



# 2020

ANNUAL REPORT

# REIMAGINING OPPORTUNITIES

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## FINANCIAL HIGHLIGHTS

(₹ in crore)

| Particulars              | I-GAAP    |           |           | Ind AS    |           |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
|                          | 2015-16   | 2016-17   | 2017-18   | 2018-19   | 2019-20   |
| Total Revenue            | 3,302.02  | 5,714.54  | 7,061.99  | 8,724.81  | 10,756.47 |
| Profit before Tax        | 817.81    | 1,058.59  | 1,464.52  | 1,724.06  | 1,464.48  |
| Profit after Tax         | 534.41    | 698.77    | 951.74    | 1,153.24  | 1,004.85  |
| Assets under Management  | 25,906    | 34,277    | 44,469    | 55,425    | 58,833    |
| Shareholders' Funds      | 3,561.80  | 5,362.90  | 6,202.23  | 7,178.48  | 8,017.80  |
| Borrowings               | 19,612.15 | 25,287.05 | 34,980.97 | 45,105.10 | 49,804.09 |
| Earnings per Share (₹)   | 7.64      | 9.64      | 12.18     | 14.71     | 12.78     |
| Book value per Share (₹) | 50.87     | 68.73     | 79.22     | 91.36     | 101.80    |

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR mandate of your Company is to serve, uplift and empower communities that are at the bottom of the income pyramid; particularly those often lacking access to essential amenities such as affordable healthcare, clean and safe drinking water, employment opportunities and quality education.

Apart from striving to improve the Human Development Index indicators in under-served pockets of urban slums, peri-urban and rural areas, your Company has also extended support to long-term, high-impact initiatives designed to restore our depleting water bodies and increase the green landscapes.

During FY20, your Company has allocated ₹ 26.5 crore in diverse socially-responsible projects across 32 districts in 12 states.

Your Company's year-on-year incremental allocation on CSR programs is a testimony of our commitment to the well-being of less-privileged in our country and also a gradual step towards nation-building at a macro-level.

The section below highlights sector-wise key outcomes of CSR programs reported during the year.

### Healthcare:

- 18,000 plus indigent patients received primary healthcare support through medical camps in rural areas
- Members of more than 14,000 rural households were sensitised on sexual and reproductive health, maternal care and child nutrition
- Nearly 800 front line workers such as ASHAs, ANMs and mid-wives were empowered through capacity building
- Around 2,500 senior citizens were treated for cataract and 100 free eye screening camps were conducted
- 110-bed community ward and a complex of 4 surgical operation theatres was supported. Collectively, these two facilities are expected to treat 30,000 patients for cataract annually.

### Water, Sanitation and Hygiene (WASH):

- 21,000 children have been provided with access to sanitation facilities including hand washing stations, incinerator and sanitary bank in 70 schools across 66 villages
- 4,900 rural households (20,000 plus residents) have easy access to affordable, clean and safe drinking water through development of 18 new community water purification plants that provide nearly 89,000 litres of portable water, daily.

### Environment:

- 6,200 households (over 31,000 residents) and 1,400 establishments are practicing source segregation of waste, i.e. responsibly managing solid recyclable and non-recyclable waste
- 52 tons of non-recyclable waste was diverted from being dumped into the landfills
- 16 water bodies covering 55 acres have been scientifically restored through mechanised de-silting and erecting strong earthen bunds, creating a water holding capacity of approx. 9,100 m<sup>3</sup>
- 10 community farm ponds were built, creating annual water holding capacity of 5,000 m<sup>3</sup> primarily to meet the irrigation needs of small and marginal farmers
- 9 new group wells developed and 3 existing wells were deepened, collectively creating the water storage capacity of 750 m<sup>3</sup>
- 10 borewells have been put in place to provide easy and sustainable access to water from sub-surface level
- Check dams, naala plugs, bunds and other structures have been supported to prevent soil erosion and naturally recharge ground water table.

### Livelihood:

- 3,830 youth were enrolled for employability enhancement programs for securing entry-level jobs in service-oriented industries such as banking & financial services, retail, ITeS, beauty & wellness, healthcare and others
- Youth across projects receive training primarily on work-readiness or foundation skills and are oriented on job role specific requirements
- 70% of trained youth are employed, either through jobs in the formal sector or through self-employment
- 305 youth with physical challenges regained self-esteem and confidence through regular counselling, skills training and exposure to employment opportunities.
- 60% of trained youth are gainfully employed.

### Education:

- 13,000 children in 170 low-income schools were provided with free meals daily to improve their attention span and overall participation in classroom activity
- 7,629 school dropouts were enrolled in 38 schools through parent-child counselling and awareness drives

- 3,735 children across 20 schools were provided with safe learning environment
- 700 girls in Class VII-X were provided with academic support at after-school support classes for Math, Science and English

#### **Disaster Relief:**

- 400 flood affected victims in Purnea district of Bihar were provided with relief kits consisting of essentials such as food, utensils, sanitary products, blankets and other survival material
- Restoration work such as building bridges, cleaning of canals and de-silting of water harvesting structures was carried out through community mobilisation

#### **Republic Day Celebration:**

- On the 71<sup>st</sup> National Republic Day, 15 soldiers of the Indian Army who were disabled in the line of duty were honoured with mementos and financial aid
- The felicitation program was organised by Shri Shanmukhananda Fine Arts and Sangeetha Sabha, Mumbai and was attended by families of soldiers, civil society and senior officials from the Indian Army

#### **VOLUNTEERING AND COMMUNITY OUTREACH:**

- On World Environment Day on June 5, 2019 our employees from Hubli, Lucknow, Mumbai, Surat and Udupi branches engaged in volunteering activities such as beach clean-up, cleanliness drive in residential colonies, tank development and tree plantation
- To commemorate National Sports Day (observed on August 29, 2019), our employees in Chennai and Kovalam organised a Sports Day and engaged children in outdoor sporting activities
- Our employees from Ahmedabad, Chennai and Jaipur branches participated in tree plantation drives on World Cleanup Day observed on September 29, 2019
- To mark World Food Day on October 16, 2019, our employees engaged in various volunteering activities such as meal preparation and serving, creative art sessions, talent show, fun-games among others
- On International Volunteer Day, observed on December 5, 2019, our employees visited ongoing CSR project sites to participate in various field-level outreach activities.

#### **ACTS OF SIMPLE KINDNESS (ASK):**

- ASK promotes expression of gratitude and the initiative encourages employees to give back to the society

- ASK is celebrated in the first week of January wherein employees plan and perform acts of simple kindness by spending quality time with abandoned children, senior citizens, differently-abled individuals, healing patients, and community servicemen
- January 2020 ASK was conducted across 262 locations pan India, wherein hundreds of employees visited nearly 300 charitable institutions to perform simple acts of kindness
- Employees made generous voluntary contributions towards supply of essential items such as dry ration, clothes, blankets, books, stationary kits, etc.

#### **EMPLOYEE SPEAKS:**

*"They hugged us like we are everything for them. We love if we will get this opportunity frequently. I am really very thankful to the HDB family to make our year so beautiful with this "ASK" activity"* **Ankit Kumar - Sales Officer, Patna**

*"I will never forget the smiling faces of our frontline staff after getting surprise New Year gifts from us. It was really a heavenly feeling to spread happiness & smile to the people who play a very important role for all of us."* **Chandan Das - Supervisor, Kolkata**

*"Through initiatives like ASK we realise how the smallest of our actions can be the biggest reason for someone to smile. It truly brings so much peace and satisfaction to be the reason of someone else's happiness."* **Shivatosh Das - Zonal Manager, Pune**

*"The children were very happy to receive us and they took us to their studying room, playing areas, kitchen etc. to show to their affection towards us, as they considered us as elder brother or sister."* - **Sreenath Thazhakote - Branch Manager, Calicut**

**GLIMPSES OF CSR INITIATIVES DURING THE YEAR:**



**Team participates in a Wall Painting session in Trichy during Int'l Volunteer Day**

**Beach Clean-Up in Mumbai**



**Team volunteers on World Food Day**



**Team participating in Acts of Simple Kindness (ASK)**



**Team with Padma Shri & Founder of Sankara Eye Hospital Dr. R.V. Ramani at the inauguration of Surgical Theatres in Bangalore**

# CORPORATE INFORMATION



## Board of Directors

|                            |   |
|----------------------------|---|
| Mr. Aditya Puri            | - Chairman & Non Executive Director           |
| Mr. Jimmy Tata             | - Non Executive Director                      |
| Ms. Smita Affinwalla       | - Independent Director                        |
| Dr. Amla Samanta           | - Independent Director                        |
| Mr. Venkatraman Srinivasan | - Independent Director                        |
| Mr. Adayapalam Viswanathan | - Independent Director                        |
| Mr. G. Ramesh              | - Managing Director & Chief Executive Officer |

## Statutory Auditors

M/s. B S R & Co. LLP, Chartered Accountants (ICAI Reg. no. 101248W/W-100022)

## Secretarial Auditors

M/s. Ashish Bhatt & Associates, Company Secretaries

## Registered Office

Radhika, 2nd Floor, Law Garden Road,  
Navrangpura, Ahmedabad - 380 009  
Tel No.: +91 79 48914514  
Website: www.hdbfs.com Email: compliance@hdbfs.com  
CIN: U65993GJ2007PLC051028

## Corporate Office

Ground Floor, Zenith House,  
Keshavrao Khadye Marg, Mahalaxmi,  
Mumbai - 400 034  
Tel No.: +91 22 49116300  
Fax: +91 22 39586666

## Bankers

\* Axis Bank \* Bank of Baroda \* Bank of India \* BNP Paribas \* Canara Bank \* Central Bank of India \* Deutsche Bank \* Federal Bank \* HDFC Bank \* HSBC \* ICICI Bank \* Indian Bank \* IndusInd Bank \* Jammu & Kashmir Bank \* JP Morgan Chase Bank \* Karnataka Bank \* Karur Vysya Bank \* Kotak Mahindra Bank \* Punjab National Bank \* State Bank of India \* Union Bank of India\*

## Key Managerial Personnel

Mr. G. Ramesh, Managing Director & Chief Executive Officer  
Mr. Haren Parekh, Chief Financial Officer  
Ms. Dipti Khandelwal, Company Secretary

## Registrar & Share Transfer Agent

M/s. Link Intime India Private Limited  
C 101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400 083

## Debenture Trustees

M/s. IDBI Trusteeship Services Limited  
Asian Building, Ground Floor, 17, R. Kamani Marg,  
Ballard Estate, Mumbai - 400 001  
Tel.: +91 22 40807001, Fax: +91 22 66311776,  
Email: adityakapil@idbitrustee.com

M/s. Axis Trustee Services Limited  
Ground Floor, Axis House, Wadia International Centre,  
Pandurang Budhkar Marg, Worli, Mumbai - 400 0025.  
Tel.: +91 22 62300446, Fax: +91 22 62300700,  
Email: mangalagowri.bhat@axistrustee.com

## 13<sup>th</sup> Annual General Meeting

Date : June 30, 2020  
Day : Tuesday  
Time : 12 noon

## Contents

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|   |         |
|---|---------|
| Notice to Members                             | 1-18    |
| Directors' Report                             | 19-55   |
| Standalone Independent Auditors' Report       | 56-65   |
| Standalone Balance Sheet                      | 66      |
| Standalone Statement of Profit and Loss       | 67      |
| Standalone Cash Flow Statement                | 68-69   |
| Standalone Statement of Changes in Equity     | 70-71   |
| Notes to the Standalone Financial Statement   | 72-133  |
| Consolidated Independent Auditors' Report     | 134-142 |
| Consolidated Balance Sheet                    | 143     |
| Consolidated Statement of Profit and Loss     | 144     |
| Consolidated Cash Flow Statement              | 145-146 |
| Consolidated Statement of Changes in Equity   | 147-148 |
| Notes to the Consolidated Financial Statement | 149-198 |
| RBI Disclosure                                | 119-132 |



## HDB FINANCIAL SERVICES LIMITED

Corporate Identity Number: U65993GJ2007PLC051028

Registered Office: Radhika, 2<sup>nd</sup> Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009.

Corporate Office: Ground Floor, Zenith House, Keshavrao Khadye Marg, Mahalaxmi, Mumbai 400 034

Tel: +91 22 49116300; Fax: +91 22 39586666, Website: www.hdbfs.com, Email: compliance@hdbfs.com

### NOTICE OF 13<sup>th</sup> ANNUAL GENERAL MEETING

**NOTICE is hereby given that the Thirteenth Annual General Meeting of HDB Financial Services Limited will be held through Video Conferencing (“VC”) / Other Audio Visual Means (“OAVM”) on Tuesday, June 30, 2020 at 12 noon to transact the following business:**

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt:
  - (a) The Audited Standalone Financial Statements of the Company for the year ended March 31, 2020, including the Audited Balance Sheet as at March 31, 2020, the Statement of Profit and Loss for the year ended on that date and the Cash Flow Statement for the year ended on that date together with the Reports of the Directors and Auditors thereon; and
  - (b) The Audited Consolidated Financial Statements of the Company for the year ended March 31, 2020, including the Audited Balance Sheet as at March 31, 2020, the Statement of Profit and Loss for the year ended on that date and the Cash Flow Statement for the year ended on that date together with the report of the Auditors thereon.
2. To appoint a Director in place of Mr. Jimmy Tata (DIN: 06888364), who retires by rotation and being eligible, offers himself for reappointment.

#### **SPECIAL BUSINESS:**

#### **3. APPOINTMENT OF MR. ADAYAPALAM VISWANATHAN AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

“**RESOLVED THAT** pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules made thereunder, read with Schedule IV of the Companies Act, 2013 (“Act”) (including any statutory modification(s) or reenactment(s) thereof, for the time being in force), the Article of Association of the Company and approval and recommendation of the Nomination & Remuneration Committee of Directors and the Board of Directors of the Company, Mr. Adayapalam Viswanathan (DIN: 08518003), who has submitted a declaration that he meets the criteria for independence as provided under Section 149(6) of the Companies Act, 2013, was appointed as an Additional Independent Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of a director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (Five) consecutive years with effect from July 24, 2019 upto July 23, 2024 and he shall not be liable to retire by rotation;

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolutions.”

#### **4. REAPPOINTMENT OF MR. VENKATRAMAN SRINIVASAN AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

**“RESOLVED THAT** pursuant to Sections 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules made thereunder, read with Schedule IV of the Companies Act, 2013, the Article of Association of the Company and recommendation of the Nomination & Remuneration Committee and approval of the Board of Directors, Mr. Venkatraman Srinivasan (DIN: 00246012), who was appointed as an Additional Independent Director of the Company, by the Board of Directors with effect from March 12, 2020 and who holds the said office pursuant to the provisions of Section 161 of the Companies Act, 2013 up to the date of this Annual General Meeting and who has submitted a declaration that he meets the criteria for independence as provided under Section 149(6) of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of a director of the Company, be and is hereby reappointed as an Independent Director of the Company, not liable to retire by rotation, for a second term of five consecutive years commencing from March 12, 2020 upto March 11, 2025;

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolutions.”

## **5. REAPPOINTMENT OF MS. SMITA AFFINWALLA AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

**“RESOLVED THAT** pursuant to Sections 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules made thereunder, read with Schedule IV of the Companies Act, 2013, the Article of Association of the Company and recommendation of the Nomination & Remuneration Committee and approval of the Board of Directors, Ms. Smita Affinwalla (DIN: 07106628), who was appointed as an Additional Independent Director of the Company, by the Board of Directors with effect from March 12, 2020 and who holds the said office pursuant to the provisions of Section 161 of the Companies Act, 2013 up to the date of this Annual General Meeting and who has submitted a declaration that she meets the criteria for independence as provided under Section 149(6) of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing her candidature for the office of a director of the Company, be and is hereby reappointed as an Independent Director of the Company, not liable to retire by rotation, for a second term of five consecutive years commencing from March 12, 2020 upto March 11, 2025;

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolutions.”

## **6. TO APPROVE INCREASE IN BORROWING LIMITS OF THE COMPANY FROM ₹ 70,000 CRORE TO ₹ 80,000 CRORE**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

**“RESOLVED THAT** in supersession of all the resolutions passed earlier in this regard, the consent of the Members of the Company be and is hereby accorded under the provisions of Section 180(1)(c) and all other applicable provisions, if any, of the Companies Act, 2013, read with the Rules made thereunder (including any amendment, modification, variation or reenactment thereof), to the Board of Directors of the Company (hereinafter referred to as ‘the Board’ which term shall be deemed to include any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution) to borrow from time to time, any sum or sums of monies inter alia by way of loan / financial assistance from various bank(s), financial institution(s) and/ or other lenders, issue of Debentures / Bonds or other debt Instruments either in Rupee or any other currency with or without security, whether in India or abroad or issue of Commercial

Papers, external commercial borrowings which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid up share capital of the Company, its free reserves and securities premium, provided that the total amount so borrowed by the Board shall remain outstanding at any given point of time shall not exceed ₹ 80,000 crore (Rupees Eighty Thousand Crore Only), on such terms and conditions as the Board at its sole discretion may deem fit and for the said purpose, to do and perform all such acts, deeds, matters and things as may be necessary, desirable or expedient and also to negotiate, agree and execute the required documents in this regard with any banks, financial institutions, companies, firms or any other government or semi-government bodies, whether state or central, whether in India or abroad (hereinafter referred to as "the Lender") for borrowing funds on such terms as may be mutually agreed between the Company and the Lender;

**RESOLVED FURTHER THAT** the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof) be and is hereby authorised to do all such acts, deeds and things as may be required and to finalise the terms & conditions and execute all such agreements, documents, instruments applications etc., as may be required with power to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Committee and/ or director(s) and/ or officer(s) of the Company, to give effect to this resolution."

**7. TO APPROVE INCREASE IN LIMITS FOR CREATION OF CHARGE ON THE ASSETS OF THE COMPANY UPTO AN AMOUNT OF ₹ 80,000 CRORE TO SECURE ITS BORROWINGS**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** in supersession of all the resolutions passed earlier in this regard, the consent of the Members of the Company be and is hereby accorded under Section 180(1)(a) and 180(1)(c) and all other applicable provisions, if any, of the Companies Act, 2013, read with the Rules made thereunder (including any amendment, modification, variation or reenactment thereof), to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board, from time to time to exercise its powers conferred by this resolution) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties and / or assets of the Company, both present and future, and in such manner as deemed fit, together with power to mortgage, hypothecate and create charge over the substantial assets of the Company (including the Company's interest as mortgagee, pledgee etc. in the various properties belonging to the borrowers of the Company) in certain events in favour of bank(s), financial institution(s) and / or other lenders, other investing agencies and trustees for the holders of debentures / bonds / other debt instruments and also to issue covenants for negative pledges / negative liens in respect of the said assets and properties in such form and manner as the Board may deem fit and for the said purpose, to do and perform all such acts, deeds, matters and things as may be necessary, desirable or expedient and also to execute the required documents including power of attorney in favour of all or any of the persons, firms, bodies corporate, banks, financial institutions, trustees etc., to secure loans and / or the issue of debentures whether partly / fully convertible or non-convertible and / or securities linked to Equity Shares, convertible / non-convertible bonds, with share warrants attached (hereinafter collectively referred to as "Loans") provided that the total amount of Loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said Loans for which the charge is to be created, shall not, at any time exceed ₹ 80,000 crore (Rupees Eighty Thousand Crore Only) or the aggregate of the paid up capital, free reserves and securities premium of the Company, whichever is higher;

**RESOLVED FURTHER THAT** the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof) be and are hereby authorised to negotiate, finalise and execute with the Lender(s) / Debenture Trustees / Financial Institutions, such documents / agreements / undertakings / indemnities / guarantees as may be required for creating the aforesaid mortgages, hypothecations, assignments, charges in any other manner

and to propose/ accept any modifications to the terms and conditions thereto and to do all such acts, deeds and things as may be required, with power to settle all questions, difficulties or doubts that may arise in this regard, as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Committee and/ or director(s) and/ or officer(s) of the Company, to give effect to this resolution.”

## 8. **AUTHORITY TO ISSUE REDEEMABLE NON-CONVERTIBLE DEBENTURES AND/OR OTHER HYBRID INSTRUMENTS ON PRIVATE PLACEMENT BASIS**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 42 & 71 and all other applicable provisions, if any of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, and Companies (Prospectus and Allotment of Securities) Rules, 2014, Master direction of Reserve Bank of India for Non-Banking Financial Company dated September 01, 2016 (“RBI Master Direction”), the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or reenactment to any of the foregoing and other applicable laws, guidelines, direction, the consent of the Members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall be deemed to include any committee(s) constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution) to offer and/or invite for issue of Redeemable Non-Convertible Debentures (NCDs), secured or unsecured, fixed rate or market/benchmark linked and/or any other hybrid Instruments (not in the nature of equity shares) including but not limited to Subordinated Bonds, Perpetual Debt Instruments which may or may not be classified as being additional Tier I or Tier II capital under the provisions of the RBI Master Direction, on private placement basis, in one or more tranches, with the consent being valid for a period of 1 (one) year from the date hereof, on such terms and conditions including the price, coupon, premium/ discount, tenor etc., as may be determined by the Board of Directors (or any other person so authorised by the Board of Directors), based on the prevailing market condition;

**RESOLVED FURTHER THAT** the aggregate amount to be raised through the issuance of NCDs and/or any other hybrid Instruments including but not limited to Subordinated Bonds, Perpetual Debt Instruments pursuant to the authority under this Resolution aggregating up to ₹ 21,202.50 crore (Rupees Twenty One Thousand Two Hundred Two Crore and Fifty Lakh Only) under one or more shelf disclosure document(s) and/or under one or more letter(s) of offer as may be issued by the Company and in one or more series;

**RESOLVED FURTHER THAT** the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof), be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution.”

## 9. **AUTHORITY TO ISSUE FOREIGN CURRENCY/ RUPEE DENOMINATED BONDS**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 71 and all other applicable provisions, if any, of the Companies Act, 2013, including any amendment, modification, variation or reenactment and other applicable guidelines, directions or laws, the consent of the Members be and is hereby accorded to the Board of Directors of the Company, to make private placement offers, invitations and issue of Secured Redeemable Foreign Currency/Rupee Denominated Bonds in one or more tranches, with the consent being valid for a period of 1 (one) year from the date hereof, on such terms and conditions including the price, coupon, premium/ discount, tenor, listing of Foreign Currency/Rupee Denominated Bonds, obtaining credit ratings etc., as may be determined by the Board of Directors (or any other person so authorised by the Board of Directors), based on the prevailing market condition;

# Notice



**RESOLVED FURTHER THAT** the aggregate amount to be raised through the issuance of Foreign Currency/ Rupee Denominated Bonds pursuant to the authority under this Resolution shall not exceed Rupee equivalent to USD 750 Million;

**RESOLVED FURTHER THAT** the Board of Directors (including any Committee(s) constituted/to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof), be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution.”

## 10. TO APPROVE RELATED PARTY TRANSACTIONS WITH HDFC BANK LIMITED

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

“**RESOLVED THAT** pursuant to the provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013, read with the Rule made thereunder (including any amendment, modification, variation or reenactment thereof) and subject to such other rules, regulations and guidelines as may be applicable from time to time the consent of the Members be and is hereby accorded to ratify and enter into contract(s)/arrangement(s)/transaction(s) of securitisation with the HDFC bank Limited, a related party within the meaning of the aforesaid law, within overall securitisation limit of ₹ 6,500 crore (Rupees Six Thousand Five Hundred Crore Only) and on such terms and conditions as may be determined by the Board of Directors (or any other person so authorised by the Board of Directors);

**RESOLVED FURTHER THAT** the Board of Directors of the Company (including any Committee constituted/ to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution.”

**By order of the Board  
For HDB Financial Services Limited**

**Registered Office:**  
Radhika, 2nd Floor,  
Law Garden Road, Navrangpura,  
Ahmedabad -380009

**Sd/-  
Dipti Khandelwal  
Company Secretary  
Membership No.:A25592**

Place: Mumbai  
Date: May 13, 2020

### Notes:

1. The Ministry of Corporate Affairs, Government of India (the “MCA”) in terms of the General Circular No.14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020 and General Circular No. 20 2020 dated May 5, 2020 (the “MCA Circulars”) in view of the current extraordinary circumstances due to COVID-19 pandemic requiring social distancing, have allowed the Companies to conduct their Annual General Meeting through Video Conferencing (VC) or other audio visual means (OAVM), without the physical presence of the Members at a common venue, subject to the fulfilment of conditions as specified in the MCA Circulars. In compliance with the provisions of the Companies Act, 2013 and MCA Circulars, the AGM of the Company is being held through VC / OAVM.

# Notice



2. In view of the prevailing situation, owing to the difficulties involved in dispatching of physical copies of the financial statements (including Board's report, Auditor's report or other documents required to be attached therewith), such statements shall therefore be sent only by email to the members, trustees for the debenture-holder of any debentures issued by the Company and to all other persons so entitled. Further, the notice for AGM shall be given only through emails registered with the Company or with the depository participant / depository.
3. Accordingly, the financial statements (including Board's report, Auditor's report and other documents required to be attached therewith) / Annual Report for the financial year 2019-20 and AGM Notice are being sent to the shareholders whose email addresses are registered with the Company or with the depository participant / depository. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website [www.hdbfs.com](http://www.hdbfs.com) and on the website of NSDL <https://www.evoting.nsdl.com>. The detailed process for registration of email address of the shareholders whose email address is not registered with the Company or depository participants / depository is forming part of this Notice.
4. As per the MCA Circulars, the Shareholders may also note that the Company would not be sending the Annual Report for the financial year 2019-20 and AGM notice by post to the shareholders whose email address is not registered with the Company or depository participants/depository.
5. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
6. Institutional / Corporate Shareholders intending to participate in the Annual General Meeting through their authorised representatives are requested to send a duly certified copy of their Board Resolution / Governing Body resolution / Authorisation letter, etc. authorising their representatives to attend and vote through remote e-voting on their behalf at the said Meeting to [csmjshah@gmail.com](mailto:csmjshah@gmail.com) and [compliance@hdbfs.com](mailto:compliance@hdbfs.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
7. The Company is providing remote e-voting facility to all its Members to enable them to cast their vote on the matters listed in the Notice by electronic means and business may be transacted through the e-Voting services.
8. In addition to the remote e-voting facility provided by the Company, the members who have not cast their vote on resolutions through remote e-voting would be given a facility to cast their vote through e-voting during the AGM. The instruction for the same is forming part of this Notice.
9. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.
10. Members seeking any information with regard to the accounts or any matter to be placed at AGM are requested to submit their questions in advance, on or before June 27, 2020 through the Company's email address i.e [compliance@hdbfs.com](mailto:compliance@hdbfs.com). The same will be replied by the Company suitably.
11. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of business under Item no 3 to 10 to be transacted at the meeting, is annexed hereto and forms part of the Notice.
12. The investors are requested to attend the meeting and cast their vote through remote e-voting / e-voting.
13. In respect of the Special Business at Item No. 3, 4 & 5, a statement giving additional information on the Directors seeking reappointment and appointment, is annexed herewith to Notice as Annexure 1.
14. The members attending the meeting through VC / OAVM shall be counted for the purpose of reckoning the quorum of the meeting under Section 103 of the Companies Act, 2013.
15. The members desiring to inspect the documents referred to in this Notice and other statutory registers are required to send requests on the Company's email address: [compliance@hdbfs.com](mailto:compliance@hdbfs.com). An extract of such documents would be sent to the members on their registered email address.

16. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
17. In terms of the provisions of Section 107 of the Companies Act, 2013, since the resolutions as set out in this Notice are being conducted through e-voting, the said resolutions will not be decided on a show of hands at the AGM, however facility for casting vote during the AGM though e-voting would be provided to the members who have not cast their vote through remote e-voting.
18. Pursuant to the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India, the Company is providing remote e-voting facility to all its Members to enable them to cast their vote on the matters listed in the Notice by electronics means and business may be transacted through the e-Voting services. For this purpose, the Company has engaged services of NSDL for providing e-Voting services.
  - Remote e-voting facility will be available on the website <https://www.evoting.nsdl.com> from 10.00 am on Friday, June 26, 2020 and ends at 05:00 p.m. on Monday, June 29, 2020, after which the facility will be disabled by NSDL and remote e-voting shall not be allowed beyond the said date and time. The notice is also available on the website <https://www.evoting.nsdl.com>. During this period shareholders' of the Company, holding shares in dematerialised form, as on the cut-off date of Tuesday, June 23, 2020 may cast their vote electronically.
  - Instructions for e-voting are given at point no.21
  - The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on Tuesday, June 23, 2020.
19. The Members, who have cast their vote prior to the meeting by remote e-voting may also attend the meeting but shall not be entitled to vote again at the meeting. Once a vote is cast by a member, he shall not be allowed to alter it subsequently.

**20. Procedure for registration of email address:**

The shareholders who have not yet registered their email address are requested to get their email addresses registered by following the procedure given below:

- (i) Pursuant to the aforesaid Circular issued by Ministry of Corporate Affairs, the shareholders who have not registered their email address and in consequence the AGM notice could not be serviced to them may temporarily get their email address registered with the Company's Registrar and Share Transfer Agent, Link Intime India Private Limited, by clicking the link: [https://linkintime.co.in/emailreg/email\\_register.html](https://linkintime.co.in/emailreg/email_register.html) and follow the registration process as guided thereafter. Post successful registration of the email, the shareholder would get soft copy of the AGM Notice and the procedure for e-voting along with the User ID and Password to enable e-voting for this AGM. In case of any queries, shareholder may write to [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)
- (ii) It is clarified that for permanent registration of email address, the members are however requested to register their email address, in respect of demat holdings with the Depository through the concerned Depository Participants.

