biswamohan Mahapatra (Chairman), Mr. V.S. Rangan and Mr. Sunil Shah.

The terms of reference of the Committee inter alia include identifying persons who are qualified to become directors of the Company, ensuring that such persons meet the relevant criteria prescribed under applicable laws and reviewing and approving the remuneration payable to the directors within the overall limits at the time of appointment, ensuring the fit and proper criteria at the time of appointment of directors of the Company and on a continuing basis, to scrutinize the declarations received from the proposed directors / existing directors and carry out evaluation of every director's performance and formulate the criteria for determining qualifications, positive attributes and independence of a director.

The Company has in place policies for appointment of directors and remuneration to directors and members of senior management. The primary objective is to ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent at all levels and keep them motivated enough to meet the organizational objectives, to ensure that a reasonable balance is maintained in terms of composition of remuneration (fixed and variable component), to have performance measurement parameters in place to assess the overall performance of directors, KMPs, members of senior management and all other employees.

The remuneration paid to the directors and members of senior management is in conformity with the said policy. The Company Secretary is the Secretary to the Committee.

The Committee met four times during the year. The meetings were held on May 10, 2019, October 23, 2019, December 12, 2019 and January 17, 2020.

Annex to Directors' Report - 5 (Continued)

The details of the attendance of the members of the Committee at the meetings along with sitting fees paid are listed below:

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. B. Mahapatra (Chairman)	4	3	75.00%	75,000
Mr. V. Srinivasa Rangan	4	4	100.00%	1,00,000
Mr. Sunil Shah[1]	3	3	100.00%	75,000
Mr. Sudhin Choksey[2]	1	1	100.00%	25,000

[1]Mr. Sunil Shah was appointed as Member of the Committee with effect from October 16, 2019

[2]Mr. Sudhin Choksey resigned as Director and Member of the Committee with effect from October 11, 2019

Leave of absence was granted to the members who could not attend the respective meetings.

Corporate Social Responsibility Committee

In accordance with the provisions of Section 135 of the Companies Act, 2013 and rules framed there under, the Company has a Corporate Social Responsibility (CSR) Committee of Directors comprising of Mr. Sunil Shah (Chairman), Mr. Biswamohan Mahapatra, Mr. V. Srinivasa Rangan and Ms. Madhumita Ganguli. The Company Secretary is the Secretary to the Committee. The terms of reference of the committee inter alia is to review the CSR policy, decide CSR objectives and indicate activities to be undertaken by the Company towards CSR and formulate a transparent monitoring mechanism to ensure implementation of projects and activities undertaken by the Company towards CSR objective of the Company. Further details on the prescribed CSR spent under Section 135 of the Companies Act, 2013 and the amount committed and disbursed during the year under review are provided in the Annual Report on CSR activities annexed to this report.

The Committee met two times during the year. The meetings were held on May 10, 2019 and October 23, 2019.

The detail of the attendance of the members of the Committee at the meetings along with sitting fees paid are listed below:

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Sunil Shah[1] (Chairman)	0	0	—	—
Mr. V. Srinivasa Rangan	2	2	100.00%	50,000
Ms. Madhumita Ganguli	2	2	100.00%	50,000
Mr. Biswamohan Mahapatra	2	2	100.00%	50,000

[1]Mr. Sunil Shah was inducted as a Member and Chairman of the Committee with effect from January 17, 2020

[2]Mr. Ajay Bohora resigned as Managing Director & CEO and Member of the Committee with effect from December 12, 2019

Leave of absence was granted to the committee members who could not attend the meetings.

Allotment Committee

The Allotment Committee of the Company comprises of Mr. V. Srinivasa Rangan (Chairman) and Mr. Subodh Salunke. The Company Secretary is the Secretary to the committee.

The terms of reference of the Allotment Committee inter alia include ensuring compliance with the Companies Act, 2013 and rules made thereunder relating to the issue and allotment of securities as may be issued by the Company from time to time and to oversee the process of application for issue of securities and decide on the allotment of securities.

Annex to Directors' Report - 5 (Continued)

During the year, the Committee met ten times. The Meetings were held on June 06, 2019, June 17 2019, July 06, 2019, July 08, 2019, August 01, 2019, August 13, 2019, August 23, 2019, January 31, 2020, February 25, 2020 and March 31, 2020.

The details of the attendance of the Members of the Committee at the meetings along with sitting fees paid are listed below:

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	10	10	100.00%	4,00,000
Mr. Subodh Salunke[1]	10	10	100.00%	2,25,000
Mr. Anil Bohora[2]	7	6	85.71%	—

* Sitting fees was increased from ₹ 25,000 to ₹ 75,000 per meeting with effect from the Committee Meeting held on January 31, 2020

[1] Mr. Subodh Salunke's designation changed from "Executive Vice Chairman" to "Non-Executive Vice Chairman with effect from January 18, 2020. Hence entitled to sitting fees.

[2] Mr. Anil Bohora resigned as Director and Member of the Committee with effect from December 12, 2019

Asset Liability Management Committee

The Asset Liability Management Committee of the Company was reconstituted during the year and the current members of the Committee are Mr. Arijit Sanyal (chairman), Mr. V. Srinivasa Rangan, Mr. Subodh Salunke, Mr. Shridhar Hebbar, Mr. Sebastian Fernandez and Mr. Laxmikant Tople. The Company Secretary is the Secretary to the Committee.

The terms of reference of the Committee inter alia include asset liability management of the Company.

During the year, the Committee met four times. The meetings were held on June 28, 2019, September 19, 2019, December 20, 2019 and March 17, 2020.

The details of the attendance of the Members of the Committee at the meetings along with sitting fees paid are listed below:

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Arijit Sanyal (Chairman)[1]	1	1	100.00%	—
Mr. V. Srinivasa Rangan	4	4	100.00%	1,50,000
Mr. Subodh Salunke[2]	3	2	66.67%	75,000
Mr. Ajay Bohora[3]	2	0	0	—
Mr. Shridhar Hebbar	3	3	100.00%	—
Mr. Sebastian Fernandez	3	3	100.00%	—
Mr. Laxmikant Tople	3	3	100.00%	—

** Sitting fees was increased from ₹ 25,000 to ₹ 75,000 per meeting with effect from March 17, 2020*

[1]Mr. Arijit Sanyal was appointed as Member and Chairman of the Committee with effect from January 17, 2020.

[2] Mr. Subodh Salunke `s designation changed from "Executive Vice Chairman" to "Non-Executive Vice Chairman with effect from January 18, 2020. Hence entitled to sitting fees.

[3]Mr. Ajay Bohora resigned as Director and Member of the Committee with effect from December 12, 2019

Annex to Directors' Report - 5 (Continued)

IT Strategy Committee

The IT Strategy Committee was constituted at the Board Meeting held on July 12, 2017 consisting of Independent Director (Chairman of the Committee), Managing Director and Chief Executive Officer, Chief Information Officer, Chief Technology Officer, Information Security Officer and Head - Innovation and Development, National Sales Manager, VP - Legal, Manager - Finance and Compliance. The Committee was reconstituted during the year and present members of the committee are Mr. Biswamohan Mahapatra (Chairman), Mr. Arijit Sanyal, Mr. Subodh Salunke, Mr. Sebastian Fernandez, Mr. Shridhar Hebbar, Mr. Prashant Koli, Mr. Rakesh Ahuja.

The terms of reference of the IT Strategy Committee inter alia are:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

During the year, the Committee met two times. The meetings were held on May 31, 2019 and November 28, 2019.

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Biswamohan Mahapatra (Chairman)	2	2	100.00%	50,000
Mr. Subodh Salunke[1]	2	1	50.00%	—
Mr. Arijit Sanyal[2]	0	0	—	—
Mr. Ajay Bohora[3]	2	1	50.00%	—
Mr. Sebastian Fernandez	2	2	100.00%	—
Mr. Shridhar Hebbar	2	2	100.00%	—
Mr. Prashant Koli	2	2	100.00%	—
Mr. Rakesh Ahuja	2	2	100.00%	—

[1]Mr. Subodh Salunke`s designation changed from "Executive Vice Chairman" to "Non-Executive Vice Chairman with effect from January 18,2020. Hence not entitled to sitting fees for meetings held prior to January 18, 2020

[2]Mr. Arijit Sanyal was appointed as Member of the Committee with effect from January 17, 2020

[3]Mr. Ajay Bohora resigned as Director and Member of the Committee with effect from December 12, 2019

Leave of absence was granted to the members who could not attend the respective meetings.

Meeting of Independent Directors

The Independent Directors met once during the year to evaluate the Directors of the Company, the Chairman, the Board as a whole and the Committees thereof. The Independent Directors also assessed the quality, quantity and timeliness of the flow of information between the Company's management and the Board which enables the Board to effectively and reasonably perform its duties. The meeting was held on March 9, 2020. All the Independent Directors attended the meeting and were paid sitting fees of ₹ 75,000 each.

Annex to Directors' Report - 5 (Continued)

Board Evaluation

With the objective of enhancing the effectiveness of the Board, the Nomination & Remuneration Committee has formulated the methodology and criteria to evaluate the performance of the Board, committees thereof and each director. The Nomination & Remuneration Committee and the Board of Directors of the Company had adopted the revised criteria on performance evaluation of the Independent Directors, Non - Executive Directors, Managing Directors, Chairman, the Board as a whole and its Committees, based on the SEBI Guidance Note released by SEBI on January 5, 2017 on the evaluation of the Board of Directors of the listed companies.

The Nomination & Remuneration Committee had sought feedback from the directors through structured questionnaires. Mr. Biswamohan Mahapatra, Independent Director and the Chairman of the Nomination & Remuneration Committee had evaluated the feedback and communicated the outcome of the evaluation to the Nomination & Remuneration Committee and the Chairman of the Board. The Independent Directors also reviewed the performance of the non-executive directors, the Chairman and the Board as a whole.

Secretarial Audit Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members, HDFC Credila Financial Services Private Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HDFC Credila Financial Services Private Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company as specified in Annexure I and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the period covered by our audit, that is to say, from April 01, 2019 to March 31, 2020 (hereinafter referred to as "Audit Period"), complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the period ended on March 31, 2020, according to the provisions of:

i. The Companies Act, 2013 (the 'Act') and the rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii. The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowing;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), to the extent applicable:

a. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

d. Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to obligations of Issuer Company);

e. Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993

vi. Laws specifically applicable to an NBFC-ND-SI, as identified by the management, that is to say:

a. The Reserve Bank of India Act, 1934;

b. Master Direction - Non-Banking Financial Company - Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('Directions, 2016');

c. Miscellaneous Instructions to all Non-Banking Financial Companies;

d. Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016;

e. Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016;

f. Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016;

g. Master Direction - Know Your Customer (KYC) Directions, 2016;

h. Master Direction – Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016;

i. Master Direction - Information Technology Framework for the NBFC Sector;

j. Reserve Bank Commercial Paper Directions, 2017;

vii. Laws specifically applicable to a Corporate Agent, as identified by the management, that is to say:

a. The Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015

We have also examined compliance with the applicable clauses of the Secretarial Standards for Board Meetings [SS-1], and for General Meetings [SS-2] issued by the

Institute of Company Secretaries of India.

We report that during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

Management Responsibility:

i. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit;

ii. We have followed the audit practices and the processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion;

iii. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company;

iv. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulation and happening of events etc.;

v. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis;

vi. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Recommendations as a Matter of Best Practice:

In the course of our audit, we have made certain recommendations for good corporate practices to the compliance team, for its necessary consideration and implementation by the Company.

We have also observed that all the recommendations made by us in the past have been accepted / put into practice by the Company.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board and Committee Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, except in case of certain meetings held at shorter notice in compliance with provisions of the Act, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision was carried through, while there were no minuted instances of dissent in Board or Committee meetings.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the Audit Period, the Company has undertaken following specific events/ actions that can have a major bearing on the Company's compliance responsibility in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.:

1. Transfer of shares between the shareholders of the Company, resulting in the Company becoming a Wholly Owned Subsidiary ('WOS') of Housing Development Finance Corporation Limited ('HDFC Ltd.')

During the period under review, Mr. Ajay Bohora and Mr. Anil Bohora, promoters of the Company, sold their entire shareholding to HDFC Ltd. on 12th December, 2019, pursuant to the Share Purchase Agreement ('SPA') executed between the shareholders. Pursuant to the said transfer, the Company has become the Wholly Owned Subsidiary of Housing Development Finance Corporation Limited with effect from 12th December, 2019.

Consequent to execution of SPA, Mr. Anil Bohora (erstwhile Managing Director) and Mr. Ajay Bohora (erstwhile Managing Director & Chief Executive Officer) resigned from the Board, with effect from 12th December, 2019. While, the resignation resulted in change of more than 30 per cent of the directors, excluding independent directors, as confirmed by the client, prior approval of Reserve Bank of India under Para 66 of Master Direction – Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 was not applicable as the resignation was due to sale of stake.

2. Rights Issue of Equity Shares:

During the Audit Period, the Company allotted equity shares pursuant to rights issue as detailed hereunder:

a) 20,95,250 equity shares of face value INR 10 at a premium of INR 266 per share were approved to be issued by way of rights at the Board meeting held on July 27, 2019. In the event of no-response from Mr. Ajay Bohora and Mr. Anil Bohora, the Company allotted 18,11,600 equity shares, being the rights entitlement, only to HDFC Limited, the holding company on August 23, 2019.

b) 59,70,149 equity shares of face value INR 10 each at premium of INR 325/- per share were approved to be issued by way of rights at the Board meeting held on March 19, 2020. The said shares were allotted on March 31, 2020 to HDFC Ltd.

3. Private Placement Of Non-Convertible Debentures (Ncds):

Date of Allotment	Subscriber to the issue	Amount (INR in crores)	Nature & Terms of security
June 06, 2019 (Redeemable Sub-debt)	ICICI Bank Limited	150	Unsecured
June 17, 2019 (Redeemable NCDs)	Allahabad Bank	100	Secured
July 08, 2019 (Redeemable NCDs)	Darashaw & Company ICICI Bank Limited	200	Secured
August 01, 2019 (Redeemable NCDs)	ICICI Bank Limited	200	Secured
January 31, 2020 (Redeemable NCDs)	ICICI Bank Limited	200	Secured
February 25, 2020 (Redeemable NCDs)	ICICI Prudential Corporate Bond Fund	200	Secured
	Total	1,050	

4. Allotment of Equity Shares Pursuant to Conversion of Compulsorily Convertible Preference Shares (Ccps):

During the Audit Period, the Company issued equity shares to HDFC Ltd, the holding company pursuant to conversion of CCPS of INR 10/-:

Series	No of CCPS	No of Equity shares allotted	Date of allotment of equity shares	Conversion price in INR	Due Date for conversion
CCPS- Round IV	49,99,992	41,66,660	May 10, 2019	12	Feb 27, 2019 (Extended to May 10, 2019)
CCPS- Round V	49,99,995	38,46,150	May 10, 2019	13	April 30, 2019 (Extended to May 10, 2019)
CCPS – Round VI	99,99,990	76,92,300	July 06, 2019	13	July 06, 2019
CCPS- Round VII	49,99,995	38,46,150	August 13, 2019	13	August 13, 2019
CCPS – Round III	14,999,992	12,499,993	March 18, 2020	12	September 02, 2020
CCPS – Round IV (Balance part)	49,99,992	41,66,660	March 18, 2020	12	September 02, 2020
CCPS – Round VIII	50,00,000	27,77,778	March 19, 2020	18	August 30, 2020
CCPS - Round I	60,00,000	60,00,000	March 19, 2020	10	September 02, 2020
CCPS - Round II	90,00,000	90,00,000	March 19, 2020	10	September 02, 2020
CCPS -Round IX	20,00,000	10,00,000	March 19, 2020	20	March 28, 2021
Total	**6,69,99,956**	**5,49,95,691**			

5. **Alteration Of Memorandum of Association Due to Re-Classification of Authorised Share Capital:**
   During the Audit Period, the Company reclassified the authorized share capital and amended the Capital Clause of the Memorandum of Association pursuant to resolution passed in terms of section 13 read with section 61, in the Extraordinary General Meeting ('EGM') held on August 05, 2019 and March 18, 2020 in the manner provided hereunder:

Authorised Share capital	Equity Share Capital	Preference Share Capital	Total (₹)
Authorized Share Capital as on April 1, 2019	INR 88,00,00,000 divided into 8,80,00,000Equity Shares of INR 10/- each.	INR 67,00,00,000 divided into 6,70,00,000 Compulsorily Convertible Preference Shares of INR 10/- each.	155,00,00,000
Re-classification of Authorized Share Capital as approved in EGM held on August 05, 2019	INR 108,00,00,000 divided into 10,80,00,000 Equity Shares of INR 10/- each.	INR 47,00,00,000 divided into 4,70,00,000 Compulsorily Convertible Preference Shares of INR 10/- each.	155,00,00,000
Re-classification of Authorized Share Capital as approved in EGM held on March 18, 2020	INR 133,00,00,000 divided into 13,30,00,000 Equity Shares of INR 10/- each	INR 22,00,00,000 divided into 2,20,00,000 Compulsorily Convertible Preference Shares of INR 10/- each	155,00,00,000

6. **Increase in the Borrowing Limits of the Company to INR 15,000 Crore**
   Special resolution, in terms of section 180 (1) (c) was passed in the Extraordinary General Meeting held on March 18, 2020 to affirm the borrowing powers of the Company to the extent of INR 15,000 Crore as per details provided in the resolution passed.

7. **Redemption of NCDS**
   During the period under review, the Company redeemed NCDs amounting to INR 400 crore pursuant to maturity.

For M/s Vinod Kothari & Company
Practising Company Secretaries
Firm Registration No.: P1996WB042300

Vinita Nair
Senior Partner
Membership No.: F10559
C P No.: 11902
UDIN: F010559B000209439

Place: Mumbai
Date: May 6, 2020

ANNEXURE I

LIST OF DOCUMENTS

i. Minutes books for the meeting of the following were provided:
   a) Board of Directors
   b) Audit Committee
   c) Nomination and Remuneration Committee
   d) Corporate Social Responsibility Committee
   e) Risk Management Committee
   f) Asset Liability Management Committee
   g) IT Strategy Committee
   h) General Meetings

ii. Agenda papers for Board Meeting and Committee (s) along with Notice

iii. Annual Report 2019, Memorandum and Articles of Association.

iv. Disclosures under Act, 2013 and Rules made thereunder

v. Policies framed under Act, 2013 and RBI regulations for NBFCs

vi. RBI returns and entity master registration details

vii. Documents pertaining to applicable SEBI Regulations

viii. Forms and returns filed with the ROC and RBI

ix. Documents relating to issue of Non-Convertible Debentures, Rights Issue and ECB

x. Returns filed with IRDAI

Independent Auditor's Report

To the Members of HDFC Credila Financial Services Private Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HDFC Credila Financial Services Private Limited (the 'Company'), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under Section 143 (10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Emphasis of matter

As described in Note 43 to the financial statements, in respect of accounts overdue but standard at 29 February 2020 where moratorium benefit has been granted, the staging of those accounts at 31 March 2020 is based on the days past due status as on 29 February 2020 in accordance with the Reserve Bank of India COVID-19 Regulatory Package.

As described in Note 43 to the financial statements, the extent to which the COVID-19 pandemic will impact the Company's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Independent Auditors' Report (Continued)

Key Audit Matters	How the matter was addressed in our audit
Impairment loss allowance **Charge: INR 2,281 lakhs for year ended 31 March 2020** **Provision: INR 2,806 lakhs at 31 March 2020**	
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.	
Subjective estimate Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) model. The Company's impairment allowance is derived from estimates including historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors. The following are the major impact areas: - Segmentation of loan book - Determination of exposure at default - Loan staging criteria - Calculation of probability of default / Loss given default - Consideration of probability weighted scenarios and forward looking macro- economic factors The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.	Our key audit procedures included: **Design / controls** • Evaluation of the appropriateness of the impairment principles used by management based on the requirements of Ind AS 109, our business understanding and industry practice. • Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge. • Understanding management's revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package. • Evaluating management's controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19. • Testing the controls over 'Governance Framework' in line with the RBI guidance. • Testing of review controls over measurement of impairment allowances and disclosures in financial statements.

Independent Auditors' Report (Continued)

Key Audit Matter (Continued)

Key Audit Matters	How the matter was addressed in our audit
Impact of COVID-19	
On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus followed by two extensions of the lockdown by another 19 days and 14 days respectively. Similar measures were announced by the governments in other countries globally. We have identified the impact of, and uncertainty related to the COVID 19 pandemic as a key element and consideration for recognition and measurement of impairment of loans and advances on account of: - Short and long term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities; - impact of the pandemic on the Company's customers and their ability to repay dues; and - application of regulatory package announced by the Reserve Bank of India (RBI) on asset classification and provisioning. Management has conducted a qualitative assessment of impact on the credit risk of the loan portfolio with respect to the moratorium benefit to borrowers prescribed by the RBI and considered updated macroeconomic scenarios and the use of management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.	**Substantive tests** • Focus on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model. • Using our specialists to test the model methodology and reasonableness of assumptions used, including management overlays. • Test of details over of calculation of impairment allowance for assessing the completeness, accuracy and relevance of data. • Model calculations testing through reperformance where possible. • The appropriateness of management's judgments was also independently reconsidered in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral. • Assessing the appropriateness of management rationale for determination of criteria for SICR considering both: adverse effects of COVID 19 and mitigants in the form of the RBI / Government financial relief package. • Assessing the appropriateness of changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model. • Corroborate through independent check and enquiries the reasonableness of management's assessment of grading of severity of impact of COVID-19 on segments of its loan portfolio and the resultant impairment provision computed. • Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Company regarding impact of COVID-19.