**21. Instructions for Voting through electronic means ('e-voting'):**

The details of the process and manner for remote e-voting are explained herein below:

Step 1: Log-in to NSDL e-voting system at <https://www.evoting.nsdl.com>

Step 2: Cast your vote electronically on NSDL e-voting system.

**Details on Step 1 are mentioned below:**

How to Log-in to NSDL e-voting website?

1. Visit the e-voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a personal computer or on a mobile.

# Notice



2. Once the home page of e-voting system is launched, click on the icon “Login” which is available under “Shareholders” section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL e-services i.e. IDEAS, you can log-in at <https://eservices.nsd.com/> with your existing IDEAS login. Once you log-in to NSDL e-services after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. cast your vote electronically.
4. Your User ID details are given below:

| <b>Manner of holding shares i.e. Demat (NSDL or CDSL)</b>  | <b>Your User ID is:</b>   |
|--|---|
| A) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID<br>For example, if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12***** |
| B) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID<br>For example, if your Beneficiary ID is 12***** then your user ID is 12*****  |

5. Your password details are given below:
  - a. If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
  - b. If you are using NSDL e-voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you by NSDL. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.
  - c. How to retrieve your ‘initial password’?
    - i. If your email address is registered in your demat account or with the company, your ‘initial password’ is communicated to you on your email address. Trace the email sent to you from NSDL in your mailbox from [evoting@nsdl.com](mailto:evoting@nsdl.com). Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account. The .pdf file contains your ‘User ID’ and your ‘initial password’.
    - ii. In case you have not registered your email address with the Company/ Depository, please follow instructions mentioned below in this notice.
6. If you are unable to retrieve or have not received the ‘initial password’ or have forgotten your password:
  - a) Click on “**Forgot User Details/Password?**” (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsd.com](http://www.evoting.nsd.com).
  - b) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
  - c) Members can also use the one-time password (OTP) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, click on Agree to “Terms and Conditions” by selecting on the check box.
8. Now, you will have to click on “Login” button.
9. After you click on the “Login” button, Home page of e-voting will open.



## Details on Step 2 are mentioned below:

How to cast your vote electronically on NSDL e-voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-voting. Click on e-voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of the Company, which is 112961.
4. Now you are ready for e-voting as the Voting page opens
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

## General Guidelines for shareholders

1. Institutional / Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc., with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutiniser by email to [csmjshah@gmail.com](mailto:csmjshah@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/ Password?" option available on <https://www.evoting.nsdl.com> to reset the password.
3. In case of any queries relating to e-voting you may refer to the FAQs for Shareholders and e-voting user manual for Shareholders available at the download section of <https://www.evoting.nsdl.com> or call on toll free no.: 1800 222 990 or send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
4. In case of any grievances connected with facility for e-voting, please contact Ms. Pallavi Mhatre, Manager, NSDL, 4<sup>th</sup> Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Email: [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)/[pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in), Tel: +91 22 24994545/ 1800 222 990.
5. In case of any other queries shareholder can contact: M/s. Link Intime India Private Limited, C 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai - 400 083, Tel No: +91 22 49186000, Fax No: +91 22 49186060, Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in) or [pradeep.mokale@linkintime.co.in](mailto:pradeep.mokale@linkintime.co.in)

## 22. Instructions for members for attending the AGM through VC / OAVM are as under:

1. Members will be able to attend the AGM through VC / OAVM or view the live webcast of AGM provided by NSDL at <https://www.evoting.nsdl.com> by using their remote e-voting login credentials and selecting the EVEN for Company's AGM.
2. The link for VC/ OAVM will be available in "shareholders/ members" login where the EVEN of Company will be displayed.
3. Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.

4. Facility of joining the AGM through VC / OAVM shall open 15 minutes before the time scheduled for the AGM and will be available for Members on first come first served basis. Further, a facility will be provided to the shareholders attending the meeting through VC/OAVM whereby they can pose questions concurrently, during the proceeding of the meeting.
5. Please note that shareholders connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches. Shareholders are also encouraged to join the meeting through Laptops for better experience.
6. Members who need assistance before or during the AGM, can contact NSDL on [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)/ 1800 222 990 or contact Mr. Amit Vishal, Senior Manager - NSDL at [amitv@nsdl.co.in](mailto:amitv@nsdl.co.in) / +91 22 24994360 or Mr. Sagar Ghosalkar, Assistant Manager - NSDL at [sagar.ghosalkar@nsdl.co.in](mailto:sagar.ghosalkar@nsdl.co.in) / +91 22 24994553.
7. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID, PAN, mobile number at [compliance@hdbfs.com](mailto:compliance@hdbfs.com) from June 23, 2020 (9:00 a.m. IST) to June 27, 2020 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

### **23. Instruction for e-voting during the AGM**

The members who have not cast their vote on resolutions through remote e-voting can cast their vote through e-voting during the AGM by following the instruction as mentioned in point 21 above. The e-voting facility will be enabled during the AGM on June 30, 2020 at 12 noon till the conclusion of the AGM.

24. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.
25. Mr. Mitesh Shah (FCS No.: 10070) of M/s. Mitesh J. Shah & Associates, Practicing Company Secretary have been appointed as the Scrutinisers to scrutinise the e-voting process in a fair and transparent manner.
26. The Scrutinisers shall submit a consolidated report of the total votes cast in favour or against, if any, on each of the resolutions set out in this Notice, not later than 48 hours from the conclusion of the AGM to the Chairman. The result of the voting will be announced within 48 (Forty Eight) hours after the conclusion of the meeting at the Company's website at [www.hdbfs.com](http://www.hdbfs.com);

## EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

### Item No. 3

On the recommendation of Nomination & Remuneration Committee (NRC), Board of Directors of the Company approved appointment of Mr. Adayapalam Viswanathan as an Additional Independent Director of the Company, pursuant to the provisions of Sections 149, 152 and 161 of the Companies Act, 2013 with effect from July 24, 2019 till the conclusion of the ensuing Annual General Meeting. The Board proposed appointment of Mr. Adayapalam Viswanathan as an Independent Director, not liable to retire by rotation, to hold office for a period of 5 years effective July 24, 2019 till July 23, 2024. NRC confirms that Mr. Adayapalam Viswanathan satisfies the fit and proper criteria as prescribed under the RBI Master Direction Master Direction RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

#### **Brief Profile of Mr. Adayapalam Viswanathan:**

Mr. Adayapalam Viswanathan is a Retired Partner of Deloitte Touche Tohmatsu India LLP. He holds a bachelor degree in commerce. He is a member of Institute of Chartered Accountants of India (ICAI), American Institute of Certified Public Accountants (AICPA) and Information Systems Audit & Controls Association (ISACA). He has experience of over 38 years. He had recently led Deloitte relationship for Risk advisory services for Tata Group, Cyber Security Services for Financial Service Industry (FSI) in India and India relationship for Barclays India. He is a Certified Coach in Marshall Goldsmith Stakeholders Centered Coaching, Member of Institute of Directors, India and Governing Council Member, Learning & Organisation Development Roundtable.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from certain Members proposing the candidature of Mr. Adayapalam Viswanathan as an Independent Director of the Company.

Mr. Adayapalam Viswanathan has also given a declaration under section 149(7) of the Act that he meets the criteria for independence as provided under section 149(6) of the Act and fulfils the conditions specified in the Act and the Rules framed thereunder. He has also confirmed that he satisfies the fit & proper criteria pursuant to RBI Master Direction and that he has not been disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as a Director of the Company.

In the opinion of the Board, Mr. Adayapalam Viswanathan fulfils the conditions specified in the Act and the applicable RBI guidelines for his appointment as an Independent Director of the Company and he is a person of integrity and possesses relevant experience and expertise to be appointed as Independent Director of the Company.

A letter of appointment issued to Mr. Adayapalam Viswanathan setting out the terms and conditions and other material documents are available for inspection.

Accordingly, the approval of the Members is being sought for the appointment of Mr. Adayapalam Viswanathan as an Independent Director of the Company with effect from July 24, 2019 pursuant to the provisions of Sections 149, 152 and Schedule IV of the Companies Act 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules and shall not be liable to retire by rotation.

The Board recommends the passing of the ordinary resolution as set out at Item No. 3 of this Notice for the approval of the Members.

Except Mr. Adayapalam Viswanathan, being an appointee and his relatives, to the extent of their shareholding interest, if any, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the said resolution.

### Item No. 4 & 5

The shareholders of the Company, at its 8<sup>th</sup> Annual General Meeting, had appointed Mr. Venkatraman Srinivasan (DIN: 00246012) and Ms. Smita Affinwalla (DIN: 07106628) as Independent Directors of the Company for a period of 5 years from March 12, 2015.

The Nomination & Remuneration Committee (NRC) at its meeting held on March 11, 2020, had evaluated the performance of Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla on various grounds such as qualification, knowledge, experience, track record, integrity, number of Board meetings and General meetings attended, their

participation in the meetings, time devoted by them and independent judgment expressed by them. On the basis of evaluation, NRC had recommended reappointment of Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla as Independent Directors (Non-Executive) of the Company, to the Board. Accordingly, the Board reappointed Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla as Additional Independent Directors of the Company to hold office till the ensuing Annual General Meeting and proposed their appointment as an Independent Director, not liable to retire by rotation, to hold office for a second term effective March 12, 2020 till March 11, 2025, subject to approval of the shareholders of the Company.

NRC confirms that Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla satisfy the fit and proper criteria as prescribed under the RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

### **Brief Profile of Mr. Venkatraman Srinivasan:**

Mr. Venkatraman Srinivasan holds a Bachelor of Commerce (B.Com) degree and is a fellow member of Institute of Chartered Accountants of India since 1981. He is a Partner in M/s. V. Sankar Aiyar & Co., Chartered Accountants, since 1984. He is engaged in audit and assurance practice and direct tax and corporate advisory services since 1984, specialising in statutory audits of banks, mutual funds and financial companies, public sector companies, and in advisory in the areas of Direct Tax, Company Law, the Competition Act, the Foreign Exchange Management Act (FEMA) and Securities and Exchange Board of India (SEBI) matters. He has a work experience of 35 years.

He is a Special Invitee on the Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) for the F Y 2020-21 and was a Special Invitee on the ITFG Committee of the ICAI for the F Y 2019-20. Participated in the Case Study Based Governance Program on "Audit Committees in this New Era of Governance" at the Harvard Business School.

### **Brief Profile of Ms. Smita Affinwalla:**

Ms. Smita Affinwalla is a MBA (Finance) from the Jamnalal Bajaj Institute of Management Studies and a senior fellow, Human Capital with the Conference Board, USA with over 34 years of experience in the Human Resources and Financial Services Industry. She is the Founder and Managing Director of Illuminos Consulting Private Limited. Smita is also a member of the Industry Advisory Committee of the Indian Institute of Management, Indore. She is a member of the Executive Committee of NHRD Mumbai Chapter and was Co-Chairperson, HR Committee, Indian Merchants Chamber.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from certain Members proposing the candidature of Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla as an Independent Director of the Company. They have given a declaration under section 149(7) of the Act that they meet the criteria for independence as provided under section 149(6) of the Act and fulfil the conditions specified in the Act and the Rules framed thereunder. They have also given their consent for reappointment as a Director of the Company.

In the opinion of the Board, Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla fulfil the conditions specified in the Act and the applicable RBI guidelines for their reappointment as an Independent Director of the Company and they are person of integrity and possess relevant experience and expertise to be reappointed as Independent Director of the Company. A letter of reappointment issued to Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla setting out the terms and conditions and other material documents are available for inspection.

As per the provisions of Section 149 of the Companies Act, 2013 and the Rules made thereunder, an Independent Director can be reappointed for a second term of maximum 5 (five) years by obtaining approval of the shareholders by a way of special resolution.

Accordingly, the approval of the Members is being sought for the reappointment of Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla as an Independent Director of the Company with effect from March 12, 2020 for further period of 5 years till March 11, 2025 pursuant to the provisions of Sections 149, 152 and Schedule IV of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules and shall not be liable to retire by rotation.

The Board recommends the passing of the special resolution as set out at Item No. 4 and 5 of this Notice for the approval of the Members.

Except Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla, being an appointee and their relatives, to the extent of their shareholding interest, if any, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the said resolution.

## Item No. 6 & 7

In terms of the provisions of Section 180(1)(c) and 180(1)(a) of the Companies Act, 2013, the Members of the Company at the 12<sup>th</sup> Annual General Meeting held on June 21, 2019 had granted their approval by way of special resolution to the Board of Directors of the Company to borrow, from time to time, such sums of money from banks, financial institutions for an amount not exceeding ₹ 70,000 crore (Rupees Seventy Thousand Crore Only) and to mortgage or create charge on all or any of the assets of the Company in favour of the concerned lenders for the purpose of securing the due repayment of the monies borrowed by the Company together with the interest and other monies thereon. As on March 31, 2020, the outstanding borrowings of the Company amounted to ₹ 47,093.93 crore.

As per the provisions of Section 180(1)(c) and 180(1)(a), respectively, of the Companies Act, 2013, the Board of Directors of a Company shall not,

- borrow money, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its paid-up share capital, free reserves and securities premium, apart from temporary loans obtained from the company's bankers in the ordinary course of business, or
- sell, lease or otherwise dispose of the whole or substantially the whole of its undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings,

without the consent of the Members of the company accorded at the General Meeting by means of a 'special resolution'.

For the purpose of funding its lending business operations, the Company raises resources inter-alia by borrowing monies from time to time from various persons, firms, bodies corporate, banks, financial institutions, etc. and these borrowings are inter-alia secured by mortgage of immovable properties, hypothecation/pledge of movable properties, promissory notes and/or negative liens/pledges on the assets and properties of the Company coupled with power of attorney in favour of such lenders.

Considering the future business growth in the loan book of the Company and to meet the funding requirement of the business in the Company and in order to provide security to such loans by way of mortgage or creating charge on the assets of the Company, it is proposed to increase the borrowing limits of the Company to ₹ 80,000 crore (Rupees Eighty Thousand Crore Only) by passing the resolution proposed under item no. 6 as a special resolution. Further, in order to provide security to such loans by way of mortgage or creating charge on the assets of the Company up to ₹ 80,000 crore (Rupees Eighty Thousand Crore Only), resolution under item no. 7 is proposed to be passed as a special resolution.

In view of the aforesaid, the Board of Directors at its meeting held on May 13, 2020, has subject to the approval of Members, obtained approval to increase borrowing limits of the Company and to mortgage or create charge on all or any of the assets of the Company as approved by the Members pursuant to Section 180(1)(c) and 180(1)(a) of the Act.

Accordingly, the approval of the Members is being sought by way of special resolution authorising the Board of Directors to borrow further sums of monies within an overall limit of ₹ 80,000 crore (Rupees Eighty Thousand Crore Only) outstanding at any given point of time. The Board recommends passing of the special resolutions as set out under item nos. 6 and 7 of this Notice for approval of the Members.

Save and except for the shareholding interest, if any, held by them, none of the Directors or Key Managerial Personnel of the Company or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution as set out in Item no 6 and 7.

## Item No. 8

The Company has been raising funds by offer and/or invite for issuing redeemable Non-Convertible Debentures, secured or unsecured, fixed rate or market/bench mark linked and/or any other hybrid instruments (not in the nature of equity shares) including but not limited to Subordinated Bonds, Perpetual Debt Instruments which may or may not be classified as being additional Tier I or Tier II capital (hereinafter referred to as "Debt Securities") on private placement basis, from time to time.

# Notice



In terms of Section 71 which deals with the issue of debentures read with Section 42 of the Companies Act, 2013, which deals with the offer or invitation for subscription of Debt Securities of the company on private placement basis read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company can make private placement of its Debt Securities only after receipt of prior approval of its shareholders by way of a special resolution. The Companies (Prospectus and Allotment of Securities) Rules, 2014 further provides that the said special resolution must be passed in respect of all offers/invitations for the Debt Securities to be issued during a year and such a special resolution is required to be passed every year.

The shareholders at the 12<sup>th</sup> Annual General Meeting held on June 21, 2019 had accorded their approval to the Company for issuance of Non-Convertible Debentures as mentioned below:

- A. Non-Convertible Debentures (NCDs) upto a limit of ₹ 19,080.9 crore which included existing limit of ₹ 4080.9 crore and new limit of ₹ 15,000 crore for NCDs. As on March 31, 2020 the Company had raised NCDs of ₹ 7,271.00 crore excluding the outstanding partly paid up NCDs of ₹ 1,200 crore. The limit of ₹ 10,609.90 crore is available for further issuance of NCDs.
- B. Market Linked Debentures (MLDs) up to a limit of ₹ 2361.1 crore which included existing limit of ₹ 361.1 crore and new limit of ₹ 2,000 crore for MLDs. As on March 31, 2020 the Company had raised MLDs of ₹ 125 crore. The limit of ₹ 2,236.10 crore is available for further issuance of MLDs.
- C. Subordinated Bonds (Sub Debts) up to a limit of ₹ 900 crore. Out of the said limit, the Company had raised ₹ 543.50 crore as on March 31, 2020 and the limit of ₹ 356.50 crore is available for further issuance of Sub Debts.
- D. Perpetual Debt Instruments (PDIs) upto a limit of ₹ 700 crore which included existing limit of ₹ 200 crore and new limit of ₹ 500 crore. Out of the said limit, the Company had raised ₹ 200 crore as on March 31, 2020 and the limit of ₹ 500 crore is available for further issuance of PDIs.

Further the Board, at its meeting held on May 13, 2020, had approved above outstanding limit of Debt Securities and had also approved for fresh issue of NCDs of ₹ 7,500 crore. Hence approved limit of NCDs, MLDs, Sub Debts and PDIs for Issuance is ₹ 18,109.90 crore, ₹ 2,236.10 crore, ₹ 356.50 crore and ₹ 500 crore respectively.

In terms of the requirements of Resource Planning Policy of the Company and Business planning for the FY 2020-2021, it is expected that the Company will issue Debt Securities which shall exceed the aforesaid limit. The NCDs proposed to be issued by the Company will be issued for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

Pursuant to the notification dated August 07, 2018, by which Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 has been amended, it is now mandated that certain disclosures are required to be made in the explanatory statement annexed to the notice for shareholders' approval under Section 42 of the Companies Act, 2013.

The disclosures required pursuant to Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 are set out herein below:

- a) Particulars of the offer including date of passing of board resolution: This special resolution is being passed in terms of the third proviso to Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014 for the issuance of Debt Securities, from time to time, for the period of 1(one) year from the date hereof and accordingly this question is not applicable at present. The particulars of each offer shall be determined by the Board (including any committee duly authorised by the Board thereof), from time to time;
- b) Kinds of securities offered and price at which security is being offered: This special resolution is restricted to the private placement issuance of Debt Securities, with the terms of each issuance being determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;
- c) Basis or justification for the price (including premium, if any) at which offer or invitation is being made: Not applicable at this stage. This will be determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;

## Notice



- d) Name and address of valuer who performed valuation: Not applicable at this stage. This will be determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;
- e) Amount which the company intends to raise by way of such securities: As may be determined by the Board of Directors from time to time but subject to the limits approved under Section 42 of the Companies Act, 2013 of up to ₹21,202.50 crore (Rupees Twenty One Thousand Two Hundred Two Crore and Fifty Lakh Only);
- f) Material terms of raising such securities, proposed time schedule, purposes or objects of offer, contribution being made by the promoters or directors either as part of the offer or separately in furtherance of objects; principle terms of assets charged as securities: This special resolution is being passed in terms of the third proviso to Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014 for the issuance of NCDs, from time to time, for the period of 1 (one) year from the date hereof and accordingly this question is not applicable at present. The particulars of each offer shall be determined by the Board (including any committee duly authorised by the Board thereof), from time to time.

In view of the aforesaid, the Board of Directors at its meeting held on May 13, 2020, has approved issuance of Debt securities in one or more tranches, on private placement basis and within the overall borrowing limit of ₹ 80,000 crore (Rupees Eighty Thousand Crore Only), subject to the approval of the Members.

Accordingly, the approval of the Members is being sought by way of special resolution as set out at Item No. 8 of this Notice authorising the Board to issue NCDs and/or any other hybrid instruments (not in the nature of equity shares) which may or may not be classified as being Tier II capital under the provisions of the RBI Master Directions, for an aggregate amount not exceeding ₹21,202.50 crore (Rupees Twenty One Thousand Two Hundred Two Crore and Fifty Lakh Only) on private placement basis during a period of one year from the date of this AGM.

The Board, accordingly, recommends the passing of the special resolution as set out at Item No. 8 of this Notice, for the approval of the Members.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in the said resolution, except to the extent of NCDs that may be subscribed by companies/firms in which they are interested.

### Item No. 9

The Company has been raising funds through various modes in order to fulfill working capital requirement of the Company. As per Reserve Bank of India (RBI) Circular on "External Commercial Borrowings (ECB) Policy - New ECB Framework" as amended from time to time and any other applicable Guidelines, Directions or laws, Company is allowed to issue rupee denominated bonds to overseas investors.

Pursuant to Section 42 of the Companies Act, 2013, read with the Rules made thereunder, the Company is required to obtain approval of its Members by way of a special resolution, before making any offer or invitation for issue of Foreign Currency/Rupee Denominated Bonds on a private placement basis. The said approval shall be the basis for the Board to determine the terms and conditions of any issuance of Bonds by the Company for a period of 1 (One) year from the date on which the Members have provided the approval by way of the special resolution.

In view of the above Board of Directors at its meeting held on May 13, 2020, has approved issue of Foreign Currency/ Rupee Denominated Bonds in one or more tranches, on private placement basis, up to Rupee equivalent USD 750 Million, within the overall borrowing limit of ₹ 80,000 crore (Rupees Eighty Thousand Crore Only), subject to the approval of the Members.

In this regard, the approval of the Members is sought by way of special resolution for issue of Foreign Currency/ Rupee Denominated Bonds on a private placement basis, whether listed or not, rated or not in one or more tranches, for a period of 1 (one) year from the date of passing the Resolution, on such terms and conditions including the price, coupon, premium/ discount, tenor etc., as may be determined by the Board of Directors (or any other person authorised by the Board of Directors), at the prevailing market condition.

Accordingly, the Board recommends the resolution as set out at Item No. 9 of the accompanying Notice for the approval of the Members.

## Notice



Save and except for the shares of the Company held by them, none of the Directors or Key Managerial Personnel of the Company or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution.

### Item No. 10

The Company has been raising funds through securitisation transactions with HDFC Bank Limited ('Bank') for the ongoing requirements of the Company. It may be noted that the Bank is the promoter/ holding company of the Company, and currently holds 95.30% of the paid up equity share capital of the Company.

Mr. Aditya Puri, Managing Director at the Bank is also on the Board of the Company as a Chairman. All Securitisation transactions with the Bank are in the ordinary course of business and are at arm's length basis. However, at some instances there might be challenges to provide evidence from third party demonstrating arm's length pricing.

In terms of the provisions of Section 188 of the Companies Act, 2013, Related Party Transactions' ('RPT') need to be approved by Board of Directors in case it is not in the ordinary course of business of the Company or not at arm's length basis. Further, approval of members is required for the RPTs exceeding the prescribed limit as mentioned in Section 188 of the Act. In the future, the Company may enter into a securitisation transaction with HDFC Bank, as per the regulatory framework laid down by Reserve Bank of India. To ensure compliance, it is proposed by the Management to have the securitisation transactions to be entered into by the Company with the Bank be approved by the Board and the Shareholders of the Company at the ensuing Annual General Meeting of the Company.

The Board of Directors, at its meeting held on May 13, 2020, has approved securitisation transactions with the Bank, as per the regulatory framework laid down by Reserve Bank of India in the future, subject to the approval of the Members.

- i. Name of the Related Party - HDFC Bank Limited
- ii. Name of the director or key managerial personnel who is related - Mr. Aditya Puri and Mr. Jimmy Tata
- iii. Nature of relationship - Promoter and holding company
- iv. Nature, material terms, monetary value and particulars of the contract or arrangements - The securitisation transactions in one or more tranches within the overall securitisation limit of ₹ 6,500 crore (Rupees Six Thousand Five Hundred Crore Only)
- v. Any other information relevant or important for the Members to take a decision on the proposed resolution - None.

In view of the above, the approval of the Members is sought by way of ordinary resolution for entering into securitisation transactions with the Bank. The Audit Committee of the Company has also granted approval for other types of transactions with the Bank under the omnibus route for the financial year 2020-2021.

Accordingly, the Board recommends the resolution as set out at Item No. 10 of the accompanying Notice for the approval of the Members.

Except Mr. Aditya Puri and Mr. Jimmy Tata, none of the Directors, Key Managerial Personnel and their relatives are interested in the passing of the above resolution.

All related parties shall abstain from voting on these resolutions.

### Registered Office:

Radhika, 2<sup>nd</sup> Floor,  
Law Garden Road, Navrangpura,  
Ahmedabad - 380 009

Place : Mumbai  
Date : May 13, 2020

**By order of the Board  
For HDB Financial Services Limited**

Sd/-  
**Dipti Khandelwal**  
**Company Secretary**  
ACS No.: A25592



**ANNEXURE 1**

**Details of Director seeking reappointment at the forthcoming Annual General Meeting Information as required under Clause 1.2.5 of the Secretarial Standard on General Meetings (SS-2) is given hereunder:**

|  |   |   |   |   |
|--|---|---|---|---|
| Name of Director   | Mr. Jimmy Tata  | Mr. Adayapalam Viswanathan                                | Mr. Venkatraman Srinivasan                                | Ms. Smita Affinwalla                                      |
| DIN  | 06888364  | 08518003  | 00246012  | 07106628  |
| Age (years)  | 53  | 62  | 61  | 57  |
| A brief resume, Qualification(s), Experience and Nature of his expertise in specific functional areas, Recognition or awards | Mr. Jimmy Tata holds a Masters in Financial Management from Jamnalal Bajaj Institute of Management Studies (JBIMS) and is a qualified Chartered Financial Analyst. He has over 27 years of experience in banking and financial sector. Presently, he is the Chief Risk Officer and part of Senior Management team of HDFC Bank. | As mentioned in explanatory statement above               | As mentioned in explanatory statement above               | As mentioned in explanatory statement above               |
| Terms and conditions of appointment or reappointment   | Non-Executive Director (Non-Independent), liable to retire by rotation.   | Independent Director and not liable to retire by rotation | Independent Director and not liable to retire by rotation | Independent Director and not liable to retire by rotation |
| Details of remuneration sought to be paid  | Sitting Fees  | Sitting Fees and Commission                               | Sitting Fees and Commission                               | Sitting Fees and Commission                               |
| Details of the remuneration last drawn by such person (FY 2019-20)   | Disclosed in Form MGT-9 forming part of Director's Report   | Disclosed in Form MGT-9 forming part of Director's Report | Disclosed in Form MGT-9 forming part of Director's Report | Disclosed in Form MGT-9 forming part of Director's Report |
| Date of first appointment on the Board   | May 01, 2016  | July 24, 2019   | March 12, 2015  | March 12, 2015  |
| Shareholding in the Company  | 3,21,021 equity shares  | Nil   | Nil   | Nil   |
| Relationship with other Directors, Manager and other Key Managerial Personnel  | None  | None  | None  | None  |

# Notice

| Name of Director   | Mr. Jimmy Tata  | Mr. Adayapalam Viswanathan | Mr. Venkatraman Srinivasan | Ms. Smita Affinwalla   |
|--|---|----------------------------|----------------------------|--|
| The number of Meetings of the Board attended during (FY 2019-20) | 6   | 3                          | 4                          | 6  |
| Other Directorships (excluding HDB Financial Services Limited)   | <ol style="list-style-type: none"> <li>1. International Asset Reconstruction Company Private Ltd</li> <li>2. Tata Investment Corporation Limited</li> </ol>   | Nil                        | Nil                        | <ol style="list-style-type: none"> <li>1. Avameh Consulting Private Limited</li> <li>2. Illuminos Consulting Private Limited</li> <li>3. Prime Securities Limited</li> </ol>   |
| Membership / Chairmanship of Committees of other Board           | <p><b>International Asset Reconstruction Company</b></p> <p><b>Member</b></p> <ol style="list-style-type: none"> <li>a) Acquisition and Reconstruction Committee</li> <li>b) Nomination &amp; Remuneration Committee</li> <li>c) Existing Portfolio Resolution &amp; Review Committee</li> </ol> <p><b>Tata Investment Corporation Limited</b></p> <p><b>Chairman</b><br/>Asset Liability Risk Management and IT Steering Committee</p> <p><b>Member</b></p> <ol style="list-style-type: none"> <li>a) Nomination &amp; Remuneration Committee</li> <li>b) Audit Committee</li> </ol> | Nil                        | Nil                        | <p><b>Prime Securities Limited</b></p> <p><b>Chairperson</b></p> <ol style="list-style-type: none"> <li>a) Stakeholder Relationship Committee</li> </ol> <p><b>Member</b></p> <ol style="list-style-type: none"> <li>a) Audit Committee</li> <li>b) Nomination and Remuneration Committee</li> </ol> |

# Directors' Report



## The Members, HDB Financial Services Limited

Your Directors have pleasure in presenting Thirteenth Annual Report on the business and operations of your Company together with the audited accounts for the Financial Year ended March 31, 2020.