Independent Auditors' Report (Continued)

Key Audit Matter (Continued)

Key Audit Matters	How the matter was addressed in our audit
Information technology (IT) IT systems and controls relating to Loan Management System The Company's processes related to sanctioning, disbursements, and recovery of loans and advances are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses Loan Management System to manage its loan portfolio. We have identified IT systems and controls relating to Loan Management System, 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. • Understood IT infrastructure i.e. operating systems and databases supporting the in-scope system; • Test checked the General IT Controls for design and operating effectiveness for the audit period over the Loan Management System; • Understood IT application controls covering – - user access and roles, segregation of duties, and - reports and system processing; • Test checked the IT application controls for design and operating effectiveness for the audit period; • Performed testing to determine that these controls remained unchanged during the audit period or were changed following the standard change management process; • Test checked controls over the IT infrastructure covering user access (including privilege users) and system change (e.g. patches)

Information Other than the financial statements and Auditor's Report Thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Director's responsibility for the financial statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally

Independent Auditors' Report (Continued)

accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the management and Board of Directors.
- Conclude on the appropriateness of the management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

Independent Auditors' Report (Continued)

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 (the 'Order') issued by the Central Government in terms of Section 143 (11) of the Act, we give in the 'Annexure A', a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2.(A) As required by Section 143(3) of the Act, we report that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c) the Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d) in our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act;

e) on the basis of the written representations received from the Directors as on 31 March 2020 and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2020 from being appointed as a Director in terms of Section 164 (2) of the Act; and

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B';

(B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. the Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements - Refer Note 42 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 6.1 to the financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and

iv. the disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.

(C) With respect to the matter to be included in the Auditor's Report under Section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its Directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any Director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768
UDIN: 20046768AAAAHU2774

Mumbai
11 May 2020

Annexure A to the Independent Auditor's Report – 31 March 2020

(Referred to in our report of even date)

(i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment ('PPE').

b. The Company has a programme of physical verification of its PPE by which all PPE are verified once in three years in line with its updated policy as compared to the earlier policy of verifying PPE once in two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable property during the year. Accordingly, paragraph 3(i)(c) of the Order is not applicable.

(ii) The Company is a Non-Banking Finance Company (NBFC), engaged in the business of lending. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us and based on the audit procedures conducted by us, the Company has granted loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act, in respect of which:

a) The terms and conditions of the grant of such loans are, in our opinion, prima facie, not prejudicial to the Corporation's interest;

b) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations;

c) There is no overdue amount remaining outstanding as at the year end.

(iv) According to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under section 185 and 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.

(vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.

(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. With the advent of Central Goods and Services Tax Act, 2017 and the respective State Goods and Services tax Act, Service tax, and value added tax have been subsumed into goods and services tax. As explained to us, the Company did not have any dues on account of service tax, sales tax, duty of customs, value added tax and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no dues of income tax, service tax, goods and services tax which have not been deposited with the appropriate authorities on account of any dispute. The Company did not have any dues on account of Sales Tax, duty of customs and duty of excise.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings

Annexure A to the Independent Auditor's Report – 31 March 2020 (Continued)

to financial institutions, banks, Government or debenture holders.

(ix) In our opinion and according to the information and explanations given to us, the money raised by way of the term loans have been applied by the Company during the year for the purpose for which it was raised. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no material fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with Directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768
UDIN: 20046768AAAAHU2774

Mumbai
11 May 2020

Annexure - B to the Independent Auditor's Report – 31 March 2020

(Referred to in our report of even date)

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the 'Act')

(Referred to in paragraph (2)(A)(f) under 'Report on other legal and regulatory requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of HDFC Credila Financial Services Private Limited (the 'Company') as of 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's responsibility for internal financial controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of internal financial controls with reference to financial statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of

Annexure B to the Independent Auditor's Report – 31 March 2020 (Continued)

management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768
UDIN: 20046768AAAAHU2774

Mumbai
11 May 2020

Balance sheet as at 31 March 2020

(Currency: INR in Lakhs)

Particulars	Note No	As at 31 March 2020	As at 31 March 2019
ASSETS			
1. Financial assets			
(a) Cash and cash equivalents	4	**38,139.26**	14,295.74
(b) Bank balances other than (a) above	5	**141.32**	141.61
(c) Derivative financial instruments	6	**4,877.90**	—
(d) Trade receivables	7	**69.36**	27.13
(e) Loans	8	**6,22,889.93**	5,33,981.90
(f) Investments	9	**31,072.99**	—
(g) Other financial assets	10	**260.00**	235.53
Total financial assets		**6,97,450.76**	5,48,681.91
2. Non-financial assets			
(a) Current tax assets (net)	11	**15.57**	60.44
(b) Deferred tax assets (net)	12	**1,711.00**	1,193.00
(c) Property, plant and equipment	13	**667.62**	191.29
(d) Other intangible assets	13	**38.14**	56.95
(e) Other non-financial assets	14	**230.74**	117.52
Total non-financial assets		**2,663.07**	1,619.20
Total assets		**7,00,113.83**	5,50,301.11
LIABILITIES AND EQUITY			
LIABILITIES			
1. Financial liabilities			
(a) Derivative financial instruments	6	**2,073.92**	—
(b) Payables			
(i) Trade payables			
— Total outstanding dues of micro enterprises and small enterprises	15	**4.80**	—
— Total outstanding dues of creditors other than micro enterprises and small enterprises	15	**792.10**	1,018.39
(c) Debt securities	16	**2,22,912.41**	2,06,348.37
(d) Borrowings (other than debt securities)	17	**3,00,603.29**	2,22,644.38
(e) Subordinated liabilities	18	**62,327.90**	47,376.77
(f) Other financial liabilities	19	**11,715.38**	8,610.05
Total financial liabilities		**6,00,429.80**	4,85,997.96
2. Non-financial liabilities			
(a) Current tax liabilities (net)	20	**14.15**	264.39
(b) Provisions	21	**362.98**	288.68
(c) Other non-financial liabilities	22	**660.62**	703.81
Total non-financial liabilities		**1,037.75**	1,256.88
Total liabilities		**6,01,467.55**	4,87,254.84
EQUITY			
(a) Equity share capital	23	**13,179.82**	6,902.08
(b) Other equity	24	**85,466.46**	56,144.19
Total equity		**98,646.28**	63,046.27
Total liabilities and equity		**7,00,113.83**	5,50,301.11

See accompanying notes to the financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Place : Mumbai
Date : 11 May 2020

For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited
CIN No: U67190MH2006PTC159411

V.S.Rangan
Chairman
(DIN – 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020

Statement of Profit and Loss for the period ended 31 March 2020

(Currency: INR in Lakhs)

Particulars	Note No	For the year ended 31 March 2020	For the year ended 31 March 2019
I. Revenue from operations			
(a) Interest income	**25**	**70,512.50**	59,105.60
(b) Dividend income		**—**	65.30
(c) Fees and commission income	**26**	**1,141.31**	1,102.48
(d) Net gain on fair value changes	**27**	**1,004.45**	79.05
Total revenue from operations		**72,658.26**	60,352.43
II. Other income		**0.03**	0.11
III. Total income (I + II)		**72,658.29**	60,352.54
IV. Expenses			
(a) Finance costs	**28**	**46,226.89**	37,382.77
(b) Impairment on financial instruments (Expected credit loss)	**31**	**2,280.52**	270.76
(c) Employee benefit expense	**29**	**3,093.80**	2,942.62
(d) Depreciation and amortisation	**13**	**299.69**	88.99
(e) Other expenses	**30**	**3,830.87**	3,976.84
V. Total expenses		**55,731.77**	44,661.98
VI. Profit before Tax (III — V)		**16,926.52**	15,690.56
Tax expense			
– Current tax	**33.1**	**4,568.00**	5,694.20
– Deferred Tax	**33.1**	**48.39**	(172.88)
Total tax expense		**4,616.39**	5,521.32
VII. Net profit after tax		**12,310.13**	10,169.24
Other comprehensive income			
(a) Items that will not be reclassified to profit or loss			
– Remeasurement of the defined benefit plans		**(41.69)**	(14.66)
– Income Tax relating to items that will not be reclassifed to profit or loss		**10.38**	5.12
(b) Items that will be reclassified to profit or loss			
– Cash flow hedge reserves		**(2,209.01)**	—
– Income tax relating to items that will be reclassifed to profit or loss		**556.01**	—
VIII. Other comprehensive income		**(1,684.31)**	(9.54)
IX. Total comprehensive income (VII + VIII)		**10,625.82**	10,159.70
X. Earnings per equity share:			
(a) Basic (in ₹)	**33**	**14.18**	15.05
(b) Diluted (in ₹)	**33**	**14.18**	8.30
(c) Face value per share (in ₹)		**10**	10

See accompanying notes to the financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Place : Mumbai
Date : 11 May 2020

For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited
CIN No: U67190MH2006PTC159411

V.S.Rangan
Chairman
(DIN – 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020

Statement of Changes in Equity for the period ended 31 March 2020

A. Equity share capital

(Currency: INR in Lakhs)

Particulars	Amount
Issued, Subscribed and fully paid up:	
Balance as at 01 April 2018	**6,452.64**
Issued during the year:	
— Rights issue to Housing Development Finance Corporation Limited (the Holding Company)	449.44
Balance as at 31 March 2019	**6,902.08**
Balance as at 01 April 2019	**6,902.08**
Issued during the year:	
— Rights issue to Housing Development Finance Corporation Limited (the Holding Company)	778.17
— Compulsorily convertible preference shares converted into equity shares	5,499.57
Balance as at 31 March 2020	**13,179.82**

B. Other equity

(Currency: INR in Lakhs)

Particulars	Note No.	Compulsorily convertible preference shares	Reserves and surplus				Other comprehensive income		Total
			Capital reserve	Securities premium	Retained earnings	Statutory reserve	Employee benefit expenses	Cash flow hedge reserve	
Balance as at 01 April 2018		6,700.00	109.46	10,296.59	16,263.38	5,073.09	0.12	–	38,442.64
Profit for the year		–	–	–	10,169.24	–	–	–	10,169.24
Other comprehensive income for the year		–	–	–	–	–	(9.54)	–	(9.54)
Total comprehensive income for the year		–	–	–	10,169.24	–	(9.54)	–	10,159.70
Transfer from retained earnings		–	–	–	(2,033.85)	2,033.85	–	–	–
Expenses incurred in respect of issue of equity capital		–	–	(8.00)	–	–	–	–	(8.00)
Transactions with owners, recorded directly in equity									
Dividend on compulsorily convertible preference shares		–	–	–	(0.67)	–	–	–	(0.67)
Dividend distribution tax		–	–	–	(0.14)	–	–	–	(0.14)
Securities premium on fresh equity shares issued		–	–	7,550.66	–	–	–	–	7,550.66
Total transactions with owners, recorded directly in equity		–	–	7,550.66	(0.81)	–	–	–	7,549.85
Balance as at 31 March 2019		6,700.00	109.46	17,839.25	24,397.96	7,106.94	(9.42)	–	56,144.19
Balance as at 01 April 2019		6,700.00	109.46	17,839.25	24,397.96	7,106.94	(9.42)	–	56,144.19
Profit for the year		–	–	–	12,310.13	–	–	–	12,310.13
Other comprehensive income for the year		–	–	–	–	–	(31.31)	(1,653.00)	(1,684.31)
Total comprehensive income for the year		–	–	–	12,310.13	–	(31.31)	(1,653.00)	10,625.82
Transfer from retained earnings		–	–	–	(2,462.03)	2,462.03	–	–	–
Expenses incurred in respect of issue of equity capital		–	–	(25.01)	–	–	–	–	(25.01)
Transactions with owners, recorded directly in equity									
Dividend on compulsorily convertible preference shares		–	–	–	(0.67)	–	–	–	(0.67)
Dividend distribution tax		–	–	–	(0.14)	–	–	–	(0.14)
Securities premium on fresh equity shares issued	24	–	–	24,221.84	–	–	–	–	24,221.84
CCPS converted into equity shares		(6,700.00)	–	1,200.43	–	–	–	–	(5,499.57)
Total transactions with owners, recorded directly in equity		(6,700.00)	–	25,422.27	(0.81)	–	–	–	18,721.46
Balance as at 31 March 2020		–	109.46	43,236.51	34,245.25	9,568.97	(40.73)	(1,653.00)	85,466.46

See accompanying Notes to the Financial Statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Place : Mumbai
Date : 11 May 2020

For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited
CIN No: U67190MH2006PTC159411

V.S.Rangan
Chairman
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Chief Financial Officer
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Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020

Statement of Cash Flow for the period ended 31 March 2020

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
A. Operating activities		
Profit before tax	**16,926.52**	15,690.56
Adjustments to reconcile profit before tax to net cash flows :		
Depreciation & amortisation	**299.69**	88.99
Impairment on financial instruments	**2,280.52**	270.76
(Profit)/loss on property, plant and equipment discarded	**(0.35)**	1.26
Interest expense	**46,020.77**	37,223.79
Interest income	**(70,512.50)**	(59,105.60)
Provision for employee benefits	**32.62**	53.60
Net gain on fair value changes	**(1,004.45)**	—
Realised gain on fair value changes	**934.08**	—
Working capital changes		
Loans	**(69,645.81)**	(92,930.60)
Trade receivables	**(42.24)**	8.71
Trade payable	**(221.49)**	144.73
Other financial assets	**(24.48)**	(64.13)
Other non financial assets	**(113.22)**	16.22
Other financial liabilities	**128.40**	—
Other non financial liabilities	**(43.18)**	(118.68)
Purchase of investments	**(3,29,200.00)**	(1,67,500.00)
Sale of investments	**2,98,190.61**	1,67,500.00
Bank balances other than cash and cash equivalents		
– Placed	**(135.00)**	(1,10,001.00)
– Matured	**135.00**	1,10,001.00
Income tax paid	**(4,832.50)**	(5,618.35)
Income tax refund	**59.13**	—
Interest received	**48,968.66**	41,808.58
Interest paid	**(39,964.94)**	(29,972.65)
Net cash flows from/(used in) operating activities	**(1,01,764.16)**	(92,502.81)
B. Investing activities		
Purchase of fixed and intangible assets	**(14.24)**	(52.33)
Proceeds from sale of property and equipment	**—**	0.15
Net cash flows from/(used in) investing activities	**(14.24)**	(52.18)
C. Financing activities		
Debt securities issued	**1,94,227.02**	3,02,719.20
Debt securities repaid	**(1,83,000.00)**	(2,82,500.00)
Borrowings (other than debt securities) issued	**2,75,728.12**	3,38,052.12
Borrowings (other than debt securities) repaid	**(2,01,004.16)**	(2,68,177.14)
Subordinated liabilities issued	**14,933.93**	7,476.87
Proceeds from issue of equity shares (net of issue expenses)	**24,975.02**	7,992.00
Dividends paid including DDT	**(0.81)**	(0.81)
Lease payments	**(237.20)**	—
Net cash flows from financing activities	**1,25,621.92**	1,05,562.24
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)	**23,843.53**	13,007.26
Cash and cash equivalents at the beginning of the year	**14,295.74**	1,288.48
Cash and cash equivalents at the end of the year [Refer note no 4]	**38,139.26**	14,295.74

Note: The above statement of cash flow has been prepared under the 'indirect method' as set out in Ind AS 7 on 'Statement of Cash Flows'.
See accompanying notes forming part of the financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Place : Mumbai
Date : 11 May 2020

For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited
CIN No: U67190MH2006PTC159411

V.S.Rangan
Chairman
(DIN – 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020

Notes to the Financial Statements for the period ended 31 March 2020

1. Company Overview

HDFC Credila Financial Services Private Limited (the "Company") is engaged in the business of originating, funding and servicing loans for the education of Indian students and in providing ancillary services related to the said business activities. With effect from 09 July 2010, the Company became subsidiary of Housing Development Finance Corporation Limited ("HDFC"/ the "Holding Company"), the Company is Systemically Important Non-deposit taking Non-Banking Financial Company ("NBFC"). On 12 December 2019, HDFC acquired 12.69% of equity stake held by Mr. Anil Bohora and Mr. Ajay Bohora and with this acquisition the Company has become a 100% wholly owned subsidiary of HDFC.

The Company is domiciled in India as a Private Limited Company having its Registered Office at B 301, Citi Point, Next to Kohinoor Continental, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059. The Company's Debt Securities are listed on the Bombay Stock Exchange.

Pursuant to Section 13 and other applicable provisions of the Companies Act, 2013 (the Act), and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), the name of the Company has been changed from "Credila Financial Services Private Limited" to "HDFC Credila Financial Services Private Limited" w.e.f. 19 February 2017.

2. Basis of Preparation

2.1 Statement of compliance and basis of preparation and presentation of financial statements

The financial statements have been prepared in accordance with the Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under section 133 of the Companies Act, 2013 on historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below and the relevant provisions of the Act.

Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

These financial statements were approved by the Company's Board of Directors and authorised for issue on 11 May 2020.

The Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity are prepared and presented in the format prescribed in the Schedule III to the Act. The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows".

Amounts in the financial statements are presented in Indian Rupees in lakhs rounded off to two decimal places as permitted by Schedule III to the Act. Per share data is presented in Indian Rupee to two decimal places. The Company presents its Balance Sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 36.

2.2 Functional and presentation currency

The financial statements are presented in Indian Rupees (₹) which is the functional and the presentation currency and all values are rounded to the nearest lakh, except when otherwise indicated.

2.3 Basis of measurement

The financial statements have been prepared on historical cost basis, except for certain financial instruments which are measured at fair value.

Historical cost is generally the amount of cash or cash equivalents paid or the fair value of the consideration given in exchange for goods and services.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements under Ind AS are categorised into fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
- Level 2 inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 where unobservable inputs are used for the valuation of assets or liabilities

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

Following areas entail a high degree of estimate and judgement or complexity in determining the carrying amount of some assets and liabilities.

1. Impairment of financial assets–Note 31 & 8.1.

   The measurement of impairment losses across all categories of financial assets requires judgement, in particular,the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

   The Company's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

   - The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment.
   - The segmentation of financial assets
   - Determination of associations between macroeconomic scenarios and economic inputs such as unemployment levels and collateral values and the effect on PDs.
   - Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

   The Company's policy is to regularly review its models in the context of actual loss experience and adjust when necessary.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

2. Effective Interest Rate ("EIR") Method–Note 25 and Note 28

   The Company's EIR methodology recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments).

   This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, and fee income/expense that are integral parts of the instrument.

3. Recognition of deferred tax assets; availability of future taxable profits against which tax losses carried forward can be used–Note 12
4. Measurement of defined benefit obligations; key actuarial assumptions–Note 32 and
5. Provisions and other contingent liabilities–Note 21 & 42

   The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations and in the ordinary course of the Company's business.

   When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company recognises a provision against the case. Where the probability of outflow is considered to be remote or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

   Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

3. Significant Accounting Policies

3.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and there exists reasonable certainty of its recovery.

3.1.1 Interest income - EIR method

Interest income on financial instruments measured at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the EIR applicable. Interest on financial instruments measured at fair value is included within the fair value movement during the period.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or where appropriate a shorter period to the net carrying amount of the financial instrument. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and commission paid to parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL, transaction costs are recognised in statement of profit and loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECL).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

3.1.2Dividend income

Dividend income is accounted as and when right to receive dividend is established.

The gain / loss on account of redemption of units of mutual funds is recognised in the period in which redemption occurs.

3.1.3Commission income

Income from commission includes [i] fees received from the authorised dealers on referral of foreign exchange, travel insurance business and sim cards & mobile plans, [ii] income on sourcing of insurance business to fellow subsidiary company, [iii] income on sourcing of home loan and fixed deposits to Holding Company. The Company recognises commission income in accordance with the terms of the relevant agreement and when it is probable to expect the ultimate collection.

3.1.4 Other fees

Other fees represent documentation charges, cheque bouncing charges, penal interest charges and other fees is recognised as income when the amount become due and there is no uncertainty in realisation.

3.2 Financial instruments

3.2.1 Recognition and Initial Measurement

Financial assets and liabilities, with the exception of loans, debt securities and borrowings are initially recognised on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument. Loans are recognised when funds are transferred to the customers' account. The Company recognises debt securities and borrowings when funds are received by the Company.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs and revenues directly attributable to the acquisition of financial assets or financial liabilities designated at FVTPL are recognised immediately in statement of profit and loss.

3.2.2 Classification and subsequent measurement

Financial Assets

The Company classifies and measures all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either

- Amortised cost
- Fair value through other comprehensive income ("FVTOCI")
- Fair value through profit and loss ("FVTPL")

– **Amortised cost**

The Company measures cash and bank balances, loans, trade receivables and other financial assets at amortised cost. The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

Business model assessment

The Company determines the business model at a level that reflects how financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The Company considers all relevant information available when making the business model assessment. The Company takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

Solely Payments of Principal and Interest ("SPPI") Test

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that meets the SPPI test on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

- **Fair value through other comprehensive income**

  The Company classifies and measures certain debt instruments at FVOCI when the investments are held within business model, the objective of which is achieved by both, collecting contractual cash flows and selling the financial instruments and the contractual terms of the financial instruments meet the SPPI test.

  The Company measures all equity investments at fair value through profit or loss, unless the investments is not for trading and Company's management has elected to classify irrevocably some of its equity investments as equity instruments at FVOCI, when such instruments meet the definition of Equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

- **Fair Value through Profit and Loss**

  Financial assets at FVTPL are:

  - assets with contractual cash flows that are not SPPI; or/and
  - assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
  - assets designated at FVTPL using the fair value option.

  These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in statement of profit and loss.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

Subsequent measurement and gains and losses

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss.

Financial liabilities and equity instruments

- **Classification as debt or equity**

  Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

- **Equity instruments**

  An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

- **Financial Liabilities**

  A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments

  Financial liabilities are classified as measured at amortised cost except the borrowings which are designated for fair value hedge.

Subsequent measurement and gains and losses

Financial liabilities, which are classified as measured at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in profit or loss.

Compound instruments

The component parts of compound instruments (e.g. compulsorily convertible preference shares) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. Subsequent to initial recognition, the liability component of the compulsorily convertible preference shares is measured at amortised cost.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital and share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain/loss is recognised in statement of profit and loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compulsorily convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the initial carrying amounts. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the life of the convertible notes using the effective interest method.

Undrawn commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Commitment starts from the date of the loan draw down till the study period is over or the amount is fully drawn down, whichever is earlier. Undrawn loan commitments are in the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the balance sheet. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 8.1.

3.2.3 Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Company's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

3.2.4 Modification and derecognition

Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Company provides education loans and some of the terms and conditions of these loans are based on future conditions that are envisaged at the time of the sanctioning / disbursement of the loan, e.g. Study period is based on selection of course / terms and actual completion of study. Due to these conditions, the amount, tenure, etc. of the cash flows from the loans may undergo changes till the starting of EMI on the loan. The change in terms till such time are not considered as modification of financial assets since these are as per the original terms of the loan.

The Company, as a practise, does not renegotiate loans to customers in financial difficulty. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial Liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of profit and loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in statement of profit and loss.

3.2.5 Impairment

The Company recognises allowances for ECL for loans to customers, other debt financial assets not measured at FVTPL, along with loan commitments issued, together referred to as 'financial instruments'. Equity instruments are not subject to impairment.

ECL is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. loss allowance on default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired or whether the credit risk on that financial asset has increased significantly since the initial recognition. A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL is measured at an amount equal to the 12-month ECL.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12-month ECL. Stage1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime expected credit loss. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the lifetime expected credit loss.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This considered a (partial) de-recognition of the financial asset.

Measurement of expected credit losses

The Company calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

The Company measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's EIR, regardless of whether it is measured on an individual basis or a collective basis.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

The Probability of Default ("PD") is defined as the probability of whether the borrowers will default on their obligations in the future.

The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at given time.

When estimating the PD with forward looking assumptions, the Company considers three scenarios (a base case, an upside and a downside).

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- restructuring of loan due to financial difficulty of the borrower;
- bankruptcy of the borrower.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the PD which affects both the measurement of ECL and the identification of a significant increase in credit risk.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The Company considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. Quantitative indicators such as overdue status and non-payment on another obligation to the Company of the same counterparty are key inputs in this analysis.

Significant increase in credit risk

The Company monitors all financial instruments that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL. The Company's accounting policy on loans is not to use the practical expedient for financial assets that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Company monitors all financial assets, in the nature of loans and issued loan commitments that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers qualitative information that is reasonable and supportable, including the Company's historical experience and forward-looking information that is available without undue cost or effort, including future prospects of general economic conditions based on forecasts of economic information.

As a back-stop when an asset becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Trade receivables and contract assets

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated for changes in the forward-looking estimates.

3.2.6 Collateral valuation and repossession

To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the Board approved Credit Policy. The Company provides fully secured, partially secured and unsecured education loans to individuals. The parameters relating to acceptability and valuation of each type of collateral is a part of the Credit Policy of the Company.

In case of delinquent customers, the Company liquidates the assets and recovers the amount due against the loan. Any surplus funds are returned to the customers/obligors.

3.2.7 Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities could result in impairment gains.

3.2.8 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets and
- for loan commitments: as a provision.

3.2.9 Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange risk and interest rate risk. Derivatives held include principal only swaps and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently premeasured to their fair value at each Balance Sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge Accounting

The Company makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Company applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Company would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the criteria for hedge accounting are accounted for, as described below:

Fair Value Hedges

Fair value hedges hedge the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability, that is attributable to a particular risk and could affect profit or loss.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivatives recognised in the statement of profit and loss in net gain on fair value changes. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the balance sheet and is also recognised in the statement of profit and loss in net gain on fair value changes.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The Company classifies a fair value hedge relationship when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship fixed rate debt issued and other borrowed funds. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. If the relationship does not meet hedge effectiveness criteria, the Company discontinues hedge accounting from the date on which the qualifying criteria are no longer met. For hedged items recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item on termination of the hedge accounting relationships amortised over the remaining term of the original hedge using the recalculated EIR method by recalculating the EIR at the date when the amortisation begins. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit and loss.

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in other comprehensive income ("OCI") within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as Finance Cost in the statement of profit and loss.

When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

3.3 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.4 Property, plant and equipment ("PPE")

Recognition and measurement

PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Advances paid in respect of PPE are presented under other non financial assets.

Items PPE are measured at cost, which includes capitalised borrowing costs is any, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of PPE comprises the cost of materials and direct labour, if any, other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which is located, if any.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

Any gain or loss on disposal of as item of PPE is recognised in profit or loss.

PPE not ready for the intended use on the date of the Balance Sheet is disclosed as "capital work-in-progress".

Subsequent Expenditure

The Company does not recognise in the carrying amount of an item of PPE the costs of the day-to-day servicing of the item. Rather these costs are recognised in statement of profit and loss as incurred.

Depreciation

Depreciation is recognised using straight line method over the estimated useful lives of PPE, as specified in Schedule II to the Act, except in respect of Computers and data processing equipment. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end with the effect of any change in the estimates of useful life/residual value is accounted on prospective basis.

Depreciation for additions to/deductions from, owned assets is calculated pro rata to the period of use. Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of profit and loss.

Following is the summary of useful lives of the assets as per management's estimate and as required by the Companies Act, 2013 except assets individually costing less than Rupees five thousand which are fully depreciated in the year of purchase / acquisition:

Class of assets	Useful life
Computers*	4 years
Furniture & Fittings	10 years
Office Equipment	5 years

*In case of Computers, life has been assessed as based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc. Hence, their useful life adopted by the Company is different from the useful life as prescribed under Part C of Schedule II of the Companies Act, 2013.

3.5 Intangible assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets not ready for use on the date of Balance Sheet is disclosed as 'Intangible assets under development'.

Intangible assets are amortised on straight line basis over the estimated useful life of 5 years. The method of amortisation and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in statement of profit and loss when the asset is derecognised.

3.6 Impairment of non financial assets

As at the end of each accounting year, the Company reviews the carrying amounts of its PPE and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the PPE and intangible assets are tested for impairment so as to determine the impairment loss, if any.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If recoverable amount of an asset is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset is reduced to its recoverable amount.

In respect of assets for which impairment loss has been recognised in prior periods, the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Employee benefits

i) Short term employee benefits

The undiscounted amount of employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences.

ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

Provident fund

The Company's contribution paid/ payable during the year towards provident fund is charged to Statement of Profit and Loss every year. In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount on a monthly basis at a determined rate to the pension scheme administered by the Regional Provident Fund Commission ("RPFC") and the Company has no liability for future Provident Fund benefits other than its annual contribution, since it is a defined contribution plan.

iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Gratuity and other post retirement benefits

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

Gratuity is a defined benefit plan. The cost of providing benefits is determined annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in statement of profit and loss.

When the benefits of a plan are changed or a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss in curtailment is recognised immediately in statement of profit and loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iv) **Other long term employee benefits**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date as determined basis Actuarial valuation.

3.8 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:

- the Company has a present obligation (legal or constructive) as a result of a past event; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and
- a present obligation arising from past events, when no reliable estimate is possible.

Contingent assets are disclosed where an inflow of economic benefits is probable. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

3.9 Taxes

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Statement of Profit and Loss except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside profit or loss.

Current tax

Current income taxes are determined based on taxable income of the Company. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Off-set of Current tax assets and tax liabilities

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Deferred tax

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

3.10 Goods and services tax input credit

Goods and services tax input credit is recognised in the books of accounts in the period in which the supply of goods or service received is recognised and when there is no uncertainty in availing/utilising the credits.

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.11 Securities premium Account

The issue expenses of securities which qualify as equity instruments are written off against securities premium account.

3.12 Borrowing costs

Borrowing costs include interest expense calculated using the EIR method. EIR includes interest, amortization of ancillary cost, incurred in connection with the borrowing of funds.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

3.13 Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary assets and liabilities are reported at the prevailing closing spot rate. Non monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the statement of profit and loss in the period in which they arise.

3.14 Segments

The Company's operations predominately relate to providing education loans in India. Based on the 'management approach' as defined in Ind AS 108, the Chief Operating Decision Maker ("CODM") evaluates the Company's performance and allocates resources and based on the analysis, the CODM has concluded that there are no separate reportable segments.

3.15 Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.16 Commitments

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

- estimated amount of contracts remaining to be executed on capital account and not provided for;
- uncalled liability on shares and other investments partly paid;
- funding related commitment to associate and joint venture companies; and
- other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

3.17 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities.

Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

- changes during the period in operating receivables and payables transactions of a non-cash nature;
- non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses; and
- all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

3.18 Leases

3.18.1 Lease accounting as per Ind AS 116 (from 1 April 2019 onwards)

The Company's leases consists primarily leases for office premises. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contract involves the use of an identified asset

(ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and

(iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU asset") and a corresponding lease liability for all lease arrangements in which it is a lessee.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any significant initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Transition

Effective 1 April 2019 the Company has adopted Ind AS 116 - Leases, which requires any lease arrangement to be recognised in the balance sheet of the lessee as a right-of-use asset with a corresponding lease liability. Accordingly depreciation has been charged on such assets as against lease rental expenses in the previous year. Similarly interest expense has been recognised on lease liabilities under finance costs. As permitted by the standard, the Company has applied this standard w.e.f. 1 April 2019 and comparatives for the previous period / year have not been restated.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

3.18.2 Lease accounting as per Ind AS 17 (prior to 1 April 2019)

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating leases

As a lessee

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases.

Lease rentals on assets under operating lease are charged to the statement of profit and loss on a straight line basis over the term of the relevant lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

4. CASH AND CASH EQUIVALENTS

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Balances with bank		
— In current accounts	**24,756.48**	14,295.74
— In deposits accounts having original maturity less than 3 months	**13,382.78**	—
	38,139.26	14,295.74

Balances with banks in current account does not earn any interest. Balance in deposit account earns interest at fixed rates for varying periods of between one day and three months. The Company places deposits as per the requirement.

5. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(Currency: INR in Lakhs)

	As at 31 Ma rch 2020	As at 31 March 2019
In deposits accounts having original maturity more than 3 months	**16.32**	16.61
Deposits with banks to the extent held as security against the borrowings and guarantees*	**125.00**	125.00
	141.32	141.61

* Deposits of ₹ 100 lakhs (as on 31 March 2019 ₹ 100 lakhs) are marked as lien for overdraft facility from Punjab National Bank and Deposits of ₹ 25 lakhs (as on 31 March 2019 ₹ 25 lakhs) are marked as lien for bank guarantee given to UIDAI.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

(Currency: INR in Lakhs)

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that meet the hedge accounting requirements.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

(Currency: INR in Lakhs)

	As at 31 March 2020			As at 31 March 2019		
	Notional Amounts	**Fair Value - Assets**	**Fair Value - Liabilities**	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
Part I						
(i) Currency derivatives:						
– Currency swaps (Principal Only Swaps)	75,670.00	3,977.91	—	—	—	—
Sub total (i)	**75,670.00**	**3,977.91**	**—**	—	—	—
(ii) Interest rate derivatives						
– Interest Rate Swaps (USD/USD)	75,670.00	—	2,073.92	—	—	—
– Interest Rate Swaps (INR/INR)	20,000.00	899.99	—	—	—	—
Sub total (ii)	**95,670.00**	**899.99**	**2,073.92**	**—**	**—**	**—**
Total Derivative Financial Instruments (i)+(ii)	**1,71,340.00**	**4,877.90**	**2,073.92**	**—**	**—**	**—**
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
– Interest rate derivatives	20,000.00	899.99	—	—	—	—
Sub total (i)	**20,000.00**	**899.99**	**—**	—	—	—
(ii) Cash flow hedging:						
– Currency derivatives	75,670.00	3,977.91	—	—	—	—
– Interest rate derivatives	75,670.00	—	2,073.92	—	—	—
Subtotal (ii)	**1,51,340.00**	**3,977.91**	**2,073.92**	—	—	—
Total Derivative Financial Instruments (i)+(ii)	**1,71,340.00**	**4,877.90**	**2,073.92**	**—**	**—**	**—**

6.1 The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under Ind AS for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

6.2 Refer note 39.3.2.2 for foreign currency risk.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

7. TRADE RECEIVABLES

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Unsecured; considered good	**69.36**	27.13
Unsecured; which have significant increase in credit risk	**—**	—
	69.36	27.13
Impairment loss allowance	**—**	—
	69.36	27.13

Trade Receivables includes amounts due from the related parties ₹ 0.09 lakh (as on 31 March 2019: ₹ 1.28 lakhs) [Refer Note 38].

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

(Currency: INR in Lakhs)

Trade receivable days past due		Current	1-30 days past due	31-60 days past due	61-90 days past due	91-360 days past due	More than 360 days past due	Total
March 31, 2020	Estimated total gross carrying amount at default	69.36	–	–	–	–	–	69.36
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	69.36	–	–	–	–	–	69.36
March 31, 2019	Estimated total gross carrying amount at default	27.13	–	–	–	–	–	27.13
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	27.13	–	–	–	–	–	27.13

There are no receivables for which there has been a significant increase in credit risk or which have become credit impaired.

No trade receivable is due from Directors or other officer of the company either severally or jointly with any other person. Nor any trade receivable is due from firm or private companies respectively in which any Director is a partner or Director or a member.

8. LOANS AND ADVANCES (at amortised cost)

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Term loans:		
Individual loans	**6,25,666.15**	5,34,483.91
Total – Gross (A)	**6,25,666.15**	5,34,483.91
Less: Impairment loss allowance*	**2,776.22**	502.00
Total – Net (A)	**6,22,889.93**	5,33,981.90
(a) Secured by tangible assets	**2,68,553.27**	2,36,363.43
(b) Unsecured	**3,57,112.88**	2,98,120.48
Total – Gross (B)	**6,25,666.15**	5,34,483.91
Less: Impairment loss allowance*	**2,776.22**	502.00
Total – Net (B)	**6,22,889.93**	5,33,981.90

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

8. LOANS AND ADVANCES (at amortised cost) (Continued)

(Currency: INR in Lakhs)

I. Loans in India		
i) Public sector	—	—
ii) Others		
Education loans to individuals	**6,25,666.15**	5,34,483.91
Total (C) – Gross	**6,25,666.15**	—
Less: Impairment loss allowance*	**2,776.22**	502.00
Total (C) (I) – Net	**6,22,889.93**	5,33,981.90
II. Loans outside India	**—**	—
Total (C) (I + II)	**6,22,889.93**	5,33,981.90

*Impairment loss allowance does not include ₹ 29.88 lakhs (as on 31 March 2019: ₹ 29.89 lakhs) towards loan commitments.

During the current and prior reporting periods, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Loans granted by the Company aggregating to ₹ 2,68,553.27 lakhs (as on 31 March 2019: ₹ 2,36,363.43 lakhs) are secured or partly secured by one or a combination of the following collaterals:

(a) Immovable property (b) Fixed deposit (c) Insurance policy

₹ 5,46,955.56 lakhs (as on 31 March 2019: ₹ 4,10,774.09 lakhs) amount of loans are given as collateral against secured borrowing from Banks and non-convertible debentures.

8.1 Expected credit loss ("ECL")

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

a. Key components of credit risk assessment

The key components of credit risk assessment are:

- Probability of Default ("PD"): represents the likelihood of default over a defined time horizon.
- Exposure at Default ("EAD"): represents how much the counter– party is likely to be borrowing at the time of default.
- Loss Given Default ("LGD"): represents the proportion of EAD that is likely to be lost post—default.
- The ECL is computed as a product of PD, LGD and EAD.

b. Analysis of inputs to the ECL model under multiple economic scenarios

The company considers PD estimates that have been adjusted using the macro economic overlay. A macroeconomic overlay has been applied taking into account portfolio specific macroeconomic factors that affect PD which capture the economic conditions of the country. A macroeconomic scalar has been computed using statistical and regression analysis. The scalar has been forecasted for six years. The scalar is then multiplied with the PD term structure on a rolling basis to arrive at the macroeconomic adjusted PD term structure.

The Company has considered macro economic variables specific to the country of study of the student. A variant of Gross Domestic Product has been considered as India—specific variable and Housing Price Index as USA specific variable. Following the outbreak of COVID —19 during the quarter ended March 31, 2020 there has been a considerable slowdown in economic activities across the globe. In order to reflect the current economic environment, the probabilities assigned to the various scenarios associated with the above macroeconomic indicators were revised.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

8.1 Expected credit loss ("ECL") (Continued)

c. Definition and assessment of default

The Company considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation to the Company of the same counterparty are key inputs in this analysis.

Delinquency buckets have been considered as the primary basis for the staging of all loans with:

– 0-30 days past due loans classified as stage 1

– 31-90 days past due loans classified as stage 2 and

– Above 90 days past due loans classified as stage 3

– Along with delinquency buckets; the internally developed criteria's to analyse whether there is increase in credit risk (SICR criteria) are considered for staging of loans.

d. Other Inputs to the ECL Computation

The following inputs are explained in the Significant Accounting Policies (Note 3.2.5).

– Significant increase in credit risk of the credit exposure

– ECL computation methodology

– Policy on write off of loan assets

e. Internal grading system

The Company's independent Credit Risk Department operates as per internal rating models. The Company runs separate models for its portfolio in which its customers are rated from 'Standard' to 'NPA' using internal grades. The models incorporates quantitative information specific to the borrower.

The Company's internal credit rating grades:

Internal rating grade	Internal rating description
Standard	Principal or interest payment not overdue
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days
NPA	Principal or interest payment overdue more than 90 days

f. Management overlay in addition the traditional expected credit loss due to COVID-19

The COVID-19 pandemic and measures to contain it are having an impact on the world economy. The Company has identified some of the sectors of portfolio which are expected to be affected more severely than the others for short term. Accordingly, in relation to the segments identified based on the qualitative assessment, the Company has made adequate provision for credit losses against the potential impact of COVID-19 by way of a management overlay of ₹ 2072.89 lakhs.

The Company does not considers the cases identified in the segmented portfolio as having increase in the credit risk (SICR case) and hence has continued to classify it as Stage 1 case for computation of regular expected credit loss provision.

The final impact of the global health pandemic is very uncertain and the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results/ statements. The management will continue to closely monitor the material changes in the macro-economic factors impacting the portfolio of the Company.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

8.1 Expected credit loss ("ECL") (Continued)

(Currency: INR in Lakhs)

g. Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year–end stage classification. The amounts presented are gross of impairment allowances.

Particulars	As at 31 March 2020				As at 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Standard	**6,23,866.49**	**227.54**	**–**	**6,24,094.03**	5,32,693.00	272.84	–	5,32,965.84
SMA – 1	**–**	**768.08**	**–**	**768.08**	–	732.05	–	732.05
SMA – 2	**–**	**47.49**	**–**	**47.49**	–	384.77	–	384.77
Non Performing Assets	**–**	**–**	**756.55**	**756.55**	–	–	401.26	401.26
Total	**6,23,866.49**	**1,043.11**	**756.55**	**6,25,666.15**	5,32,693.00	1,389.65	401.26	5,34,483.91

Note: The cash and cash equivalents are held with bank and financial institution counterparties with acceptable credit ratings.

h. An analysis of changes in the gross carrying amount and the corresponding impairment loss allowances in relation to lending is as follows:

I. Reconciliation of the gross carrying amount:

(Currency: INR in Lakhs)

Particulars	As at 31 March 2020				As at 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**5,32,693.00**	**1,389.65**	**401.26**	**5,34,483.91**	4,21,868.00	1,615.81	193.84	4,23,677.65
New assets originated or purchased	**1,65,312.86**	**78.98**	**–**	**1,65,391.84**	1,65,360.41	100.13	–	1,65,460.53
Assets derecognised or repaid (excluding write offs)	**(74,390.48)**	**(70.05)**	**(11.81)**	**(74,472.34)**	(61,831.91)	(168.63)	(65.03)	(62,065.56)
Transfers to Stage 1	**900.87**	**(835.71)**	**(65.17)**	**–**	961.18	(946.33)	(14.85)	–
Transfers to Stage 2	**(687.60)**	**695.36**	**(7.76)**	**–**	(923.73)	930.32	(6.59)	–
Transfers to Stage 3	**(271.15)**	**(171.92)**	**443.07**	**–**	(122.86)	(179.30)	302.16	–
Impact on year end exposures transferred between stages during the year	**(113.10)**	**(18.42)**	**(2.91)**	**(134.44)**	(70.25)	60.78	2.90	(6.56)
Changes to contractual cash flows due to modifications not resulting in derecognition	**422.09**	**(24.78)**	**26.39**	**423.70**	7,452.16	(23.14)	(0.58)	7,428.45
Amounts written off	**–**	**–**	**(26.52)**	**(26.52)**	–	–	(10.59)	(10.59)
Gross carrying amount closing balance	**6,23,866.49**	**1,043.11**	**756.55**	**6,25,666.15**	5,32,693.00	1,389.65	401.26	5,34,483.91

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

8.1 Expected credit loss ("ECL") (Continued)

(Currency: INR in Lakhs)

II. Reconciliation of impairment loss allowance on gross carrying value of loan is given below:

Particulars	For the year ended 31 March 2020				For the year ended 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance – opening balance	**270.58**	**162.56**	**68.86**	**502.00**	73.84	153.42	31.26	258.52
New assets originated or purchased	**29.84**	**0.24**	**–**	**30.08**	21.38	4.88	–	26.27
Management Overlay	**2,072.89**	**–**	**–**	**2,072.89**	–	–	–	–
Assets derecognised or repaid (excluding write offs)	**(47.42)**	**(10.72)**	**(4.07)**	**(62.22)**	(12.92)	(19.50)	(10.80)	(43.21)
Transfers to Stage 1	**97.81**	**(86.32)**	**(11.49)**	**–**	73.46	(70.95)	(2.52)	–
Transfers to Stage 2	**(1.72)**	**3.15**	**(1.43)**	**–**	(0.41)	1.54	(1.13)	–
Transfers to Stage 3	**(0.25)**	**(25.40)**	**25.65**	**–**	(0.04)	(23.99)	24.03	–
Impact on year end ECL of exposures transferred between stages during the year	**(95.63)**	**103.95**	**53.55**	**61.87**	(71.52)	115.89	28.62	72.99
Changes to models and inputs used for ECL calculations	**171.74**	**2.68**	**(0.79)**	**173.64**	186.78	1.27	0.70	188.75
Amounts written off	**–**	**–**	**(2.04)**	**(2.04)**	–	–	(1.31)	(1.31)
Impairment loss allowance – closing balance	**2,497.83**	**150.14**	**128.24**	**2,776.22**	270.58	162.56	68.86	502.00

The increase in impairment loss allowance of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increase in credit risk.