### Financial Performance

(₹ in crore)

| Particulars   | 2019-20   | 2018-19  |
|---|-----------|----------|
| Total Income  | 10,756.47 | 8,724.81 |
| Total Expenditure (excluding depreciation)                        | 9,182.33  | 6,938.83 |
| Profit/(Loss) before Depreciation & Tax                           | 1,574.14  | 1,785.98 |
| Less: Depreciation  | 109.66    | 61.92    |
| Profit before Tax   | 1,464.48  | 1,724.06 |
| Tax Expense   | 459.63    | 570.82   |
| Profit after Tax  | 1,004.85  | 1,153.24 |
| Other Comprehensive Income (net of tax)                           | (55.03)   | (3.43)   |
| Total Comprehensive Income after tax                              | 949.82    | 1,149.81 |
| <b>Appropriations from Profit after Tax:</b>                      |           |          |
| Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934 | 200.97    | 230.65   |
| Dividend Paid   | 141.43    | 54.81    |
| Dividend Tax thereon  | 29.08     | 11.27    |
| Balance carried forward to Balance Sheet                          | 578.34    | 853.08   |

Your Company posted total income and net profit of ₹ 10,756.47 crore and ₹ 1,004.85 crore, respectively, for the financial year ended March 31, 2020, as against ₹ 8,724.81 crore and ₹ 1,153.24 crore respectively, in the previous year. Your Company has transferred an amount of ₹ 200.97 crore to Reserve Fund under Section 45-IC of the RBI Act, 1934.

### Dividend

In order to conserve capital for growth of the Company and to deal with the uncertain economic environment due to the pandemic, your directors do not recommend any dividend payment at the ensuing AGM to be held on June 30, 2020.

### Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

On March 24, 2020, the Government of India announced a strict 21-day lockdown across the country to contain the spread of SARS-CoV-2 virus responsible for COVID-19. The lockdown was extended till May 17, 2020. On April 17, 2020, RBI issued a notification, "COVID19 Regulatory Package - Asset classification and Provisioning", to elevate the temporary stress caused by the pandemic. The impact of the COVID-19 pandemic on the financial position of the company will depend on future developments, including among other things, extent and severity of the pandemic, mitigating actions by governments and regulators, time taken for economy to recover, etc.

### Capital Structure

During the year, your Company has issued 18,79,350 equity shares. The details of which are provided below:

| No. of fully paid up equity shares | Date of allotment  | Purpose   |
|------------------------------------|--------------------|---|
| 1,68,700                           | September 13, 2019 | Shares were issued to employees under the Employees Stock Option Scheme |
| 17,10,650                          | December 11, 2019  | Shares were issued to employees under the Employees Stock Option Scheme |

# Directors' Report



Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Company stands increased to ₹ 7,87,57,96,560 (Rupees Seven Hundred Eighty Seven Crore Fifty Seven Lakh Ninety Six Thousand and Five Sixty Only) comprising of 78,75,79,656 (Seventy Eight Crore Seventy Five Lakh Seventy Nine Thousand Six Hundred and Fifty Six) equity shares of ₹ 10 each as on March 31, 2020.

## Capital Adequacy

Capital adequacy as at March 31, 2020 under Ind-AS stood at 19.36% which is well above the minimum regulatory norms for non-deposit accepting NBFCs.

## Ratings

The CARE Ratings Limited (CARE) and CRISIL Limited (CRISIL) have reaffirmed highest ratings for the various facilities availed by the Company, details of which are given below:

| Facility                   | CARE                   | CRISIL                   | Amount<br>₹ in crore |
|----------------------------|------------------------|--------------------------|----------------------|
| Bank Facilities            | CARE AAA;Stable        | CRISIL AAA/Stable        | 25,000.00            |
| Short Term Debt Program    | CARE A1+               | CRISIL A1+               | 12,500.00            |
| Non-Convertible Debentures | CARE AAA;Stable        | CRISIL AAA/Stable        | 34,479.92            |
| Market Linked Debentures   | CARE PP-MLD AAA;Stable | CRISIL PP-MLD AAa/Stable | 3,000.00             |
| Subordinated Bonds         | CARE AAA;Stable        | CRISIL AAA/Stable        | 3,500.00             |
| Perpetual Bonds            | CARE AAA;Stable        | CRISIL AAA/Stable        | 1,000.00             |

All of the above ratings indicate a high degree of safety with regard to timely payment of interest and principal.

## Borrowings

Your Company has diversified funding sources from Public Sector Banks, Private Sector Banks, Mutual Funds, Insurance Companies, Financial Institutions etc. Funds were raised in line with Company's Resource Planning Policy through Term Loans, Non-Convertible Debentures (NCDs), Market Linked Debentures (MLDs), Subordinated Bonds, Perpetual Debt Instruments and Commercial Paper. The details of funds raised during the year are as below:

| # | Borrowings/ Security type                        | Credit rating          |                          | Amount raised<br>₹ in crore |
|---|--|------------------------|--------------------------|-----------------------------|
|   |  | CARE                   | CRISIL                   |                             |
| 1 | Term Loans from Banks and Financial Institutions | CARE AAA;Stable        | CRISIL AAA/Stable        | 9,325.00                    |
| 2 | Secured Redeemable Non-Convertible Debentures    | CARE AAA;Stable        | CRISIL AAA/Stable        | 7,271.00                    |
| 3 | Secured Redeemable Market Linked Debentures      | CARE PP-MLD AAA;Stable | CRISIL PP-MLD AAa/Stable | 125.00                      |
| 4 | Unsecured Redeemable Subordinated Bonds          | CARE AAA;Stable        | CRISIL AAA/Stable        | 543.50                      |
| 5 | Unsecured Redeemable Perpetual Debt Instruments  | CARE AAA;Stable        | CRISIL AAA/Stable        | 200.00                      |
| 6 | Commercial Paper                                 | CARE A1+               | CRISIL A1+               | 2,030.00                    |

No interest payment or principal repayment of the Term Loans was due and unpaid as on March 31, 2020. The assets of the Company which are available by way of security are sufficient to discharge the claims of the banks as and when they become due.

Secured Redeemable Non-Convertible Debentures, Secured Redeemable Market Linked Debentures, Unsecured Redeemable Subordinated Bonds, Unsecured Perpetual Debt Instruments are issued by your Company on private placement basis and the rating for various facilities indicating the highest degree of safety with regard to timely servicing of financial obligations.

Perpetual Debt Securities are 6.69 % of Tier I capital of the Company. An amount of ₹ 500 crore is outstanding as on March 31, 2020.

NCDs and MLDs were issued with maturity period ranging from 17 months to 10 years. The interest payable on all the debt securities is either annually or quarterly or on maturity and no interest was due and unpaid as on March 31, 2020. The Company has not received any grievances from the debt security holders. The assets of the Company which are available by way of security are sufficient to discharge the claims of the debt security holders as and when they become due.

The above mentioned Debt securities are listed on Wholesale Debt Market (WDM) segment of the BSE Ltd.

## Corporate Social Responsibility (CSR)

The Company has initiated partnerships with implementing agencies for projects in the areas of Skills Training & Livelihood Enhancement, Environmental Sustainability, Healthcare and Education as part of its initiatives under CSR. These projects are in accordance with Schedule VII of the Companies Act, 2013.

The Company's CSR activities are guided and monitored by its CSR Committee. The CSR Policy of the Company provides a broad set of guidelines including intervention areas.

The Company believes that CSR is a way of creating shared value and contributing to social and environmental good. Company's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations.

As per Section 135 of the Act, the Company was required to spend an amount of ₹ 28.28 crore equivalent to 2% of the 'average net profits' of the last three (3) financial years. During the FY 2019-20, your Company has spent an amount of ₹ 24.80 crore on CSR activities as against prescribed CSR expenditure of ₹ 28.28 crore. The Company has provided for an unspent amount of ₹ 3.47 crore to ensure that the scheduled CSR expenses are processed in the next FY2020-2021. The Annual Report on CSR activities is annexed herewith as "**Annexure A**".

## Number of Board Meetings during the financial year 2019-20

The Board of Directors met 6 times during the year under review and the details of such meetings are disclosed in the Corporate Governance Report forming part of this Report.

## Directors and Key Managerial Personnel (KMP)

### a. Retirement by Rotation

In terms of Section 152 of the Act and the Articles of Association of the Company, Mr. Jimmy Tata (DIN 06888364) Non-Executive Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. In opinion of your Directors, Mr. Jimmy Tata has requisite qualification and experience and therefore, your Directors' recommend his reappointment in the ensuing Annual General Meeting.

### b. Inductions to the Board / Reappointments

On the recommendations of the Nomination and Remuneration Committee ("NRC"), the Board of Directors appointed Dr. Amla Samanta as an Independent Director (Additional) of the Company with effect from May 01, 2019. The Shareholders, at the 12<sup>th</sup> Annual General Meeting held on June 21, 2019, approved appointment of Dr. Amla Samanta as an Independent Director of the Company, not liable to retire by rotation, for a period of five consecutive years with effect from May 01, 2019 up to April 30, 2024.

On the recommendations of the NRC, the Board of Directors in terms of Sections 149, 152 and 161 of the Act, have appointed Mr. Adayapalam Viswanathan, as Independent Director (Additional) of the Company with effect from July 24, 2019 till the conclusion of the ensuing Annual General Meeting. Your Board recommends appointment of Mr. Viswanathan as an Independent Director, not liable to retire by rotation, to hold office for a period of 5 years effective July 24, 2019 till July 23, 2024.

Based on the recommendations of the NRC and pursuant to the performance evaluation of Mr. Venkatraman Srinivasan, the Board reappointed Mr. Venkatraman Srinivasan as an Independent Director (Additional) of the Company to hold office till the ensuing Annual General Meeting and proposed appointment of Mr. Venkatraman as an Independent Director, not liable to retire by rotation, to hold office for a second term effective March 12, 2020 till March 11, 2025.

Based on the recommendations of the NRC and pursuant to the performance evaluation of Ms. Smita Affinwalla, the Board reappointed Ms. Smita Affinwalla as an Independent Director (Additional) of the Company to hold office till the ensuing Annual General Meeting and proposed appointment of Ms. Smita Affinwalla as an Independent Director, not liable to retire by rotation, to hold office for a second term effective March 12, 2020 till March 11, 2025.

The Company has received notice in writing under the provisions of Section 160 of the Act from certain Members proposing the candidature of Mr. Adayapalam Viswanathan, Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla as an Independent Director of the Company under Section 149 of the Act for a period of 5 (five) consecutive years.

In opinion of the Board, Mr. Adayapalam Viswanathan, Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla are persons of integrity. Further, they possess relevant experience and expertise to be appointed / reappointed as Independent Director of the Company. Brief profiles of the directors proposed to be appointed / reappointed along with their experience and specific areas of expertise are annexed to the Notice convening Annual General Meeting forming part of the Annual Report.

All the directors of the Company have confirmed that they satisfy the fit and proper criteria as prescribed under the applicable RBI regulations and that they are not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013.

Necessary resolution seeking approval of the members for appointment of Mr. Adayapalam Viswanathan and reappointment of Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla as an Independent Director has been included in the Notice of ensuing Annual General Meeting.

## c. Resignation

Mr. Bhavesh Zaveri was appointed as Non-executive Director of the Company w.e.f May 1, 2016. He has expressed his desire to step down from the Board due to preoccupation. The Board of Directors vide circular resolution passed on November 30, 2019, have accepted his request to step down from the Board of the Company effective November 28, 2019. Consequent to his resignation, he ceases to be a member of the IT Strategy Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee of the Company.

Your directors place on record their sincere appreciation for his contribution to the Company as a Director. Mr. Bhavesh Zaveri has provided guidance and expert advice to the Board members and management team in matters of audit, operations, information technology and compliance, and has helped your Company to achieve growth and enhance its brand value.

## Declaration by Independent Directors

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Act that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6) of the Act.

## Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Act:

- i. that in preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- ii. that appropriate accounting policies have been selected & applied consistently & judgments and estimates made are reasonable & prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2020 & of the profits of the Company for the said year;
- iii. that proper & sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company & for preventing & detecting fraud & other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. that the Company had laid down internal financial controls to be followed and that such internal financial controls are adequate and were operating effectively; and
- vi. that systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

## **Vigil Mechanism/Whistle Blower Policy**

As per the provisions of Section 177(9) of the Act the Company is required to establish an effective Vigil Mechanism for Directors and employees to report genuine concerns. The Company as part of the 'vigil mechanism' has in place a Board approved 'Whistle Blower Policy' to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy has been placed on the website of the Company.

This vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimisation of employees and also provides direct access to the Chairman of the Audit Committee in exceptional circumstances. The whistle blower complaints were reviewed by the Audit Committee on a quarterly basis.

During the year under review, 7 (seven) complaints were received by the Company and 1 (one) complaint was open as on March 31, 2019. All the 8 (eight) complaints have been investigated and addressed as per the policy and no complaint is pending as on March 31, 2020. None of the personnel of your Company were denied access to the Audit Committee.

## **Disclosures pursuant to the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013**

In line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 your Company has adopted a Policy on Prevention of Sexual Harassment at Workplace and Rules framed thereunder. Your Company has also set up Internal Complaints Committee to redress complaints received regarding sexual harassment. The said policy is uploaded on the website of the Company.

During the year under review, the Company received 21 (twenty-one) complaints of which 16 (sixteen) complaints were investigated and addressed as per the policy and 5 (five) complaints are under investigation. All the open complaints during the previous year ending March 31, 2019 were closed in the reporting year. Complaints are reviewed by Board of Directors on quarterly basis.

## **Statutory Auditors**

Pursuant to the provisions of Sections 139 and 141 of the Act and Rules made thereunder, the Shareholders in their 11<sup>th</sup> Annual General Meeting had reappointed M/s. B S R & Co. LLP, Chartered Accountants as Statutory Auditors of the Company, to hold office up from the conclusion of the 11<sup>th</sup> Annual General Meeting till the conclusion of the 16<sup>th</sup> Annual General Meeting to be held in year 2023.

M/s. B S R & Co. LLP, Chartered Accountants, have confirmed that they are not disqualified within the meaning of Sections 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 to continue as the Statutory Auditors of the Company.

Further, the Auditors' Report "with an unmodified opinion", given by the Statutory Auditors on the Financial Statements of the Company for FY 2019-20, is disclosed in the Financial Statements forming part of this Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Statutory Auditor in their Report for the year under review.

No frauds in terms of the provisions of section 143(12) of the Act have been reported by Statutory Auditors in their report for the year under review.

## Secretarial Auditors

Pursuant to the provisions of Section 204 of the Act and Rules thereunder, M/s. Ashish Bhatt & Associates, Practicing Company Secretaries, were appointed as the Secretarial Auditor of the Company, to conduct Secretarial Audit for the year under review.

The Report of the Secretarial Auditor in Form MR-3 is annexed as '**Annexure B**'. There has been no qualification, reservation, adverse remark or disclaimer given by the Secretarial Auditor in his Report for the year under review.

## Secretarial Standards

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

## Employees Stock Option Scheme (ESOS)

The information pertaining to ESOS in terms of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 is given in '**Annexure C**'.

## Statutory Disclosures

- i. Pursuant to the provisions of Section 134(3)(a) and Section 92(3) read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of the Annual Return in Form MGT- 9 is annexed as '**Annexure D**'.
- ii. Disclosure as per Section 197(12) of the Act, pertaining to individuals employed throughout the year and in receipt of remuneration of not less than ₹ 102,00,000/- per annum or ₹ 850,000/- per month is given in '**Annexure E**'.
- iii. Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in '**Annexure F**'.
- iv. Pursuant to the provisions of Section 134(3)(e), the Company's Nomination and Remuneration policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) is available on the website of the Company <https://www.hdbfs.com/policies>.

## Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company.

Pursuant to the provisions of the Act, the Board has, on recommendation of its Audit Committee, adopted a policy on related party transactions and the said policy is available on the website of the Company at <https://www.hdbfs.com/policies>.

All related party transactions are placed before the Audit Committee and the Board for their approval on quarterly basis. Transactions with related parties, as per the requirements of Ind-AS, are disclosed to the notes to accounts annexed to the financial statements.

All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business except as stated in the Independent Auditor's Report.

Pursuant to the provisions of Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of the contracts or arrangements with related parties referred to in section 188(1) in Form AOC-2 is annexed as '**Annexure G**'.

The disclosures with respect to related party as specified in Regulation 53(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is forming part of the financial statements at Note no. 35.



# Directors' Report



## Corporate Governance Report

The report on Corporate Governance for the Company is annexed as 'Annexure H' and forms an integral part of this Annual Report.

### Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the company's operations in future

There are no significant and material orders passed by the regulators or courts or tribunals that would impact the going concern status of the Company and its future operations.

### Particulars of Loans, Guarantees or Investments

Pursuant to section 186(11) of the Act, the provisions related to loans made, guarantees given and securities provided do not apply to the Company.

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).

### Dividend Distribution Policy

Your Company has formulated a Dividend Distribution Policy, with an objective to provide the dividend distribution framework to the Stakeholders of the Company. The policy sets out various internal and external factors, which shall be considered by the Board in determining the dividend pay-out. The policy is available on the website of the Company i.e. [www.hdbfs.com/policies](http://www.hdbfs.com/policies)

### Subsidiaries, Joint Ventures, Associate Companies

During the year under review, no company became/ ceased to be a Subsidiary / Associate / Joint Venture of the Company. Also, the Company did not become a part of any Joint Venture during the year.

Accordingly, as at the end of the year under review and also as on the date of this Report, your Company does not have any Subsidiary and/or Associate Company and your Company is also not a part of any Joint Venture.

### Energy conservation, technology absorption and foreign exchange earnings and outgo

The provisions of Section 134(3)(m) of the Act, the rules made there under relating to conservation of energy, technology absorption do not apply to your Company as it is not a manufacturing Company. However, your Company has been increasingly using information technology in its operations and promotes conservation of resources. The details of foreign exchange earnings and foreign exchange expenditures are as below:

(₹ in crore)

| # | Particulars                   | FY 2019-20 | FY 2018-19 |
|---|-------------------------------|------------|------------|
| 1 | Foreign exchange earnings     | Nil        | Nil        |
| 2 | Foreign exchange expenditures | 19.63      | 0.74       |

### Fixed Deposits

Your Company is a non-deposit taking Company. The Company has not accepted any fixed deposit during the year under review. The Company has passed a Board resolution for non-acceptance of deposits from public.

### RBI guidelines

Reserve Bank of India (RBI) granted the Certificate of Registration to the Company in December 2007 vide Registration No. N.01.00477, to commence the business of a non-banking financial institution without accepting deposits. Your Company is a Non Deposit Taking Systemically Important Non-Banking Financial Company (NBFC-ND-SI). The Company has complied with and continues to comply with all the applicable regulations and directions of the RBI.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Economy

The Indian economy had already been undergoing a protracted slowdown as stress in financial and real sector fed into each other. The Novel Coronavirus (Covid-19) has cast a long shadow over a much-anticipated mild recovery in the Indian economy in fiscal 2021, with the World Health Organisation (WHO) declaring it a pandemic. Rating agencies, both global and domestic, are unanimous that the Covid-19 pandemic will be an economic tsunami for the world economy. Even though India may not slip into a recession, unlike the Eurozone, the US, or Asia-Pacific that have stronger trade ties to China, it is expected that the impact on India's GDP growth would be significant. The Asian Development Bank (ADB) has projected India's growth to slow down to 4% for the financial year 2020-21. It is expected that India's gross domestic product growth to strengthen to 6.2% in FY22, boosted by government reforms.

Given the spread of the virus worldwide, the impact on the economy will not be limited to just the slowdown in demand from China, but also as a result of lower demand from other affected regions. India's goods trade dependency on affected countries is significant: Eurozone, China, and rest of Asia Pacific - which are facing at least 200 bps hit to their growth forecast so far – account for ~48% of India's exports and ~50% of imports. Growth slowdown in these regions is likely to impact India's trade and thereby growth.

It is anticipated that domestic demand will rebound strongly once the lock downs are lifted and full economic activity resumes. The decline in oil prices is likely to moderate the foreign exchange outgo on the back of higher spending by the government to revive growth.

During the year, the government has taken several steps to lift growth, including a cut in corporate tax rates, a real estate fund for stressed housing projects and a national infrastructure pipeline. The Union Budget 2020 has focused on long-term policy direction, agricultural sector, education, infrastructure, healthcare, financial services and improving ease of doing business and better tax governance. There is also a strong message towards gaining people's confidence and trust through assurance about the stability of the banking system, making proposals like decriminalising specific provisions in the Companies Act, 2013, relooking at other laws, fine-tuning the Contract Act, increasing the deposit insurance and creating a taxpayers' charter in the statute to prevent harassment.

### Industry Structure and Developments

Defaults by a large NBFC and a HFC in 2018 - 19 continued to cast its shadow on the NBFC sector through the year. The NBFCs witnessed stress in their asset quality during the first half year of 2019-20. The gross NPA ratio of the NBFC sector increased from 6.1 per cent as at end-March 2019 to 6.3 per cent as at end-September 2019. The net NPA ratio, however, remained steady at 3.4 percent between end-March 2019 and end-September 2019. As at end-September 2019, the CRAR of the NBFC sector stood at 19.5 per cent, lower than 20 per cent as at end-March 2019.

As part of response to the economic challenges faced by the industry, RBI has been announcing various measures which will aid in liquidity flow into the system and should give relief to NBFCs.

The importance of NBFCs in credit intermediation is growing, the default by a large NBFC brought the focus on the asset liability mismatches of NBFCs, which poses risks to the NBFC sector as well as the financial system as a whole. To address such concerns, the Reserve Bank introduced the liquidity coverage ratio (LCR) requirement for all deposit-taking NBFCs and non-deposit taking NBFCs with an asset size of ₹ 5,000 crore and above (constituting 87 per cent of the total assets of the NBFC sector). The new regulation mandates NBFCs to maintain a minimum level of high-quality liquid assets to cover expected net cash outflows in a stressed scenario. NBFCs are required to reach a LCR of 100 per cent over a period of 4 years commencing from December 2020.

### Opportunities & Threats

Over the years, lenders have leveraged data analytics, and data science to offer superior customer experience through new-age underwriting models, seamless partner integration and real-time loan decisions. This offers a good opportunity to NBFCs to diversify their assets by remotely offering products which otherwise required expensive physical distribution.

The NBFCs largely cater to the informal and self-employed borrower segment and thus would face a higher impact due to income volatility at the customer's end arising by the lock down and disruption caused by Covid-19. The severity would be higher for customer segments whose income is from sectors which are most likely to have longer term impact such as travel, hospitality, etc.

Commercial vehicles sales fell 31% in FY 2019-20 compared to the previous year. Heavy Commercial Vehicle (HCV) sales fell 50% YOY. With effect from April 1, 2020, India moves to BS VI norms for vehicle emissions. This is likely to push up new vehicle prices up by 10 -15%. The silver lining is that the road transport sector is likely to see a quick revival for existing vehicle owners on the back of slower addition of new assets and need to service pent up demand after the lock-down.

The lock-down and consequent changes are likely to throw up new opportunities in public health and remote working. Extensive use of technology tools due to lock down is likely to result in faster adoption of technology in payments and Customer interactions. This will enable lenders to distribute products more efficiently. However, technology is also likely to disrupt traditional business models of some businesses.

On March 27, 2020, RBI announced various measures to address the stress in financial conditions caused by COVID-19. RBI permitted all lending institutions to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.

In line with the RBI COVID Regulatory Package, the Company offered a moratorium to its customers on loan instalments basis a Board approved policy. In respect of such borrowers to whom the benefit of asset classification was extended consequent to the moratorium, the Company has made provisions on conservative basis for expected credit loss.

(Data Sources: Industry, RBI and Rating Agency reports)

## Operations

Loan disbursements during the year were ₹ 29,853 crore as against ₹ 31,654 crore in the previous year.

The Assets under Management (AUM) of the Company as at March 31, 2020 increased to ₹ 58,832.75 crore from ₹ 55,425.16 crore in the previous year.

The Company has continued to focus on diversifying its products and expand its distribution to effectively deliver credit solutions to its market.

## PRODUCTS

The current product portfolio consists of Loans, Fee based products and BPO services.

### Loans

The Company offers a wide range of loan products (secured and unsecured) to various customer segments. These include Consumer Loans, Enterprise Loans and Asset Finance.

#### Consumer Loans:

The Company provides loans for purchase of white goods (such as washing machines and refrigerators etc.), brown goods (such as televisions, audio equipment and similar household appliances etc.), digital products (such as mobile phones, computer/laptop etc.) and life style products.

The Company also provides loans to individuals for personal, family or household purposes to meet their short or medium term requirements.

#### Consumer Loans Portfolio includes:

- Consumer Durable Loan
- Digital Products Loan
- Gold Loan
- Auto Loan
- Personal loans

## Enterprise Loans:

Small businesses need funding, whether it is for the working capital for a big order or for setting up new machinery for faster production etc. The Company offers secured and unsecured loans to cater to the needs of these Enterprises.

Various loans offered to Enterprises include:

- Unsecured Business loan
- Loan against Property
- Loan against Lease Rental
- Enterprise Business Loan
- Auto Refinance
- Loan against securities

## Asset Finance:

The Company offers loans for purchase of new & used vehicles and equipment's that generate income for the borrowers. The Company provides finance to a broad spectrum of customers including fleet owners, first time users, first time buyers and captive use buyers.

- Commercial Vehicle Loans: The Company provides loans for purchase of new and used commercial vehicles. The Company also offers refinancing on existing vehicles.
- Construction Equipment Loans: The Company provides loans for purchase of new and used construction equipment. The Company also offers refinancing an existing equipment.
- Tractor Loans: The Company provides loans for purchase of new and used tractors.

## Fee based products/Insurance Services:

- The Company is a registered Corporate Insurance Agent having license from Insurance Regulatory & Development Authority of India (IRDAI). IRDAI has renewed Corporate Agency license of the Company for a period of 3 years from April 01, 2019 to March 31, 2022.
- The Company has obtained AMFI Registration Number from Associations of Mutual Funds in India.
- The Company distributes third party products like extended warranty and Road side assistance.

## Services:

- Collection Services - The Company has a contract with HDFC Bank to run collection call centres. The Company has set up 15 call centres across the country with a capacity of over 5,000 seats. These centres provide collection services for the entire gamut of retail lending products of HDFC Bank. The Company offers end to end collection services in over 750 locations through its calling and field support teams.
- Back office and Sales Support - The Company provides sales support services, back office, operations and processing support to HDFC Bank.

## SEGMENT WISE PERFORMANCE

The details with regard to segment wise performance of the Company are mentioned in the notes forming part of the financial statements at Note no. 34.

## INFRASTRUCTURE

The Company has 1,468 branches in 1,070 cities in India as on March 31, 2020. The Company has its data centre at Bengaluru and Mumbai with centralised operations based at Hyderabad, Chennai and Noida. To strengthen its internal processes, the Company has implemented a quality management system in its centralised operations.

## OUTLOOK

The markets will continue to grow and mature leading to differentiation of products and services. Companies will have to evolve their customer acquisition and engagement in post COVID economy and financial intermediary will

have to find its niche in order to add value to consumers. The Company with the distribution that is built over the years and committed workforce is cautiously optimistic in its outlook for the year 2020-21.

## **RISK MANAGEMENT**

Risk Management at your Company includes risk identification, risk assessment, risk measurement and risk mitigation with its main objective to minimise negative impact on profitability and capital. Your Company is exposed to various risks that are an inherent part of any financial service business. Your Company is committed towards creating an environment of increased risk awareness at all levels. It aims to constantly upgrade the security measures, including cyber security measures, to ensure avoidance and mitigation of various risks. Your Company has policies and procedures in place to measure, assess, monitor, and manage these risks systematically across all its portfolios.

### **Credit Risk including Credit Concentration Risk:**

Credit Risk is defined as the possibility of losses associated with the diminution in the credit quality of borrowers or counterparties from outright default or from reduction in portfolio value. The product programs for each of the products define the target markets, credit philosophy, process, detailed underwriting criteria for evaluating individual credits, exception reporting systems, individual loan exposure caps and other factors. For individual customers to be eligible for a loan minimum credit parameters are to be met for each product and any deviations must be approved at designated levels. Your Company has designed a Framework to measure, assess and monitor the Credit quality of the Asset. Credit framework encompasses parameters at different stages of the portfolio lifecycle—from acquisitions till write offs. Thresholds are defined using historical data for each parameter at the Product level identifying “stress” period for the product lifecycle. This framework defined at product level is then aggregated at the Portfolio level. Exposures are monitored against approved limits to guard against unacceptable risk concentrations. Concentration is also monitored in geographic locations in the retail portfolio, delinquency trends, types of credit facilities and collaterals.

### **Interest Rate Risk:**

Interest Rate Risk ('IRR') is the exposure of a company's financial condition to adverse movements in interest rates. Changes in interest rates affect a company's earnings by changing its Net Interest Income (NII). Asset Liability Committee (ALCO) is a decision making management committee responsible for balance sheet planning in your company from risk return perspective including strategic management of interest rate and liquidity risks. Advances Book and Funding strategy are tailored in such a way that repricing of borrowings can be offset by repricing the loans. Earnings Impact using traditional Gap Analysis measures the level of your Company's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over the horizon of analysis.

### **Business/Strategic Risk:**

Business/Strategic risks are risks that affect or are created by an organisation's business strategy and strategic objectives. Your Company's management of this risk is guided by diversification in its business through various product, customer segments and geographies, balanced growth while maintaining asset liability balance, prudent provisioning by providing for bad assets.