III. Reconciliation of impairment loss allowance on undisbursed commitments is given below:

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020				For the year ended 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance – opening balance	**29.68**	**0.21**	**–**	**29.89**	8.64	0.14	–	8.78
New assets originated or purchased	**9.82**	**0.07**	**–**	**9.88**	6.93	0.05	–	6.98
Assets derecognised or repaid (excluding write offs)	**(9.81)**	**(0.04)**	**–**	**(9.85)**	(2.46)	(0.03)	–	(2.49)
Transfers to Stage 1	**0.14**	**(0.14)**	**–**	**–**	0.09	(0.09)	–	–
Transfers to Stage 2	**(0.01)**	**0.01**	**–**	**–**	(0.03)	0.03	–	–
Transfers to Stage 3	**(0.00)**	**(0.02)**	**0.02**	**–**	–	(0.01)	0.01	0.00
Impact on year end ECL of exposures transferred between stages during the year	**(0.14)**	**0.01**	**(0.02)**	**(0.15)**	(0.08)	0.13	(0.01)	0.04
Changes to models and inputs used for ECL calculations	**0.11**	**–**	**–**	**0.11**	16.59	(0.01)	–	16.58
Impairment loss allowance – closing balance	**29.79**	**0.09**	**–**	**29.88**	29.68	0.21	–	29.89

The provision referred above was computed based on amount of undisbursed commitment of ₹ 77,473 lakhs (previous year ₹ 88,503 lakhs).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

(Currency: INR in Lakhs)

9. INVESTMENTS (at fair value through profit or loss)

	As at 31 March 2020	As at 31 March 2019
Investment in Mutual Funds	**31,072.99**	—
Total – Gross (A)	**31,072.99**	—
Investments in India	**31,072.99**	—
Investments outside India	**—**	—
Total – Gross (B)	**31,072.99**	—
Less: Impairment loss allowance (expected credit loss) (C)	**—**	—
Total – Net (D) = (A – C)	**31,072.99**	—

10. OTHER FINANCIAL ASSETS

	As at 31 March 2020	As at 31 March 2019
Security deposits – unsecured; considered good	**214.65**	214.53
Other loan & advances – advances to employees	**27.81**	21.00
Amounts receivable on swaps and other derivatives	**17.54**	—
Total	**260.00**	235.53

11. CURRENT TAX ASSETS (net)

See accounting policy in note no 3.9

	As at 31 March 2020	As at 31 March 2019
Advance tax (net of provision)	**15.57**	60.44
Total	**15.57**	60.44

12. DEFERRED TAX ASSETS (net)

See accounting policy in note no 3.9

The major components of deferred tax assets and liabilities are :

(Currency: INR in Lakhs)

Particulars	As at 31 March 2020		As at 31 March 2019	
	Assets	Liabilities	Assets	Liabilities
Depreciation		(11.00)		(4.00)
Application of effective interest rate on financial assets	711.00		1,036.00	
Application of effective interest rate on financial liabilities		333.00		100.00
Impairment allowance for financial assets	676.00		163.00	
Provisions for employee benefits	84.00		90.00	
Lease liabilities & Right of use assets	8.00			
Derivative financial assets	—	1,228.00		
Derivative financial liability	522.00			
External commercial borrowings revaluation	1,035.00			
Debt securities	225.00			
Total	**3,261.00**	**1,550.00**	**1,289.00**	**96.00**
Net deferred tax asset		**1,711.00**		**1,193.00**

In compliance with the Indian Accounting Standard (Ind AS) 12 relating to 'Accounting for Taxes on Income', the Company has recognised ₹ (48.39) lakhs (2018 – 19 : ₹ 172.88 lakhs) in the Statement of Profit and Loss and ₹ (333.6) lakhs (2018 – 19 : ₹ (5.12) lakhs) in other comprehensive income for the year ended 31 March 2020 towards deferred tax asset (net) for the year, arising on account of deductible temporary differences.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

12.1 Movements in deferred tax assets

(Currency: INR in Lakhs)

Particulars	Depreciation	Application of effective interest rate on financial assets	Application of effective interest rate on financial liabilities	Impairment allowance for financial assets	Provision for employee benefits	Lease liabilities and Right to use assets	Derivative financial assets	Derivative financial liability	External commercial borrowings revaluation	Debt securities	Total
FY 2019-20											
As at 1 April 2019	**4.00**	**1,036.00**	**(100.00)**	**163.00**	**90.00**	**–**	**–**	**–**	**–**	**–**	**1,193.00**
Credited/(charged)											
- to statement of profit or loss	7.00	(325.00)	(233.00)	513.00	(16.38)	7.99	(227.00)	–	–	225.00	**(48.39)**
- to other comprehensive income	–	–	–	–	10.38	–	(1,001.24)	522.01	1,035.24	–	**566.39**
As at 31 March 2020	**11.00**	**711.00**	**(333.00)**	**676.00**	**84.00**	**7.99**	**(1,228.24)**	**522.01**	**1,035.24**	**225.00**	**1,711.00**
FY 2018-19											
As at 1 April 2018	**(6.00)**	**962.00**	**(97.00)**	**83.00**	**73.00**	**–**	**–**	**–**	**–**		**1,015.00**
Credited/(charged)											
- to statement of profit or loss	10.00	74.00	(3.00)	80.00	11.88	–	–	–	–		**172.88**
- to other comprehensive income	–	–	–	–	5.12	–	–	–	–		**5.12**
As at 31 March 2019	**4.00**	**1,036.00**	**(100.00)**	**163.00**	**90.00**	**–**	**–**	**–**	**–**		**1,193.00**

13. PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

See accounting policy in note no 3.4 & 3.5

The changes in the carrying value of property, plant and equipment & intangible assets for the period ended 31 March 2020 are as follows:

(Currency: INR in Lakhs)

Particulars		Gross Block					Accumulated depreciation/amortisation				Net Block	
		As at 1 April 2019	Additions during the year	Transition impact of Ind AS 116	Deletions/ Write-off during the year	As at 31 March 2020	As at 1 April 2019	For the year	Deletions/ Write-off during the year	As at 31 March 2020	As at 31 March 2020	As at 31 March, 2019
A.	**Tangible assets:**											
	Office equipment	82.17	6.02	–	1.04	87.15	24.87	19.33	1.02	43.19	43.96	57.30
	Computers	117.27	7.22	–	0.49	124.00	56.52	31.90	0.15	88.28	35.72	60.74
	Furniture & fixtures	89.79	1.00	–	–	90.79	16.54	11.42	–	27.96	62.83	73.25
	Right of use asset (RoU asset)	–	–	741.28	–	741.28	–	216.18	–	216.18	525.10	–
	Sub-total (A)	**289.23**	**14.24**	**741.28**	**1.52**	**1,043.22**	**97.94**	**278.84**	**1.17**	**375.61**	**667.62**	**191.29**
B.	**Intangible assets:**											
	Other software	81.99	2.04	–	–	84.03	25.04	20.85	–	45.89	38.14	56.95
	Sub-total (B)	**81.99**		**–**		**84.03**	**25.04**	**20.85**	**–**	**45.89**	**38.14**	**56.95**
C.	**Capital work in progress (C)**	**–**	–	–	–		–	–	–	–	–	–
	Total (A+B+C)	**371.22**	**14.24**	**741.28**	**1.52**	**1,127.26**	**122.98**	**299.69**	**1.17**	**421.50**	**705.76**	**248.24**

Note: As at 31 March 2020, property plant and equipment includes right-of-use assets of ₹ 525.10 lakhs related to leased branches and office premises. (See Note 19.1)

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The changes in the carrying value of property, plant and equipment & intangible assets for the year ended 31 March 2019 are as follows:

(Currency: INR in Lakhs)

Particulars		Gross Block					Accumulated depreciation/amortisation				Net Block	
		As at 1 April 2018	Additions during the year	Transition impact of Ind AS 116	Deletions/ Write-off during the year	As at 31 March 2019	As at 1 April 2018	For the year	Deletions/ Write-off during the year	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
A.	**Tangible assets:**											
	Office equipment	76.00	12.34		6.17	82.17	11.81	18.51	5.45	24.87	57.30	64.19
	Computers	117.28	10.66		10.67	117.27	28.51	38.53	10.52	56.52	60.74	88.77
	Furniture & fixtures	81.28	11.08		2.56	89.79	7.74	10.84	2.04	16.54	73.25	73.54
	Sub-total (A)	**274.55**	**34.08**	**–**	**19.40**	**289.23**	**48.06**	**67.89**	**18.01**	**97.94**	**191.29**	**226.49**
B.	**Intangible assets:**											
	Other software	61.74	20.25		–	81.99	3.94	21.10	–	25.04	56.95	57.80
	Sub-total (B)	**61.74**	**20.25**	**–**	**–**	**81.99**	**3.94**	**21.10**	**–**	**25.04**	**56.95**	**57.80**
C.	**Capital work in progress (C)**	–			–	–	–	–	–	–	–	–
D.	**Intangible assets under development (D)**	2.00			2.00	–	–	–	–	–	–	2.00
	Total (A+B+C+D)	**338.30**	**54.33**	**–**	**21.40**	**371.22**	**52.00**	**88.99**	**18.01**	**122.98**	**248.24**	**286.30**

(Currency: INR in Lakhs)

14. OTHER NON FINANCIAL ASSETS

	As at 31 March 2020	As at 31 March 2019
Prepaid expenses	**29.60**	39.08
Receivable from government authorities	**169.64**	68.40
Others *	**31.50**	10.04
	230.74	117.52

* Others includes ₹ 19.61 lakhs (as on 31 March 2019 ₹ 0.51 lakh) due from related parties [Refer note 38].

15. TRADE PAYABLES

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Total outstanding dues of micro enterprises and small enterprises	**4.80**	**–**
Total outstanding dues of creditors other than micro enterprises and small enterprises		
– Payable to vendors*	**282.78**	273.49
– Accrued expenses	**509.32**	744.90
Total	**796.90**	1,018.39

* Trade payables include ₹ 4.8 lakhs (as on 31 March 2019 ₹ Nil) payable to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED"). The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of Information available with the Company and the Auditors have placed reliance on the same. The amount of principal and interest outstanding during the year is given below.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
a) Amount outstanding but not due as at year end	—	—
b) Amount due but unpaid as at the year end	**4.80**	—
c) Amounts paid after appointed date during the year	—	—
d) Amount of interest accrued and unpaid as at year end	—	—
e) The amount of further interest due and payable even in the succeeding year	—	—
Total	**4.80**	—

Note: Trade Payables includes ₹ 137.83 lakhs (as on 31 March 2019 ₹ 186.18 lakhs) due to related parties [Refer note 38].

16. DEBT SECURITIES

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

Particulars	As at 31 March 2020		As at 31 March 2019	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Secured non convertible debentures [Refer note 16.1.1]	**20,850.65**	**1,79,760.31**	—	1,49,872.36
Commercial Paper [Refer note 16.1.2]	**—**	**22,301.44**	—	56,476.01
Total (A)	**20,850.65**	**2,02,061.76**	—	2,06,348.37
Debt securities in India	**20,850.65**	**2,02,061.76**	—	2,06,348.37
Debt securities outside India	**—**	**—**	—	—
Total (B) to tally with (A)	**20,850.65**	**2,02,061.76**	—	2,06,348.37

16.1 **Terms of repayment, nature of security & rate of interest in case of debt securities.**

16.1.1 **Secured non convertible debentures**

Nature of Security: Pari–passu charge on education loan receivables
Terms of Repayment: Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of Security	Maturity date	As at 31 March 2020	As at 31 March 2019
9.00% Secured non–convertible debentures	28-06-2019	**—**	19,997.34
7.50% Secured non–convertible debentures	07-08-2019	**—**	19,995.22
9.00% Secured non–convertible debentures	24-09-2020	**29,992.42**	29,977.36
9.40% Secured non–convertible debentures	20-11-2020	**29,990.00**	29,975.14
8.25% Secured non–convertible debentures	25-11-2021	**29,971.22**	29,951.31
8.00% Secured non–convertible debentures	25-02-2022	**19,980.86**	19,975.99
7.10% Secured non–convertible debentures	25-02-2022	**19,964.28**	—
8.62% Secured non–convertible debentures	17-06-2024	**9,963.52**	—
8.00% Secured non–convertible debentures	31-01-2025	**19,947.00**	—
8.85% Secured non–convertible debentures	06-07-2029	**19,951.00**	—
8.70% Secured non–convertible debentures	01-08-2029	**19,957.43**	—
Total		**1,99,717.75**	1,49,872.36

The above table does not include unrealised loss (₹ 893.21 lakhs) on fair valuation of non-convertible debentures designated at FVTPL.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

16.1.2 **Commercial paper**

Nature of Security: Unsecured

Terms of Repayment: Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of security	Maturity date	As at 31 March 2020	As at 31 March 2019
7.90% Commercial paper	24-04-2019	—	9,951.17
7.80% Commercial paper	15-05-2019	—	24,769.32
9.34% Commercial paper	16-08-2019	—	9,672.01
9.25% Commercial paper	27-11-2019	—	2,832.49
8.55% Commercial paper	13-03-2020	—	9,251.02
5.75% Commercial paper	20-05-2020	**19,847.77**	—
8.03% Commercial paper	01-07-2020	**2,453.67**	—
Total		**22,301.44**	56,476.01

During the year, the Company raised ₹ 90,000 lakhs (previous year ₹ 60,000 lakhs) through issue of long term, secured, non-convertible debentures. All these non-convertible debentures are secured by pari passu charge by way of hypothecation of education loan receivables of the Company's underlying portfolio of education loans.

17. BORROWINGS (OTHER THAN DEBT SECURITIES) – AT AMORTISED COST

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

Particulars	As at 31 March 2020	As at 31 March 2019
Secured		
Term Loans from Banks [Refer note 17.1]	**2,25,568.61**	1,99,143.77
Loans repayable on demand from banks	**200.66**	23,500.61
External commercial borrowing	**74,834.02**	—
Total (A)	**3,00,603.29**	2,22,644.38
Borrowings in India	**2,25,769.27**	2,22,644.38
Borrowings outside India	**74,834.02**	—
Total (B) to tally with (A)	**3,00,603.29**	2,22,644.38

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

17.1 **Terms of repayment, nature of security & rate of interest in case of borrowings (other than debt securities)**

(Currency: INR in Lakhs)

Name of Security	Terms of repayment	As at 31 March 2020	As at 31 March 2019
Rupee term loans secured by pari-passu on education loan receivables	28 quarterly intallments commencing from Dec 2016	—	7,598.53
	28 quarterly intallments commencing from December 2014	**4,280.73**	7,137.83
	28 quarterly intallments commencing from December 2015	**3,571.93**	4,999.60
	28 quarterly intallments commencing from July 2016	**4,643.10**	6,070.52
	28 quarterly intallments commencing from June 2017	**17,140.74**	21,421.49
	23 quarterly intallments commencing from December 2016	**3,913.04**	5,652.17
	18 quarterly intallments commencing from October 2017	**6,666.67**	10,000.00
	18 quarterly intallments commencing from June 2018	**13,888.89**	19,444.44
	28 quarterly intallments commencing from August 2019	**8,927.06**	9,998.68
	28 quarterly intallments commencing from March 2020	**9,641.17**	9,998.54
	28 quarterly intallments commencing from December 2019	**18,569.52**	19,995.40
	11 quarterly intallments commencing from April 2018	**2,727.27**	6,363.64
	3 annual intallments commencing from March 2020	—	3,800.00
	28 quarterly intallments commencing from January 2021	—	2,592.81
	12 quarterly intallments commencing from December 2019	**(38.01)**	9,921.37
	20 quarterly intallments commencing from April 2020	**9,997.15**	9,996.06
	12 quarterly intallments commencing from October 2019	**9,162.30**	9,991.89
	12 quarterly intallments commencing from March 2020	**9,996.97**	9,995.01
	28 quarterly intallments commencing from June 2020	**19,998.27**	19,999.11
	12 quarterly intallments commencing from November 2018	**2,500.00**	4,166.67
	8 half yearly intallments commencing from December 2020	**10,000.00**	—
	12 quarterly intallments commencing from December 2020	**20,000.00**	—
	12 quarterly intallments commencing from June 2021	**20,000.00**	—
	28 quarterly intallments commencing from December 2021	**19,995.03**	—
	28 quarterly intallments commencing from March 2022	**9,986.79**	—
Total		**2,25,568.61**	1,99,143.77

There is no borrowings measured at FVTPL or designated at FVTPL.

Security for Bank term loans and Bank overdrafts is pari-passu charge against the education loan receivables.

The borrowings have not been guaranteed by directors or others. Also there is no default in repayment of borrowing and interest on bank term loans and Bank overdrafts.

Term loans and overdrafts are borrowed at floating rate of interest.

External Commercial Borrowings

Nature of Security: Pari-passu charge on education loan receivables

Terms of Repayment: Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of Security	Maturity date	As at 31 March 2020	As at 31 March 2019
External Commercial Borrowings (Tranche I)	17-12-2022	**26,192.20**	—
External Commercial Borrowings (Tranche II)	14-01-2023	**17,960.36**	—
External Commercial Borrowings (Tranche III)	03-02-2023	**12,721.92**	—
External Commercial Borrowings (Tranche IV)	06-03-2023	**17,960.36**	—
Total		**74,834.85**	—

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

17.1 **Terms of repayment, nature of security & rate of interest in case of borrowings (other than debt securities)** (Continued)

The Company had availed External Commercial Borrowing (ECBs) of USD 100 million for further lending of education loans as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. The borrowing has a maturity of three years. In terms of RBI guidelines, borrowings have been swapped into rupees by way of principal only swaps. The coupon on the borrowing is hedged through interest rate swap. The currency exposure on the interest on ECB has not been hedged.

18. SUBORDINATED LIABLITIES – AT AMORTISED COST

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

Particulars	As at 31 March 2020	As at 31 March 2019
Subordinated tier II non convertible debentures [Refer note 18.1]	**34,892.46**	19,950.06
Perpetual debt instruments to the extent that do not qualify as equity [Refer note 18.1]	**27,435.43**	27,426.71
Total (A)	**62,327.90**	47,376.77
Subordinated liablities in India	**62,327.90**	47,376.77
Subordinated liablities outside India	**—**	—
Total (B) to tally with (A)	**62,327.90**	47,376.77

18.1 **Terms of repayment, nature of security & rate of interest in case of subordinated liablities**

Nature of Security: Unsecured

Terms of Repayment: Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of a Security	Maturity date	As at 31 March 2020	As at 31 March 2019
11.75% Perpetual debt instrument	09-07-2024	4,991.26	4,989.71
10.50% Perpetual debt instrument	27-01-2025	4,991.14	4,988.69
10.50% Perpetual debt instrument	17-06-2025	4,990.56	4,988.97
9.30% Subordinated Tier II non convertible debenture	09-10-2025	9,980.64	9,978.00
8.20% Subordinated Tier II non convertible debenture	23-07-2027	4,987.27	4,986.14
8.10% Subordinated Tier II non convertible debenture	16-11-2027	4,987.11	4,985.92
8.75% Perpetual debt instrument	08-12-2027	4,982.78	4,981.24
9.35% Perpetual debt instrument	06-06-2028	7,479.69	7,478.09
9.12% Subordinated Tier II non convertible debenture	06-06-2029	14,937.44	—
Total		**62,327.90**	**47,376.77**

During the year, the Company raised Nil (previous year ₹ 7,500 lakhs) through issue of perpetual debt instruments. ₹ 9,319 lakhs (previous year ₹ 6,721 lakhs) of perpetual debt instrument qualifies as Tier I capital under RBI guidelines.