### **Liquidity Risk:**

Liquidity Risk is the risk that a Company may not be able to meet its short term financial obligations due to an asset–liability mismatch or interest rate fluctuations. The Board of Directors have delegated the responsibility for ongoing balance sheet Liquidity Risk management to the Asset Liability Committee. The Committee reviews the NIM-Net Interest Margins, maturity profile and mix of your company's assets and liabilities. It articulates the interest rate view and decides on future business strategy with respect to interest rates. The Liquidity Coverage Ratio (LCR) is a global minimum standard to measure the Company's liquidity position. LCR seeks to ensure that the Company has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. The Company has adopted liquidity risk framework as required under RBI regulation.

### **Operational Risk:**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. Operational Risk includes legal risk but excludes strategic and reputational risks.

Your Company has implemented a robust and comprehensive Operational Risk Framework defined as part of the Board-approved Operational Risk Management Policy to identify, assess and monitor risks, strengthen controls and minimise Operational Risk losses. The Board of Directors, Group Risk Management Committee (GRMC) and the Operational Risk Management Committee (ORMC) have overall oversight function for operational risk management.

## **Compliance Risk:**

Compliance risk is exposure to legal penalties, financial forfeiture and material loss an organisation faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices. Your Company has a Compliance Policy to ensure highest standards of compliance. The Compliance team works with business and operations to ensure active compliance risk management and monitoring. The team also provides advisory services on regulatory matters. The focus is on identifying and reducing risk by rigorous testing and also putting in place robust internal policies. Products and processes are reviewed for adherence to regulatory norms prior to rollout. Internal policies are reviewed and updated periodically as per agreed frequency or based on market action or regulatory guidelines / action. The compliance team also seeks regular feedback on regulatory compliance from product, business and operation teams through self-certifications and monitoring.

## **Reputation Risk:**

Trust is the foundation for the financial service industry and is critical to building a strong customer franchise. Reputation risk is the risk of current or prospective loss arising from stakeholder's adverse experience while dealing with the institution or which resulted in an adverse perception / loss of Trust on the institution. Reputation Risk most often results from the poor management of other risks and can arise from a variety of sources including direct sources like poor financial performance, poor governance and indirect sources like increased operational risk or control failures. The company manages this through a strict code of conduct policy for its employees, good corporate governance policies and an effective customer grievance mechanism.

## **Technology Risk:**

Technology is rapidly changing the way financial services entities operate and is a key disruptor for the industry. The focus of your company continues to be on digital and is aimed at leveraging digital technology to provide a best in class experience for its customers while simultaneously enhancing productivity and risk management. A layered technology architecture is implemented to manage risks due to system failures, cyber-attacks etc. Disaster recovery and Business Continuity Plans (BCP) have been established and various functional and technology initiatives have been taken to enhance system resiliency. Effective access control mechanism is a key technology control to prevent unauthorised access. The access to business applications is provisioned by an independent team and is provided based on the roles and responsibilities of the user. Technology and Operational controls are implemented to manage privileged access to systems. Cyber threats and the associated risks in the external environment have increased and your company works continuously to improve processes and controls to mitigate these risks. Cyber resilience framework is being established to mitigate the threats such as data breaches, malware, Denial-of-service attacks etc.

## **FRAUD MONITORING AND CONTROL**

The Company has put in place a whistle blower policy, and a central vigilance team oversees implementation of fraud prevention measures. Frauds are investigated to identify the root cause and relevant corrective steps are taken to prevent recurrence. Fraud prevention committees at the senior management and board level also deliberate on material fraud events and initiate preventive action. Periodic reports are submitted to the Board and senior management committees.

## **SERVICE QUALITY INITIATIVE**

Your Company strives to create a differentiated 'Customer Experience'. We continuously listen to our customers and drive continuous transformation to provide a seamless experience to our Customers, from pre-disbursal stage to post disbursement service. Our aim is to constantly reduce the time to disburse loans to customers with minimal documentation.

During the year under review, your Company has enhanced and introduced varied service channels for responding to customer queries and requests. Some key ones are: Self Help IVR Services, Chatbot, HDB OnTheGo Mobile App.

Your Company has deployed multiple self-service options on the IVR for proactive updates to the customers. Our self-service chatbot now provides support to customers across the website, Customer Service Portal and WhatsApp. For Customers who prefer human interaction, your Company has a Call Centre which can cater to multilingual queries / requests.

The Company monitors customer satisfaction through a survey to gauge the outcome of its customer engagement efforts. Customer feedback and satisfaction with the services are recorded and this feedback is utilised to create action plans for the improvement of Company's products and services.

The Reserve Bank of India extended the system of Ombudsman for redressal of complaints against deficiency in services concerning loans and advances and other specified matters to Systemically important Non Deposit taking Non Banking Financial Companies (NBFCs) in April 2019. Accordingly, the Company had appointed Nodal Officers for representing the Company and furnishing information to the Ombudsman in respect of complaints filed against the Company.

During the year under review, seven awards were passed by the Office of the Ombudsman for Non Banking Financial Companies amounting to ₹ 7,23,599.

## **CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements comprise the financial statements of the Company and its controlled structured entities (collectively known as 'the Group'). The Group consolidates an entity when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

## **INFORMATION TECHNOLOGY**

During the period under review, your Company has moved its server & storage infrastructure from old DC hosting partner to a newly built superior data centre. Your Company has also demonstrated the ability to run all critical applications from DR Data centre, on demand and for multiple weeks.

As part of strategy, to expand business and getting ready for Fintech era, your Company has built an API gateway technology platform. This platform is being used for integration of various business processes, while integrating with third parties. These processes are of various types, right from sourcing loans through Fintech companies to the online collections through various payment gateways/Banks. This framework has given your Company the ability to integrate various partners based on business needs.

We have also integrated various Banks, their mobile applications and multiple payment gateways to collect overdue EMI and other payments online. This now can happen through new age payment mechanism like UPI, IMPS as well as standard methods of cash deposits in bank accounts of select banks, all over India.

For penetrating the market and moving into rural part of India, a strong & secure network has been built to launch branch with any time anywhere concept. This ability allowed us to launch branch on any available network medium whether MPLS, Broadband or Mobile based network.

## **IT SECURITY**

Your Company is governed by the IT framework recommended by RBI and various initiatives have been implemented in the area of IT and Cyber security to ensure industry standard security frame work. The operational processes are in place to monitor and manage effectiveness of the security initiatives taken by company. This includes, industry standard security practices, which include performing Vulnerability Assessment and Penetration tests to assess vulnerabilities in the application & IT Infrastructure. Effective monitoring & controls have also been put by using DDOS, WAF technologies. Training/educating human resources on various aspects of IT security continues to be part of this governance.

## INTERNAL CONTROL SYSTEMS AND AUDIT

Your Company's internal control system is designed to ensure operational efficiency, compliance with laws and regulations and accuracy and promptness in financial reporting. The internal control system is supported by an internal audit process for reviewing the design, adequacy and effectiveness of the Company's internal controls, including its systems, processes and procedures to ensure compliance with regulatory directives. Internal Audit Reports are discussed with the Management and are reviewed by the Audit Committee of the Board, which also reviews the adequacy and effectiveness of the internal controls in the Company. Your Company's internal control system is commensurate with its size and the nature of its operations.

## COMPLIANCE

Your Company has a Board approved compliance policy to effectively monitor and supervise the compliance function in accordance with the statutory requirements. The Audit Committee reviews the performance of the compliance functions, the effectiveness of controls and compliance with regulatory guidelines and gives such directions to the Management as necessary/considered appropriate.

## HUMAN RESOURCES

Your Company has a work environment that inspires people to do their best and encourages an ecosystem of teamwork, continuous learning and work-life balance. In an increasingly competitive market for talent, Your Company continues to focus on attracting and retaining the right talent.

With increasing emphasis on digital transformation, your company's effort and strategy has been to foster a dynamic yet structured approach to human resource management. We are committed to enhancing the employee experience through paperless on-boarding, online app-based training systems and effective communication through various means including social media and a digital newsletter.

Simplicity, Self-Drive and Passion for Excellence are some of the core values reflected in our brand, through our people. Talent Management and Development are the core pillars of our HR policy and the Company continuously strives to build peoples capability and character building through focused programs.

Your Company recently conducted an employee engagement (E-SAT) survey, through a renowned leader in human resource consulting, to gauge the satisfaction of employees in the Company. The E-SAT survey, through a series of objective questions, assessed level of satisfaction of employees on four important dimensions: (i) Employee Pride - employees go home with a sense of satisfaction and achievement (ii) Employee Advocacy - employees actively promote the organisation (iii) Employee Loyalty - employees more often put company's interest ahead of their own (iv) Overall Satisfaction - employees are generally in high morale. Your Company's score was amongst the top quartile of employee engagement across the BFSI sector.

As on March 31, 2020, your Company had 1,09,167 employees as compared to 93,373 as on March 31, 2019.

## CAUTIONARY NOTE

Certain statements in this Report may be forward-looking and are stated as may be required by applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental/related factors.

## ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the support extended by the Reserve Bank of India, other regulatory and Government Bodies, Company's Auditors, Customers, Bankers, Promoters and Shareholders.

Your directors take this opportunity to place on record their appreciation to all employees for their hard work, spirited efforts, dedication and loyalty to the Company which has helped the Company maintain its growth.

**On behalf of the Board of Directors**

**Sd/-  
Aditya Puri  
Chairman**

**Place: Mumbai**

**Date: May 13, 2020**



### Disclosure on Corporate Social Responsibility (CSR) Policy and Activities

#### 1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs

Given in the CSR policy which is uploaded on the Company's website.

Web link: <https://www.hdbfs.com/policies>

#### 2. The Composition of the CSR Committee

- i. Dr. Amla Samanta, Chairperson
- ii. Ms. Smita Affinwalla, Member
- iii. Mr. G. Ramesh, Member

#### 3. Average net profit of the company for the last three financial years of the Company: ₹ 1,413 crore

#### 4. Prescribed CSR Expenditure (two percent (2%) of the amount as in item 3 (above): ₹ 28.28 crore

#### 5. Details of CSR spend for the financial year:

- i. Total amount spent for the financial year: ₹ 24.80 crore
- ii. Amount unspent, if any: ₹ 3.47 crore
- iii. Manner in which the amounts spent during the financial year is detailed below:

(₹ in crore)

| S. No | CSR Project/ Activity                                    | Sector (Schedule VII) | Location  | Amount Outlay (Budget) Project wise | Amount spent on the Project* | Cumulative Expenditure upto Reporting Period | Direct or through Implementing Agency* |
|-------|--|-----------------------|---|-------------------------------------|------------------------------|--|--|
| 1     | Maternal & Child Health and Nutrition                    | Healthcare            | Ahmedabad (GJ), Barmer, Sirohi (RJ)   | 1.70                                | 1.52                         | 3.29   | Implementing Agency                    |
| 2     | School WASH & Clean Drinking Water for Rural Communities | Healthcare            | Chitrakoot (MP), Sehore, Shivpuri (MP), Karur, Tiruchirapalli (TN), Washim (MH)   | 5.30                                | 5.11                         | 8.27   |  |
| 3     | Diagnosis & Treatment of Preventable Illness             | Healthcare            | Chennai (TN), Kolkata (WB), Mumbai (MH), Sonbhadra (UP)   | 2.32                                | 2.52                         | 6.79   |  |
| 4     | Healthcare Infrastructure                                | Healthcare            | Bangalore (KA), Chennai (TN), Kolkata (WB), Thane (MH)  | -                                   | 2.22                         | 8.08   |  |
| 5     | Youth Training & Development                             | Livelihood            | Ahmedabad (GJ), Bhillai (CH), Bangalore (KA), Delhi (DL), Chennai, Madurai (TN), Gwalior (MP), Hyderabad (TL), Jaipur (RJ), Kolkata (WB), Mumbai, Nagpur, Pune (MH), Bangalore, Mysore, (KA), Raipur (CH) | 6.41                                | 4.86                         | 10.10  |  |
| 6     | Food for Education                                       | Education             | Mumbai (MH), Vrindavan (UP)   | 2.53                                | 2.31                         | 4.15   |  |
| 7     | Delivery of Quality Education & Support                  | Education             | Ajmer (RJ), Chennai (TN), Hazaribagh (JH), Mumbai (MH), Hubli, Mysore (KA)  | 1.75                                | 1.73                         | 5.38   |  |
| 8     | Restoration of Ecological Balance                        | Environment           | Bhilwara (RJ), Chennai (TN), Coimbatore (TN), Idukki (KL), Purnea (BH), Songadh, Vyara (GJ), Uttar Kannada (KA), Udupi (KA)   | 6.42                                | 4.10                         | 7.07   |  |
| 9     | Others   | Multi-Sector          | Pan-India   | -                                   | 0.18                         | 0.36   |  |
| 10    | CSR Admin Cost   | -                     | -   | -                                   | 0.25                         | 0.25   |  |
|       | <b>Total</b>   |                       |   | <b>26.44</b>                        | <b>24.80</b>                 | <b>53.49</b>                                 |  |

\*Implementing Agencies:

**Healthcare:** Centre for Health, Education, Training and Nutrition Awareness; Gramalaya; Haritika; Jal Seva Charitable Trust; MAMTA Health Institute for Mother and Child; Medical Research Foundation; Ramakrishna Mission; SMILE Foundation; Sri Chaitanya Seva Trust; Sri Kanchi Kamakoti Medical Trust; Sri Shanmukhananda Sangeetha Sabha and Fine Arts; Swasti; Yuva Rural Association.

**Livelihood:** Antarang; Family Planning Association of India; Friends Union for Energising Lives; Head Held High Foundation; Kherwadi Association of Social Welfare; Medha Learning Foundation; New Resolution India; Sambhav Foundation; Sarthak Educational Trust; SGBS Unnati Foundation; Society for Development Alternatives; Tata Community Initiative Trust; TNS India Foundation.

**Education:** The Akshaya Patra Foundation; Foundation to Educate Girls Globally; Masoom; Nav Bharat Jagriti Kendra; Ratna Nidhi Charitable Trust; Swami Vivekananda Youth Movement; Trust Children School.

**Environment:** BAIF Institute of Sustainability & Livelihood Development; Community Organisation for Oppressed and Depressed Upliftment; Freedom for You Foundation (Grow-Trees.com); Foundation for Ecological Security; International Association for Human Values; Isha Outreach; Manuvikasa; Saahas

6. In case the Company has failed to spend the 2% (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:

Your Company's year-on-year increase in annual CSR allocation and expenditure is a testimony of the Company's commitment towards social responsibility. Owing to the lock-down on account of COVID-19, payouts scheduled for March 2020 couldn't be processed; resulting in an under-spend for FY 2019-2020. Provision for the unspent amount of ₹ 3.47 crore has been created to ensure that the scheduled CSR expenses are processed in FY 2020-2021.

7. The CSR Committee confirms that the implementation and monitoring of its CSR Policy is in compliance with the CSR objectives and policies as laid down in this report.

**Sd/-**  
**Amla Samanta**  
Chairperson, CSR Committee

**Sd/-**  
**G. Ramesh**  
Managing Director & CEO

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED ON 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,  
HDB Financial Services Limited  
Radhika, 2<sup>nd</sup> Floor, Navrangpura,  
Ahmedabad, 380009, Gujarat

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HDB Financial Services Limited (hereinafter called 'the Company'). The Secretarial Audit was conducted in a manner which 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 and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended on March 31, 2020 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 financial year ended on March 31, 2020 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011(Not applicable to the Company during audit period)
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 relating to debt securities listed on Stock Exchange(s);
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during audit period);
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (Not applicable to the Company during audit period);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during audit period); and
  - (h) The Securities and Exchange Board of India (Debenture Trustees) Regulations 1993.
  - (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during audit period);

- (vi) **We further report that**, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the laws i.e. as stated in the Annexure I attached herewith, applicable specifically to the Company.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (ii) Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations 2015 relating to debt securities listed on Stock Exchange(s);

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, 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 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 Meetings and 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 passed the following special/ordinary resolutions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

1. To increase in borrowing limits of the Company from ₹ 60,000 crore to ₹ 70,000 crore.
2. To increase in limits of creation of charge on the assets of the Company up to an amount of ₹ 70,000 crore to secure Company's borrowings.
3. To sell and assign Company's substantial assets including receivables/book debts up to ₹ 7,500 crore.
4. To issue Redeemable Non Convertible Debentures and/or other hybrid instruments on private placement basis aggregating up to ₹ 23,024 crore.
5. To issue foreign currency/rupee denominated Bonds not exceeding Rupees equivalent to USD 750 Million.
6. To enter in to contracts/arrangements/transactions of securitisation with the HDFC Bank Limited pursuant to the provisions of section 188 of the Act.
7. To pay commission to Independent Directors of the Company.

**We, further report that** during the audit period, the Company has transacted the following activities through the approval of the Board/committee resolutions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

1. The Company has issued and allotted 84,710 (Eighty Four Thousand Seven Hundred and Ten) Secured Redeemable Non-convertible Debentures of ₹ 10 Lakh each (Rupees Ten Lakh) in various tranches on private placement which were duly listed on BSE Limited. This includes the partly paid up Non-convertible Debentures issued during the year, of which 20% of the amount was raised in the reporting year;
2. The Company has issued and allotted 5,435 (Five Thousand Four Hundred and Thirty Five) Unsecured Redeemable Non-convertible Subordinated Bonds of ₹ 10 Lakh each (Rupees Ten Lakh) in various tranches on private placement which were duly listed on BSE Limited;

## Directors' Report



3. The Company has allotted 2,000 (Two Thousand) Unsecured Redeemable Non-Convertible Perpetual Debt Instruments of ₹ 10 Lakh each (Rupees Ten Lakh) on private placement which were duly listed on BSE Limited;
4. The Company has allotted 1,250 (One Thousand Two Hundred and Fifty) Secured Redeemable Non-Convertible Market Linked Debentures on private placement which were duly listed on BSE Limited;
5. The Company has allotted 40,600 (Forty Thousand Six Hundred) Commercial Papers of ₹ 5 Lakh each (Rupees Five Lakh) in various tranches which were duly listed on National Stock Exchange of India Limited;
6. The Company has under various Employee stock option scheme issued and allotted 18,79,350 (Eighteen Lakh Seventy Nine Thousand Three Hundred and Fifty) Equity Shares of ₹ 10/- each to employees of the Company.
7. The Company has redeemed 66,080 (Sixty Six Thousand and Eighty) Secured Redeemable Non-Convertible Debentures in various tranches during the year.
8. The Company has redeemed 90,900 (Ninety Thousand Nine Hundred) Commercial Papers in various tranches during the year.

**For Ashish Bhatt & Associates**

**Sd/-**  
**Ashish Bhatt**  
**Practicing Company Secretary**  
**FCS No: 4650**  
**C.P. No. 2956**  
**UDIN: F004650B000237168**

**Place: Thane**

**Date: May 14, 2020**

### Annexure I

#### List of applicable laws to the Company

| <b>Sr. No</b> | <b>Particulars</b>  |
|---------------|---|
| 1.            | The Reserve Bank of India Act, 1934.                                  |
| 2.            | Chapter V of Finance Act, 1994.                                       |
| 3.            | The Employees' Provident Fund and Miscellaneous Provisions Act, 1952. |
| 4.            | The Payment of Gratuity Act, 1972.                                    |
| 5.            | The Payment of Bonus Act, 1965.                                       |
| 6.            | The Employee State Insurance Act, 1948.                               |
| 7.            | The Income Tax Act, 1961.   |
| 8.            | The Industrial Dispute Act, 1947.                                     |
| 9.            | The Indian Stamp Act, 1899.   |
| 10.           | The State Stamp Acts  |
| 11.           | Negotiable Instruments Act, 1881                                      |

**For Ashish Bhatt & Associates**

**Sd/-**  
**Ashish Bhatt**  
**Practicing Company Secretary**  
**FCS No: 4650**  
**C.P. No. 2956**  
**UDIN: F004650B000237168**

**Place: Thane**

**Date: May 14, 2020**

## Annexure C

### Details of Employees' Stock Option Scheme pursuant to the provisions of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 for the year ended March 31, 2020

| Details  | ESOP - 8  | ESOS - 9     | ESOS - 10    | ESOS - 11 |
|--|-----------|--------------|--------------|-----------|
| Options granted during the year                                  | -         | -            | -            | -         |
| Options vested   | -         | 7,68,300     | 9,48,000     | 2,61,270  |
| Options exercised  | 34,500    | 8,03,400     | 10,41,450    | -         |
| Total number of shares arising as a result of exercise of option | 34,500    | 8,03,400     | 10,41,450    | -         |
| Options lapsed/forfeited   | -         | 70,800       | 89,550       | 39,020    |
| Exercise price (in ₹)  | 88        | 137          | 213          | 274       |
| Money realised by exercise of options (in ₹)                     | 30,36,000 | 11,00,65,800 | 22,18,28,850 | -         |
| Total number of options in force as at March 31, 2020            | -         | -            | 12,83,200    | 8,68,380  |

## Annexure D

### Extract of the Annual Return in Form MGT- 9 as per Section 92 of the Companies Act, 2013 for 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:

|     |  |   |
|-----|--|---|
| i   | <b>CIN</b>   | U65993GJ2007PLC051028   |
| ii  | <b>Registration Date</b>   | June 04, 2007   |
| iii | <b>Name of the Company</b>   | HDB Financial Services Limited  |
| iv  | <b>Category/Sub-Category of the Company</b>                                      | Non-Banking Financial Company   |
| v   | <b>Address of the Registered office and contact details</b>                      | Radhika, 2 <sup>nd</sup> Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009. Tel: +91 79 48914514   |
| vi  | <b>Whether listed company Yes/No</b>   | <ul style="list-style-type: none"> <li>• Equity Shares - not listed</li> <li>• Debentures and Subordinated Bonds are listed on Bombay Stock Exchange</li> <li>• Commercial Papers are listed on National Stock Exchange</li> </ul>              |
| vii | <b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b> | For Equity Shares, Subordinated Bonds, Debentures and Commercial Papers:<br>Link Intime India Pvt. Ltd.<br>C 101, 247 Park, L B S Marg,<br>Vikhroli (West), Mumbai - 400 083<br>Email : rnt.helpdesk@linktime.co.in.<br>Tel No: +91 22 49186000 |

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

| # | Name and Description of main products/ services | NIC Code of the Product/service | % to total turnover of the company |
|---|---|---------------------------------|------------------------------------|
| 1 | Non-Banking Financial Services (Lending)        | 649                             | 80.35%                             |

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| # | Name and address of the company   | CIN/GLN               | Holding/ Subsidiary / Associate | % of shares held | Applicable section                   |
|---|---|-----------------------|---------------------------------|------------------|--------------------------------------|
| 1 | HDFC Bank Limited<br>Reg. Off: HDFC Bank House,<br>Senapati Bapat Marg,<br>Lower Parel, Mumbai - 400013 | L65920MH1994PLC080618 | Holding                         | 95.30%           | Section 2(46) of Companies Act, 2013 |

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### i. Category-wise Share Holding

| Category code | Category of Shareholders  | No. of Shares held at the beginning of the year |          |                     |                   | No. of Shares held at the end of the year |          |                     |                   | % Change during the year |
|---------------|---|---|----------|---------------------|-------------------|---|----------|---------------------|-------------------|--------------------------|
|               |   | Demat   | Physical | Total               | % of Total Shares | Demat                                     | Physical | Total               | % of Total Shares |                          |
| <b>(A)</b>    | <b>Promoters</b>  |   |          |                     |                   |   |          |                     |                   |                          |
| <b>1</b>      | <b>Indian</b>   |   |          |                     |                   |   |          |                     |                   |                          |
| (a)           | Individuals/HUF   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (b)           | Central Government  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (c)           | State Government(s)   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (d)           | Bodies Corporate  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (e)           | Banks/FI  | 75,05,96,670                                    | 0        | 75,05,96,670        | 95.53             | 75,05,96,670                              | 0        | 75,05,96,670        | 95.30             | (0.23)                   |
| (f)           | Any Other (specify)   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
|               | <b>Sub Total (A)(1)</b>   | <b>75,05,96,670</b>                             | <b>0</b> | <b>75,05,96,670</b> | <b>95.53</b>      | <b>75,05,96,670</b>                       | <b>0</b> | <b>75,05,96,670</b> | <b>95.30</b>      | <b>(0.23)</b>            |
| <b>2</b>      | <b>Foreign</b>  |   |          |                     |                   |   |          |                     |                   |                          |
| (a)           | NRIs - Individuals  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (b)           | Other - Individuals   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (c)           | Bodies Corporate  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (d)           | Banks/FI  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (e)           | Qualified Foreign Investor  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (f)           | Any Other (specify)   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
|               | <b>Sub Total (A)(2)</b>   | <b>0</b>  | <b>0</b> | <b>0</b>            | <b>0.00</b>       | <b>0</b>                                  | <b>0</b> | <b>0</b>            | <b>0.00</b>       | <b>0</b>                 |
|               | <b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>  | <b>75,05,96,670</b>                             | <b>0</b> | <b>75,05,96,670</b> | <b>95.53</b>      | <b>75,05,96,670</b>                       | <b>0</b> | <b>75,05,96,670</b> | <b>95.30</b>      | <b>(0.23)</b>            |
| <b>(B)</b>    | <b>Public shareholding</b>  |   |          |                     |                   |   |          |                     |                   |                          |
| <b>1</b>      | <b>Institutions</b>   |   |          |                     |                   |   |          |                     |                   |                          |
| (a)           | Mutual Funds  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (b)           | Banks/FI  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (c)           | Central Government  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (d)           | State Government(s)   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (e)           | Venture Capital Funds   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (f)           | Insurance Companies   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (g)           | FIs   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (h)           | Foreign Venture Capital Funds   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (i)           | Qualified Foreign Investor  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (j)           | Alternate Investment Funds  | 0   | 0        | 0                   | 0.00              | 11,00,000                                 | 0        | 11,00,000           | 0.14              | 0.14                     |
| (k)           | Other (specify)   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
|               | <b>Sub Total (B)(1)</b>   | <b>0</b>  | <b>0</b> | <b>0</b>            | <b>0.00</b>       | <b>11,00,000</b>                          | <b>0</b> | <b>11,00,000</b>    | <b>0.14</b>       | <b>0.14</b>              |
| <b>2.</b>     | <b>Non-institutions</b>   |   |          |                     |                   |   |          |                     |                   |                          |
| a)            | Bodies Corporate  | 0   | 0        | 0                   | 0.0000            | 0   | 0        | 0                   | 0                 | 0                        |
| (a)(i)        | Indian  | 17,11,071                                       | 0        | 17,11,071           | 0.22              | 5,22,503                                  | 0        | 5,22,503            | 0.07              | (0.15)                   |
| (a)(ii)       | Overseas  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (b)           | Individuals   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (b)(i)        | Individuals-shareholders holding nominal share capital up to Rs 1 Lakh      | 37,69,198                                       | 0        | 37,69,198           | 0.48              | 67,12,898                                 | 0        | 67,12,898           | 0.85              | 0.37                     |
| (b)(ii)c      | Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh | 2,92,16,055                                     | 0        | 2,92,16,055         | 3.72              | 2,79,87,320                               | 0        | 2,79,87,320         | 3.55              | (0.16)                   |
| (c)           | Qualified Foreign Investor  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| (d)           | Other (specify)   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| d-i           | NRI Rep   | 30,773  | 0        | 30,773              | 0.00              | 77,403                                    | 0        | 77,403              | 0.01              | 0.01                     |
| d-ii          | NRI Non -Rept   | 3,76,539  | 0        | 3,76,539            | 0.05              | 3,72,994                                  | 0        | 3,72,994            | 0.05              | 0.00                     |
| d-iii         | Foreign Bodies  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| d-iv          | Foreign National  | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
| d-v           | Hindu Undivided Family  | 0   | 0        | 0                   | 0.00              | 209,537                                   | 0        | 209,537             | 0.03              | 0.03                     |
| d-vi          | Clearing Member   | 0   | 0        | 0                   | 0.00              | 50  | 0        | 50                  | 0.00              | 0.00                     |
| d-vii         | Trust   | 0   | 0        | 0                   | 0.00              | 281                                       | 0        | 281                 | 0.00              | 0.00                     |
|               | <b>Sub Total (B)(2)</b>   | <b>3,51,03,636</b>                              | <b>0</b> | <b>3,51,03,636</b>  | <b>4.47</b>       | <b>3,58,82,986</b>                        | <b>0</b> | <b>3,58,82,986</b>  | <b>4.56</b>       | <b>0.09</b>              |
|               | <b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>                          | <b>3,51,03,636</b>                              | <b>0</b> | <b>3,51,03,636</b>  | <b>4.47</b>       | <b>3,69,82,986</b>                        | <b>0</b> | <b>3,69,82,986</b>  | <b>4.70</b>       | <b>0.23</b>              |
|               | <b>Total (A+B)</b>  | <b>78,57,00,306</b>                             | <b>0</b> | <b>78,57,00,306</b> | <b>100.00</b>     | <b>78,75,79,656</b>                       | <b>0</b> | <b>78,75,79,656</b> | <b>100.00</b>     | <b>0</b>                 |
| <b>(C)</b>    | <b>Custodians for GDRs and ADRs</b>   | 0   | 0        | 0                   | 0.00              | 0   | 0        | 0                   | 0.00              | 0                        |
|               | <b>GRAND TOTAL (A)+(B)+(C)</b>  | <b>78,57,00,306</b>                             | <b>0</b> | <b>78,57,00,306</b> | <b>100.00</b>     | <b>78,75,79,656</b>                       | <b>0</b> | <b>78,75,79,656</b> | <b>100.00</b>     | <b>0</b>                 |

## ii. Shareholding of Promoters

| #  | Shareholder's Name | Shareholding at the beginning of the year |                   | Shareholding at the end of the year |                   | % Change during the year |
|----|--------------------|---|-------------------|-------------------------------------|-------------------|--------------------------|
|    |                    | Demat                                     | % of Total Shares | Demat                               | % of Total Shares |                          |
| 1. | HDFC Bank Limited  | 75,05,96,670                              | 95.53             | 75,05,96,670                        | 95.30             | (0.23)                   |
|    | <b>TOTAL</b>       | 75,05,96,670                              | 95.53             | 75,05,96,670                        | 95.30             | (0.23)                   |

Note: None of the shares held by the Promoters of the Company were pledged/encumbered.

## iii. Change in Promoters' Shareholding

| Name          | Remarks                      | Beneficiary Position Date | 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 |
| HDFC BANK LTD | At the beginning of the Year | 31-Mar-2019               | 75,05,96,670                              | 95.53                            | 75,05,96,670                            | 95.53                            |
|               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 75,05,96,670                            | 95.30                            |

## iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| Sr. No. | Name                          | Remarks                      | Beneficiary Position Date | 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 |
| 1       | HDB Employees Welfare Trust   | At the beginning of the Year | 31-Mar-2019               | 26,18,699                                 | 0.333                            | 26,18,699                               | 0.333                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 26,18,699                               | 0.332                            |
| 2       | HDBFS Employees Welfare Trust | At the beginning of the Year | 31-Mar-2019               | 19,22,062                                 | 0.245                            | 19,22,062                               | 0.245                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 19,22,062                               | 0.244                            |
| 3       | PI Opportunities Fund I       | At the beginning of the Year | 31-Mar-2019               | -   | -                                | -                                       | -                                |
|         |                               | Increase                     | 22-Nov-2019               | 11,00,000                                 | 0.140                            | 11,00,000                               | 0.140                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 11,00,000                               | 0.140                            |
| 4       | Gouri Vinod Yennemadi         | At the beginning of the Year | 31-Mar-2019               | -   | -                                | -                                       | -                                |
|         |                               | Increase                     | 20-Sep-2019               | 8,50,000                                  | 0.108                            | 8,50,000                                | 0.108                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 8,50,000                                | 0.108                            |
| 5       | Ankita Paresh Sukthankar      | At the beginning of the Year | 31-Mar-2019               | 4,35,000                                  | 0.055                            | 4,35,000                                | 0.055                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 4,35,000                                | 0.055                            |
| 6       | Huzaan Kaizad Bharucha        | At the beginning of the Year | 31-Mar-2019               | 3,90,000                                  | 0.050                            | 3,90,000                                | 0.050                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 3,90,000                                | 0.050                            |
| 7       | Pralay Mondal                 | At the beginning of the Year | 31-Mar-2019               | 3,94,415                                  | 0.050                            | 3,94,415                                | 0.050                            |
|         |                               | Decrease                     | 04-Oct-2019               | -10,000                                   | 0.001                            | 3,84,415                                | 0.048                            |
|         |                               | Decrease                     | 05-Nov-2019               | -5,000                                    | 0.000                            | 3,79,415                                | 0.048                            |
|         |                               | Decrease                     | 22-Nov-2019               | -2,000                                    | 0.000                            | 3,77,415                                | 0.048                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 3,77,415                                | 0.048                            |
| 8       | Rohit Patwardhan              | At the beginning of the Year | 31-Mar-2019               | 3,13,829                                  | 0.040                            | 3,13,829                                | 0.040                            |
|         |                               | Increase                     | 20-Sep-2019               | 12,500                                    | 0.001                            | 3,26,329                                | 0.041                            |
|         |                               | Decrease                     | 06-Dec-2019               | -10,830                                   | 0.001                            | 3,15,499                                | 0.040                            |
|         |                               | Increase                     | 13-Dec-2019               | 52,500                                    | 0.007                            | 3,67,999                                | 0.047                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 3,67,999                                | 0.047                            |
| 9       | Navin Puri                    | At the beginning of the Year | 31-Mar-2019               | 3,65,421                                  | 0.047                            | 3,65,421                                | 0.047                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 3,65,421                                | 0.046                            |
| 10      | Chandrasekharan Jagadisan     | At the beginning of the Year | 31-Mar-2019               | -   | -                                | -                                       | -                                |
|         |                               | Increase                     | 11-Oct-2019               | 2,40,000                                  | 0.030                            | 2,40,000                                | 0.030                            |
|         |                               | Increase                     | 18-Oct-2019               | 99,495                                    | 0.013                            | 3,39,495                                | 0.043                            |
|         |                               | At the end of the Year       | 31-Mar-2020               | -   | -                                | 3,39,495                                | 0.043                            |



# Directors' Report



## v. Shareholding of Directors and Key Managerial Personnel:

| Sr. No. | Name            | Remarks                      | Beneficiary Position Date | 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 |
| 1       | Bhavesh Zaveri* | At the beginning of the Year | 31-Mar-2019               | 2,90,193                                  | 0.037                            | 2,90,193                                | 0.037                            |
|         |                 | Decrease                     | 13-Sep-2019               | -2,90,193                                 | -0.037                           | -                                       | -                                |
|         |                 | At the end of the Year       | 31-Mar-2020               | -   | -                                | -                                       | -                                |
| 2       | Haren Parekh    | At the beginning of the Year | 31-Mar-2019               | 3,01,000                                  | 0.038                            | 3,01,000                                | 0.038                            |
|         |                 | Decrease                     | 04-Oct-2019               | -9,760                                    | -0.001                           | 2,91,240                                | 0.037                            |
|         |                 | Decrease                     | 18-Oct-2019               | -22,000                                   | -0.003                           | 2,69,240                                | 0.034                            |
|         |                 | Decrease                     | 25-Oct-2019               | -21,000                                   | -0.003                           | 2,48,240                                | 0.032                            |
|         |                 | Decrease                     | 08-Nov-2019               | -10,000                                   | -0.001                           | 2,38,240                                | 0.030                            |
|         |                 | Increase                     | 13-Dec-2019               | 52,500                                    | 0.007                            | 2,90,740                                | 0.037                            |
|         |                 | At the end of the Year       | 31-Mar-2020               | -   | -                                | 2,90,740                                | 0.037                            |
| 3       | Jimmy M Tata    | At the beginning of the Year | 31-Mar-2019               | 3,21,021                                  | 0.041                            | 3,21,021                                | 0.041                            |
|         |                 | At the end of the Year       | 31-Mar-2020               | -   | -                                | 3,21,021                                | 0.041                            |
| 4       | G. Ramesh       | At the beginning of the Year | 31-Mar-2019               | 5,40,900                                  | 0.069                            | 5,40,900                                | 0.069                            |
|         |                 | Increase                     | 20-Sep-2019               | 49,800                                    | 0.006                            | 5,90,700                                | 0.075                            |
|         |                 | Decrease                     | 27-Sep-2019               | -80,000                                   | -0.010                           | 5,10,700                                | 0.065                            |
|         |                 | Increase                     | 13-Dec-2019               | 1,45,800                                  | 0.019                            | 6,56,500                                | 0.083                            |
|         |                 | At the end of the Year       | 31-Mar-2020               | -   | -                                | 6,56,500                                | 0.083                            |

\*Ceased to be a director with effect from November 28, 2019.

## V. INDEBTEDNESS

### Indebtedness of the Company including interest outstanding accrued but not due for payment

(₹ in crore)

| Particulars  | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|----------------------------------|-----------------|----------|--------------------|
| <b>Indebtedness at the beginning of the financial year</b> |                                  |                 |          |                    |
| a) Principal Amount  | 38,506                           | 6,820           | 0        | 45,326             |
| b) Interest due but not paid                               | 0                                | 0               | 0        | 0                  |
| c) Interest accrued but not due                            | 1,181                            | 120             | 0        | 1,301              |
| <b>Total (a+b+c)</b>                                       | <b>39,687</b>                    | <b>6,940</b>    | <b>0</b> | <b>46,627</b>      |
| <b>Change in Indebtedness during the financial year</b>    |                                  |                 |          |                    |
| Addition   | 32,076                           | 2,774           | 0        | 34,850             |
| Reduction  | 25,782                           | 4,546           | 0        | 30,328             |
| <b>Net Change</b>  | <b>6,294</b>                     | <b>-1,772</b>   | <b>0</b> | <b>4,522</b>       |
| <b>Indebtedness at the end of the financial year</b>       |                                  |                 |          |                    |
| a) Principal Amount  | 44,800                           | 5,049           | 0        | 49,849             |
| b) Interest due but not paid                               | 0                                | 0               | 0        | 0                  |
| c) Interest accrued but not due                            | 1,611                            | 167             | 0        | 1,778              |
| <b>Total (a+b+c)</b>                                       | <b>46,411</b>                    | <b>5,216</b>    | <b>0</b> | <b>51,627</b>      |

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in ₹)

| #  | Particulars of Remuneration  | Name of MD/WTD/Manager |
|----|--|------------------------|
|    |  | G. Ramesh              |
| 1. | <b>Gross salary</b>  |                        |
|    | a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961 | 4,10,27,656            |
|    | b) Value of perquisites under section 17(2) Income-tax Act, 1961         | 9,823                  |
|    | c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961    | -                      |
| 2. | <b>Perquisite value of stock options exercised</b>                       | 3,48,61,200            |
| 3. | <b>Sweat Equity</b>  | -                      |
| 4. | <b>Commission</b>  | -                      |
| 5. | <b>Company Car</b>   | 28,800                 |
|    | <b>Total (A)</b>   | <b>7,59,27,479</b>     |

# Directors' Report

## B. Remuneration to other directors:

| #                | Remuneration to the Independent Directors   |                        |                  |                        |                 |                     |
|------------------|---|------------------------|------------------|------------------------|-----------------|---------------------|
|                  | Particulars                                 | Venkatraman Srinivasan | Smita Affinwalla | Adayapalam Viswanathan | Amla Samanta    | Total Amount (in ₹) |
| 1                | Fees for attending Board/Committee Meetings | 8,65,000               | 10,35,000        | 5,85,000               | 5,30,000        | 30,15,000           |
| 2                | Commission                                  | 7,50,000               | 7,50,000         | -                      | -               | 15,00,000           |
| 3                | Others, please specify                      | -                      | -                | -                      | -               | -                   |
| <b>Total (1)</b> |   | <b>16,15,000</b>       | <b>17,85,000</b> | <b>5,85,000</b>        | <b>5,30,000</b> | <b>45,15,000</b>    |

| #  | Remuneration to the Non Executive Directors other than Independent Directors |                |            |                     |
|--|--|----------------|------------|---------------------|
|  | Particulars  | Bhavesh Zaveri | Jimmy Tata | Total Amount (in ₹) |
| 1  | Fees for attending Board/Committee Meetings                                  | 8,25,000       | 6,95,000   | 15,20,000           |
| 2  | Commission   | -              | -          | -                   |
| 3  | Others   | -              | -          | -                   |
| <b>Total (2)</b>                             |  |                |            | <b>15,20,000</b>    |
| <b>Total (B)=(1+2)</b>                       |  |                |            | <b>60,35,000</b>    |
| <b>Total Remuneration to Directors (A+B)</b> |  |                |            | <b>8,19,62,479</b>  |

## C. Remuneration To Key Managerial Personnel Other Than MD/Manager/WTD:

| #            | Particulars of Remuneration  | Key Managerial Personnel |                  |                     |
|--------------|--|--------------------------|------------------|---------------------|
|              |  | CFO                      | CS               | Total Amount (in ₹) |
| 1.           | <b>Gross salary</b>  |                          |                  |                     |
|              | a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961 | 1,60,17,000              | 31,02,457        | 1,91,19,457         |
|              | b) Value of perquisites under section 17(2) Income-tax Act, 1961         | 9,823                    | 9,823            | 19,646              |
|              | c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961    | -                        | -                | -                   |
| 2.           | <b>Perquisite value of stock options exercised</b>                       | 95,25,000                | -                | 95,25,000           |
| 3.           | <b>Sweat Equity</b>  | -                        | -                | -                   |
| 4.           | <b>Commission</b>  | -                        | -                | -                   |
| 5.           | <b>Company Car</b>   | 28,800                   | -                | 28,800              |
| <b>Total</b> |  | <b>2,55,80,623</b>       | <b>31,12,280</b> | <b>2,86,92,903</b>  |

## 8 PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

| Type                                | Section of the Companies Act | Brief Description | Details of Penalty / Punishment / Compounding fees imposed | Authority [RD/ NCLT/COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|--|----------------------------|------------------------------------|
| <b>A) Company</b>                   |                              |                   |  |                            |                                    |
| Penalty                             |                              |                   | NIL  |                            |                                    |
| Punishment                          |                              |                   |  |                            |                                    |
| Compounding                         |                              |                   |  |                            |                                    |
| <b>B) Director</b>                  |                              |                   |  |                            |                                    |
| Penalty                             |                              |                   | NIL  |                            |                                    |
| Punishment                          |                              |                   |  |                            |                                    |
| Compounding                         |                              |                   |  |                            |                                    |
| <b>C) Other Officers in Default</b> |                              |                   |  |                            |                                    |
| Penalty                             |                              |                   | NIL  |                            |                                    |
| Punishment                          |                              |                   |  |                            |                                    |
| Compounding                         |                              |                   |  |                            |                                    |

## Annexure E

Disclosure as per Section 197(12) of the Companies Act, 2013 pertaining to individuals employed throughout the year and were in receipt of remuneration of not less than ₹ 1,02,00,000/- per annum or ₹ 8,50,000/- per month

| #  | Name of the Employee | Designation of the Employee                        | Remuneration Received (in ₹) | Date of Commencement of employment | Age in years | Experience in years | Qualification and experience | Last employment held before joining |
|----|----------------------|--|------------------------------|------------------------------------|--------------|---------------------|------------------------------|-------------------------------------|
| 1  | G. Ramesh            | Managing Director & CEO                            | 4,22,20,619                  | 03-Sep-07                          | 50           | 28                  | PGDM                         | Enam AMC Pvt. Ltd.                  |
| 2  | Rohit Patwardhan     | Head - Risk  | 1,81,46,619                  | 10-Dec-07                          | 45           | 23                  | PGDM                         | Citi Bank                           |
| 3  | Sarabjeet Singh      | Head - Branch Lending                              | 1,75,93,819                  | 22-Feb-08                          | 47           | 24                  | PGDBM                        | GE Money                            |
| 4  | Haren D Parekh       | Chief Financial Officer                            | 1,65,41,623                  | 10-Oct-07                          | 58           | 35                  | A.C.A.                       | CIBIL                               |
| 5  | Ashish Ghatnekar     | Head - Human Resources & Operations                | 1,56,14,619                  | 01-Dec-08                          | 50           | 27                  | MBA                          | Centurion Bank of Punjab            |
| 6  | Venkata Swamy        | Head - Products & Marketing                        | 1,41,51,823                  | 01-Aug-08                          | 46           | 24                  | PGDM                         | ICICI Bank                          |
| 7  | Deep Jaggi           | Head - Asset Finance                               | 1,40,64,623                  | 28-Oct-10                          | 50           | 26                  | PGDBA                        | Cholamandalam DBS Finance           |
| 8  | Karthik Srinivasan   | Head - Sales Finance & Customer Digital Experience | 1,38,19,720                  | 30-Nov-15                          | 48           | 23                  | PGDM                         | Mphasis Ltd                         |
| 9  | Sanjay Belsare       | Head - IT  | 1,35,47,419                  | 01-Dec-15                          | 57           | 30                  | B. Tech                      | Kotak Mahindra Bank                 |
| 10 | Sathya Ramanan       | Business Head - South & East                       | 1,06,66,619                  | 24-Jan-08                          | 45           | 23                  | MBA                          | Prime Financial                     |

Note:

1. Gross remuneration comprises salary, medical reimbursement, leave travel concession, allowances, monetary value of other perquisites computed on the basis of the Income Tax Act and Rules, leave encashment and performance bonus but excludes perquisite on ESOPs.
2. All appointments were made in accordance with the terms and conditions as per Company rules.
3. None of the above employee is a relative of any Director of the Company.
4. None of the employees listed above hold 2% or more of the paid up share capital of the Company as at March 31, 2020

## Annexure F

### Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. The ratio of the remuneration of the Managing Director to the median remuneration of employees of the Company for the financial year is 1:184.
2. Percentage increase remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any in the financial year:

| Designation                                 | Percentage Increase |
|---|---------------------|
| Managing Director & Chief Executive Officer | 10%                 |
| Chief Financial Officer                     | 18%                 |
| Company Secretary                           | 23.5%               |

3. During the year under review there was 11.56% increase in the median remuneration of the employees of your Company.
4. As on March 31, 2020 there were 1,09,167 employees on the rolls of your Company.
5. It is hereby affirmed that the remuneration paid during the year was as per the Remuneration policy of the Company.
6. Average percentage increase in the salaries of employees other than the managerial personnel in the last financial year was 6.17% whereas the increase in the managerial remuneration was 12.99%

### Related Party Transaction Disclosure as per Section 188 of the Companies Act, 2013

Form No. AOC - 2

(Pursuant to clause (h) of sub - section (3) of section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

#### Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub - section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: Two premises taken on sub-lease from the Holding Company which was subsequently approved in the Board meeting held on April 15, 2020.
2. Details of material contracts or arrangement or transactions at arm's length basis:

|     |  |   |
|-----|--|---|
| (a) | Name(s) of the related party and nature of relationship                                    | 1. HDFC Bank Limited (Holding Company)<br>2. HDFC Securities Limited (Enterprise under Common Control of the Holding company)   |
| (b) | Nature of contracts/arrangements/ transactions   | Banking & Other normal Business Transactions (Mentioned in the Notes forming part of the financial statements at Note No. 35)   |
| (c) | Duration of the contracts/arrangements/ transactions                                       | Usually Annual, however depends on the nature of transaction  |
| (d) | Salient terms of the contracts or arrangements or transactions including the value, if any | Maintained at arm's length similar to third party contracts. Value of such transactions during the financial year is mentioned in the notes forming part of the financial statements at Note no. 35 |
| (e) | Justification for entering into such contracts or arrangements or transactions             | Competitive pricing and value of services rendered  |
| (f) | Date(s) of approval by the Board, if any   | N.A.  |
| (g) | Amount paid as advances, if any  | N.A.  |

*Note: No advance is payable in respect of any of the above transactions.*

**Sd/-  
Aditya Puri  
Chairperson**

### Corporate Governance disclosures as per Section 134 of the Companies Act, 2013

#### 1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity. The governance practices and processes ensure that the interest of all stakeholders are taken into account in a transparent manner and are firmly embedded into the culture of the organisation.

The Company has fair, transparent and ethical governance practices, essential for augmenting long-term shareholder value and retaining investor trust. This has been possible through continued efforts and commitment to the highest standards of corporate conduct.

The Company has a dynamic, experienced and well-informed Board. The Board along with its Committees, with the Corporate Governance mechanism in place, undertakes its fiduciary duties towards all its stakeholders. During the year under review, your Company has adopted a Board approved Corporate Governance Code which will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure. The said Corporate Governance Code has been uploaded on the Company's website.

## 2. Board of Directors

The Board of your Company comprises of combination of Executive, Non-Executive and Independent Directors. The Board is at the core of our corporate governance practice and oversees and ensures that the Management serves and protects the long-term interest of all our stakeholders. We believe that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

Committees of the Board handling specific responsibilities mentioned under the applicable laws viz. Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Information Technology Strategy Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee etc. empower the functioning of the Board through flow of information amongst each other and by delivering a focused approach and expedient resolution of diverse matters.

The composition of the Board is in compliance with the provisions of Companies Act, 2013 and Rules made thereunder as amended from time to time. As on March 31, 2020, the Board comprised of seven members, out of which one is Executive Director, two are Non-Executive Directors and four are Independent Directors. Two of the Independent Directors are Women. The Chairman of the Board is a Non- Executive Director.

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 meet the criteria of independence laid down under the Companies Act, 2013 and Rules made thereunder as amended from time to time. Independent Directors have confirmed that they have complied with the provisions of Sub Rule 1 and 2 of Rule 6 of the Companies (Appointment and Qualification of Directors) Rule, 2014.

None of the Directors of your Company are related to each other.

During the FY 2019-20, the Board of Directors met 6 (Six) times on April 15, 2019, April 18, 2019, July 17, 2019, October 11, 2019, October 15, 2019 and January 15, 2020. The requisite quorum was present for all the Meetings. The Board met at least once in a calendar quarter and the maximum time gap between any two Meetings was not more than one hundred and twenty days. During the year, the Board met at regular intervals to discuss and decide on various business and policy matters of the Company.

The composition of the Board of Directors as at March 31, 2020, including the details of their DIN, number of Board meetings attended, other directorship and their shareholding are given below:

| Name of the Director       | Executive / Non-Executive / Chairman / Independent / | DIN      | Number of Board Meetings |          | No. of other Directorships | No. of shares held in the Company |
|----------------------------|--|----------|--------------------------|----------|----------------------------|-----------------------------------|
|                            |  |          | Held                     | Attended |                            |                                   |
| Mr. Aditya Puri            | Chairman, Non-Executive Director                     | 00062650 | 6                        | 6        | 1                          | Nil                               |
| Mr. Jimmy Tata             | Non-Executive Director                               | 06888364 | 6                        | 6        | 2                          | 3,21,021                          |
| Ms. Smita Affinwalla       | Independent Director                                 | 07106628 | 6                        | 6        | 3                          | Nil                               |
| Mr. Venkatraman Srinivasan | Independent Director                                 | 00246012 | 6                        | 4        | -                          | Nil                               |
| Dr. Amla Samanta           | Independent Director                                 | 00758883 | 4                        | 4        | 4                          | Nil                               |
| Mr. Adayapalam Viswanathan | Independent Director                                 | 08518003 | 3                        | 3        | -                          | Nil                               |
| Mr. G. Ramesh              | Managing Director & Chief Executive Officer          | 05291597 | 6                        | 6        | -                          | 6,56,500                          |

Note:

1. Dr. Amla Samanta was appointed as Independent Director with effect from May 1, 2019.
2. Mr. Adayapalam Viswanathan was appointed as Independent Director (Additional) with effect from July 24, 2019.
3. Mr. Bhavesh Zaveri, Non-Executive Director of the Company resigned with effect from November 28, 2019. He attended all the Board meeting (i.e. five meetings) held during his tenure as Director.
4. Mr. Venkatraman Srinivasan was reappointed as an Independent Director (Additional) of the Company with effect from March 12, 2020
5. Ms. Smita Affinwalla was reappointed as an Independent Director (Additional) of the Company with effect from March 12, 2020

## Changes in Board Composition

The change in the Board composition during the year ended March 31, 2020 is as under:

| # | Name of Director           | Nature of change                                 | Effective Date    |
|---|----------------------------|--|-------------------|
| 1 | Dr. Amla Samanta           | Appointed as Independent Director                | May 01, 2019      |
| 2 | Mr. Adayapalam Viswanathan | Appointed as Additional Independent Director     | July 24, 2019     |
| 3 | Mr. Bhavesh Zaveri         | Resigned as Non-Executive Director               | November 28, 2019 |
| 4 | Mr. Venkatraman Srinivasan | Reappointed as Independent Director (Additional) | March 12, 2020    |
| 5 | Ms. Smita Affinwalla       | Reappointed as Independent Director (Additional) | March 12, 2020    |

### 3. Meetings of Independent Directors

As stipulated by the Code of Independent Directors under the Companies Act, 2013 and Rules made thereunder as amended from time to time, one Meeting of Independent Directors was held during the year. The Meeting was conducted to enable Independent Directors, discuss matters relating to Company's affairs and put forth their views without the presence of Non-Independent Directors and members of the Management.

In this Meeting, the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole. They have also reviewed the performance of the Chairman of the Company after taking into account the views of Executive Directors and Non-Executive Directors, assessed the quality, quantity and timeliness of the flow of information between the Management and the Board and its Committees which is necessary for the Board to effectively and reasonably perform and discharge their duties.

A Separate Meeting of Independent Directors was held on April 12, 2019, during the year under review.

### 4. Committees of the Board

Your Company has six Board level Committees - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Risk Management Committee and Information Technology Strategy Committee. All decisions pertaining to the constitution of Committees, appointment of members and terms of reference for Committee members are taken by the Board of Directors. Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

#### a) Audit Committee

Your Company has an independent Audit Committee, which acts as a link between the management, the statutory and internal auditors and the Board. Its 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 are financially literate and possess high expertise in the fields of Finance, Taxation, Economics, Risk and International Finance.

#### Composition:

All the members of the Audit Committee are Independent Directors. The Composition of the Audit Committee as on March 31, 2020 is as under:

| Name of the Member         | Category  |
|----------------------------|---|
| Mr. Venkatraman Srinivasan | Chairman of the Committee, Independent Director |
| Ms. Smita Affinwalla       | Member, Independent Director                    |
| Dr. Amla Samanta           | Member, Independent Director                    |
| Mr. Adayapalam Viswanathan | Member, Independent Director                    |

- Mr. Adayapalam Viswanathan and Dr. Amla Samanta were appointed as Member of Audit Committee with effect from July 24, 2019.
- Mr. Bhavesh Zaveri ceased to be member of Audit Committee with effect from July 24, 2019.

## Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes discussions with the auditors on periodical basis, the observations of the auditors, recommendation for appointment, review & monitor the auditor's independence, performance and effectiveness of audit process, remuneration & terms of appointment of auditors, evaluation of internal financial controls and risk management systems, examination of financial statements before submission to the Board, effective implementation of vigil mechanism of the Company and also oversee compliance of internal control systems.

## Meetings and Attendance during the year:

The Audit Committee met 5 (Five) times during the year under review on April 15, 2019, April 18, 2019, July 17, 2019, October 15, 2019 and January 15, 2020. The details of attendance of the Members of the Committee at meeting are provided herein below:

| Members                    | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|----------------------------|---|-----------------------------|-----------------|
| Mr. Venkatraman Srinivasan | 5   | 4                           | 80%             |
| Ms. Smita Affinwalla       | 5   | 5                           | 100%            |
| Mr. Bhavesh Zaveri         | 3   | 3                           | 100%            |
| Dr. Amla Samanta           | 2   | 1                           | 50%             |
| Mr. Adayapalam Viswanathan | 2   | 2                           | 100%            |

## b) 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.

Composition:

All the members of the Nomination and Remuneration Committee are Independent Directors. The Composition of the Nomination and Remuneration Committee as on March 31, 2020 is as under

| Name of the Member         | Category   |
|----------------------------|--|
| Ms. Smita Affinwalla       | Chairperson of the Committee, Independent Director |
| Mr. Venkatraman Srinivasan | Member, Independent Director                       |
| Dr. Amla Samanta           | Member, Independent Director                       |
| Mr. Adayapalam Viswanathan | Member, Independent Director                       |

Note:-

1. Mr. Adayapalam Viswanathan and Dr. Amla Samanta were appointed as Member of Nomination and Remuneration Committee with effect from July 24, 2019.
2. Mr. Bhavesh Zaveri and Mr. Jimmy Tata ceased to be member of Nomination and Remuneration Committee with effect from July 24, 2019.

## Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes an annual review of the Nomination & Remuneration Policy, recommend to the Board appointment & removal of the Directors, approve performance evaluation framework, formulate the criteria for determining qualifications, positive attributes and independence of a director, review Human Resource strategy, to review remuneration paid to the employees & directors is as per the Nomination & Remuneration Policy and consider giving stock options to the employees in the form of equity shares of the Company.

## Meetings and Attendance during the year:

The Nomination and Remuneration Committee met 6 (Six) times during the year under review, on April 12, 2019, July 16, 2019, August 26, 2019, September 26, 2019, November 12, 2019 and March 11, 2020. The details of attendance of the Members of the Committee at meeting, are provided herein below:

| Members                    | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|----------------------------|---|-----------------------------|-----------------|
| Ms. Smita Affinwalla       | 6   | 6                           | 100%            |
| Mr. Bhavesh Zaveri         | 2   | 2                           | 100%            |
| Mr. Jimmy Tata             | 2   | 2                           | 100%            |
| Mr. Venkatraman Srinivasan | 6   | 6                           | 100%            |
| Dr. Amla Samanta           | 4   | 3                           | 75%             |
| Mr. Adayapalam Viswanathan | 4   | 4                           | 100%            |

## c) 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. In order to ensure best governance practices, the Company has established risk management process for each line of its business and operations. These processes have been implemented through the specific policies adopted by the Board of Directors of the Company from time to time. Nevertheless, entire processes are subjected to robust independent internal audit review to arrest any potential risks and take corrective actions.

The Risk Management Committee of the Board has been in place since the commencement of business of the Company, 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 is as follows:

| Name of the Member         | Category  |
|----------------------------|---|
| Mr. Adayapalam Viswanathan | Chairperson of the Committee, Independent Director  |
| Mr. Venkatraman Srinivasan | Member, Independent Director                        |
| Mr. Jimmy Tata             | Member, Non-Executive Director                      |
| Mr. G. Ramesh              | Member, Managing Director & Chief Executive Officer |

Note:-

1. Mr. Adayapalam Viswanathan was appointed as Chairman of Risk Management Committee with effect from July 24, 2019.
2. Mr. Venkatraman Srinivasan was appointed as member of Risk Management Committee with effect from July 24, 2019.
3. Mr. Rohit Patwardhan and Mr. Sanjay Belsare ceased to be members of Risk Management Committee with effect from July 24, 2019.