During the year, the Company raised ₹ 15,000 lakhs (previous year Nil) through issue of subordinated debts. As on 31 March, 2020, the Company's outstanding subordinated debt is ₹ 35,000 lakhs (previous year ₹ 20,000 lakhs). These debentures are subordinated to present and future senior indebtedness of the Company and qualify as Tier II capital under Reserve Bank of India guidelines for assessing capital adequacy. Based on balance term to maturity as on 31 March, 2020, 100% (previous year 100%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of the capital adequacy computation.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

19. OTHER FINANCIAL LIABILITIES

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Interest accrued but not due on borrowing	**10,801.17**	8,381.70
Lease liabilities [Refer note 19.1]	**557.45**	—
Amounts payable on swaps and other derivatives	**183.01**	—
Instalments on education loans received in advance (including interest received in advance)	**173.75**	228.36
Total	**11,715.38**	8,610.05

19.1 **Leases:**

See accounting policy in note no 3.18

The Company has adopted Ind AS 116 effective from 01 April 2019, using the modified retrospective method. The Company has applied the standard to its leases with cumulative impact recognised on the date of initial application (01 April 2019). Accordingly, previous period information has not been restated. The Company has recognised lease liability and right to use asset as follows:

(Currency: INR in Lakhs)

Particulars	Amount
I. Lease liabilities	
Opening balance	—
Add: Lease liabilities recognised as on 01 April 2019 on application of Ind AS 116	684.82
Add: Lease liabilities recognised during the year	56.47
Add: Interest accrued on lease liabilities	53.36
Less: Lease payments	(237.20)
Closing lease liability as on 31 March 2020	**557.45**
II. Right of use asset (RoU asset)	
Opening balance	—
Add: RoU asset recognised as on 01 April 2019 on application of Ind AS 116	684.82
Add: RoU asset recognised during the year	56.46
Less: Amortisation of RoU asset	(216.18)
Closing RoU asset as on 31 March 2020	**525.10**

Lease liabilities and lease cash flows

(Currency: INR in Lakhs)

Particulars	Amount
Maturity analysis–contractual undiscounted cash flows	
Less than one year	233.72
One to five years	428.41
More than five years	27.12
Total undiscounted lease liabilities as on 31 March 2020	**689.26**
Lease liabilities included in the financial statements as on 31 March 2020	**557.45**
Current	190.00
Non—Current	367.45

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

(Currency: INR in Lakhs)

Impact of adoption of Ind AS 116 on statement of profit & loss	
Particulars	**Amount**
Lease expenses if Ind AS 17 would have applied	237.20
Total charge to statement of profit & loss if Ind AS 17 would have applied	**237.20**
Interest on lease liabilities charged to finance cost as per Ind AS 116	53.36
Amortisation of RoU asset as per Ind AS 116	216.18
Total charge to statement of profit & loss under Ind AS 116	**269.54**
Additional charge to statement of profit & loss due to adoption of Ind AS 116	**32.35**

20. CURRENT TAX LIABILITY (NET)

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Provision for income tax (net of advance tax)	**14.15**	264.39
	14.15	264.39

21. PROVISIONS

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits		
— Gratuity [Refer Note 32.2]	**257.77**	184.08
— Compensated absenses [Refer Note 32.2]	**75.33**	74.71
	333.10	258.79
Provision for expected credit loss on undisbursed commitment	**29.88**	29.89
	29.88	29.89
Total	**362.98**	288.68

22. OTHER NON FINANCIAL LIABILITIES

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Net front end origination fees received in advance*	**539.41**	584.81
Statutory remittances	**119.74**	116.75
Others (stale cheque)	**1.47**	2.25
Total	**660.62**	703.81

*This amount pertains to front end origination fees (net of DSA commission) which is currently not forming integral part of the financial assets — loans and not getting amortized as per effective interest rate method.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

23. SHARE CAPITAL

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Authorised		
13,30,00,000 (previous year 8,80,00,000) Equity shares of ₹ 10 each	**13,300.00**	8,800.00
2,20,00,000 (previous year 6,70,00,000) Compulsorily convertible preference shares ("CCPS") of ₹ 10 each	**2,200.00**	6,700.00
	15,500.00	15,500.00
Issued, subscribed and fully paid up		
13,17,98,226 (previous year 6,90,20,786) Equity shares of ₹ 10 each	**13,179.82**	6,902.08
	13,179.82	6,902.08

23.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	₹ in lakh	Number	₹ in lakh
Equity shares				
At the beginning of the year	**6,90,20,786**	**6,902.08**	6,45,26,403	6,452.64
Issued during the year against Rights Issue	**77,81,749**	**778.17**	44,94,383	449.44
Allotment against conversion of CCPS – Round IV (1)	**41,66,660**	**416.67**	—	—
Allotment against conversion of CCPS – Round V	**38,46,150**	**384.62**	—	—
Allotment against conversion of CCPS – Round VI	**76,92,300**	**769.23**	—	—
Allotment against conversion of CCPS – Round VII	**38,46,150**	**384.62**	—	—
Allotment against conversion of CCPS – Round III	**1,24,99,993**	**1,250.00**	—	—
Allotment against conversion of CCPS – Round IV (2)	**41,66,660**	**416.67**	—	—
Allotment against conversion of CCPS – Round I	**60,00,000**	**600.00**	—	—
Allotment against conversion of CCPS – Round III	**90,00,000**	**900.00**	—	—
Allotment against conversion of CCPS – Round VIII	**27,77,778**	**277.78**	—	—
Allotment against conversion of CCPS – Round IX	**10,00,000**	**100.00**	—	—
At the end of the year	**13,17,98,226**	**13,179.82**	6,90,20,786	6,902.08

0.01% Compulsorily convertible preference shares ("CCPS")

At the beginning of the year	**6,69,99,956**	**6,700.00**	6,69,99,956	6,700.00
Conversion of CCPS – Round IV (1)	(49,99,992)	(500.00)	—	—
Conversion of CCPS – Round V	(49,99,995)	(500.00)	—	—
Conversion of CCPS – Round VI	(99,99,990)	(1,000.00)	—	—
Conversion of CCPS – Round VII	(49,99,995)	(500.00)	—	—
Conversion of CCPS – Round III	(1,49,99,992)	(1,500.00)	—	—
Conversion of CCPS – Round IV (2)	(49,99,992)	(500.00)	—	—
Conversion of CCPS – Round I	(60,00,000)	(600.00)	—	—
Conversion of CCPS – Round III	(90,00,000)	(900.00)	—	—
Conversion of CCPS – Round VIII	(50,00,000)	(500.00)	—	—
Conversion of CCPS – Round IX	(20,00,000)	(200.00)	—	—
At the end of the year	**—**	**—**	**6,69,99,956**	**6,700.00**
Issued and subscribed share capital	**13,17,98,226**	**13,180**	**13,60,20,742**	**13,602.07**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

23. SHARE CAPITAL (Continued)

(Currency: INR in Lakhs)

23.2 Details of shareholders holding more than 5 percent shares in the Company are given below:

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	% shareholding	Number	% shareholding
Equity shares held by				
Housing Development Finance Corporation Limited*	**13,17,98,226**	**100.00%**	5,30,56,403	82.22%
Mr. Anil Bohora	—	—	57,35,000	8.89%
Mr. Ajay Bohora	—	—	57,35,000	8.89%
Total	**13,17,98,226**	**100.00%**	6,45,26,403	100.00%
0.01% Compulsorily convertible preference shares ("CCPS") held by				
Housing Development Finance Corporation Limited	—	—	6,69,99,956	100.00%

* including the shares held by Nominee Shareholders on behalf of HDFC Limited

23.3 Terms and rights attached to equity shares

The Company has only one class of equity shares having Par Value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by shareholders at the Annual General Meeting.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Company has not allotted any share pursuant to contracts without payment being received in cash or as bonus shares nor has it bought back any shares during the preceding period of 5 financial years.

24. OTHER EQUITY

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Non cumulative compulsorily convertible preference shares [Nil (previous year 6,69,99,956) shares of ₹ 10 each fully paid up]	—	6,700.00
Capital reserve	**109.46**	109.46
Securities premium	**43,236.51**	17,839.25
Statutory reserve	**9,568.97**	7,106.94
Retained earnings	**34,245.25**	24,397.96
Employee benefit expenses through other comprehensive income	**(40.73)**	(9.42)
Cash flow hedge reserves through other comprehensive income	**(1,653.00)**	—
Total	**85,466.46**	56,144.19

24.1 Nature of reserves

Capital reserve: It was created on account of NCD issue cost which were transferred to securities premium account (during the FY 2016-17).

Securities premium reserve: Securities premium reserve is credited when shares are issued at premium. It can be used to issue bonus shares, to provide for premium on redemption of redeemable preference shares or debentures, write-off of expenses on issue of equity shares, etc.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

Statutory reserve: It has been created in terms of Section 45-IC (1) of The Reserve Bank of India Act, 1931 (the "RBI Act") and the Company transfers at least 20% of its net profits every year to this reserve before any dividend is declared.

Retained earnings: Retained earnings are the profits that the Company has earned till date, less any transfers to statutory reserve and dividends paid to investors.

Other Comprehensive Income:–

Employee benefit expenses through other comprehensive income: It represents the gain/ (loss) on account of actuarial valuation of defined benefit obligation.

Cash flow hedge reserves through other comprehensive income: It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

Reconciliation of movements in Cash flow hedge: (Currency: INR in Lakhs)

Risk category	As at 31 March 2020
Derivative instruments	
Cash flow hedging reserve	
As at 31 March 2019	—
Add: Revaluation of External Commercial Borrowings	(4,113.00)
Add: Changes in fair value of interest rate swaps	(2,073.92)
Less: Changes in fair value of principal only swaps	3,977.91
Less: Deferred tax relating to above (net)	556.01
As at 31 March 2020	**(1,653.00)**

25. INTEREST INCOME

See accounting policy in note no 3.1.1 (Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
	On financial assets measured at amortised cost	On financial assets measured at amortised cost
Interest		
— Interest on education loans	**70,281.14**	58,475.45
— Interest on fixed deposits with banks	**231.36**	630.15
Total	**70,512.50**	59,105.60

Interest income includes ₹ 1,786.44 lakhs (previous year ₹ 1,526.43 lakhs) of origination fees received (net of DSA commission) which is amortized as per effective interest rate ("EIR") method. Amortization as per EIR method is based on interest to total interest of financial assets along with prepayment assumption.

Interest income on stage 3 assets is recognised on the net carrying value (the gross carrying value as reduced by the impairment loss allowance). Accordingly the total interest income is net of such interest on credit impaired assets amounting to ₹ 36.24 lakhs (previous year ₹ 17.30 lakhs).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

26. FEES AND COMMISSION INCOME

See accounting policy in note no 3.1.2, 3.1.3 & 3.1.4

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Type of service		
Commission [Refer Note 38.2]	**1,115.99**	1,054.21
Other fees	**25.32**	48.27
Total	**1,141.31**	1,102.48
Geographical markets		
India	**1,141.31**	1,102.48
Outside India	**—**	—
Total	**1,141.31**	1,102.48
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	**1,141.31**	1,102.48
Performance obligation satisfied over a period of time	**—**	—
Total	**1,141.31**	1,102.48

Trade receivables

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Trade receivables	**69.36**	27.13
Total	**69.36**	27.13

No revenue from transactions with a single external customer amounted to 10 percent or more of the Company's total revenue in year ended 31 March 2020 or 31 March 2019.

27. NET GAIN ON FAIR VALUE CHANGES

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Net gain/(loss) on financial instrumentsat at FVTPL		
– Investments	**997.68**	79.05
– Derivatives	**6.77**	—
Total	**1,004.45**	79.05
Fair value changes :		
– Realised	**934.08**	79.05
– Unrealised	**70.37**	—
Total	**1,004.45**	79.05

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

28. FINANCE COSTS

See accounting policy in note no 3.12

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
	On Financial Liabilities measured at Amortised Cost	On Financial Liabilities measured at Amortised Cost
Interest on		
– Debt securities	**18,570.54**	17,382.14
– Borrowing (other than debt securities) [Refer Note 30.1.3]	**21,749.34**	15,449.31
– Subordinated liabilities	**5,647.53**	4,392.34
– Lease liabilities [Refer Note 19.1]	**53.36**	—
Other charges	**206.12**	158.98
Total	**46,226.89**	37,382.77

29. EMPLOYEE BENEFIT EXPENSES

See accounting policy in note no 3.7

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries and bonus [Refer Note 38.2]	**2,858.47**	2,708.82
Contribution to provident fund	**107.20**	97.01
Gratuity [Refer Note 32.2]	**44.00**	43.15
Compensated absenses [Refer Note 32.2]	**11.81**	10.45
Staff welfare expenses [Refer Note 38.2]	**72.32**	83.19
Total	**3,093.80**	2,942.62

30. OTHER EXPENSES

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Electricity expenses	**38.99**	43.41
Rent [Refer Note 19.1]	**39.65**	264.53
Repairs and maintenance	**72.18**	71.26
Computer expenses [Refer Note 30.1.3]	**199.26**	165.12
Corporate social responsibility expenses [Refer Note 30.1.2]	**261.50**	202.87
Rates and taxes	**46.62**	42.94
Travelling and conveyance [Refer Note 30.1.3]	**120.63**	113.80
Communication costs	**86.37**	102.37
Advertisement and publicity [Refer Note 30.1.3]	**272.23**	342.32
Outsourcing charges	**1,662.29**	1,688.24
Legal and professional charges [Refer Note 30.1.3]	**477.83**	482.52
Loss on property, plant and equipment discarded	**0.35**	1.38
Auditor's fees and expenses [Refer Note 30.1.1]	**38.94**	42.17
Directors' insurance [Refer Note 38.2]	**1.05**	1.05
Directors' fees [Refer Note 38.2]	**38.55**	17.40
Printing and stationery	**38.43**	40.11
Other expenditure	**435.98**	355.34
Total	**3,830.87**	3,976.84

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

30.1 OTHER EXPENSES

30.1.1 Payments to auditor

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Audit fees	**15.00**	13.00
Internal control over financial reporting fees	**3.00**	3.00
Limited reviews	**12.00**	9.00
Other matters and certification	**5.60**	12.75
Reimbursement of expenses	**3.34**	4.42
Total	**38.94**	42.17
Auditor's remuneration above is excluding Goods and Service Tax.		

30.1.2 Expenditure incurred for corporate social responsibility

a. Gross amount required to be spent by the Company during the year is ₹ 261.50 lakhs (for 2018—19: ₹ 202.87 lakhs)

b. The details of amounts spent towards CSR are as under:

During the year 2019-20

(Currency: INR in Lakhs)

Particulars	In cash	Yet to be paid
a) Construction/acquisition of any asset	**—**	—
b) On purposes other than (a) above	**261.50**	—

During the year 2018-19

Particulars	In cash	Yet to be paid
a) Construction/acquisition of any asset	**—**	—
b) On purposes other than (a) above	**202.87**	**—**

30.1.3 Expenditure in foreign currency

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest on borrowings (other than debt securities)	**387.61**	—
Other finance costs	**64.56**	—
Legal and professional charges	**7.11**	6.83
Advertisement and publicity	**69.02**	115.27
Computer expenses	**15.72**	13.74
Travelling and conveyance	**5.29**	0.69

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

31. IMPAIRMENT ON FINANCIAL INSTRUMENTS

See accounting policy in note no 3.2.5

The below table show impairment loss on financial instruments charge to statement of profit and loss based on category of financial instrument.

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
	On Financial instruments measured at amortised cost	On Financial instruments measured at amortised cost
Loans	**2,280.52**	270.76
Trade receivables	**—**	—
Total	**2,280.52**	270.76

The table below shows the ECL charges on financial instruments for the year recorded in the profit and loss based on evaluation stage:

(Currency: INR in Lakhs)

Particulars	2019-20				2018—19			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	**154.36**	**(12.42)**	**59.38**	**201.32**	196.75	9.15	37.60	243.49
Loans written off	**—**	**—**	**6.32**	**6.32**	—	—	6.17	6.17
Loan commitments	**0.11**	**(0.12)**	**—**	**(0.01)**	21.04	0.06	—	21.10
Trade receivables	**—**	**—**	**—**	**—**	—	—	—	—
Management Overlay	**2,072.89**	**—**	**—**	**2,072.89**	—	—	—	—
Total impairment loss allowance	**2,227.36**	**(12.54)**	**65.70**	**2,280.52**	217.79	9.21	43.77	270.76

32. EMPLOYEE BENEFIT EXPENSES

See accounting policy in note no 3.7

As required by Indian Accounting Standard 19 – "Employee Benefits", the following disclosures have been made :

1. Defined contribution plans

The Company makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ 107.20 lakhs (previous year ₹ 97.01 lakhs) for provident fund contributions and ₹ Nil (previous year ₹ Nil) for employee state insurance scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

2. Defined benefit plan

The Company has an obligation towards gratuity, a funded defined benefit plan covering certain eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of the employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months subject to a limit of ₹ 20 lakhs. Vesting occurs upon completion of five year of service.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

a. Characteristics of the defined benefit plan –

The benefits are governed by the Payment of Gratuity Act, 1972 or company scheme rules, whichever is higher. The key features are as under:

Plan features -

Benefits offered -15/ 26 × salary × duration of service

Salary definition - Basic salary including dearness allowance (if any)

Benefit ceiling - Benefit ceiling of ₹ 20 lakhs was applied

Vesting conditions – 5 years of continuous service (not applicable in case of death/disability)

Benefit eligibility – upon death or resignation / withdrawal or retirement

Retirement age – 58 years

b. Risks associated with defined benefit plan –

i. Actuarial risk:

It is the risk that benefits will cost more than expected. This can arise due to one of the following reasons:

Adverse salary growth experience: Salary hikes that are higher than the assumed salary escalation will result into an increase in obligation at a rate that is higher than expected.

Variability in mortality rates: If actual mortality rates are higher than assumed mortality rate assumption than the gratuity benefits will be paid earlier than expected. Since there is no condition of vesting on the death benefit, the acceleration of cashflow will lead to an actuarial loss or gain depending on the relative values of the assumed salary growth and discount rate.

Variability in withdrawal rates: If actual withdrawal rates are higher than assumed withdrawal rate assumption then the gratuity benefits will be paid earlier than expected. The impact of this will depend on whether the benefits are vested as at the resignation date.

ii. Investment risk:

For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter—valuation period.

iii. Liquidity risk:

Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign/retire from the Company there can be strain on the cashflows of the plan.

iv. Market risk:

Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in defined benefit obligation of the plan benefits & vice versa. This assumption depends on the yields on the corporate/government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.

v. Legislative risk:

Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the Payment of Gratuity Act

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

c. Details of Company's funded post-retirement benefit plans for its employees are given below which is as certified by the actuary :

(Currency: INR in Lakhs)

I. Components of employer expense	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Current service cost	**22.02**	20.29	**31.19**	33.79
2. Interest cost	**5.32**	4.97	**15.77**	13.44
3. Expected return on plan assets	—	—	**(2.97)**	(4.08)
4. Actuarial loss/ (gain)	**(15.54)**	(14.81)		—
5. Losses/(gains) on curtailments & settlement		—		—
6. Total expense recognised in the statement of profit and loss	**11.81**	10.45	**44.00**	43.15

(Currency: INR in Lakhs)

II. Net liability recognised in the balance sheet	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Present value of defined benefit obligation	**75.33**	74.71	**266.17**	219.08
2. Fair value of plan assets	—	—	**(8.40)**	(35.00)
3. Unrecognised past service cost	—	—		
4. Net liability recognised in the balance sheet	**75.33**	74.71	257.77	184.08
– Short-term provisions	**12.09**	9.46	**40.58**	31.19
– Long-term provisions	**63.24**	65.26	**217.20**	152.89

(Currency: INR in Lakhs)

III. Changes in defined benefit obligation	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Present value of defined benefit obligation as at the beginning of the year	**74.71**	66.23	**219.09**	177.27
2. Current service cost	**22.02**	20.27	**31.19**	33.65
3. Interest cost	**5.32**	4.97	**15.77**	13.43
4. Actuarial loss/(gain)	**(15.54)**	(14.81)	**41.04**	13.88
5. Prior year charges	—	0.02	—	—
6. Benefits paid	**(11.19)**	(1.97)	**(40.92)**	(19.15)
7. Present value of defined benefit obligation as at the end of the year	**75.33**	74.71	**266.17**	219.08

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

32. EMPLOYEE BENEFIT EXPENSES (Continued)

(Currency: INR in Lakhs)

IV. Reconciliation of Liability	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Opening net liability	**74.71**	66.24	**184.08**	138.27
2. Expenses recognised	**11.81**	10.45	**44.00**	43.15
3. Other comprehensive income	—	—	**41.69**	14.66
4. Benefits paid	**(11.19)**	(1.98)	—	—
5. Contribution to plan assets		—	**(12.00)**	(12.00)
6. Amount recognised in the balance sheet under provision for employee benefits	**75.33**	74.71	**257.77**	184.08
– Short-term provisions	**12.09**	9.46	**40.58**	31.19
– Long-term provisions	**63.24**	65.25	**217.20**	152.89

(Currency: INR in Lakhs)

V. Reconciliation of Plan Assets	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Opening value of plan assets	**—**	—	**35.00**	38.86
2. Expenses incurred in the fund	**—**	—	—	—
3. Expected return	**—**	—	**2.97**	4.08
4. Actuarial gains and (losses)	**—**	—	**(0.65)**	(0.78)
5. Contribution by employer	**—**	—	**12.00**	12.00
6. Benefits paid	**—**	—	**(40.92)**	(19.16)
7. Closing value of plan assets	**—**	—	**8.40**	35.00

(Currency: INR in Lakhs)

VI. Actual return on Plan Assets	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Expected return on plan assets	**—**	—	**2.97**	4.08
2. Actuarial gain on plan assets	**—**	—	**0.65**	(0.78)
3. Actual return on plan assets	**—**	—	**—**	—

(Currency: INR in Lakhs)

VII. Actuarial assumptions	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Discount rate	**6.25%**	7.60%	**6.25%**	7.60%
2. Return on plan assets	**—**	—	**6.25%**	7.60%
3. Attrition rate	**15%**	0% – 30%	**15%**	0% – 30%
4. Salary escalation rate	**7.00%**	7.00%	**7.00%**	7.00%
5. Mortality rate	Indian Assured Lives Mortality (2006-08) Ult.		Indian Assured Lives Mortality (2006-08) Ult.	