### Brief Description of Terms of Reference:

The terms of reference of the Committee includes approval and monitoring of the Company's risk management policies and procedures, review of portfolio & its delinquency at a product level, approval and review of the Non-Performing Asset Management policy, reporting to the Board of Directors of the Company on periodical basis on the various matters and review of Information Technology Risk assessment of Information Technology systems.



## Meetings and Attendance during the year:

The Risk Management Committee met 4 (Four) times during the year under review on April 11, 2019, July 16, 2019 and July 22, 2019 (adjourned), October 14, 2019 and January 14, 2020. The details of attendance of the Members of the Committee at meeting, are provided herein below:

| Members                    | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|----------------------------|---|-----------------------------|-----------------|
| Mr. Adayapalam Viswanathan | 2   | 2                           | 100%            |
| Mr. Venkatraman Srinivasan | 2   | 1                           | 50%             |
| Mr. Jimmy Tata             | 4   | 4                           | 100%            |
| Mr. G. Ramesh              | 4   | 4                           | 100%            |
| Mr. Rohit Patwardhan       | 2   | 2                           | 100%            |
| Mr. Sanjay Belsare         | 2   | 2                           | 100%            |

## d) Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee was formed as per the provisions of Section 135 of the Companies Act, 2013.

### Composition:

The composition of the CSR Committee as on March 31, 2020 is as under:

| Name of the Member   | Category  |
|----------------------|---|
| Dr. Amla Samanta     | Chairperson of the Committee, Independent Director  |
| Ms. Smita Affinwalla | Member, Independent Director                        |
| Mr. G. Ramesh        | Member, Managing Director & Chief Executive Officer |

Note:-

1. Dr. Amla Samanta was appointed as Chairperson of CSR Committee with effect from July 17, 2019.
2. Mr. Bhavesh Zaveri ceased to be member of CSR Committee pursuant to his resignation as Director of the Company with effect from November 28, 2019.

### Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The terms of reference of the Committee includes to formulate and recommend to the Board CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013, to recommend the amount of expenditure to be incurred on the CSR activities and to institute a transparent monitoring mechanism for implementation of the CSR activities.

## Meetings and Attendance during the year:

The Corporate Social Responsibility Committee met 4 (Four) times during the year under review on April 12, 2019, July 17, 2019, October 14, 2019 and January 14, 2020. The details of attendance of the Members of the Committee at meeting are provided herein below:

| Members              | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|----------------------|---|-----------------------------|-----------------|
| Dr. Amla Samanta     | 2   | 2                           | 100%            |
| Ms. Smita Affinwalla | 4   | 4                           | 100%            |
| Mr. G. Ramesh        | 4   | 4                           | 100%            |
| Mr. Bhavesh Zaveri   | 3   | 3                           | 100%            |

## e) Stakeholders Relationship Committee

The Board of Directors constituted Stakeholders Relationship Committee as per the provisions of Section 178(5) of the Companies Act, 2013.

### Composition:

The composition of Stakeholders Relationship Committee of the Company as on March 31, 2020 is as under:

| Name of the Member | Category  |
|--------------------|---|
| Dr. Amla Samanta   | Chairperson of the Committee, Independent Director  |
| Mr. Jimmy Tata     | Member, Non-Executive Director                      |
| Mr. G. Ramesh      | Member, Managing Director & Chief Executive Officer |

Note:-

- Dr. Amla Samanta was appointed as Chairperson of Stakeholders Relationship Committee with effect from July 17, 2019.
- Mr. Bhavesh Zaveri ceased to be member of Stakeholders Relationship Committee pursuant to his resignation as Director of the Company with effect from November 28, 2019.

### Brief Description of Terms of Reference:

The key responsibilities of the Stakeholders Relationship Committee is to consider and resolve the grievances of the security holders of the Company such as complaints related to transfer of shares/ debentures/ bonds, non-receipt of balance sheet, non-receipt of interest/ declared dividends etc.

No complaints were pending for resolution during the year ended March 31, 2020.

### Meetings and Attendance during the year:

The Stakeholders Relationship Committee met twice during the year under review on April 12, 2019 and October 15, 2019.

The details of attendance of the Members of the Committee at meeting, are provided herein below:

| Members            | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|--------------------|---|-----------------------------|-----------------|
| Dr. Amla Samanta   | 1   | 1                           | 100%            |
| Mr. Jimmy Tata     | 2   | 2                           | 100%            |
| Mr. Bhavesh Zaveri | 2   | 2                           | 100%            |
| Mr. G. Ramesh      | 2   | 2                           | 100%            |

## f) Information Technology Strategy Committee

Information Technology (IT) Strategy Committee was formed 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 IT Strategy Committee as on March 31, 2020 is as under:

| Name of the Member              | Category   |
|---------------------------------|--|
| Mr. Venkatraman Srinivasan      | Chairperson of the Committee, Independent Director             |
| Mr. Adayapalam Viswanathan      | Member, Independent Director                                   |
| Mr. G. Ramesh                   | Member, Managing Director & Chief Executive Officer            |
| Mr. Sanjay Belsare <sup>1</sup> | Member, Chief Technology Officer and Chief Information Officer |

<sup>1</sup>Member of Executive Management

Note:-

1. Mr. Venkatraman Srinivasan was appointed as Chairman and Mr. Adayapalam Viswanathan was appointed as member of IT Strategy Committee with effect from July 24, 2019.
2. Mr. Bhavesh Zaveri ceased to be member of IT Strategy Committee pursuant to his resignation as Director of the Company with effect from November 28, 2019.

### 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 IT Strategy Committee include approving IT strategy & policy documents & ensuring that the management has put an effective strategic planning process in place, ascertaining that management has implemented processes & practices that ensure that the IT delivers value to the business, ensuring IT investments represent a balance of risks & benefits & their budgets are acceptable, monitoring the method that management uses to determine the IT resources needed to achieve strategic goals & provide high-level direction for sourcing & use of IT resources and ensuring proper balance of IT investments for sustaining Company's growth & becoming aware about exposure towards IT risks and controls.

Further, key responsibilities for outsourced operations of IT include instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner, defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing, developing sound & responsive outsourcing risk management policies & procedures commensurate with the nature, scope & complexity of outsourcing arrangements, undertaking a periodic review of outsourcing strategies & all existing material outsourcing arrangements, evaluating the risks & materiality of all prospective outsourcing based on the framework developed by the Board, periodically reviewing the effectiveness of policies & procedures, communicating significant risks in outsourcing to the Company's Board on a periodic basis, ensuring an independent review & audit in accordance with approved policies & procedures.

### Meetings and Attendance during the year:

The Information Technology Strategy Committee met 4 (Four) times during the year under review i.e. April 12, 2019, July 16, 2019, October 14, 2019 and January 14, 2020. The details of attendance of the Members of the Committee, are provided herein below:

| Members                         | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|---------------------------------|---|-----------------------------|-----------------|
| Mr. Venkatraman Srinivasan      | 4   | 3                           | 75%             |
| Mr. Adayapalam Viswanathan      | 2   | 2                           | 100%            |
| Mr. G. Ramesh                   | 4   | 4                           | 100%            |
| Mr. Sanjay Belsare <sup>1</sup> | 4   | 4                           | 100%            |
| Mr. Bhavesh Zaveri              | 3   | 3                           | 100%            |

<sup>1</sup>Member of Executive Management

### g) Other Committees

The Board has also constituted Asset Liability Committee, Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee. These Committees are not Board Level Committees. However, Mr. G. Ramesh, Managing Director and CEO and Mr. Jimmy Tata, Non-Executive Director are members of these Committees along with other senior executives of the Company.

#### i. Asset Liability 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 Composition of Asset Liability Committee as on March 31, 2020 is as under:

| Name of the Member                | Category   |
|-----------------------------------|--|
| Mr. G. Ramesh                     | Chairperson, Managing Director & Chief Executive Officer |
| Mr. Haren Parekh <sup>1</sup>     | Member, Chief Financial Officer                          |
| Mr. Rohit Patwardhan <sup>1</sup> | Member, Chief Risk Officer                               |
| Mr. Sanjay Belsare <sup>1</sup>   | Member, Chief Technology Officer                         |

<sup>1</sup>Member of Executive Management

Note:

1. Mr. Jimmy Tata ceased to be member of Asset Liability Committee with effect from July 17, 2019.
2. Mr. Rohit Patwardhan and Mr. Sanjay Belsare were appointed as members of Asset Liability Committee with effect from July 17, 2019.

### 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 liquidity gaps and structural liquidity of the Company, review & management of interest rate sensitivity of the Company and develop a view on future direction on interest rate movements & decide on funding mixes.

### Meetings and Attendance during the year:

During the FY 2019-20, the Asset Liability Committee met 10 (Ten) times on April 12, 2019, July 23, 2019, August 9, 2019, September 11, 2019, October 10, 2019, November 13, 2019, December 12, 2019, January 13, 2020, February 14, 2020 and March 13, 2020.

| Members                           | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|-----------------------------------|---|-----------------------------|-----------------|
| Mr. Jimmy Tata                    | 1   | 1                           | 100%            |
| Mr. G. Ramesh                     | 10  | 10                          | 100%            |
| Mr. Haren Parekh <sup>1</sup>     | 10  | 10                          | 100%            |
| Mr. Rohit Patwardhan <sup>1</sup> | 10  | 10                          | 100%            |
| Mr. Sanjay Belsare <sup>1</sup>   | 10  | 8                           | 80%             |

<sup>1</sup>Member of Executive Management

## ii. Debenture Allotment Committee

The details of meeting held and attendance of the members of the Debenture Allotment Committee is given below:

| Members                               | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|---------------------------------------|---|-----------------------------|-----------------|
| Mr. Bhavesh Zaveri*                   | 15  | 12                          | 80%             |
| Mr. Jimmy Tata                        | 21  | 9                           | 43%             |
| Mr. G. Ramesh                         | 21  | 21                          | 100%            |
| Mr. Haren Parekh <sup>1</sup>         | 21  | 20                          | 95%             |
| Mr. Bhavin Lakhpatwala <sup>1**</sup> | 4   | 4                           | 100%            |

<sup>1</sup>Member of Executive Management

### iii. Bond Allotment Committee

| Members                               | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|---------------------------------------|---|-----------------------------|-----------------|
| Mr. Bhavesh Zaveri*                   | 1   | 0                           | NIL             |
| Mr. Jimmy Tata                        | 2   | 2                           | 100%            |
| Mr. G. Ramesh                         | 2   | 2                           | 100%            |
| Mr. Haren Parekh <sup>1</sup>         | 2   | 2                           | 100%            |
| Mr. Bhavin Lakhpatwala <sup>1**</sup> | 1   | 1                           | 100%            |

<sup>1</sup>Member of Executive Management

### iv. Share Allotment Committee

| Members                               | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|---------------------------------------|---|-----------------------------|-----------------|
| Mr. Bhavesh Zaveri*                   | 1   | 1                           | 100%            |
| Mr. Jimmy Tata                        | 2   | 2                           | 100%            |
| Mr. G. Ramesh                         | 2   | 2                           | 100%            |
| Mr. Haren Parekh <sup>1</sup>         | 2   | 2                           | 100%            |
| Mr. Bhavin Lakhpatwala <sup>1**</sup> | Nil   | N.A                         | N.A             |

<sup>1</sup>Member of Executive Management

\* Mr. Bhavesh Zaveri ceased to be member of Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee pursuant to his resignation as Director of the Company with effect from November 28, 2019.

\*\* Mr. Bhavin Lakhpatwala was appointed as member of Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee with effect from January 15, 2020.

### v. Separate Meeting of Independent Directors

| Members                    | Number of meetings held during their tenure | Number of meetings Attended | % of attendance |
|----------------------------|---|-----------------------------|-----------------|
| Mr. Venkatraman Srinivasan | 1   | 1                           | 100%            |
| Ms. Smita Affinwalla       | 1   | 1                           | 100%            |

## 5. Details of Remuneration to Non-Executive Directors

### Sitting fees

Sitting fees was paid to all the Independent Directors and Non-Executive Directors of the Company other than Mr. Aditya Puri.

The sitting fees for attending meetings of Board of Directors is ₹ 75,000/- per meeting, Audit Committee is ₹ 50,000/- per meeting, Nomination and Remuneration Committee and Information Technology Strategy Committee meetings is ₹ 35,000/- per meeting, Risk Management Committee, Asset-Liability Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee and Separate meeting of Independent Directors meetings is ₹ 25,000/- per meeting.

### Profit Related Commission

The Shareholders in its 12<sup>th</sup> Annual General Meeting held on June 21, 2019 had approved payment of profit related commission to Independent Directors at the rate of ₹ 60,000 per meeting of the Board and/or Committee attended subject to maximum of ₹ 7,50,000/-.

Details of the remuneration and shareholding of non-executive directors are provided in Form No. MGT-9 forming part of the annual report.

## 6. Performance Evaluation of Board, its Committees and Directors

The Nomination and Remuneration Committee (NRC) had approved a framework for performance evaluation of the Board of Directors, its Committees and the individual Board members in terms of Guidance note on Board evaluation issued by SEBI on January 5, 2017 vide its circular no. SEBI/HO/CFD/CMD/CIR/P/2017/004.

Pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder as amended from time to time, the Board has carried out an annual performance evaluation of its own performance, evaluation of the working of its Committees as well as performance of all the Directors individually (including Independent Directors). Feedback was sought by well-defined and structured questionnaires covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, areas of responsibility, execution and performance of specific duties, obligations and governance, compliance, etc.

### Performance evaluation framework of the Company is as follows:

- a. NRC would approve framework of performance evaluation of the Company;
- b. Board would evaluate the performance of the Independent Directors, Board as a whole and Committees of the Board;
- c. Independent Directors would evaluate the performance of the Chairman of the Company after taking views of other directors, Board as a whole and Non-Independent Directors;
- d. Self-evaluation of individual Directors.

The evaluation involves self-evaluation by the Board Member and subsequent assessment by the Independent Directors. A member of the Board will not participate in the discussion of his/her evaluation.

The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Directors and Non-Executive Directors.

The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. Performance evaluation of the Board and of its Committees was carried out by the Board. Qualitative comments and suggestions of Directors were taken into consideration by the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee.

The Directors have expressed their satisfaction with the evaluation process.

## 7. General Body meetings (FY2019-2020)

### Annual General Meeting

| Date          | Time    | Venue  | Special resolutions passed  |
|---------------|---------|--|---|
| June 21, 2019 | 12 noon | Ahmedabad Management Association (AMA), ATIRA Campus, Dr. Vikram Sarabhai Marg, Near Panjarapole Cross roads, Vastrapur, Ahmedabad - 380 015 | <ul style="list-style-type: none"> <li>• To approve increase in borrowing limits of the company from ₹ 60,000 crore to ₹ 70,000 crore</li> <li>• To approve increase in limits for creation of charge on the assets of the company upto an amount of ₹ 70,000 crore to secure its borrowings</li> <li>• To approve selling, assignment of its receivables / book debts upto ₹ 7,500 crore</li> <li>• Authority to issue redeemable non-convertible debentures and / or other hybrid instruments on private placement basis</li> <li>• Authority to issue foreign currency/ rupee denominated bonds</li> <li>• Profit related commission to independent directors</li> </ul> |

## Attendance at the AGM

| Name of Directors | Mr. Aditya Puri | Mr. Jimmy Tata | Mr. Bhavesh Zaveri | Mr. G. Ramesh | Mr. Venkatraman Srinivasan | Ms. Smita Affinwalla | Dr. Amla Samanta |
|-------------------|-----------------|----------------|--------------------|---------------|----------------------------|----------------------|------------------|
| Attendance        | No              | No             | No                 | Yes           | Yes                        | No                   | No               |

## Extra-Ordinary General Meeting:

During the Financial Year 2019-2020, no Extra-Ordinary General meeting of the Company was held.

## Postal Ballot:

During the year, no resolution was passed through postal ballot under the provisions of the Companies Act, 2013. There is no immediate proposal for passing any resolution through Postal Ballot.

## 8. Disclosures:

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

### b. Risk Management and internal control policies adopted by the Company

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

### c. Secretarial Standards

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

## 9. Investor Grievances

Ms. Dipti Khandelwal, Company Secretary of the Company is the Compliance Officer for the purpose of the SEBI Listing Regulations.

There were no investor complaints pending as at March 31, 2020.

## 10. Shareholding pattern as at March 31, 2020

| Name of Shareholder                        | No. of equity shares held | Percentage    |
|--|---------------------------|---------------|
| HDFC Bank Limited                          | 75,05,96,670              | 95.30         |
| Others                                     | 3,69,82,986               | 4.70          |
| <b>Total (Issued &amp; Paid-up Shares)</b> | <b>78,75,79,656</b>       | <b>100.00</b> |

# Independent Auditors' Report



To the Board of Directors of HDB Financial Services Limited

Report on the Audit of the Standalone Financial Statements

## Opinion

We have audited the Standalone Financial Statements of HDB Financial Services Limited (“the Company”), which comprise the standalone balance sheet as at 31 March 2020, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the Standalone Financial Statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the Standalone Financial Statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone 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 Standalone 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 Standalone 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 Standalone Financial Statements.

## Emphasis of Matter

As described in Note 78(B) to the Standalone 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 78(A) to the Standalone Financial Statements, the extent to which the COVID-19 pandemic will have impact on 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 year. 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 (Contd.)



Description of Key Audit Matters:

| Key audit matter   | How the matter was addressed in our audit   |
|--|---|
| <p><b>Impairment of loans and advances to customers</b></p> <p><b>Charge: INR 1,442 crore for year ended 31 March 2020</b></p> <p><b>Provision: INR 1,285 crore at 31 March 2020</b></p>   |   |
| <p><i>Refer to the accounting policies in “Note 2.2(F) to the Standalone Financial Statements: Impairment”, “Note 3(B) to the Standalone Financial Statements: Significant Accounting Policies- use of estimates” and “Note 8 to the Standalone Financial Statements: Loans”</i></p>   |   |
| <p><b>Subjective estimate</b></p> <p>Recognition and measurement of impairment of loans and advances involve significant management judgement.</p> <p>Under Ind AS 109, Financial Instruments, allowance for loan losses is determined using expected credit loss (ECL) model. The Company’s impairment allowance is derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors.</p> <p>The most significant areas are:</p> <ul style="list-style-type: none"> <li>- Segmentation of loan book</li> <li>- Determination of exposure at default</li> <li>- Loan staging criteria</li> <li>- Calculation of probability of default / Loss given default</li> <li>- Consideration of probability weighted scenarios and forward looking macro-economic factors</li> <li>- Complexity of disclosures</li> </ul> <p>There are many data inputs required by the ECL model. 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.</p> | <p>Our audit procedures included:</p> <p>Design / controls</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge.</li> <li>• Understanding management’s revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package.</li> <li>• Evaluating management’s controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19.</li> <li>• Testing the controls over ‘Governance Framework’ in line with the RBI guidance.</li> <li>• Testing of review controls over measurement of impairment allowances and disclosures in financial statements.</li> </ul> |

# Independent Auditors' Report (Contd.)



## Key Audit Matters (Continued)

| Key audit matter   | How the matter was addressed in our audit  |
|--|--|
| <p><b>Impact of COVID -19</b></p> <p>On 11 March 2020 the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic.</p> <p>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 on loans and advances on account of:</p> <ul style="list-style-type: none"> <li>- Short and long term macroeconomic effect on businesses in the country and its consequential first order and cascading negative impact on revenue and employment generation opportunities;</li> <li>- impact of the pandemic on the Company's customers and their ability to repay dues; and</li> <li>- application of regulatory package announced by the Reserve Bank of India (RBI) on asset classification and provisioning.</li> </ul> <p>Management has conducted a qualitative assessment of significant increase in credit risk ('SICR') of its loan and advances with respect to the moratorium benefit to borrowers prescribed by the RBI and considered updated macro-economic scenarios to factor in the potential impact of COVID-19 on expected credit loss provision.</p> | <p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>• Focus on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model.</li> <li>• Involving our specialists to test the model methodology and reasonableness of assumptions used, including management overlays.</li> <li>• Test of details over calculation of impairment allowance for assessing the completeness, accuracy and relevance of data.</li> <li>• Model calculations testing through reperformance where possible.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Checked 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.</li> <li>• Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Company regarding impact of COVID-19.</li> <li>• Considered the appropriateness of disclosures relating to financial risk management including those relating to ECL provision on loans and advances.</li> </ul> |

## Key Audit Matters (Continued)

| Key audit matter   | How the matter was addressed in our audit  |
|--|--|
| <p><b>Information Technology</b></p> <p><b>IT systems and controls</b></p> <p>The Company's key financial accounting and reporting processes 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 materially misstated. The Company primarily uses three systems for its overall financial reporting.</p> <p>We have focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems.</p> | <p>Our audit procedures to assess the IT system access management included the following:</p> <p><b>General IT controls / user access management</b></p> <ul style="list-style-type: none"> <li>• We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations.</li> <li>• We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties.</li> <li>• For a selected group of key controls over financial and reporting system, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process.</li> <li>• Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission.</li> <li>• Other areas that were independently assessed included password policies, system configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.</li> </ul> |

### Information Other than the Standalone Financial Statements and Auditors' 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 auditors' report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the Standalone 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 Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### Management's and Board of Directors' Responsibility for the Standalone 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 Standalone 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 Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Standalone 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 Standalone Financial Statements.

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

## **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

- Identify and assess the risks of material misstatement of the Standalone 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 standalone 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 Standalone 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 Standalone Financial Statements, including the disclosures, and whether the Standalone 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 Standalone 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

# Independent Auditors' Report (Contd.)



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 (Auditors' 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.

(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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid Standalone 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 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.
- 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 Auditors' 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 37.2 to the Standalone 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 37.3 to the Standalone Financial Statements;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The disclosures in the Standalone Financial Statements regarding the holdings as well as the dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the Standalone 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 Auditors' 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

Sd/-

**Akeel Master**

*Partner*

Mumbai  
13 May 2020

Membership No: 046768  
UDIN: 20046768AAAAHZ9343

## Annexure A to the Independent Auditor's Report of even date on financial statements of HDB Financial Services Limited



- (i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. The Company has a regular program of physical verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanation given to us, 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 title deeds of the immovable property is held in the name of the Company.
- (ii) The Company is in the business of providing services and does not have any physical inventories. Accordingly, the provision of clause 3(ii) of the Order is not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provision of clause 3(iii) of the Order is not applicable to the Company.
- (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 of the Act and has complied with the provisions of section 186(1) of the Act. The Company being a NBFC, nothing contained in Section 186 is applicable, except subsection (1) of that section.
- (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, the provision of clause 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 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 service tax, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. As explained to us the Company did not have any dues on account of sales tax, duty of customs or 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, goods and service 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, the Company did not have any dues on account of income tax, sales tax, service tax, duty of customs, value added tax or duty of excise which have not been deposited on account of 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 term loans taken by the Company have been generally applied for the purpose for which they were raised. The Company has not raised any money by way of initial public offer or further public offer 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

## Annexure A to the Independent Auditor's Report of even date on financial statements of HDB Financial Services Limited



given to us, no material fraud by the Company or 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 given 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, the provision of clause 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act except below:

| Nature of the related party relationship and the underlying transaction | Amount involved (₹) | Remarks   |
|---|---------------------|---|
| Two premises taken on sub-lease from the Holding Company                | Nil                 | No rent charged on the premises taken on lease. Approval u/s 188 (1) of the Act obtained in Board meeting held on 15 April 2020 |

- (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, the provision of clause 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, during the year the Company has not entered into any non-cash transactions with directors or persons connected with him and hence the provision of Section 192 of the Act 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 dated 31 December 2007.

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

Sd/-

**Akeel Master**  
Partner

Membership No: 046768  
UDIN: 20046768AAAAHZ9343

Mumbai  
13 May 2020

**Report on the Internal Financial Controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

**(Referred to in paragraph 1(A)(vi) 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 HDB Financial Services Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone 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 control with reference to financial statement 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 the 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 Companies Act, 2013 ("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 control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal



financial controls with reference to 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 standalone 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

Sd/-

**Akeel Master**

*Partner*

Membership No: 046768

UDIN: 20046768AAAAHZ9343

Mumbai  
13 May 2020

# Standalone Balance Sheet as at 31 March 2020



(Currency : Indian Rupees in crore)

|   | Note   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|--------|------------------------|------------------------|
| <b>ASSETS</b>   |        |                        |                        |
| <b>1 Financial Assets</b>   |        |                        |                        |
| (a) Cash and cash equivalents   | 4      | 355.95                 | 334.72                 |
| (b) Bank balances other than (a) above  | 5      | 207.23                 | 153.79                 |
| (c) Derivative financial instruments  | 6      | 81.32                  | -                      |
| (d) Trade receivables   | 7      | 181.18                 | 114.42                 |
| (e) Loans   | 8      | 57,145.88              | 53,881.17              |
| (f) Investments   | 9      | 1,745.76               | 568.36                 |
| (g) Other financial assets  | 10     | 118.08                 | 109.79                 |
|   |        | <b>59,835.40</b>       | 55,162.25              |
| <b>2 Non-financial Assets</b>   |        |                        |                        |
| (a) Current tax assets (Net)  | 11     | 77.42                  | 36.74                  |
| (b) Deferred tax assets (Net)   | 12     | 415.62                 | 384.96                 |
| (c) Property, plant and equipment   |        | 124.48                 | 113.89                 |
| (d) Capital work-in-progress  | 13     | 0.06                   | 0.00                   |
| (e) Other intangible assets   |        | 9.07                   | 9.14                   |
| (f) Right of Use Assets   | 14     | 252.41                 | -                      |
|   |        | <b>879.06</b>          | 544.73                 |
| <b>TOTAL ASSETS</b>   |        | <b>60,714.46</b>       | 55,706.98              |
| <b>LIABILITIES AND EQUITY</b>   |        |                        |                        |
| <b>Liabilities</b>  |        |                        |                        |
| <b>3 Financial Liabilities</b>  |        |                        |                        |
| (a) Derivative financial instruments  | 6      | -                      | -                      |
| (b) Trade payables  | 15     |                        |                        |
| (i) Total outstanding dues of micro enterprises and small enterprises                       |        | -                      | -                      |
| (ii) Total outstanding dues of creditors other than micro enterprises and small enterprises |        | 149.99                 | 394.91                 |
| (c) Debt securities   | 16     | 22,593.38              | 24,119.67              |
| (d) Borrowings (other than debt securities)   | 17     | 23,580.16              | 18,095.65              |
| (e) Subordinated liabilities  | 18     | 3,630.55               | 2,889.78               |
| (f) Other financial liabilities   | 19     | 2,254.38               | 2,623.80               |
|   |        | <b>52,208.46</b>       | 48,123.81              |
| <b>4 Non-Financial Liabilities</b>  |        |                        |                        |
| (a) Current tax liabilities (net)   | 20     | 74.60                  | 56.12                  |
| (b) Provisions  | 21     | 286.86                 | 268.20                 |
| (c) Other non-financial liabilities   | 22     | 126.74                 | 80.37                  |
|   |        | <b>488.20</b>          | 404.69                 |
| <b>5 Equity</b>   |        |                        |                        |
| (a) Equity share capital  | 23     | 787.58                 | 785.70                 |
| (b) Other equity  |        | 7,230.22               | 6,392.78               |
|   |        | <b>8,017.80</b>        | 7,178.48               |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |        | <b>60,714.46</b>       | 55,706.98              |
| Significant accounting policies and notes to the Standalone Financial Statements.           | 2 - 82 |                        |                        |

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firms' Registration No: 101248W/W-100022

Sd/-

**Akeel Master**

Partner

Membership No.: 046768

Mumbai

13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-

**G Ramesh**

Managing Director

Sd/-

**Haren Parekh**

Chief Financial Officer

Sd/-

**Adayapalam Viswanathan**

Director

Sd/-

**Dipti Khandelwal**

Company Secretary

# Standalone Statement of Profit and Loss for the year ended 31 March 2020



(Currency : Indian Rupees in crore)

|  | Note   | For the<br>year ended<br>31 March 2020 | For the<br>year ended<br>31 March 2019 |
|--|--------|--|--|
| <b>1 Revenue from operations</b>   |        |  |  |
| (a) Interest income  | 24     | 8,233.47                               | 6,712.12                               |
| (b) Sale of services   |        | 2,113.23                               | 1,648.12                               |
| (c) Other financial charges  |        | 408.32                                 | 294.92                                 |
| (d) Net gain on fair value changes   | 25     | 18.78                                  | 32.93                                  |
| (e) Net gain / loss on derecognition of financial instruments under<br>amortised cost category |        | (17.33)                                | 36.72                                  |
| <b>Total Revenue from operations</b>   |        | <b>10,756.47</b>                       | <b>8,724.81</b>                        |
| <b>2 Expenses</b>  |        |  |  |
| (a) Finance Costs  | 26     | 4,081.42                               | 3,333.33                               |
| (b) Impairment on financial instruments (Expected Credit Loss)                                 | 27     | 1,441.57                               | 636.94                                 |
| (c) Employee Benefits Expenses   | 28     | 3,195.57                               | 2,551.74                               |
| (d) Depreciation, amortisation and impairment  | 13,14  | 109.66                                 | 61.92                                  |
| (e) Others expenses  | 29     | 463.77                                 | 416.82                                 |
| <b>Total Expenses</b>  |        | <b>9,291.99</b>                        | <b>7,000.75</b>                        |
| <b>3 Profit/(loss) before tax</b>  |        | <b>1,464.48</b>                        | <b>1,724.06</b>                        |
| <b>4 Tax Expense:</b>  | 11,12  |  |  |
| (a) Current tax  |        | 471.78                                 | 648.99                                 |
| (b) Deferred tax (credit)  |        | (12.15)                                | (87.34)                                |
| (c) Income tax for earlier year  |        | -                                      | 9.17                                   |
| <b>Total Tax expense</b>   |        | <b>459.63</b>                          | <b>570.82</b>                          |
| <b>5 Profit/(loss) for the year from continuing Operations</b>                                 |        | <b>1,004.85</b>                        | <b>1,153.24</b>                        |
| <b>6 Other Comprehensive Income</b>  |        |  |  |
| (a) Items that will not be reclassified to profit or loss                                      |        |  |  |
| - Remeasurement gain/(loss) on defined benefit plan  |        | (26.59)                                | (5.27)                                 |
| - Income tax relating to items that will not be reclassified to profit or loss                 |        | 6.69                                   | 1.84                                   |
| <b>Sub total (a)</b>   |        | <b>(19.90)</b>                         | <b>(3.43)</b>                          |
| (b) Items that will be reclassified to profit or loss  |        |  |  |
| - Items that will be reclassified to profit or loss  |        | (46.95)                                | -                                      |
| - Income tax relating to items that will be reclassified to profit or loss                     |        | 11.82                                  | -                                      |
| <b>Sub total (b)</b>   |        | <b>(35.13)</b>                         | <b>-</b>                               |
| <b>Other Comprehensive Income</b>  |        | <b>(55.03)</b>                         | <b>(3.43)</b>                          |
| <b>7 Total Comprehensive Income for the year</b>   |        | <b>949.82</b>                          | <b>1,149.81</b>                        |
| <b>8 Earnings per equity share (for continuing operations)</b>                                 | 30     |  |  |
| Basic (₹)  |        | 12.78                                  | 14.71                                  |
| Diluted (₹)  |        | 12.77                                  | 14.69                                  |
| Significant accounting policies and notes to the Standalone Financial Statements.              | 2 - 82 |  |  |