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

32. EMPLOYEE BENEFIT EXPENSES (Continued)

VIII. Sensitivity analysis for actuarial assumptions

Sensitivity to key assumptions (Currency: INR in Lakhs)

Particulars	**31 March 2020 (12 months)**	31 March 2019 (12 months)
Discount rate sensitivity	₹	₹
Increase by 0.5%	**259.02**	211.13
(% change)	**–2.69%**	–3.63%
Decrease by 0.5%	**273.72**	227.59
(% change)	**2.83%**	3.88%
Salary growth rate sensitivity		
Increase by 0.5%	**272.33**	225.15
(% change)	**2.31%**	2.77%
Decrease by 0.5%	**260.06**	213.25
(% change)	**–2.30%**	–2.66%
Withdrawal rate (W.R.) Sensitivity		
W.R. x 110%	**265.21**	219.69
(% change)	**–0.36%**	0.28%
W.R. x 90%	**267.07**	218.21
(% change)	**0.34%**	–0.40%

A description of methods used for sensitivity analysis and its limitations:

Sensitivity analysis is performed by varying a single parameter while keeping all the other parameters unchanged.

Sensitivity analysis fails to focus on the interrelationship between underlying parameters. Hence, the results may vary if two or more variables are changed simultaneously.

The method used does not indicate anything about the likelihood of change in any parameter and the extent of the change if any.

IX. The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

X. Experience adjustments:

(a) Compensated Absenses (Currency: INR in Lakhs)

Particulars	**2019-20** ₹	2018-19 ₹	2017-18 ₹	2016-17 ₹	2015-16 ₹
1. Present value of defined benefit obligation	**75.33**	74.71	66.24	53.47	25.26
2. Present value of defined benefit assets	—	—	—	—	—
3. Experience adjustment on plan liabilities	**(18.35)**	(14.44)	(7.66)	13.12	(4.58)
4. Experience adjustment on plan assets	—	—	—	—	—
5. Unrecognised past service cost	—	—	—	—	—
6. (Excess)/short of obligation over plan assets	75.33	74.71	66.24	53.47	25.26

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

32. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Gratuity

(Currency: INR in Lakhs)

Particulars		2019-20 ₹	2018-19 ₹	2017-18 ₹	2016-17 ₹	2015-16 ₹
1.	Present value of defined benefit obligation	**266.17**	219.08	177.13	122.53	84.97
2.	Present value of defined benefit assets	**(8.40)**	(35.00)	(38.86)	(30.25)	(18.35)
3.	Experience adjustment on plan liabilities	**4.87**	3.22	5.82	9.77	(4.49)
4.	Experience adjustment on plan assets	**0.65**	0.78	0.56	1.59	0.22
5.	Unrecognised past service cost	–	–	–	–	–
6.	(Excess)/short of obligation over plan assets	**257.77**	184.08	138.27	92.28	66.62

The Company expects to contributes approximately ₹ 257.77 lakhs (previous year ₹ 184.08 lakhs) to the gratuity fund in the next year.

(Currency: INR in Lakhs)

XI. Investment pattern	**Compensated absenses**		**Gratuity**	
	2019-20	2018-19	**2019-20**	2018-19
Government of India securities	**0%**	0%	**0%**	0%
State government securities	**0%**	0%	**0%**	0%
High quality corporate bonds	**0%**	0%	**0%**	0%
Equity shares of listed companies	**0%**	0%	**0%**	0%
Property	**0%**	0%	**0%**	0%
Special deposit scheme	**0%**	0%	**0%**	0%
Policy of insurance*	**0%**	0%	**100%**	100%
Bank balance	**0%**	0%	**0%**	0%
Other investments	**0%**	0%	**0%**	0%
Total	**0%**	0%	**100%**	100%

* Components of investment by the insurance company are:

(Currency: INR in Lakhs)

Particulars	**Gratuity**	
	2019-20	2018-19
Government securities	**18.66%**	21.99%
Corporate bonds -		
AAA	**54.64%**	36.09%
AA+	**16.92%**	16.81%
AA	**8.37%**	13.89%
Cash, deposits, MMI	**1.41%**	11.22%
Total	**100.00%**	100.00%

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

33. INCOME TAXES

33.1 Income tax recognised in profit or loss

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current tax		
In respect of the current year	**4,568.00**	5,688.00
In respect of prior years	**—**	6.20
Total current tax	**4,568.00**	5,694.20
Deferred tax		
In respect of the current year: origination & reversal of temporary differences	**48.39**	(172.88)
Total income tax expense recognised in the current year relating to continuing operations	**4,616.39**	5,521.32

33.2 Reconciliation of income tax expense of the year can be reconcilied to the accounting profit as follows:

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Standalone profit before tax	**16,926.52**	15,690.56
Income tax expense calculated at 25.168% (2018-19: 34.944%)	**4,260.07**	5,482.91
Effect of expenses that are not deductible in determining taxable profit	**32.91**	35.45
Effect of incomes which are exempt from tax	**—**	(22.82)
Adjustments in respect of current income tax of prior years	**—**	6.20
Effect on deferred tax balances due to the changes in income tax rate	**333.76**	—
Others	**(10.35)**	19.58
Income tax expense recognised in statement of profit and loss	**4,616.39**	5,521.32

The tax rate used for the reconciliations above is the corporate tax rate of 25.168% for the year 2019-20 and 34.944% for 2018-19 payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.

The Company has elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended 31 March 2020 and remeasured its deferred tax assets basis the rate prescribed in the said section. The full impact of this change has been recognised in the statement of profit and loss for the year ended 31 March 2020.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

34. DEFERRED TAX

See accounting policy in note no 3.9

The following table shows deferred tax recorded in the balance sheet and changes recorded in the income tax expense:

(a) FY 2019-20

(Currency: INR in Lakhs)

Particulars	31 March 2020		2019-20	
	Deferred tax assets	Deferred tax liabilities	Income statement	Other comprehensive income
Depreciation	—	(11.00)	7.00	—
Application of effective interest rate on financial assets	711.00	—	(325.00)	—
Application of effective interest rate on financial liabilities	—	333.00	(233.00)	—
Impairment allowance for financial assets	676.00	—	513.00	—
Provisions for employee benefits	84.00	—	(16.39)	10.38
Lease liabilities & Right of use assets	8.00	—	8.00	—
Derivative financial assets	—	1,228.00	(227.00)	(1,001.24)
Derivative financial liability	522.00	—	—	522.01
External commercial borrowings revaluation	1,035.00	—	—	1,035.24
Debt securities	225.00	—	225.00	—
Total deferred tax asset	**3,261.00**	**1,550.00**	**(48.39)**	**566.39**

(b) FY 2018-19

(Currency: INR in Lakhs)

Particulars	31 March 2019		2018-19	
	Deferred tax assets	Deferred tax liabilities	Income statement	Other comprehensive income
Depreciation	—	(4.00)	10.00	—
Application of effective interest rate on financial assets	1,036.00	—	74.00	—
Application of effective interest rate on financial liabilities	—	100.00	(3.00)	—
Impairment allowance for financial assets	163.00	—	80.00	—
Provisions for employee benefits	90.00	—	11.88	5.12
Total deferred tax asset	**1,289.00**	**96.00**	**172.88**	**5.12**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

35. EARNINGS PER SHARE ("EPS")

See accounting policy in note no 3.15

Basic EPS is calculated by dividing the net profit for the year attributable to equity holders of Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to equity holders of Company (after adjusting for dividend on the convertible preference shares, net of tax) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

In accordance with the Ind AS 33 — "Earnings Per Share", following disclosures are made:

(Currency: INR in Lakhs)

Particulars	Units	2019-20	2018-19
Profit after tax	₹ in lakhs	**12,310.13**	10,169.24
Less: Dividend on preference shares and attributable tax thereon	₹ in lakhs	**0.81**	0.81
Profit after tax for basic EPS	₹ in lakhs	**12,309.32**	10,168.43
Weighted average number of equity shares for calculating basic earnings per share	Numbers	**8,67,81,356**	6,75,80,121
Face value of equity shares	₹	**10**	10
Basic earnings per share	₹	**14.18**	15.05
Profit after tax for diluted EPS	₹ in lakhs	**12,310.13**	10,169.24
Weighted average number of equity shares for calculating diluted earnings per share	Numbers	**8,67,81,356**	12,25,75,812
Face value of equity shares	₹	**10**	10
Diluted earnings per share	₹	**14.18**	8.30

Weighted average number of shares outstanding during the year for diluted earnings per share:

(Currency: INR in Lakhs)

Particulars	2019-20	2018-19
	Numbers	Numbers
Weighted average number of shares of ₹ 10 each outstanding during the year – for calculating basic earnings per share	**8,67,81,356**	6,75,80,121
Add: Diluted effect of potential equity shares of ₹ 10 each that could arise on conversion of nil (previous year 6,69,99,956) compulsorily convertible preference shares	**—**	5,49,95,691
Weighted average number of shares of ₹ 10 each outstanding during the year – for calculating diluted earnings per share	**8,67,81,356**	12,25,75,812

The reconciliation between basic and diluted earnings per share is as follows: (Currency: INR in Lakhs)

Particulars	2019-20	2018-19
Basic earnings per share	**14.18**	15.05
Effect of dilution of compulsorily convertible preference shares	**—**	6.75
Diluted earnings per share	**14.18**	8.30

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled, based on the rollover and prepayment assumptions approved by the Asset Liability Management Committee of the Company. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR.

(Currency: INR in Lakhs)

Particulars	31 March 2020			31 March 2019		
	Within 12 months	**After 12 months**	**Total**	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	**38,139**	**—**	**38,139**	14,296	—	14,296
Bank balance other than (a) above	**141**	**—**	**141**	142	—	142
Derivative financial instruments	**1,149**	**3,729**	**4,878**	—	—	—
Trade receivables	**69**	**—**	**69**	27	—	27
Loans	**1,14,793**	**5,08,096**	**6,22,890**	93,983	4,39,999	5,33,982
Investments	**31,073**	**—**	**31,073**	—	—	—
Other financial assets	**153**	**107**	**260**	80	155	236
Non-financial assets	**—**					
Current tax asset	**16**	**—**	**16**	60	—	60
Deferred tax assets (net)	**—**	**1,711**	**1,711**	—	1,193	1,193
Property, plant and equipment	**—**	**668**	**668**	—	191	191
Other intangible assets	**—**	**38**	**38**	—	57	57
Other non-financial assets	**231**	**—**	**231**	118	—	118
Total assets	**1,85,765**	**5,14,349**	**7,00,114**	1,08,706	4,41,595	5,50,301
Liabilities						
Financial liabilities						
Derivative financial instruments	**—**	**2,074**	**2,074**	—	—	—
Trade payables		**—**				
(i) Total outstanding dues of creditors micro enterprises and small enterprises	**5**	**—**	**5**	—	—	—
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	**792**	**—**	**792**	1,018	—	1,018
Debt securities	**24,685**	**1,98,227**	**2,22,912**	28,941	1,77,408	2,06,348
Borrowings (other than debt securities)	**13,684**	**2,86,919**	**3,00,603**	34,290	1,88,354	2,22,644
Subordinated liabilities	**—**	**62,328**	**62,328**	—	47,377	47,377
Other financial liabilities	**11,321**	**395**	**11,715**	8,585	25	8,610
Non-financial liabilities						
Current tax liability	**14**	**—**	**14**	264	—	264
Provisions	**53**	**310**	**363**	41	248	289
Other non-financial liabilities	**661**	**—**	**661**	704	0	704
Total liabilities	**51,215**	**5,50,253**	**6,01,468**	73,843	4,13,411	4,87,255
Net	**1,34,551**	**(35,904)**	**98,646**	34,862	28,184	63,046

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

37. CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

37.1 For the period ended 31 March 2020

(Currency: INR in Lakhs)

Particulars	31 March 2019	Cash flows	Other	31 March 2020
Debt securities	2,06,348.37	15,825.43	738.61	2,22,912.41
Borrowings other than debt securities	2,70,021.15	89,643.14	3,266.90	3,62,931.19
Total liabilities from financing activities	**4,76,369.52**	**1,05,468.57**	**4,005.50**	**5,85,843.60**

37.2 For the period ended 31 March 2019

(Currency: INR in Lakhs)

Particulars	31 March 2018	Cash flows	Other	31 March 2019
Debt securities	1,81,703.29	24,615.58	29.50	2,06,348.37
Borrowings other than debt securities	1,92,735.92	77,319.84	(34.61)	2,70,021.15
Total liabilities from financing activities	**3,74,439.21**	**1,01,935.42**	**(5.11)**	**4,76,369.52**

Other column includes the effect of amortisation of processing fees, MTM on Bond valuation etc.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

38. RELATED PARTY DISCLOSURES

As per the Indian Accounting Standard on "Related Party Disclosure" (Ind AS 24), following disclosure are made:

38.1 Details of related parties

1. Holding Company:
   Housing Development Finance Corporation Limited
2. Fellow subsidiaries with whom transactions have taken place during the year
   HDFC ERGO General Insurance Company Limited
   HDFC Life Insurance Company Limited
   HDFC Sales Private Limited
3. Associate of Holding Company
   HDFC Bank Limited
4. Trust owned by Holding Company
   H T Parekh Foundation
5. Key Management Personnel
   Mr. V. Srinivasa Rangan, Chairman
   Mr. B. Mahapatra, Independent Director
   Ms. Madhumita Ganguli, Non-Executive Director
   Mr. Amitabh Chaudhry, Independent Director (Upto 14 October 2018)
   Mr. Suresh Badami, Additional Director (Independent Director) (From 11 January 2019 upto 19 April 2019)
   Mr. Sudhin Choksey (Upto 11 October 2019)
   Mr. Sunil Shah, Independent Director (From 05 July 2019)
   Mr. Rajesh Gupta, Independent Director (From 17 January 2020)
   Mr. Subodh Salunke, Non Executive Vice Chairman
   Mr. Arijit Sanyal, Managing Director & CEO (From 13 December 2019)
   Mr. Anil Bohora, Managing Director (Upto 12 December 2019)
   Mr. Ajay Bohora, Managing Director & CEO (Upto 12 December 2019)
6. Key Management Personnel of Holding Company
   Mr. Deepak S. Parekh, Non-Executive Chairman of Holding Company
   Mr. Keki M. Mistry, Vice Chairman & CEO of Holding Company
   Ms. Renu Sud Karnad, Managing Director of Holding Company
   Mr. V. Srinivasa Rangan, Executive Director of Holding Company
   Mr. Nasser Munjee, Independent Director of Holding Company
   Dr. Jamshed J. Irani, Independent Director of Holding Company
   Mr. Upendra K. Sinha, Independent Director of Holding Company
   Mr. Jalaj Ashwin Dani, Independent Director of Holding Company
   Dr. Bhaskar Ghosh, Independent Director of Holding Company
   Ms. Ireena Vittal, Independent Director of Holding Company
   Mr. Ajay Agarwal, Company Secretary of Holding Company

38. RELATED PARTY DISCLOSURES (Continued)

38.2 The nature and volume of transactions of the Company with the above Related parties were as follows:

Particulars		Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Trust owned by Holding company		Total	
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1.	Commission received for sourcing home loans	4.54	6.54	–	–	–	–	–	–	–	–	–	–	4.54	6.54
2.	Commission received for sourcing of fixed deposits	37.95	42.02	–	–	–	–	–	–	–	–	–	–	37.95	42.02
3.	Commission received for sourcing insurance	–	–	49.74	56.26	–	–	–	–	–	–	–	–	49.74	56.26
4.	Interest on deposits	–	–		–	92.95	0.69	–		–	–	–	–	92.95	0.69
5.	Interest income	–	–	–	–	–	–	–	–	3.25	–	–	–	3.25	–
6.	Processing fees income	–	–	–	–	–	–	–	–	0.05	–	–	–	0.05	–
7.	Staff expenses of non executive vice chairman on deputation	77.65	59.36	–	–	–	–	–	–	–	–	–	–	77.65	59.36
8.	Staff expenses of managing director & CEO on deputation	17.77	–	–	–	–	–	–	–	–	–	–	–	17.77	–
9.	Staff expenses of employee on deputation	27.86	9.13	–	–	–	–	–	–	–	–	–	–	27.86	9.13
10.	Staff welfare expenses	2.45	1.77	15.86	22.31	–	–	–	–	–	–	–	–	18.31	24.08
11.	Reimbursement of GST expenses	3.05	3.60		–	–	–	–	–	–	–	–	–	3.05	3.60
12.	Interest paid on NCD	–	–		–	8,820.00	5,100.00	–	–	–	–	–	–	8,820.00	5,100.00
13.	Directors' insurance	–	–	1.05	1.05	–	–	–	–	–	–	–	–	1.05	1.05
14.	Education loan given	–	–	–	–	–	–	–	–	53.00	–	–	–	53.00	–
15.	Bank charges	–	–		–	25.07	1.50	–	–	–	–	–	–	25.07	1.50
16.	Brokerage or commission paid	–	–	27.82	21.07	510.05	473.61	–	–	–	–	–	–	537.87	494.68
17.	Gratuity funding	–	–	12.00	12.00	–	–	–	–	–	–	–	–	12.00	12.00
18.	Preference share dividend provided	0.67	0.67	–	–	–	–	–	–	–	–	–	–	0.67	0.67
19.	Directors' fees		–	–	–	–	–	38.55	17.40	–	–	–	–	38.55	17.40
20.	Right shares issued (including premium)	25,000.02	8,000.00	–	–	–	–	–	–	–	–	–	–	25,000.02	8,000.00
21.	Contribution towards corporate social responsibility	–	–	–	–	–	–	–	–	–	–	–	101.44	–	101.44
22.	Remuneration to Key Management Personnel														
	(a) Short-term employee benefits:	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Commission to Key Management Personnel	–	–	–	–	–	–	–	140.00	–	–	–	–	–	140.00
	Salaries and other employee benefits to Key Management Personnel	–	–	–	–	–	–	210.24	209.60	–	–	–	–	210.24	209.60
	(b) Post-employment benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	(c) Other long-term benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	(d) Termination benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	(e) Share-based payment	–	–	–	–	–	–	–	–	–	–	–	–	–	–

38. RELATED PARTY DISCLOSURES (Continued)

38.3 Balance outstanding at the end of the year

(Currency: INR in Lakhs)

Particulars		Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Total	
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1.	Commission receivable for sourcing home loans	0.09	0.09	–	–	–	–	–	–	–	–	0.09	0.09
2.	Commission receivable for sourcing fixed deposits		–	–	–	–	–	–	–	–	–	–	–
3.	Commission receivable for sourcing insurance		–	–	1.77	–	–	–	–	–	–	–	1.77
4.	Staff expenses of managing director & CEO on deputation payable	5.15	5.52	–	–	–	–	–	–	–	–	5.15	5.52
5.	Staff expenses of employee on deputation payable	4.41	1.71	–	–	–	–	–	–	–	–	4.41	1.71
6.	Staff welfare expenses payable	1.27	0.73	–	–	–	–	–	–	–	–	1.27	0.73
7.	Reimbursement of GST expenses payable	–	3.60	–	–	–	–	–	–	–	–	–	3.60
8	Advance employee health insurance premium	–	–	0.37	0.51	–	–	–	–	–	–	0.37	0.51
9	Advance cyber security insurance premium	–		19.23	–	–		–	–	–	–	19.23	–
10	Employee insurance premium (prepaid expense)	–	–	1.99	2.68	–	–	–	–	–	–	1.99	2.68
11	Directors' insurance premium (prepaid expense)	–	–	0.88	0.92	–	–	–	–	–	–	0.88	0.92
12	Education loan	–	–	–	–	–	–	–	–	55.52	–	55.52	–
13	Balance in current accounts	–	–	–	–	3,683.93	3,978.42	–	–	–	–	3,683.93	3,978.42
14	Non convertible debentures	–	–	–	–	60,000.00	1,00,000.00	–	–	–	–	60,000.00	1,00,000.00
15	Commercial papers (net of unamortised discount)	–	–	–	–		–	–	–	–	–	–	–
16	Interest payable of secured NCD	–	–	–	–	2,426.39	4,757.92	–	–	–	–	2,426.39	4,757.92
17	Trade payables	–	–	0.37	–	118.29	178.22	–	–	–	–	118.67	178.22
18	Directors' fees payable	–	–	–	–	–	–	8.33	–	–	–	8.33	–
19	Deposits	–	–	–	–	7,030.42	10.00	–	–	–	–	7,030.42	10.00
20	Security deposit	–	–	2.00	2.00		–	–	–	–	–	2.00	2.00
21	Remuneration payable												
	– Commission to Key Management Personnel	–	–	–	–		–	–	140.00	–	–	–	140.00

Notes: 1. There were no guaranty given or security provided during the year to the related parties.

2. All aforesaid transactions are in ordinary course of business and at arm's length basis.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39 Financial Instruments

39.1 Capital Management

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

The Company has complied in full with all its externally imposed capital requirements over the reported period.

(Currency: INR in Lakhs)

Particulars	31 March 2020	March 31, 2019
Net debt*	**5,47,704.34**	4,62,073.78
Total equity	**96,897.14**	61,796.32
Net debt to equity ratio	**5.65**	7.48

* Cash and cash equivalents have been reduced from gross debt amount for net debt to equity ratio calculated above.

Loan Covenants

Under the terms of the major borrowing facilities, the Company has complied with the covenants throughout the reporting period.