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firms' Registration No: 101248W/W-100022

Sd/-

**Akeel Master**

Partner

Membership No.: 046768

Mumbai

13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-

**G Ramesh**

Managing Director

Sd/-

**Haren Parekh**

Chief Financial Officer

Sd/-

**Adayapalam Viswanathan**

Director

Sd/-

**Dipti Khandelwal**

Company Secretary

# Standalone Cash Flow Statement for the year ended 31 March 2020



(Currency : Indian Rupees in crore)

|          | Particulars   | For the year ended<br>31 March 2020 | For the year ended<br>31 March 2019 |
|----------|---|-------------------------------------|-------------------------------------|
| <b>A</b> | <b>Cash flow from operating activities</b>  |                                     |                                     |
|          | Profit/(loss) before tax  | 1,464.48                            | 1,724.06                            |
|          | <b>Adjustments for</b>  |                                     |                                     |
|          | (Profit)/loss on sale of asset  | (0.19)                              | 0.28                                |
|          | Interest Expenses   | 3,796.73                            | 3,144.01                            |
|          | Interest Income   | (8,233.47)                          | (6,712.12)                          |
|          | Realised net (gain)/loss on FVTPL investments                                     | (43.85)                             | (31.25)                             |
|          | Unrealised (gain)/loss on FVTPL investments                                       | (1.95)                              | (1.68)                              |
|          | Discount on commercial paper  | 284.69                              | 189.33                              |
|          | Impairment on financial instruments   | 1,441.57                            | 636.95                              |
|          | Provision for compensated absence and gratuity                                    | 16.21                               | 10.41                               |
|          | Employee share based payment expenses   | 11.19                               | 15.36                               |
|          | Rent expenses reversal  | (55.80)                             | -                                   |
|          | Depreciation, amortisation and impairment   | 109.66                              | 61.92                               |
|          | <b>Operating cash flow before working capital changes</b>                         | <b>(1,210.73)</b>                   | <b>(962.73)</b>                     |
|          | <b>Adjustments for working capital changes:</b>                                   |                                     |                                     |
|          | (Increase)/decrease in trade receivables  | (66.76)                             | 6.92                                |
|          | (Increase)/decrease in other financial assets and others                          | (207.27)                            | (458.37)                            |
|          | (Increase)/decrease in Loans  | (4,608.28)                          | (10,356.11)                         |
|          | Increase/(decrease) in other financial and non financial liabilities & provisions | (1,768.36)                          | (1,521.66)                          |
|          | Increase/(decrease) in trade payables   | (244.92)                            | 115.42                              |
|          | Interest Paid   | (3,296.85)                          | (2,893.01)                          |
|          | Interest Received   | 8,134.29                            | 6,625.67                            |
|          | Cash generated from operations  | (3,268.88)                          | (9,443.86)                          |
|          | Direct taxes paid (net of refunds)  | 237.00                              | 453.00                              |
|          | <b>Net cash flow generated from/(used in) operating activities (A)</b>            | <b>(3,031.88)</b>                   | <b>(8,990.86)</b>                   |
| <b>B</b> | <b>Cash flow from investing activities</b>  |                                     |                                     |
|          | Purchase of fixed assets  | (72.83)                             | (48.40)                             |
|          | Proceeds from sale of fixed assets  | 0.54                                | 0.20                                |
|          | Purchase of investments Mutual fund   | (16,678.65)                         | (15,490.51)                         |
|          | Proceeds of investments Mutual fund   | 15,547.05                           | 15,358.10                           |
|          | <b>Net cash generated from/(used in) investing activities (B)</b>                 | <b>(1,203.89)</b>                   | <b>(180.61)</b>                     |

# Standalone Cash Flow Statement for the year ended 31 March 2020



(Currency : Indian Rupees in crore)

|          | Particulars   | For the year ended<br>31 March 2020 | For the year ended<br>31 March 2019 |
|----------|---|-------------------------------------|-------------------------------------|
| <b>C</b> | <b>Cash flow from financing activities</b>                        |                                     |                                     |
|          | Proceeds from issue of shares and security premium                | 33.49                               | 39.03                               |
|          | Debt securities issued  | 9,426.00                            | 15,336.00                           |
|          | Debt securities repaid  | (11,153.00)                         | (11,519.09)                         |
|          | Borrowings other than debt securities issued                      | 24,679.56                           | 12,520.00                           |
|          | Borrowings other than debt securities repaid                      | (19,302.05)                         | (7,765.27)                          |
|          | Subordinated debt issued  | 743.50                              | 900.00                              |
|          | Dividend & Tax paid on dividend                                   | (170.50)                            | (66.07)                             |
|          | <b>Net cash generated from/(used in) financing activities (C)</b> | <b>4,257.00</b>                     | <b>9,444.60</b>                     |
|          | Net increase/(decrease) in cash and cash equivalents (A+B+C)      | 21.23                               | 273.11                              |
|          | Add : Cash and cash equivalents as at the beginning of the year   | 334.72                              | 61.61                               |
|          | Cash and cash equivalents as at the end of the year*              | 355.95                              | 334.72                              |
|          | *Components of cash and cash equivalents                          |                                     |                                     |
|          | Balances with banks   | 347.71                              | 278.38                              |
|          | Demand drafts on hand   | 2.36                                | 15.37                               |
|          | Cash on hand  | 5.88                                | 40.97                               |
|          |   | <b>355.95</b>                       | <b>334.72</b>                       |

The above Standalone Statement of cash flow has been prepared under the indirect method set out in Ind-AS 7 - Statement of Cash Flow.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firms' Registration No: 101248W/W-100022

Sd/-

**Akeel Master**

Partner

Membership No.: 046768

Mumbai

13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-

**G Ramesh**

Managing Director

Sd/-

**Haren Parekh**

Chief Financial Officer

Sd/-

**Adayapalam Viswanathan**

Director

Sd/-

**Dipti Khandelwal**

Company Secretary

# Standalone Statement of Changes in Equity as at 31 March 2020



(Currency : Indian Rupees in crore)

## Statement of Changes in Equity

### A Equity Share Capital

|   |        |
|---|--------|
| Balance as at April 1, 2018                     | 782.94 |
| Changes in Equity Share Capital during the year | 2.76   |
| Balance as at March 31, 2019                    | 785.70 |
| Changes in Equity Share Capital during the year | 1.88   |
| Balance as at March 31, 2020                    | 787.58 |

### B Other Equity

|   | Reserves and Surplus       |  |   |   | Other Comprehensive Income   |                          | Total    |
|---|----------------------------|--|---|---|--|--------------------------|----------|
|   | Securities Premium Account | Employee Stock Options Outstanding Account | Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934 | Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations | Retained Earnings-Remeasurement of Post Employment Benefit Obligations | Cash Flow Hedges Reserve |          |
| Balance as at April 1, 2019   | 2,893.82                   | 38.23                                      | 811.68  | 2,656.10  | (7.06)   | -                        | 6,392.78 |
| Adjustment on initial application of IndAS 116                            | -                          | -  | -   | 15.33   | -  | -                        | 15.33    |
| Profit for the year   | -                          | -  | -   | 1,004.85  | -  | -                        | 1,004.85 |
| Other Comprehensive Income  | -                          | -  | -   | -   | (19.90)  | (35.13)                  | (55.03)  |
| Total Comprehensive Income for the year                                   | -                          | -  | -   | 1,020.18  | (19.90)  | (35.13)                  | 965.15   |
| Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934 | -                          | -  | 200.97  | (200.97)  | -  | -                        | -        |
| Premium on issue of shares  | 31.61                      | -  | -   | -   | -  | -                        | 31.61    |
| Share based payment   | -                          | 11.19                                      | -   | -   | -  | -                        | 11.19    |
| Dividend  | -                          | -  | -   | (141.43)  | -  | -                        | (141.43) |
| Dividend Distribution Tax   | -                          | -  | -   | (29.08)   | -  | -                        | (29.08)  |
| Balance As At March 31, 2020  | 2,925.43                   | 49.42                                      | 1,012.65  | 3,304.80  | (26.96)  | (35.13)                  | 7,230.22 |

# Standalone Statement of Changes in Equity as at 31 March 2020 (Contd.)



(Currency : Indian Rupees in crore)

## B Other Equity (Contd.)

|   | Reserves and Surplus       |  |   |  | Other Comprehensive Income  | Total    |
|---|----------------------------|--|---|--|---|----------|
|   | Securities Premium Account | Employee Stock Options Outstanding Account | Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934 | Retained Earnings- Other than Remeasurement of Post Employment Benefit Obligations | Retained Earnings- Remeasurement of Post Employment Benefit Obligations |          |
| Balance as at April 1, 2018   | 2,857.55                   | 22.87                                      | 581.03  | 1,799.59   | (3.63)  | 5,257.41 |
| Profit for the year   | -                          | -  | -   | 1,153.24   | -   | 1,153.24 |
| Other Comprehensive Income  | -                          | -  | -   | -  | (3.43)  | (3.43)   |
| Total Comprehensive Income for the year                                   | -                          | -  | -   | 1,153.24   | (3.43)  | 1,149.81 |
| Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934 | -                          | -  | 230.65  | (230.65)   | -   | -        |
| Premium on issue of shares  | 36.27                      | -  | -   | -  | -   | 36.27    |
| Share based payment   | -                          | 15.36                                      | -   | -  | -   | 15.36    |
| Dividend  | -                          | -  | -   | (54.81)  | -   | (54.81)  |
| Dividend Distribution Tax   | -                          | -  | -   | (11.27)  | -   | (11.27)  |
| Balance As At March 31, 2019  | 2,893.82                   | 38.23                                      | 811.68  | 2,656.10   | (7.06)  | 6,392.78 |

As required by section 45-IC of the RBI Act 1934, the Company maintains a reserve fund and transfers there in a sum not less than twenty per cent of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared. The Company cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date RBI has not specified any purpose for appropriation of Reserve fund maintained under section 45-IC of RBI Act, 1934.

Significant accounting policies and notes to the Standalone Financial Statements.

Note 2 - 82

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firms' Registration No: 101248W/W-100022

Sd/-

**Akeel Master**

Partner

Membership No.: 046768

Mumbai

13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-

**G Ramesh**

Managing Director

Sd/-

**Haren Parekh**

Chief Financial Officer

Sd/-

**Adayapalam Viswanathan**

Director

Sd/-

**Dipti Khandelwal**

Company Secretary

# Notes to the Standalone Financial Statements for the year ended 31 March 2020



## 1 Company overview

HDB Financial Services Ltd. ('the Company'), incorporated in Ahmedabad, India, is a Systemically Important Non Deposit taking Non-Banking Financial Company ('NBFC') as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934.

The Company provides lending services and business process outsourcing services. The Company also provides services related to the marketing and promotion of various financial products.

The Company's registered office is situated at Ahmedabad, India, while its corporate office is located in Mumbai, India. The Company is a subsidiary of HDFC Bank Limited.

## 2 Significant accounting policies

### 2.1 Basis of preparation of financial statements

#### (A) Compliance with Ind-AS

The financial statements of the Company comply in all material aspects with Indian Accounting Standards ('Ind-AS') notified under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

#### (B) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind-AS. The Statement of Cash Flows has been presented as per the requirements of Ind-AS 7 Statement of Cash Flows.

#### (C) Basis of preparation

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments and plan assets of defined benefit plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR crore in compliance with Schedule III of the Act, unless otherwise stated.

#### (D) Use of estimates and judgements

The preparation of financial statements in conformity with Ind-AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates are recognised in the periods in which the Company becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised and future periods. The estimates and judgements that have significant impact on the carrying amount of assets and liabilities at each balance sheet date are discussed in Note 3.

### 2.2 Financial Instruments

#### (A) Date of recognition

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.



**(B) Initial measurement**

Recognised financial instruments are initially measured at transaction price, which equates fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the statement of profit and loss.

**(C) Classification and subsequent measurement**

**(i) Financial assets**

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Company classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit and loss ('FVTPL')

**(a) Financial assets carried at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ('Asset held to collect contractual cash flows'); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in statement of profit and loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company records loans at amortised cost.

**(b) Financial assets at fair value through other comprehensive income**

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the assets, ('Contractual cash flows of assets collected through hold and sell model') and contractual cash flows that are SPPI, are subsequently measured at FVOCI. Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income which is recognised in statement of profit and loss. Amounts recorded in OCI are not subsequently transferred to the statement of profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment.

**(c) Financial assets at fair value through profit and loss**

Financial assets which do not meet the criteria for categorisation as at amortised cost or as FVOCI, are measured at FVTPL. Subsequent changes in fair value are recognised in the statement of profit and loss.

The Company records investments in equity instruments, mutual funds and treasury bills at FVTPL.

**(ii) Financial liabilities and equity instrument**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**(a) Equity instrument**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. An equity instrument issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

**(b) Financial liabilities**

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in statement of profit and loss.

Any gain or loss on de-recognition of financial liabilities is also recognised in statement of profit and loss.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

**(D) Reclassification**

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line or in the period the Company changes its business model for managing financial assets. Financial liabilities are not reclassified.

**(E) Derecognition**

**(i) Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the financial asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset and the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Company neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of profit and loss.

**(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. 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. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in statement of profit and loss.

**(F) Impairment of financial assets**

The Company applies the ECL model in accordance with Ind-AS 109 for recognising impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Company's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). The Company has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind-AS 109. Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Company categorises financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: Low credit risk, i.e. 0 to 30 days past due
- Stage 2: Significant increase in credit risk, i.e. 31 to 90 days past due
- Stage 3: Impaired assets, i.e. more than 90 days past due

LGD is an estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

The Company incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

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 ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Company regularly reviews its models in the context of actual loss experience and makes adjustments when such differences are significantly material. Adjustments including reversal of ECL is recognised through statement of profit and loss.

After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company follows the simplified approach required by Ind-AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognised at each reporting date, right from initial recognition of the receivables.

**(G) Write offs**

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no reasonable expectation of recovering the asset in its entirety or a portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit and loss.

**(H) Offsetting**

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, the Company has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**2.3 Derivative financial instruments**

The Company enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value on the date when 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 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 policy**

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 specific 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.

#### **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 and 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 OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in 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.

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 relationships 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.

#### **2.4 Cash and cash equivalents**

Cash and cash equivalents includes cash at banks and on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

The Company follows the policy of crediting the customer's account only on receipt of amount in the bank and as such no cheques in hand are taken into consideration.

#### **2.5 Upfront servicers fees booked on direct assignment**

Servicer fees receivable for servicing loan contracts under direct assignment are discounted at the applicable rate entered into with the assignee and recognised upfront in the balance sheet and amortised on a straight line basis over the remaining contractual maturity of the underlying loans.

#### **2.6 Property, plant and equipment**

##### **(A) Recognition and measurement**

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Advances paid towards acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-financial assets and cost of assets not put to use before such date are disclosed under Capital work-in-progress

##### **(B) Subsequent expenditure**

Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefits / functioning capability from / of such assets.

**Notes to the Standalone Financial Statements (contd.)  
for the year ended 31 March 2020**

**(C) Depreciation, estimated useful lives and residual value**

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives in the manner prescribed in Schedule II of the Act. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:-

| Type of Assets                  | Estimated useful life as assessed by the Company | Estimated useful life under Schedule II of the Act |
|---------------------------------|--|--|
| Computers                       | 2-5 years  | 3 years  |
| Software and system development | 3 years  | 3 years  |
| Office equipment                | 3 years  | 5 years  |
| Motor cars                      | 4 years  | 8 years  |
| Furniture and fixtures          | 3-7 years  | 10 years   |
| Building                        | 60 years   | 60 years   |
| Leasehold improvements          | Tenure of lease agreements                       | Tenure of lease agreements                         |

The Company uniformly estimates a zero residual value for all these assets. Items costing less than ₹ 5,000 are fully depreciated in the year of purchase. Depreciation is pro-rated in the year of acquisition as well as in the year of disposal.

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Consequently, the useful life of certain computer-related assets, furniture and fixtures, office equipment and motor cars differ from the life prescribed in Schedule II of the Act.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income/expense in the statement of profit and loss in the year the asset is de-recognised.

**2.7 Other intangible assets**

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to readying the asset for use. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of these intangible assets is estimated at 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

**2.8 Impairment of non-financial assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired due to events or changes in circumstances indicating that their carrying amounts may not be realised. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit ('CGU'). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

## Notes to the Standalone Financial Statements (contd.) for the year ended 31 March 2020



### 2.9 Dividend

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period, being appropriately authorised and no longer at the discretion of the Company. The final dividend on shares is recorded as a liability on the date of approval by the shareholders, and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

### 2.10 Revenue recognition

Revenue (other than for those items to which Ind-AS 109 Financial Instruments is applicable) is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind-AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

The Company recognises revenue from contracts with customers based on a five-step model as set out in Ind 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

Specific policies for the Company's different sources of revenue are explained below:

#### (A) Income from lending business

##### Interest income

Interest income on a financial asset at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fees received and cost incurred approximates the effective interest rate of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

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 ECLs).

##### Other financial charges

Cheque bouncing charges, late payment charges, prepayment charges and application money are recognised on a point-in-time basis, and are recorded when realised since the probability of collecting such monies is established when the customer pays.

## Notes to the Standalone Financial Statements (contd.) for the year ended 31 March 2020



### (B) Income from BPO services and other financial charges

Income from BPO services comprise of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. Performance obligations are satisfied over time and revenue is recorded on a monthly basis.

### (C) Income from direct assignment

Gains arising out of direct assignment transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the direct assignment is entered into with the assignee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the statement of profit and loss. EIS evaluated and adjusted for ECL and expected prepayment.

## 2.11 Employee benefits

### (A) Provident fund

Retirement benefit in the form of provident fund, is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

### (B) ESIC and Labour welfare fund

The Company's contribution paid/payable during the year to ESIC and Labour welfare fund are recognised in the statement of profit and loss.

### (C) Gratuity

The Company operates a defined benefit gratuity plan that provides for gratuity benefit to all employees. The Company makes annual contributions to a fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to statement of profit and loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

### (D) Compensated absences

The Company neither has a policy of encashment of unavailed leaves for its employees nor allow the leaves to be carry forward to next year.

### (E) Share-based payments

The Company recognises compensation expense relating to share-based payments in net profit using fair value in accordance with Ind-AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately



## Notes to the Standalone Financial Statements (contd.) for the year ended 31 March 2020



vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

### 2.12 Provisions and contingences

The Company recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that may arise from past events but probably will not require an outflow of resources to settle the obligation.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

### 2.13 Leases

Effective 01 April 2019, the Company has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on 01 April 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The following policies apply subsequent to the date of initial application, 1 April 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;

## Notes to the Standalone Financial Statements (contd.) for the year ended 31 March 2020



- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in statement of profit and loss.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

### 2.14 Goods and services tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or services is not recoverable from the tax 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 tax authority is included as part of receivables or payables, respectively, in the balance sheet.

### 2.15 Income tax

#### (A) Current tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 in respect of taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years.

#### (B) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

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 reassessed 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.

## Notes to the Standalone Financial Statements (contd.) for the year ended 31 March 2020



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

### 2.16 Earnings per share

The Company reports basic and diluted earnings per equity share. Basic earnings per equity share have been computed by dividing net profit / loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

### 2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind-AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

Operating segments identified by the Company comprises as under:

- Lending services
- BPO services

The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenue and expenditure in individual segments. Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprises as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'. Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

### 2.18 Collateral

To mitigate its credit risk on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Company uses active market data and external valuers for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models or through external valuers. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

The Company physically repossess and take into custody properties or other assets and also engages external agents to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors.

### 2.19 Statement of cash flows

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

### **3 Critical accounting estimates and judgements**

In the process of applying the Company's accounting policies, management has made the following estimates and judgements, which have a significant impact on the carrying amounts of assets and liabilities at each balance sheet date.

#### **(A) Fair value of financial instruments**

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. 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.

Fair value measurements under Ind-AS are categorised into Level 1, 2, or 3 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 in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) that the Company can access at measurement date

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 41.

#### **(B) Expected credit loss**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment and including forward looking information.

The inputs used and process followed by the Company in determining the ECL have been detailed in Note 43.

#### **(C) Effective interest rate**

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected behavioural life of the financial asset to the gross carrying amount of the financial asset.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges) as well expected changes to the base rate and other transaction costs and fees paid or received that are integral parts of the instrument.

#### **(D) Business model assessment**

Classification and measurement of financial assets depends on the results of the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**(E) Useful life and expected residual value of assets**

Depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

**(F) Leases**

- The determination of lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options.
- The determination of the incremental borrowing rate used to measure lease liabilities.

**(G) Deferred Tax**

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

**(H) Defined benefit plans**

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**(I) Provisions and contingences**

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Company's business. 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.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**4 Cash and cash equivalents**

|                       | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|-----------------------|--------------------------------|------------------------|
| Cash on hand          | <b>5.88</b>                    | 40.97                  |
| Balances with banks   | <b>347.71</b>                  | 278.38                 |
| Demand drafts on hand | <b>2.36</b>                    | 15.37                  |
| <b>Total</b>          | <b>355.95</b>                  | 334.72                 |

**5 Bank balances Other than cash and cash equivalents**

|   | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|---|--------------------------------|------------------------|
| Deposits with bank  | <b>0.03</b>                    | -                      |
| Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments. | <b>204.19</b>                  | 151.96                 |
| Interest accrued but not due on fixed deposits  | <b>3.01</b>                    | 1.83                   |
| <b>Total</b>  | <b>207.23</b>                  | 153.79                 |

**6 Derivative financial Instruments**

|  | <b>As at 31 March 2020</b> |                          |                               | As at 31 March 2019 |                   |                        |
|--|----------------------------|--------------------------|-------------------------------|---------------------|-------------------|------------------------|
|  | <b>Notional amounts</b>    | <b>Fair Value-Assets</b> | <b>Fair Value-Liabilities</b> | Notional amounts    | Fair Value-Assets | Fair Value-Liabilities |
| Part I   |                            |                          |                               |                     |                   |                        |
| (i) Currency derivatives:  |                            |                          |                               |                     |                   |                        |
| Currency swaps   | <b>2,269.50</b>            | <b>81.32</b>             | -                             | -                   | -                 | -                      |
| Subtotal (i)   | <b>2,269.50</b>            | <b>81.32</b>             | -                             | -                   | -                 | -                      |
| (ii) Interest rate derivatives   |                            |                          |                               |                     |                   |                        |
| Forward Rate Agreements and Interest Rate swaps  | -                          | -                        | -                             | -                   | -                 | -                      |
| Subtotal (ii)  | -                          | -                        | -                             | -                   | -                 | -                      |
| Total Derivative Financial Instruments (i)+(ii)  | <b>2,269.50</b>            | <b>81.32</b>             | -                             | -                   | -                 | -                      |
| Part II  |                            |                          |                               |                     |                   |                        |
| Included in above (Part I) are derivatives held for hedging and risk management purposes as follows: |                            |                          |                               |                     |                   |                        |
| (i) Fair value hedging:  |                            |                          |                               |                     |                   |                        |
| Currency derivatives   | -                          | -                        | -                             | -                   | -                 | -                      |
| Interest Rate derivatives  | -                          | -                        | -                             | -                   | -                 | -                      |
| Subtotal (i)   | -                          | -                        | -                             | -                   | -                 | -                      |
| (ii) Cash flow hedging:  |                            |                          |                               |                     |                   |                        |
| Currency derivatives   | <b>2,269.50</b>            | <b>81.32</b>             | -                             | -                   | -                 | -                      |
| Interest rate derivatives  | -                          | -                        | -                             | -                   | -                 | -                      |
| Subtotal (ii)  | <b>2,269.50</b>            | <b>81.32</b>             | -                             | -                   | -                 | -                      |
| (iii) Undesignated Derivatives   |                            |                          |                               |                     |                   |                        |
| Currency Swaps   | -                          | -                        | -                             | -                   | -                 | -                      |
| Subtotal (iii)   | -                          | -                        | -                             | -                   | -                 | -                      |
| Total Derivative Financial Instruments (i)+(ii)+(iii)  | <b>2,269.50</b>            | <b>81.32</b>             | -                             | -                   | -                 | -                      |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. The table above 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.

**7 Trade receivables**

|                                     | As at<br>31 March 2020 | As at<br>31 March 2019 |
|-------------------------------------|------------------------|------------------------|
| <b>Unsecured</b>                    |                        |                        |
| Low Credit Risk                     | 185.94                 | 116.45                 |
| Significant increase in Credit Risk | 1.15                   | 2.20                   |
| Credit impaired                     | 0.92                   | 0.87                   |
|                                     | <b>188.00</b>          | 119.52                 |
| Less: Impairment loss allowance     | 6.82                   | 5.10                   |
| <b>Total</b>                        | <b>181.18</b>          | 114.42                 |

No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person, or from firms or private companies respectively in which any director is a partner, a director or a member.