39.2 Categories of financial instruments

(Currency: INR in Lakhs)

Particulars	31 March 2020			31 March 2019		
	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost
Financial assets						
Derivative financial assets	899.99	3,977.91	–	–	–	–
Trade receivables	–	–	69.36	–	–	27.13
Loans	–	–	6,22,889.93	–	–	5,33,981.90
Investments	31,072.99	–	–	–	–	–
Other financial assets	–	–	260.00	–	–	235.53
Total financial assets	**31,972.98**	**3,977.91**	**6,23,219.29**	**–**	**–**	**5,34,244.56**
Financial liabilities						
Derivative financial liabilities	–	2,073.92	–	–	–	–
Trade payables	–	–	796.90	–	–	1,018.39
Debt securities	20,850.65	–	2,02,061.76	–	–	2,06,348.37
Borrowings (other than debt securities)	–	–	3,00,603.29	–	–	2,22,644.38
Subordinated liabilities	–	–	62,327.90	–	–	47,376.77
Other financial liabilities	–	–	11,715.38	–	–	8,610.05
Total financial liabilities	**20,850.65**	**2,073.92**	**5,77,505.23**	**–**	**–**	**4,85,997.96**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.2 Categories of financial instruments (Continued)

39.2.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

(Currency: INR in Lakhs)

Financial assets and liabilities measured at fair value – recurring fair value measurements	Level 1	Level 2	Level 3	Total
As at 31 March 2020				
Financial assets				
Financial Investments at FVTPL				
Mutual Funds	31,072.99	—	—	31,072.99
Derivatives designated as fair value hedges				
Interest Rate Swaps	—	899.99	—	899.99
Derivatives designated as cash flow hedges				
Currency swaps – Principal Only swaps	—	3,977.91	—	3,977.91
Total financial assets	**31,072.99**	**4,877.89**	**—**	**35,950.88**
Financial liabilities				
Financial Investments at FVTPL				
Non-Convertible Debentures	—	20,850.65	—	20,850.65
Derivatives designated as fair value hedges				
Interest Rate Swaps	—	—	—	—
Derivatives designated as cash flow hedges				
Interest rate swaps – USD IRS	—	2,073.92	—	2,073.92
Total financial liabilities	**—**	**22,924.57**	**—**	**22,924.57**

As a 31 March 2019 – Nil

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes units of mutual funds (open ended).

Level 2: The fair value of financial instruments that are not traded in an active market for example, derivative instruments is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There has been no transfers between level 1, level 2 and level 3 for the year ended 31 March 2020 and 31 March 2019.

39.2.2 Valuation technique used to determine fair value

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method using the closing curves available on the market terminals as at the end of reporting period.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.2 Categories of financial instruments (Continued)

The Company measures financial instruments, such as investments at fair value.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

39.2.3 Fair value of financial instruments not measured at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements.

(Currency: INR in Lakhs)

Particulars	31 March 2020		31 March 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities at amortised cost				
Non convertible debentures	1,85,583.97	1,88,158.26	1,55,629.33	1,55,996.98
Perpetual debt instruments	29,082.87	31,498.61	29,067.34	30,072.72
Subordinated liabilities	36,884.86	38,026.75	20,825.43	20,749.62
Total financial liabilities	**2,51,551.71**	**2,57,683.61**	**2,05,522.10**	**2,06,819.31**

1) **Note:** The fair value of the financial liabilities are considered at the amount, at which the instrument could be exchanged in current transaction between willing parties, other than in forced or liquidation sale. Carrying value includes interest accrued as on year end.

2) **Loans:**

Substantially all loans reprice frequently, with interest rates reflecting current market pricing, the carrying value of these loans amounting to ₹ 6,25,666.15 lakhs (as at 31 March 2019 ₹ 5,34,483.91 lakhs) approximates their fair value.

3) **Other financial assets and liabilities**

With respect to bank balances and cash and cash equivalents (Refer Note 4 and 5), trade receivables (Refer Note 7), other financial assets (Refer Note 10), trade payables (Refer Note 15) and other financial liabilities (Refer Note 19), the carrying value approximates the fair value.

a. Fair Value hierarchy of the above mentioned financial asset and financial liability

(Currency: INR in Lakhs)

Particulars	Level 1	Level 2	Level 3	Total
As at 31 March 2020				
Financial liabilities at amortised cost				
Non convertible debentures	—	—	1,88,158.26	1,88,158.26
Perpetual debt instruments	—	—	31,498.61	31,498.61
Subordinated liabilities	—	—	38,026.75	38,026.75
Total financial liabilities	**—**	**—**	**2,57,683.61**	**2,57,683.61**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.2 Categories of financial instruments (Continued)

b. Fair Value hierarchy of the above mentioned financial asset and financial liability

(Currency: INR in Lakhs)

Particulars	Level 1	Level 2	Level 3	Total
As at 31 March 2019				
Financial liabilities at amortised cost				
Non Convertible Debentures	—	—	1,55,996.98	1,55,996.98
Perpetual Debt Instruments	—	—	30,072.72	30,072.72
Subordinated liabilities	—	—	20,749.62	20,749.62
Total financial liabilities	**—**	**—**	**2,06,819.31**	**2,06,819.31**

39.3 Financial risk management

The Company has to manage various risks associated with the lending business. These risks include credit risk, liquidity risk, foreign exchange risk, interest rate risk and counterparty risk.

The Liquidity Risk Management Framework and Financial Risk Management Policy as approved by the Board of Directors sets limits for exposures on currency and other parameters. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Interest rate risks is mitigated by entering into interest rate swaps. The currency risk on the borrowings is actively managed mainly through a principal only swaps. Counterparty risk is reviewed periodically to ensure that exposure to various counterparties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of Asset Liability Management, the Company has started entering into interest rate swaps from the current financial year, wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to various benchmarks.

39.3.1 Credit risk

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to the Company. In its lending operations, the Company is principally exposed to credit risk.

The credit risk is governed by the Credit policy approved by the board of directors. The Credit policy outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits.

The Company monitors and manages credit risk at an individual borrower level as well as at portfolio level. The Company has a structured and standardized credit approval process, which includes an established procedure for credit appraisal, loan disbursal, collection and recovery. The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk.

39.3.1.1 Education Loans

Our customers for retail loans are primarily low, middle and high-income, salaried and self-employed individuals. The Company's credit officers evaluate credit proposals on the basis of active credit policies as on the date of approval. The criteria typically include factors such as the student academic & entrance scores, Country/ University/College/Course of Study, Future potential for the student, co-borrower's income & obligations, the loan-to-value ratio and demographic parameters subject to regulatory guidelines. Any deviations need to be approved at the designated levels.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The various process controls such as PAN check, CERSAI database scrubbing, Credit bureau report analysis are undertaken prior to approval of a loan. In addition External agencies such as field investigation agencies facilitate a comprehensive due diligence process including visits to offices and homes.

The Company analyses the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality. The Company obtains collateral depending upon the loan amount, country of study, etc. as per the product group matrix.

Analysis of risk concentration

Since the Company provides only retail education loans, there is not significant concentration risk at the borrower / counterparty level.

Concentration based on the geographic study location of student being funded is as follows

Principal Outstanding	India	USA	Other Countries	Total
As on 31 March 2020	9%	63%	28%	100%
As on 31 March 2019	10%	65%	25%	100%

39.3.1.2 Risk management and portfolio review

The Company reviews the portfolio regularly on various parameters to look at the trend in defaults and take necessary measures.

The credit team does multi level checks and ensure adherence to the terms of the credit policy prior to the commitment and disbursement of credit facilities. The central operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and compliance with regulatory guidelines.

The branch credit team/operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and insurance policy of the student.

The Credit Committee of the Company, apart from approving proposals, regularly reviews the credit quality of the portfolio and various sub—portfolios. An actionable summary of the reviews carried out by the Credit Committee of the Company is shared with the Branches & Management Team through regular interaction and communication.

39.3.1.3 Collateral and other credit enhancements

Based on the Board approved credit policy, the Company provides fully secured, partially secured and unsecured education loans to individuals. The parameters relating to acceptability and valuation of each type of collateral are a part of the Credit Policy of the Company. „ The Company obtains collateral in the form of mortgages over immovable properties, fixed deposits and insurance policies. The Company does not have any credit enhancement arrangement.

In case of delinquent customers the Company has the right to repossess the collaterals pledged as security and liquidate the same to recover the amounts due against the outstanding loan. Any surplus funds after adjusting such outstanding dues are returned to the customers/obligors.

Disclosure of credit quality and the gross carrying value for credit risk and year-end stage classification are further disclosed in Note 8.1.

The tables set out below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral and the net exposure to credit risk. The fair value of the collateral is done as per the Credit Policy at the time of sanction of the loan.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

Fair value of collaterals and credit enhancements held

a. As on 31 March 2020

(Currency: INR in Lakhs)

Education Loans					
Gross Carrying Value	Immovable properties	Fixed deposits	Total collateral	Net exposure	Associated ECLs
6,25,666.15	2,47,338.08	7,864.62	2,55,202.71	3,70,463.44	2,776.22

b. As on 31 March 2019

(Currency: INR in Lakhs)

Education Loans					
Gross Carrying Value	Immovable properties	Fixed deposits	Total collateral	Net exposure	Associated ECLs
5,34,483.91	2,20,093.09	6,534.06	2,26,627.14	3,07,856.76	502.00

39.3.2 Market risk

It is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates.

39.3.2.1 Interest rate risk

The Company's core business is providing education loans. The Company raises money from diversified sources like market borrowings, term loans and foreign currency borrowings amongst others. In view of the financial nature of the assets and liabilities of the Company, changes in market interest rates can adversely affect its financial condition. The fluctuations in interest rates can be due to internal and external factors. Internal factors include the composition of assets and liabilities across maturities, existing rates and re-pricing of various sources of borrowings. External factors include macro economic developments, competitive pressures, regulatory developments and global factors. The rise or fall in interest rates impact the Company's Net Interest Income depending on whether the Balance sheet is asset sensitive or liability sensitive.

The Company uses traditional gap analysis report to determine the Company's vulnerability to movements in interest rates. The Gap is the difference between Rate Sensitive Assets ("RSA") and Rate Sensitive Liabilities ("RSL") for each time bucket. It indicates whether the Company is in a position to benefit from rising interest rates by having a positive Gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative Gap (RSL > RSA). The Company also fixes tolerance limits for the same under the Liquidity Risk Management Framework, Asset Liability Management ("ALM") & Financial Risk Management ("FRM") Policy.

(1) Interest rate risk exposure

The break-up of the Company's borrowings into variable rate and fixed rate at the end of the reporting periods are as below:

(Currency: INR in Lakhs)

Particulars	31 March 2020	31 March 2019
Variable rate borrowing	41%	41%
Fixed rate borrowing	59%	59%
Total borrowing	100%	100%

(2) Interest rate sensitivity

On increase of 10 bps in interest rate of term loans, profit after tax for the year ended 31 March 2020 will decrease by ₹ 13.91 lakhs (previous year: ₹ 13 lakhs). On increase of 10 bps in interest rate of interest rate swap, profit after tax for the year ended 31 March 2020 will increase by ₹ 10.79 lakhs (previous year: nil).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.3.2 Market risk (Continued)

39.3.2.2 Foreign currency exchange rate risk

The Company has availed an external commercial borrowing during the year and hence is exposed to foreign currency exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency i.e. INR. The objective of the hedges is to minimise the volatility of the INR cash flows.

The Company's risk management policy allows it to keep the foreign currency risk open upto 5% of the total borrowings.

The Company currently uses currency swaps to hedge its exposure in foreign currency risk. The Company designates the fair value of the currency swaps contracts as hedging instruments. In case the hedge effectiveness is 100%, the change in the fair value of the currency swaps contracts and the change in carrying value of the underlying foreign currency liability are compared and the difference is recognised in cash flow hedge reserve. During the year ended 31 March 2020, the Company did not have any hedging instruments with terms which were not aligned with those of the hedged items.

(1) Foreign currency risk exposure:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows

(Currency: INR in Lakhs)

Particulars	31 March 2020 USD	31 March 2019 USD
Derivative financial instruments		
Foreign exchange derivative contracts	75,670.00	—
Exposure to foreign currency risk (assets) – (a)	**75,670.00**	**—**
Financial liabilities		
Foreign currency loan	(75,670.00)	—
Interest accrued on foreign currency loan	(94.65)	
Exposure to foreign currency risk (liabilities) (b)	**(75,764.65)**	**—**
Net exposure to foreign currency risk (c) = (b) + (a)	**(94.65)**	**—**

(2) Foreign currency sensitivity analysis:

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign exchange swap contracts designated as cash flow hedges.

(Currency: INR in Lakhs)

Particulars	Impact on profit after tax		Impact on other components of equity	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
USD sensitivity				
INR/USD – increase by 1%*	—	—	39.78	—
INR/USD – decrease by 1%*	—	—	(39.78)	—

* Assuming all other variable is constant

(3) Hedging Policy

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship and through

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.3.2 Market risk (Continued)

periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item and so a qualitative and quantitative assessment of effectiveness is performed. Economic relationship between the hedged item and the hedging instrument is being assessed at the end of the reporting period by performing the hedge effectiveness testing.

A. Cash Flow Hedge

The impact of the hedging instrument and hedged item on the balance sheet:

Hedging Instrument

(Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	"Weighted average contract / strike price of the hedging instrument"	Change in fair value used for measuring ineffectiveness for the period - (profit) / loss
As on 31 March 2020					
INR USD – Principal Only Swaps	75,670.00	3,977.91	Derivative Financial Instrument	71.56	4,113.00
INR USD – Interest Rate Swap	75,670.00	(2,073.92)		—	—
Total	**1,51,340.00**	**1,903.99**		**71.56**	**4,113.00**

Hedging Instrument

(Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	Weighted average contract /strike price ofthe hedging instrument	Change in fair value used for measuring ineffectiveness for the period - (profit) / loss
As on 31 March 2019					
INR USD – Principal Only Swaps	—	—	Derivative Financial Instrument	—	—
INR USD – Interest Rate Swap	—	—		—	—
Total	**—**	**—**		**—**	**—**

Hedged Item

(Currency: INR in Lakhs)

Particulars	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cash flow hedge reserve as at March 31, 2020
As on 31 March 2020		
External Commercial Borrowings	4,113.00	(4,113.00)
As on 31 March 2019		
External Commercial Borrowings	—	—

The impact of the cashflow hedges in the statement of profit and loss and other comprehensive income:

(Currency: INR in Lakhs)

Particulars	Hedging gains or (losses) recognised in OCI		Hedging ineffectiveness recognised in statement of profit and loss		Line item in the statement of profit or loss
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Principal Only Swap	3,977.91	—	—	—	Finance Cost
USD-INR Interest Rate Swap	(2,073.92)	—	—	—	

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.3.2 Market risk (Continued)

B. Fair Value Hedge

The impact of the hedging instrument and hedged item on the balance sheet:

Hedging Instrument

(Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount — Asset	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period - (profit) / loss
Interest Rate Swap as at				
31 March 2020	20,000.00	899.99	Derivative Financial Instruments	899.99
31 March 2019	—	—		—

Hedged Item

(Currency: INR in Lakhs)

Particulars	Notional amount	Accumulated fair value adjustment	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Non-Convertible Debentures				
March 31, 2020	20,000.00	893.21	Debt Securities	893.21
March 31, 2019	—	—		—

The impact of the fair value hedges in the statement of profit and loss:

(Currency: INR in Lakhs)

Particulars	Hedging ineffectiveness recognised in statement of profit and lossprofit/(loss)		Line item in the statement of profit or loss
	31-Mar-20	31-Mar-19	Net gain on fair value changes
Interest Rate Swaps	6.77	—	

(4) Hedge Ratio

The foreign exchange currency swap contracts are denominated in the same currency as the highly probable foreign currency cash flow on principle payments, therefore the hedge ratio is 1:1. The notional amount of interest rate swap is equal to the portion of variable rate loans that is being hedged, and therefore the hedge ratio for interest rate swap is also 1:1.

39.3.3 Liquidity risk

(1) Maturities of financial liabilities

The tables below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.3.3 Liquidity risk (Continued)

The amounts disclosed in the table are the contractual undiscounted cash flows.

(Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2020	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-Derivatives					
Trade payables	796.90	—	—	—	796.90
Debt securities at amortised cost	82,283.87	69,916.36	29,910.52	19,951.00	2,02,061.76
Debt securities at FVTPL	—	—	—	20,850.65	20,850.65
Borrowings (other than debt securities)	45,146.06	1,75,871.84	48,110.98	31,474.42	3,00,603.29
Subordinated liabilities	—	—	9,982.40	52,345.49	62,327.90
Other financial liabilities	11,174.19	155.31	121.86	90.27	11,541.63
Total Non—Derivatives Liabilities	**1,39,401.01**	**2,45,943.51**	**88,125.76**	**1,24,711.83**	**5,98,182.12**
Derivatives (net settled)					
Interest Rate Swaps		2,073.92			2,073.92
Total Derivatives Liabilities	**—**	**2,073.92**	**—**	**—**	**2,073.92**

(Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2019	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-Derivatives					
Trade payables	1,018.39	—	—	—	1,018.39
Debt securities	96,468.58	1,09,879.80	—	—	2,06,348.37
Borrowings (other than debt securities)	59,465.83	92,666.11	44,274.60	26,237.83	2,22,644.38
Subordinated liabilities	—	—	—	47,376.77	47,376.77
Other financial liabilities	8,381.70	—	—	—	8,381.70
Total	**1,65,334.50**	**2,02,545.91**	**44,274.60**	**73,614.60**	**4,85,769.61**
Derivatives (net settled)	—	—	—	—	—

40. Disclosures pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01 September 2016, to the extent applicable to the Company

The Company has prepared financial statements for the year ended 31 March 2020, in accordance with Ind AS. Accordingly, except for the disclosure of CRAR covered in the next paragraph, the relevant disclosures are based on the carrying values as reflected in the financial statements prepared per requirements of Ind AS.

The CRAR as of 31 March 2019 as disclosed in the comparative period numbers below was computed based on the carrying values as reflected in the financial statements prepared in accordance with requirements of Ind AS. The Reserve Bank of India vide its circular reference RBI/2019-20/170 DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated 13 March 2020 outlines the regulatory guidance in relation to Ind AS financial statements from financial year 2019-20 onwards. This included guidance for computation of 'owned funds', 'net owned funds' and 'regulatory capital'. Accordingly, the CRAR as of 31 March 2020 has been computed in accordance with these requirements read with the requirements of the Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01 September 2016 (as amended).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.1 Capital to risk assets ratio (CRAR)

(Currency: INR in Lakhs)

Items	2019-20	2018-19
CRAR (%)	**22.27**	**18.45**
CRAR – Tier I capital (%)	**14.70**	**11.55**
CRAR – Tier II capital (%)	**7.57**	**6.90**
Amount of subordinated debt raised as Tier – II capital (₹)	**15,000**	**—**
Amount raised by issue of Perpetual Debt Instrument (₹)	**—**	**7,500**

40.2 Investments

(Currency: INR in Lakhs)

Items		Current Year (2019-20) ₹	Previous Year (2018-19) ₹
1.	**Value of investments**		
	i) Gross value of investments	**31,072.99**	—
	a) In India	**31,072.99**	—
	b) Outside India	**—**	—
	ii) Provision for depreciation	**—**	—
	a) In India	**—**	—
	b) Outside India	**—**	—
	iii) Net value of investments	**31,072.99**	—
	a) In India	**31,072.99**	—
	b) Outside India	**—**	—
2.	**Movement of provisions held towards depreciation on investments**		
	i) Opening balance	**—**	—
	ii) Add : Provisions made during the year	**—**	—
	iii) Less : Write-off / write-back of excess provisions during the year	**—**	—
	iv) Closing balance	**—**	—

40.3 Derivatives

40.3.1 Forward Rate Agreement / Interest Rate Swap

(Currency: INR in Lakhs)

	Particulars	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
(i)	The notional principal of swap agreements	**1,71,340.00**	—
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**2,545.24**	—
(iii)	Collateral required by the applicable NBFC upon entering into swaps	**—**	—
(iv)	Concentration of credit risk arising from the swaps*	**100%**	—
(v)	The fair value of the swap book @	**2,803.98**	—

@ Fair value of swap book includes Principle only swap ("POS"), USD IRS and INR OIS.

* Concentration of credit risk arising from swap is with banks.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.3.1 Forward Rate Agreement / Interest Rate Swap (Continued)

Benchmark	Current year	Previous year	Terms
	Notional Principal (INR in Lakhs)		
OIS	20,000.00	—	Fixed Receivable V/s Floating Payable
USD IRS	75,670.00		Fixed Payable V/s Floating Receivable
POS	75,670.00		
	Notional Principal (USD Mn.)		
USD LIBOR	100.00	—	Fixed Payable V/s Floating Receivable

40.3.2 Exchange Traded Interest Rate (IR) Derivatives

The Company has not entered into any exchange traded derivative.

40.3.3 Disclosures on Risk Exposure in Derivatives

a. Qualitative Disclosure

Financial Risk Management

The Company has to manage various risks associated with the lending business. These risks include liquidity risk, exchange risk, interest rate risk and counterparty risk.

The Financial Risk Management Policy as approved by the Board sets limits for exposures on currency and other parameters. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Liquidity risk and Interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of maturity profiles. The currency risk on the borrowings is actively managed mainly through principal only swaps. Counter party risk is reviewed periodically to ensure that exposure to various counter parties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of Asset Liability Management, the Company has entered into interest rate swaps wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to a benchmark.

Constituents of Derivative Business

Financial Risk Management of the Company constitutes the Audit Committee, Risk Management Committee, Asset Liability Committee ("ALCO") and Derivative Committee.

The Company periodically monitors various counter party risk and market risk limits, within the risk architecture and processes of the Company.

Hedging Policy

The Company has a Financial Risk Management policy approved by the Board of Directors. For derivative contracts designated as hedges, the Company documents at inception, the relationship between the hedging instrument and hedged item. Hedge effectiveness is ascertained periodically on a forward looking basis and is reviewed by the Derivative Committee at each reporting period. Hedge effectiveness is measured by the degree to which changes in the fair value or cashflows of the hedged item that are attributed to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Measurement and Accounting

All derivative contracts are recognised on the balance sheet and measured at fair value. Hedge accounting is applied to all the derivative instruments as per Ind AS 109. Gain / loss arising on account of fair value changes are recognised in the Statement of Profit and Loss to the extent of ineffective portion of hedge instruments and hedged items. The gains / losses of effective portion of hedge instrument are offset against gain / losses of hedged items in other comprehensive Income.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The Company has entered into fair value hedges like interest rate swaps on fixed rate rupee liabilities as a part of the Asset Liability management whereby a portion of the fixed rate liabilities are converted to floating rate. The Company has a mark to market gain of ₹ 899 lakhs on outstanding fair value hedges.

The Company has entered into cashflow hedges to hedge currency risk and interest rate risk on certain foreign currency loans. Under the cashflow hedge, the hedging instrument is measured at fair value and any gain or loss that is determined to be an effective hedge is recognized in equity i.e., cash flow hedge reserve.

Movements in the cash flow hedge reserve are as follows (as per Ind AS financials):

(Currency: INR in Lakhs)

Particulars	Current Year	Previous Year
Opening balance	**—**	—
(Credits) / debit in the cash flow reserve	**(1,653.00)**	—
Closing balance	**(1,653.00)**	—

b. Quantitative disclosures **(Currency: INR in Lakhs)**

Sl. No.	Particular	Currency derivatives	Interest rate derivatives
(i)	Derivatives (notional principal amount)	75,670.00	95,670.00
(ii)	Marked to market positions [1]		
	a) Asset (+)	3,977.91	899.99
	b) Liability (–)	—	(2,073.92)
(iii)	Credit exposure [2]	5,085.02	1,356.70
(iv)	Unhedged exposures	94.65	—

40.4 Disclosures relating to Securitisation

a. The Company has not securitised any of its exposures during the year.

b. The Company has neither purchased nor sold any non-performing financial assets during the year.

40.5 Exposures

40.5.1 Exposure to real estate sector

(Currency: INR in Lakhs)

Category	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
Direct exposure		
(i) Residential mortgages –		
Lending fully secured by mortgages on residential property	**Nil**	Nil
(ii) Commercial real estate —		
Lending secured by mortgages on commercial real estates	**Nil**	Nil
(iii) Investments in mortgage backed securities (MBS) and other securitised exposures –		
a. Residential mortgages –	**—**	—
b. Commercial real estate –	**—**	—
Total exposure to real estate sector [on limit basis or outstanding basis whichever is higher]	**—**	—

The primary purpose of the loan is for education. Considering the nature of business, the management believes that there is no direct/indirect exposure to real estate, hence the same has not been considered in current financial year.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.5.2 The Company does not have any capital market exposure.

40.5.3 There is no financing of parent company product during the current year.

40.5.4 The Company has not exceeded single borrower limit ("SGL") and nor has exceeded the group borrower limit ("GBL").

40.5.5 The Company has not given any loans against intangible securities.

40.6 The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory & Development Authority of India ("IRDAI").

40.7 During financial year under audit, no penalty has been levied by any regulator.

40.8 Rating assigned by credit rating agencies and migration of rating during the year:

Sr. No.	Rating agency	Type	Current year (2019-20)	Previous year (2018-19)
1	CARE Ratings Limited	Perpetual debt instrument	**CARE AA+**	CARE AA+
		Non-convertible debenture	**CARE AAA**	CARE AAA
		Subordinated debt	**CARE AAA**	CARE AAA
2	ICRA Limited	Bank Loan	**ICRA AAA**	ICRA AAA
		Commercial paper	**ICRA A1+**	ICRA A1+
		Perpetual debt instrument	**ICRA AA+**	ICRA AA+
		Subordinated debt	**ICRA AAA**	ICRA AAA
		Non-convertible debenture	**ICRA AAA**	—
3	CRISIL Limited	Non-convertible debenture	**CRISIL AAA**	CRISIL AAA
		Commercial paper	**CRISIL A1+**	CRISIL A1+
		Subordinated debt	**CRISIL AAA**	CRISIL AAA

There were no changes in any of the ratings or outlook during the year.

40.9 Provisions and contingencies **(Currency: INR in Lakhs)**

Break up of 'provisions and contingencies' shown under the head expenses in statement of profit and loss	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
Provisions for depreciation on investment	**—**	—
Provision towards NPA (Stage III)	**59**	38
Provision made towards tax expenses	**4,616**	5,521
Other provision and contingencies (with details)		
Provision for employee benefits		
– Compensated absences	**12**	10
– Gratuity	**44**	43
Provision for standard assets	**2,215**	227

40.10 The Company has not made any drawdown from existing reserves.

40.11 Concentration of advances, exposures and NPAs :

40.11.1 The Company is a non deposit accepting NBFC and hence does not have any depositors.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.11 Concentration of advances, exposures and NPAs : (Continued)

40.11.2 **(Currency: INR in Lakhs)**

Concentration of advances	**Current Year (2019-20) ₹**	Previous Year (2018-19) ₹
Total advances to twenty largest borrowers	**1,983**	1,803
Percentage of advances to twenty largest borrowers to total advances of the NBFC	**0.32%**	0.34%

40.11.3 **(Currency: INR in Lakhs)**

Concentration of exposures [on limit basis or outstanding basis whichever is higher]	**Current Year (2019-20) ₹**	Previous Year (2018-19) ₹
Total exposure to twenty largest borrowers / customers	**2,903**	2,931
Percentage of exposures to twenty largest borrowers/ customers to Total exposure of the NBFC on borrowers / customers	**0.33%**	0.39%

40.11.4 **(Currency: INR in Lakhs)**

Concentration of NPAs	**Current Year (2019-20) ₹**	Previous Year (2018-19) ₹
Total exposure to top four NPA accounts	**217**	168

40.11.5 Sector-wise NPAs

Sr. No.	**Sector**	**Percentage of NPAs to total advances in that sector current year (2019-20)**	Percentage of NPAs to total advances in that sector previous year (2018-19)
1	Agriculture & allied activities	**—**	—
2	MSME	**—**	—
3	Corporate borrowers	**—**	—
4	Services	**—**	—
5	Unsecured personal loans	**—**	—
6	Auto loans	**—**	—
7	Other personal loans	**—**	—
8	Education loans	**0.12%**	0.08%

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.11 Concentration of advances, exposures and NPAs : (Continued)

40.11.6 Movement of NPAs

(Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
(i)	Net NPAs to net advances	**0.10%**	0.06%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	**401.26**	193.84
	(b) Additions during the year	**564.28**	568.59
	(c) Reductions during the year	**(208.98)**	(361.17)
	(d) Closing balance	**756.55**	401.26
(iii)	Movement of Net NPAs		
	(a) Opening balance	**332.40**	162.58
	(b) Additions during the year	**469.06**	472.41
	(c) Reductions during the year	**(173.15)**	(302.58)
	(d) Closing balance	**628.31**	332.40
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	**68.86**	31.26
	(b) Provisions made during the year	**95.22**	96.19
	(c) Write-off / write-back of excess provisions	**(35.84)**	(58.59)
	(d) Closing balance	**128.24**	68.86

40.12 The Company does not have any overseas assets.

40.13 The Company has not sponsored any off-balance sheet SPVs.

40.14 Customer complaints

(Currency: INR in Lakhs)

Sr. No.	Particulars	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
a.	No. of complaints pending at the beginning of the year	**1**	–
b.	No. of complaints received during the year	**129**	132
c.	No. of complaints redressed during the year	**130**	131
d.	No. of complaints pending at the end of the year	**–**	1

40.15 Asset liability management

40.15.1 Maturity pattern of certain items of assets and liabilities As on 31 March 2020:

(Currency: INR in Lakhs)

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings*	968	6,186	1,761	12,778	16,674	1,42,497	1,82,351	1,47,794	5,11,010
Foreign currency liabilities**	94.89	–	–	–	–	29,934	41,308	3,592	74,929
Assets									
Advances***	7,295	6,697	10,451	30,866	59,485	2,18,092	1,50,294	1,42,359	6,25,538
Investments	31,073	–	–	–	–	–	–	–	31,073
Deposits	–	–	–	–	–	–	–	–	–
Foreign currency assets	–	–	–	–	–	–	–	–	–

* Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 10,801 lakhs.

** Includes External Commercial Borrowings ₹ 74,834 lakhs.

*** Advances shown as net off impairment loss allowance on stage III cases.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.15 Asset liability management (Continued)

40.15.2 Maturity pattern of certain items of assets and liabilities As on 31 March 2019: **(Currency: INR in Lakhs)**

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings*	3,615	7,556	7,320	11,083	33,656	1,55,316	1,68,892	88,930	4,76,370
Foreign currency liabilities	9	–	–	–	–	–	–	–	9
Assets									
Advances	8,203	8,096	8,002	23,659	46,023	1,77,575	1,37,031	1,25,825	5,34,415
Investments	–	–	–	–	–	–	–	–	–
Deposits	–	–	–	–	–	–	–	–	–
Foreign currency assets	–	–	–	–	–	–	–	–	–

* Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 8,382 lakhs.

40.16 Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016]

(Currency: INR in Lakhs)

	Particulars				
	Liabilities side :	**As at 31 March 2020**		As at 31 March 2019	
1)	**Loans and advances availed by the non banking financial company inclusive of interest accrued thereon but not paid:**	**Amount outstanding**	**Amount overdue**	Amount outstanding	Amount overdue
	a) Debentures – Secured	**2,07,595**	**—**	1,55,629	—
	– Unsecured	**65,968**	**—**	49,893	—
	(Other than falling within the meaning of public deposit)				
	b) Deferred credit	**—**	**—**	—	—
	c) Term loan	**3,00,580**	**—**	1,99,252	—
	d) Inter - corporate loans and borrowing	**—**		—	
	e) Commercial paper	**22,301**	**—**	56,476	—
	f) Other loan	**201**	**—**	23,501	—
	g) Book overdraft	**—**	**—**	—	—

(Currency: INR in Lakhs)

	Asset side :	**As at 31 March 2020**		As at 31 March 2019	
2)	**Break-up of loans and advances including bills receivables [other than those included in (4) below] :**	**Amount outstanding**	**Amount overdue**	Amount outstanding	Amount overdue
	a) Secured	**2,68,553**	**—**	2,36,363	—
	b) Unsecured	**3,57,113**	**—**	2,98,120	—

(Currency: INR in Lakhs)

3)	**Break up of leased assets and stock on hire and other assets counting towards AFC activities**				
	(i) Lease assets including lease rentals under sundry debtors:				
	(a) Financial lease	—	**—**	—	—
	(b) Operating lease	—	**—**	—	—
	(ii) Stock on hire including hire charges under sundry debtors:				
	(a) Assets on hire	—	**—**	—	—
	(b) Repossessed Assets	—	**—**	—	—
	(iii) Other loans counting towards AFC activities				
	(a) Loans where assets have been repossessed	—	**—**	—	—
	(b) Loans other than (a) above	—	**—**	—	—

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.16 Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016] (Continued)

(Currency: INR in Lakhs)

Asset Side :	**As at 31 March 2020**	As at 31 March 2019
4) Break of investments:		
Current investments:		
1. Quoted:		
(i) Shares: (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and bonds	—	—
(iii) Units of mutual funds	**31,073**	—
(iv) Government securities	—	—
(v) Others (please specify)	—	—
2. Unquoted :		
(i) Shares : (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government securities	—	—
(v) Others (please specify)	—	—
Long term investments :		
1. Quoted :		
(i) Shares: (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government securities	—	—
(v) Others (please specify)	—	—
2. Unquoted :		
(i) Shares : (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government securities	—	—
(v) Others (please specify)	—	—

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.16 Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016] (Continued)

5) Borrower group—wise classification of assets financed as in (2) and (3) above : **(Currency: INR in Lakhs)**

Category	As at 31 March 2020			As at 31 March 2019		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related parties						
(a) Subsidiaries	—	—	—	—	—	—
(b) Companies in the same group	—	—	—	—	—	—
(c) Other related parties	53	—	53	—	—	—
2. Other than related parties	2,68,500	3,57,113	6,25,613	2,36,363	2,98,120	5,34,483
Total	2,68,500	3,57,113	6,25,613	2,36,363	2,98,120	5,34,483

6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

(Currency: INR in Lakhs)

Category	Market value / break up or fair value or NAV	Book value (Net of provisions)	Market value / break up or fair value or NAV	Book value (Net of provisions)
1. Related parties				
(a) Subsidiaries	—	—	—	—
(b) Companies in the same group	—	—	—	—
(c) Other related parties	—	—	—	—
2. Other than related parties	31,073	—	—	—
Total	31,073	—	—	—

7) Other information **(Currency: INR in Lakhs)**

Particulars	As at March 31, 2020	As at March 31, 2019
	Amount	Amount
i) Gross non performing assets		
a) Related parties	—	—
b) Other than related parties	757	401
ii) Net non performing assets		
a) Related parties	—	—
b) Other than related parties	628	332
iii) Assets acquired in satisfaction of debt	—	—

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.17 Disclosure pursuant to RBI notification on "Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies" dated 04 November 2019:

i. Funding Concentration based on significant counterparty *(both deposits and borrowings)

(Currency: INR in Lakhs)

Number of Significant Counterparties	₹ in lakhs	% of Total Deposits	% of Total Liabilities
18 (Eighteen)	5,58,498.69	NA	93%

ii. Top 20 large deposits

Not applicable. The Company being a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India does not accept public deposits.

iii. Top 10 borrowings (Currency: INR in Lakhs)

Amount (₹ in lakhs)	% of Total Borrowings
2,85,612.98	49%

iv. Funding Concentration based on significant instrument/product* (Currency: INR in Lakhs)

Name of the instrument/product	₹ in lakhs	% of Total Liabilities
Secured Non Convertible Debentures	2,00,610.96	33%
Commercial Paper	22,301.44	4%
Term Loans from Banks	2,25,568.61	38%
External Commercial Borrowings	74,834.02	12%
Overdrafts and Working Capital Limits	200.66	0%
Subordinated Tier II Non convertible debentures	34,892.46	6%
Perpetual debt instruments to the extent that do not qualify as equity	27,435.43	5%
Total Borrowings	**5,85,843.59**	**97%**
Total Liabilities	**6,01,467.55**	

v. Stock Ratios: (Currency: INR in Lakhs)

Particulars	as a % of total public funds*	as a % of total liabilities	as a % of total assets
Commercial papers	4%	4%	3%
Non-convertible debentures (original maturity of less than one year)	0%	0%	0%
Other short-term liabilities	20%	20%	17%

vi. Institutional set-up for liquidity risk management

The Liquidity Risk Management of the Company is governed by the Liquidity Risk Management Framework, Asset Liability Management ("ALM") & Financial Risk Management ("FRM") Policy approved by the Board of Directors. The Board has the overall responsibility for management of liquidity risk. The Board decides the strategy, policies and procedures to manage liquidity risk in accordance with the liquidity risk tolerance/limits approved by it. The Risk Management Committee (RMC), which is a committee of the Board, is responsible for evaluating the overall risks faced by the Company including liquidity risk. The Asset Liability Management Committee ("ALCO") is responsible for ensuring adherence to the liquidity risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy. The role of the ALCO with respect to liquidity risk includes, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions at an entity level.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

***Notes:**

1. Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies
2. Significant instrument/product is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies .
3. Total Liabilities has been computed as sum of all liabilities (Balance Sheet figure) less Equities and Reserves/ Surplus.
4. Public funds is as defined in Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

40.18 Disclosure pursuant to RBI notification on "Implementation of Indian Accounting Standards" dated 13 March 2020

(Currency: INR in Lakhs)

Asset Classification as per RBI Norms as on March 31, 2020	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)–(4)	(6)	(7) = (4)–(6)
Performing Assets						
Standard	Stage 1	6,23,866.49	2,497.83	6,21,368.66	2,498.68	(0.85)
	Stage 2	1,043.11	150.14	892.97	4.17	145.97
Subtotal for Performing Assets		**6,24,909.60**	**2,647.97**	**6,22,261.62**	**2,502.85**	**145.12**
Non-Performing Assets (NPA)				—		—
Substandard	Stage 3	440.16	77.15	363.01	41.44	35.71
Doubtful - up to 1 year	Stage 3	220.96	35.54	185.42	141.46	(105.92)
1 to 3 years	Stage 3	64.27	10.67	53.60	55.87	(45.21)
More than 3 years	Stage 3	31.17	4.89	26.27	26.27	(21.38)
Subtotal for doubtful		316.39	51.10	265.29	223.60	(172.51)
Loss	Stage 3	—	—	—	—	—
Subtotal for NPA		**756.55**	**128.24**	**628.31**	**265.04**	**(136.80)**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	—	29.79	(29.79)	—	29.79
	Stage 2	—	0.09	(0.09)	1.65	(1.56)
	Stage 3	—	—	—	—	—
Subtotal		**—**	**29.88**	**(29.88)**	**1.65**	**28.23**
Total	**Stage 1**	**6,23,866.49**	**2,527.63**	**6,21,338.86**	**2,498.68**	**28.95**
	Stage 2	**1,043.11**	**150.23**	**892.88**	**5.82**	**144.41**
	Stage 3	**756.55**	**128.24**	**628.31**	**265.04**	**(136.80)**
Total		**6,25,666.15**	**2,806.10**	**6,22,860.05**	**2,769.54**	**36.56**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.19 Disclosure pursuant to RBI notification on "COVID-19 Regulatory Package – Asset Classification and Provisioning" dated 17 April 2020.

(Currency: INR in Lakhs)

Particulars	₹ in Lakhs
(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended	1,268.41
(ii) Respective amount where asset classification benefits is extended.	33.01
(iii) Provisions made during the Q4 FY2020 as per RBI circular dated 17 April 2020 Norms*	1.65
(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions	—

* Provisions under ECL for these accounts is ₹ 6.29 lakhs

41. Segment reporting

There is no separate reportable segment as per Ind AS 108 on 'operating segments' in respect of the Company.

The Company operates in single segment only. There are no operations outside India and hence there is no external revenue or assets which requires disclosure.

42. The Company does not have any capital commitments and contingent liabilities as on the balance sheet date, except as below:

There has been a Supreme Court judgement dated 28 February 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the EPF Act. There are interpretative aspects related to the Judgement including the effective date of application. The Company will continue to assess any further developments in this matter for the implications on financial statements, if any.

43. Following the outbreak of COVID-19 during the quarter ended 31 March 2020 there has been a considerable slowdown in economic activities across the globe with most countries initiating lockdown to contain the pandemic. The Reserve Bank of India as a part of its measures to support and boost the economy has vide its notifications titled "COVID-19 Regulatory Package" dated 27 March 2020 and 17 April 2020 directed all Banks, NBFCs and other financial institutions to grant moratorium of three months on the payment of all instalments and/or interest as applicable to all eligible borrowers.

Based on the moratorium plan rolled out by the Company wherein the relaxation of their unpaid installments during the aforesaid period was offered to all the borrowers and the acceptance of the same by a significant portion of our loan portfolio and other information available up to the date of approval of these financial results/ statements the Company assessed the impact on its assets, including valuation of its investments, expected credit loss on its loan portfolio and liabilities including Asset Liability Management ("ALM") position.

Based on the detailed evaluation, the Company has:

a) fair valued its investments to active market prices and as the investments mainly comprise of liquid debt securities, no material volatility is expected,

b) made adequate provision for credit losses on its loan portfolio against the potential impact of COVID-19 by way of a management overlay of ₹ 2072.89 lakhs. The aggregate provisions are adequate vis-a-vis the minimum regulatory provisions prescribed by the Reserve Bank of India vide its circular dated 13 March 2020 on Implementation of Indian Accounting Standards,

c) stress tested its ALM position and the Company has a comfortable liquidity outlook across all maturity buckets and has strong liquidity position maintained in form of high-quality liquid assets and undrawn committed short term and long-term bank lines.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The final impact of the global health pandemic is very uncertain and the actual impact on these financial statements may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results/statements. The management will continue to closely monitor the material changes in the macro-economic factors impacting the operations of the Company.

44. Disclosures under SEBI Circular No SEBI/HO/DDHS/CIR/P/2018/144 dated 26 November 2018

Initial disclosure to be made by entity identified as a Large Corporate

(Currency: INR in Lakhs)

Particulars	Details
Name of the company	HDFC Credila Financial Services Private Limited
CIN	U67190MH2006PTC159411
Outstanding borrowing of the Company as on 31 March 2019	₹ 4,76,369.52/—
Highest credit rating during the FY 2018-19 along with name of the credit rating agency	AAA/stable by ICRA Limited, CRISIL Limited and CARE Ratings Limited
Securities listed	Debt securities
Name of the stock exchange in which the fine shall be paid, in case of shortfall in the required borrowing under the framework	BSE Ltd

We confirm that we are a Large Corporate as per the applicability criteria given under the SEBI circular SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018

Annual disclosure to be made by entity identified as a Large Corporate

Details of the borrowings : **(Currency: INR in Lakhs)**

Particulars	Details
Incremental borrowing done in FY 2019-20 (a)	2,23,400.56
Mandatory borrowing to be done through issue of debt securities (b) = 25% of (a)	55,850.14
Actual borrowing done through issue of debt securities in FY 2019-20 (c)	1,05,000.00
Shortfall in the mandatory borrowing through debt securities, if any. (d) = (b) – (c)	Nil
Reasons for shortfall, if any, in mandatory borrowings through debt securities	Not applicable

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Place : Mumbai
Date : 11 May 2020

For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited
CIN No: U67190MH2006PTC159411

V.S.Rangan
Chairman
(DIN – 00030248)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020