Reconciliation of impairment Loss allowance on trade receivables:

|                                     | As at<br>31 March 2020 | As at<br>31 March 2019 |
|-------------------------------------|------------------------|------------------------|
| Balance as at beginning of the year | 5.10                   | 9.89                   |
| Increase during the year            | 2.69                   | 2.29                   |
| Decrease during the year            | (0.97)                 | (7.09)                 |
| Balance at end of the year          | <b>6.82</b>            | 5.10                   |

**8 Loans**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| <b>Term Loans in India - at amortised cost</b> |                        |                        |
| - Public sector                                | -                      | -                      |
| - Others                                       |                        |                        |
| Secured (Secured by tangible assets)           | 44,662.81              | 42,969.97              |
| Unsecured                                      | 13,768.14              | 11,739.44              |
| <b>Total Gross Loans</b>                       | <b>58,430.95</b>       | 54,709.41              |
| Less: Impairment loss allowance                | 1,285.07               | 828.24                 |
| <b>Total</b>                                   | <b>57,145.88</b>       | 53,881.17              |

**Credit quality of assets**

The table below shows the credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

|                                     | Stage   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|-------------------------------------|---------|------------------------|------------------------|
| Low credit risk                     | Stage 1 | 54,243.55              | 52,537.04              |
| Significant increase in credit risk | Stage 2 | 1,928.27               | 1,171.99               |
| Credit-Impaired                     | Stage 3 | 2,259.13               | 1,000.38               |
| <b>Total</b>                        |         | <b>58,430.95</b>       | 54,709.41              |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

An analysis of changes in the Impairment loss allowance in relation to Loans is, as follows:

Analysis of changes in the Impairment loss allowance

|   | As at 31 March 2020 |         |          |          |
|---|---------------------|---------|----------|----------|
|   | Stage 1             | Stage 2 | Stage 3  | Total    |
| Impairment loss allowance - opening balance | 358.37              | 148.18  | 321.69   | 828.24   |
| Originated or new                           | 241.75              | 33.84   | 36.09    | 311.68   |
| Matured or repaid                           | (161.27)            | (78.50) | 557.42   | 317.66   |
| Transfers to Stage 1                        | 42.05               | (18.13) | (23.93)  | -        |
| Transfers to Stage 2                        | (28.70)             | 32.23   | (3.54)   | -        |
| Transfers to Stage 3                        | (57.46)             | (59.47) | 116.93   | -        |
| Remeasurement                               | 239.50              | 154.07  | 416.94   | 810.51   |
| Amounts written off (net of recovery)       | -                   | -       | (983.01) | (983.01) |
| Impairment loss allowance - closing balance | 634.25              | 212.22  | 438.60   | 1,285.07 |

|   | As at 31 March 2019 |         |          |          |
|---|---------------------|---------|----------|----------|
|   | Stage 1             | Stage 2 | Stage 3  | Total    |
| Impairment loss allowance - opening balance | 343.52              | 115.51  | 243.88   | 702.91   |
| Originated or new                           | 151.30              | 18.99   | 37.43    | 207.72   |
| Matured or repaid                           | (162.50)            | (61.33) | 266.71   | 42.88    |
| Transfers to Stage 1                        | 41.11               | (20.22) | (20.89)  | -        |
| Transfers to Stage 2                        | (26.08)             | 35.86   | (9.78)   | -        |
| Transfers to Stage 3                        | (27.60)             | (34.80) | 62.40    | -        |
| Remeasurement                               | 38.62               | 94.17   | 259.69   | 392.47   |
| Amounts written off (net of recovery)       | -                   | -       | (517.75) | (517.75) |
| Impairment loss allowance - closing balance | 358.37              | 148.18  | 321.69   | 828.24   |

**9 Investments**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| <b>Recorded at Fair value through profit and loss account</b> |                        |                        |
| In India  |                        |                        |
| Mutual fund units   | 750.02                 | 326.86                 |
| Treasury bills  | 994.79                 | 240.55                 |
| Unquoted equity shares  | 0.95                   | 0.95                   |
| <b>Total</b>  | <b>1,745.76</b>        | <b>568.36</b>          |

**10 Other financial assets**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Capital advances   | 3.61                   | 1.27                   |
| Security deposits at amortised cost (Unsecured, considered good)     | 20.28                  | 16.77                  |
| Prepaid rent (Security deposits, Unsecured, considered good)         | 8.42                   | 7.92                   |
| Retained interest on assigned loan                                   | 17.32                  | 34.65                  |
| Servicing assets on assigned loan                                    | 4.28                   | 8.64                   |
| Advances recoverable in cash or in kind (Unsecured, considered good) | 64.17                  | 40.54                  |
| <b>Total</b>   | <b>118.08</b>          | <b>109.79</b>          |



**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**11 Current tax assets (Net)**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Current tax assets   |                        |                        |
| Advance tax and tax deducted at source (Net of provision for tax ₹ 471.78 crore (Previous Year: ₹ 648.99 crore)) | 77.42                  | 36.74                  |
| <b>Total</b>   | <b>77.42</b>           | <b>36.74</b>           |

**12 Deferred tax assets (Net)**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Deferred Tax Asset/(Liabilities) Net               |                        |                        |
| <b>Deferred Tax Asset</b>                          |                        |                        |
| Depreciation and amortisation                      | 16.77                  | 17.73                  |
| Provision for employee benefits                    | 7.58                   | 9.35                   |
| Provision for diminution of investment             | 0.34                   | 0.46                   |
| Loans - Impairment                                 | 325.13                 | 291.19                 |
| Loans - DSA  | 63.27                  | 78.37                  |
| Borrowings   | (12.07)                | (8.86)                 |
| Cash Flow Hedges Reserve                           | 11.82                  | -                      |
| Investments - MTM and others                       | (0.91)                 | (0.59)                 |
| Lease  | 3.78                   | -                      |
| Securitisation                                     | (0.09)                 | (2.69)                 |
| Deferred Tax Asset                                 | <b>415.62</b>          | <b>384.96</b>          |
| Movement in Net deferred tax Asset during the year | <b>30.66</b>           | <b>89.19</b>           |

The components of income tax expense for the years ended 31 March 2020 and 2019 are:

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Current tax:   |                        |                        |
| In respect of current year   | 471.78                 | 648.99                 |
| In respect of prior years  | -                      | 9.17                   |
| Deferred Tax:  |                        |                        |
| Deferred tax relating to origination and reversal of temporary differences | (12.15)                | (87.34)                |
| In respect of prior years  | -                      | -                      |
| Total Income Tax recognised in profit or loss                              | <b>459.63</b>          | <b>570.81</b>          |
| Current tax  | <b>471.78</b>          | <b>658.16</b>          |
| Deferred tax   | <b>(12.15)</b>         | <b>(87.34)</b>         |

Income Tax recognised in Other comprehensive income

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Deferred tax related to items recognised in Other comprehensive income during the year: |                        |                        |
| Income tax relating to items that will not be reclassified to profit or loss            | 6.69                   | 1.84                   |
| Income tax relating to items that will be reclassified to profit or loss                | 11.82                  | -                      |
| Total Income tax recognised in Other comprehensive income (Debit)                       | <b>18.51</b>           | <b>1.84</b>            |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**

(Currency : Indian Rupees in crore)

The reconciliation of estimated income tax expense at tax rate to income tax expense reported in profit or loss is as follows:

|  | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|--|--------------------------------|------------------------|
| Profit before tax  | <b>1,464.48</b>                | 1,724.06               |
| Applicable income tax rate (%)   | <b>25.17</b>                   | 34.94                  |
| Income tax expense calculated at applicable income tax rate  | <b>368.58</b>                  | 602.46                 |
| Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense: |                                |                        |
| Effect of income exempt from tax   | -                              | -                      |
| Effect of expenses/provisions not deductible in determining taxable profit                         | <b>103.20</b>                  | 46.54                  |
| Effects of income not considered as taxable on compliance of condition                             | -                              | -                      |
| Income tax for earlier year  | -                              | 9.17                   |
| Income tax expense recognised in profit and loss   | <b>471.78</b>                  | 658.16                 |
| Actual effective income tax rate (%)   | <b>32.21</b>                   | 38.17                  |

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 above mentioned change amounting to ₹ 107.55 crore has been recognised in the standalone statement of profit and loss for the year ended 31 March 2020.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**13 Property, Plant and Equipment (PPE), Other Intangible assets & Capital work-in-progress**

| Description  | Office equipment | Furniture and fixtures | Leasehold improvements | Computers | Building | Motor cars | Total PPE Tangibles | Software and System development | Total Other Intangibles | Total  |
|--|------------------|------------------------|------------------------|-----------|----------|------------|---------------------|---------------------------------|-------------------------|--------|
| Balance as at 1st April, 2019                                | 48.04            | 84.90                  | 67.91                  | 107.08    | 0.15     | 6.68       | 314.77              | 26.44                           | 26.44                   | 341.20 |
| Additions during the year                                    | 11.73            | 9.62                   | 12.26                  | 30.80     | -        | 1.38       | 65.78               | 6.99                            | 6.99                    | 72.77  |
| Disposals/Adjustments during the year                        | 0.50             | 0.73                   | 1.16                   | 0.20      | -        | 0.68       | 3.27                | -                               | -                       | 3.27   |
| Balance as at 31st March, 2020                               | 59.26            | 93.79                  | 79.00                  | 137.68    | 0.15     | 7.39       | 377.27              | 33.43                           | 33.43                   | 410.70 |
| Accumulated Depreciation / impairment as at 1st April, 2019  | 33.22            | 55.17                  | 30.72                  | 79.35     | 0.02     | 2.41       | 200.89              | 17.30                           | 17.30                   | 218.18 |
| Depreciation charge during the year                          | 7.72             | 12.27                  | 8.86                   | 24.25     | 0.02     | 1.71       | 54.83               | 7.06                            | 7.06                    | 61.90  |
| Disposals/Adjustments during the year                        | 0.50             | 0.69                   | 1.08                   | 0.20      | -        | 0.45       | 2.92                | -                               | -                       | 2.92   |
| Accumulated Depreciation / impairment as at 31st March, 2020 | 40.43            | 66.75                  | 38.49                  | 103.40    | 0.04     | 3.67       | 252.79              | 24.36                           | 24.36                   | 277.15 |
| Net carrying amount as at 31st March, 2020                   | 18.83            | 27.04                  | 40.51                  | 34.28     | 0.11     | 3.72       | 124.48              | 9.07                            | 9.07                    | 133.55 |
| Balance as at 1st April, 2018                                | 44.53            | 80.56                  | 59.90                  | 89.10     | 0.15     | 4.97       | 279.22              | 17.96                           | 17.96                   | 297.18 |
| Additions during the year                                    | 4.88             | 5.83                   | 8.66                   | 18.66     | -        | 1.90       | 39.93               | 8.47                            | 8.47                    | 48.40  |
| Disposals/Adjustments during the year                        | 1.37             | 1.49                   | 0.65                   | 0.68      | -        | 0.19       | 4.38                | -                               | -                       | 4.38   |
| Balance as at 31st March, 2019                               | 48.04            | 84.90                  | 67.91                  | 107.08    | 0.15     | 6.68       | 314.77              | 26.44                           | 26.44                   | 341.20 |
| Accumulated Depreciation / impairment as at 1st April, 2018  | 27.62            | 40.20                  | 23.71                  | 56.64     | 0.01     | 1.30       | 149.50              | 10.67                           | 10.67                   | 160.16 |
| Depreciation charge for the year                             | 6.86             | 16.12                  | 7.64                   | 23.38     | 0.00     | 1.30       | 55.30               | 6.63                            | 6.63                    | 61.93  |
| Disposals/Adjustments during the year                        | 1.26             | 1.15                   | 0.63                   | 0.68      | -        | 0.19       | 3.91                | -                               | -                       | 3.91   |
| Accumulated Depreciation / impairment as at 31st March, 2019 | 33.22            | 55.17                  | 30.72                  | 79.35     | 0.02     | 2.41       | 200.89              | 17.30                           | 17.30                   | 218.18 |
| Net carrying amount as at 31st March, 2019                   | 14.82            | 29.73                  | 37.19                  | 27.73     | 0.13     | 4.27       | 113.89              | 9.14                            | 9.14                    | 123.02 |

**Capital work-in-progress**

|                          | As at 31 March 2020 | As at 31 March 2019 |
|--------------------------|---------------------|---------------------|
| Capital work-in-progress | 0.06                | -                   |
| Total                    | 0.06                | -                   |

**14**

**Right of Use Assets**

|                     | As at 31 March 2020 | As at 31 March 2019 |
|---------------------|---------------------|---------------------|
| Right of Use Assets | 252.41              | -                   |
| Total               | 252.41              | -                   |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**15 Trade Payables**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Trade payables   |                        |                        |
| i) total outstanding dues to micro and small enterprises                       | -                      | -                      |
| ii) total outstanding dues of creditors other than micro and small enterprises | 149.99                 | 394.91                 |
| <b>Total</b>   | <b>149.99</b>          | <b>394.91</b>          |

15.1 Trade Payables includes ₹ Nil (Previous Year: ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to “Suppliers” registered under this act. The above is based on the information available with the Company which has been relied upon by the auditors

**16 Debt Securities**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| <b>At Amortised Cost</b>  |                        |                        |
| <b>Secured</b>  |                        |                        |
| Privately placed redeemable non convertible debenture<br>Secured by pari passu charge by mortgage of Company’s Office no.130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity. | 21,189.00              | 20,401.00              |
| <b>Unsecured</b>  |                        |                        |
| Commercial paper  | 1,405.00               | 3,920.00               |
| <b>Total</b>  | <b>22,594.00</b>       | <b>24,321.00</b>       |
| Less: Unamortised borrowing cost/Unmatured discount on Commercial paper/Premium and discount on NCD   | 0.62                   | 201.33                 |
| <b>Debt Securities net of unamortised cost</b>  | <b>22,593.38</b>       | <b>24,119.67</b>       |
| Debt securities in India  | 22,594.00              | 24,321.00              |
| Debt securities outside India   | -                      | -                      |
| <b>Total</b>  | <b>22,594.00</b>       | <b>24,321.00</b>       |
| Less: Unamortised borrowing cost/Unmatured discount on Commercial paper/Premium and discount on NCD   | 0.62                   | 201.33                 |
| <b>Debt Securities net of unamortised cost</b>  | <b>22,593.38</b>       | <b>24,119.67</b>       |

16.1 No non convertible debentures, non convertible perpetual debentures and any other borrowing is guaranteed by directors and/or others.

16.2 Terms of repayment of privately placed redeemable non convertible debenture.

Previous Year figures are in (brackets)

| Rate of interest (%) | 0-1 year                     | 1-3 years                       | 3-5 years                   | >5 years           | Total                           |
|----------------------|------------------------------|---------------------------------|-----------------------------|--------------------|---------------------------------|
| 6.5-7.5              | 1,700.00<br>(815.00)         | 2,850.00<br>(1,700.00)          | 430.00<br>-                 | -                  | 4,980.00<br>(2,515.00)          |
| 7.5-8.5              | 3,273.90<br>(3,122.00)       | 4,241.00<br>(4,600.90)          | 280.00<br>-                 | 300.00<br>-        | 8,094.90<br>(7,722.90)          |
| 8.5-9.5              | 2,850.00<br>(2,296.00)       | 5,264.10<br>(6,010.50)          | -                           | -                  | 8,114.10<br>(10,013.10)         |
| 9.5-10.5             | -<br>(150.00)                | -                               | -                           | -                  | -<br>(150.00)                   |
| <b>Total</b>         | <b>7,823.90</b><br>(6383.00) | <b>12,355.10</b><br>(12,311.40) | <b>710.00</b><br>(1,706.60) | <b>300.00</b><br>- | <b>21,189.00</b><br>(20,401.00) |

16.3 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year(Refer Note 80).

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**17 Borrowings (Other than Debt Securities)**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| <b>At Amortised Cost</b>  |                        |                        |
| Borrowings (other than debt securities)                                     |                        |                        |
| <b>Secured</b>  |                        |                        |
| (a) External commercial borrowings (ECB)                                    | 3,244.50               | 975.00                 |
| (b) Term loan against hypothecation of Receivables under financing activity | 17,740.20              | 15,508.98              |
| (c) Borrowing under Securitisation  | 2,626.16               | 1,621.10               |
| Total   | <b>23,610.86</b>       | 18,105.08              |
| Less: Unamortised borrowing cost  | 30.70                  | 9.43                   |
| Borrowings (Other than Debt Securities) net of unamortised cost             | <b>23,580.16</b>       | 18,095.65              |
| Borrowings in India   | 21,341.36              | 18,105.08              |
| Borrowings outside India  | 2,269.50               | -                      |
| Total   | <b>23,610.86</b>       | 18,105.08              |
| Less: Unamortised borrowing cost  | 30.70                  | 9.43                   |
| Borrowings (Other than Debt Securities) net of unamortised cost             | <b>23,580.16</b>       | 18,095.65              |

17.1 - No term loans, external commercial borrowings, commercial paper and any other borrowing is guaranteed by directors and / or others.

17.2 - During the period presented there were no defaults in the repayment of principal and interest.

17.3(a) - Terms of repayment of External commercial borrowings from International Finance Corporation.

Previous Year figures are in (brackets)

| Rate of interest (%) | 0-3 years | 3-5 years | >5 years | Total    |
|----------------------|-----------|-----------|----------|----------|
| 8 - 9                | 975.00    | -         | -        | 975.00   |
|                      | (975.00)  | -         | -        | (975.00) |

17.3(b) - Terms of repayment of External commercial borrowings in foreign currency

Previous Year figures are in (brackets)

| Rate of interest (%) | 0-3 years | 3-5 years | >5 years | Total    |
|----------------------|-----------|-----------|----------|----------|
| 8 - 9                | 2,269.50  | -         | -        | 2,269.50 |
|                      | -         | -         | -        | -        |

The Company had availed External Commercial Borrowing (ECBs) of USD 300 million for financing prospective borrower 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 the RBI guidelines, borrowings have been swapped into rupees for the entire maturity by way of principal swaps hedged through Derivative contract. The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

17.4 - Terms of repayment of Term loans from Banks.

Previous Year figures are in (brackets)

| Marginal Cost of Funds Based Lending Rate (MCLR) (a) | 0-1 year | 1-3 years  | 3-5 years | Total      |
|--|----------|------------|-----------|------------|
| 1 Month MCLR + (0.00% to 0.75%)                      | 1,090.00 | 75.00      | -         | 1,165.00   |
|  | (460.00) | (1,415.00) | -         | (1,875.00) |
| 3 Month MCLR + (0.00% to 1.5%)                       | 1,967.44 | 3866.21    | 612.58    | 6446.23    |
|  | (971.11) | (2212.10)  | (502.88)  | (3686.09)  |
| 6 Month MCLR + (0.00% to 0.75%)                      | 547.69   | 1054.55    | 175.00    | 1777.24    |
|  | (809.09) | (427.21)   | -         | (1236.30)  |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

| <b>Marginal Cost of Funds Based Lending</b> | <b>0-1 year</b>              | <b>1-3 years</b>             | <b>3-5 years</b>             | <b>Total</b>                   |
|---|------------------------------|------------------------------|------------------------------|--------------------------------|
| 1 Year MCLR + (0.00% to 0.25%)              | <b>1753.94</b><br>(734.09)   | <b>2502.27</b><br>(1170.45)  | <b>283.33</b><br>(45.45)     | <b>4539.54</b><br>(1950.00)    |
| 1 Year MCLR + (0.25% to 1.25%)              | -<br>(1386.36)               | -<br>(2563.64)               | -<br>(1299.38)               | -<br>(5249.38)                 |
| <b>Total (a)</b>                            | <b>5,359.07</b><br>(4360.65) | <b>7,498.03</b><br>(7788.40) | <b>1,070.91</b><br>(1847.71) | <b>13,928.01</b><br>(13996.76) |
| <b>Rate linked to T-Bills rates (b)</b>     | <b>0-1 year</b>              | <b>1-3 years</b>             | <b>3-5 years</b>             | <b>Total</b>                   |
| 3 Month T-Bills rates (0.00% to 3.50%)      | <b>250.00</b><br>(600.00)    | <b>399.70</b><br>(499.94)    | -<br>(149.77)                | <b>649.70</b><br>(1249.72)     |
| 6 Month T-Bills rates (0.00% to 3.50%)      | <b>331.82</b><br>-           | <b>543.18</b><br>-           | -<br>-                       | <b>875.00</b><br>-             |
| 12 Month T-Bills rates (0.00% to 3.50%)     | <b>75.00</b><br>(75.00)      | <b>112.50</b><br>(150.00)    | -<br>(37.50)                 | <b>187.50</b><br>(262.50)      |
| OIS (0.00% to 3.50%)                        | -<br>-                       | <b>500.00</b><br>-           | -<br>-                       | <b>500.00</b><br>-             |
| Repo Rate (0.00% to 3.50%)                  | <b>172.72</b><br>-           | <b>427.27</b><br>-           | -<br>-                       | <b>599.99</b><br>-             |
| MIBOR (0.00% to 3.50%)                      | <b>1,000.00</b><br>-         | -<br>-                       | -<br>-                       | <b>1,000.00</b><br>-           |
| <b>Total (b)</b>                            | <b>1,829.54</b><br>(675.00)  | <b>1,982.65</b><br>(649.94)  | -<br>(187.27)                | <b>3,812.19</b><br>(1512.22)   |
| <b>Total (a)+(b)</b>                        | <b>7,188.61</b><br>(5035.65) | <b>9,480.68</b><br>(8438.35) | <b>1,070.91</b><br>(2034.99) | <b>17,740.20</b><br>(15508.98) |

17.6 - All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

17.7 Terms of repayment of Borrowing under Securitisation.

Previous Year figures are in (brackets)

| <b>Rate of interest (%)</b> | <b>0-1 year</b>             | <b>1-3 years</b>            | <b>3-5 years</b>        | <b>Total</b>                 |
|-----------------------------|-----------------------------|-----------------------------|-------------------------|------------------------------|
| 6.5 to 7.5                  | <b>1,345.91</b><br>(828.72) | <b>1,234.26</b><br>(767.47) | <b>46.00</b><br>(24.91) | <b>2,626.16</b><br>(1621.10) |

**18 Subordinated Liabilities**

|  | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> |
|--|--------------------------------|--------------------------------|
| <b>At Amortised Cost</b>                                     |                                |                                |
| <b>Unsecured</b>   |                                |                                |
| (a) Privately placed subordinated (Tier II) redeemable bonds | <b>3,143.50</b>                | 2,600.00                       |
| (b) Redeemable non convertible perpetual bonds               | <b>500.00</b>                  | 300.00                         |
| <b>Total</b>   | <b>3,643.50</b>                | 2,900.00                       |
| Less: Unamortised borrowing cost                             | <b>12.95</b>                   | 10.22                          |
| <b>Subordinated Liabilities net of unamortised cost</b>      | <b>3,630.55</b>                | 2,889.78                       |
| <br>   |                                |                                |
| Subordinated Liabilities in India                            | <b>3,643.50</b>                | 2,900.00                       |
| Subordinated Liabilities outside India                       | -                              | -                              |
| <b>Total</b>   | <b>3,643.50</b>                | 2,900.00                       |
| Less: Unamortised borrowing cost                             | <b>12.95</b>                   | 10.22                          |
| <b>Subordinated Liabilities net of unamortised cost</b>      | <b>3,630.55</b>                | 2,889.78                       |

18.1 - No subordinate debts and any other borrowing is guaranteed by directors and / or others.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

18.2 - Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds and redeemable non convertible perpetual bonds

Previous Year figures are in (brackets)

| Rate of interest | <5 years                    | >5 years                     | Total                        |
|------------------|-----------------------------|------------------------------|------------------------------|
| 8.0-10.5         | <b>1,330.00</b><br>(830.00) | <b>2,313.50</b><br>(2070.00) | <b>3,643.50</b><br>(2900.00) |

**19 Other financial liabilities**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Interest accrued  | <b>1,777.73</b>        | 1,300.90               |
| Overdrawn balances in current account with banks                  | <b>111.72</b>          | 1,203.24               |
| Deposits (not as defined in Section 2(31) of Companies Act, 2013) | <b>10.19</b>           | 9.98                   |
| Creditors for other expenses                                      | <b>28.31</b>           | 54.03                  |
| Statutory liabilities   | <b>59.00</b>           | 55.65                  |
| Lease Liability (RTU)   | <b>267.43</b>          | -                      |
| <b>Total</b>  | <b>2,254.38</b>        | 2,623.80               |

**20 Current tax liabilities (Net)**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Provisions for tax (Net of advance tax ₹ 237.00 crore, Previous Year ₹ 453.00 crore) | <b>74.60</b>           | 56.12                  |
| <b>Total</b>   | <b>74.60</b>           | 56.12                  |

**21 Provisions**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| <b>Provision for employee benefits</b> |                        |                        |
| Gratuity (funded)                      | <b>62.25</b>           | 38.94                  |
| Compensated absence (unfunded)         | -                      | 21.07                  |
| Salary, bonus and reimbursements       | <b>194.67</b>          | 190.71                 |
| Contribution to provident fund         | <b>29.94</b>           | 17.48                  |
| <b>Total</b>                           | <b>286.86</b>          | 268.20                 |

**22 Other non-financial liabilities**

|                        | As at<br>31 March 2020 | As at<br>31 March 2019 |
|------------------------|------------------------|------------------------|
| Other payables         | <b>16.11</b>           | 15.33                  |
| Provision for expenses | <b>110.63</b>          | 65.04                  |
| <b>Total</b>           | <b>126.74</b>          | 80.37                  |

**23 Equity Share capital**

|  | Face Value | As at<br>31 March<br>2020 | As at<br>31 March<br>2019 | As at<br>31 March<br>2020 | As at<br>31 March<br>2019 |
|--|------------|---------------------------|---------------------------|---------------------------|---------------------------|
|  | ₹ each     | Number of<br>shares       | Number of<br>shares       |                           |                           |
| Authorised equity shares                                 | 10         | <b>1,00,15,50,000</b>     | 1,00,15,50,000            | <b>1,001.55</b>           | 1,001.55                  |
| Issued, Subscribed & Paid up equity shares fully paid up | 10         | <b>78,75,79,656</b>       | 78,57,00,306              | <b>787.58</b>             | 785.70                    |
| <b>Total</b>   |            |                           |                           | <b>787.58</b>             | 785.70                    |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**23.1 Reconciliation of the number of shares**

|   | As at<br>31 March 2020 |        | As at<br>31 March 2019 |        |
|---|------------------------|--------|------------------------|--------|
|   | Number                 | Amount | Number                 | Amount |
| Equity shares of ₹10 fully paid up              |                        |        |                        |        |
| Shares outstanding at the beginning of the year | 78,57,00,306           | 785.70 | 78,29,36,256           | 782.94 |
| Shares issued - ESOP exercised                  | 1,879,350              | 1.88   | 27,64,050              | 2.76   |
| Shares outstanding at the end of the year       | 78,75,79,656           | 787.58 | 78,57,00,306           | 785.70 |

**23.2 Terms/rights attached to equity shares.**

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive 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 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.

**23.3 Details of shareholders holding more than 5% of the aggregate shares in the Company**

| Particulars                         | As at<br>31 March 2020   |                 | As at<br>31 March 2019   |                 |
|-------------------------------------|--------------------------|-----------------|--------------------------|-----------------|
|                                     | No. of<br>Shares<br>held | % of<br>Holding | No. of<br>Shares<br>held | % of<br>Holding |
| Equity shares of ₹ 10 fully paid up |                          |                 |                          |                 |
| HDFC Bank Limited (Holding Company) | 75,05,96,670             | 95.30           | 75,05,96,670             | 95.53           |

**23.4 Number of shares reserved for ESOPs**

| Particulars   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Equity shares of ₹10 fully paid up                  |                        |                        |
| Number of Shares reserved for ESOPs (Refer note 33) | 21,51,580              | 42,30,300              |

**23.5** Pursuant to the Scheme of Amalgamation of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, 7,560,985 shares of face value ₹10 each were issued during the financial year 2016-2017 to the shareholders of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd for consideration other than cash.

**24 Interest Income**

| Particulars                     | For the<br>year ended<br>31 March 2020 | For the<br>year ended<br>31 March 2019 |
|---------------------------------|--|--|
| <b>At amortised cost</b>        |  |  |
| Interest on Loans               | 8,218.81                               | 6,697.62                               |
| Interest on deposits with Banks | 14.65                                  | 14.50                                  |
| <b>Total</b>                    | <b>8,233.47</b>                        | <b>6,712.12</b>                        |



**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**

(Currency : Indian Rupees in crore)

**25 Net gain/ (loss) on fair value changes**

|   | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|---|---|--|
| Net gain/(loss) on financial instruments at fair value through profit or loss (FVTPL) |   |  |
| Investments   | <b>18.78</b>                                    | 32.93                                  |
| Unquoted equity shares  | -   | -                                      |
|   | <b>18.78</b>                                    | 32.93                                  |
| Net gain/(loss) on financial instruments at fair value through profit or loss (FVTPL) |   |  |
| Realised  | <b>16.83</b>                                    | 31.25                                  |
| Unrealised  | <b>1.95</b>                                     | 1.68                                   |
| <b>Total</b>  | <b>18.78</b>                                    | 32.93                                  |

**26 Finance Costs**

|  | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|--|---|--|
| <b>Interest expenses on financial liabilities measured at amortised cost</b> |   |  |
| Interest on borrowings   | <b>1,679.71</b>                                 | 1,328.82                               |
| Interest on debt securities  | <b>1,787.48</b>                                 | 1,587.45                               |
| Interest on subordinated liabilities   | <b>305.61</b>                                   | 215.43                                 |
| Discount on commercial paper   | <b>284.69</b>                                   | 189.33                                 |
| Other borrowing costs  | <b>23.93</b>                                    | 12.30                                  |
| <b>Total</b>   | <b>4,081.42</b>                                 | 3,333.33                               |

**27 Impairment on financial instruments**

|   | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|---|---|--|
| Impairment on financial instruments at amortised cost |   |  |
| Loans   | <b>1,439.85</b>                                 | 641.73                                 |
| Trade receivables                                     | <b>1.72</b>                                     | (4.79)                                 |
| <b>Total</b>  | <b>1,441.57</b>                                 | 636.94                                 |

**28 Employee benefits expense**

|   | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|---|---|--|
| Salaries and wages (including bonus)      | <b>2,924.30</b>                                 | 2,353.78                               |
| Contribution to provident and other funds | <b>226.47</b>                                   | 153.20                                 |
| Employee share based payment expenses     | <b>11.19</b>                                    | 15.36                                  |
| Staff welfare expenses                    | <b>33.61</b>                                    | 29.40                                  |
| <b>Total</b>                              | <b>3,195.57</b>                                 | 2,551.74                               |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**29 Other expenses**

|  | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|--|---|--|
| Rent   | <b>10.27</b>                                    | 57.59                                  |
| Rates and taxes  | <b>1.12</b>                                     | 0.28                                   |
| Telephone  | <b>30.22</b>                                    | 23.91                                  |
| Power and fuel   | <b>27.45</b>                                    | 21.63                                  |
| Repairs and maintenance- premises  | <b>3.99</b>                                     | 1.69                                   |
| Repairs and maintenance-others   | <b>2.11</b>                                     | 1.96                                   |
| Credit report charges  | <b>51.97</b>                                    | 46.78                                  |
| Commission and brokerage   | <b>3.02</b>                                     | 3.00                                   |
| Auditor's remuneration (Refer Note 31)   | <b>0.84</b>                                     | 0.76                                   |
| Insurance  | <b>0.01</b>                                     | 0.68                                   |
| Loss on sale of asset  | <b>(0.19)</b>                                   | 0.28                                   |
| Expenses towards Corporate Social Responsibility Initiative<br>(Refer Note 39) | <b>28.28</b>                                    | 22.65                                  |
| Others administrative expenses   | <b>304.68</b>                                   | 235.61                                 |
| <b>Total</b>   | <b>463.77</b>                                   | 416.82                                 |

**30 Earnings per Share**

|  | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|--|---|--|
| Net Profit (₹ in crore)                  | <b>1,004.85</b>                                 | 1,153.24                               |
| <b>Continuing Operations</b>             |   |  |
| Weighted average number of equity shares |   |  |
| Basic                                    | <b>78,63,16,430</b>                             | 7,83,832,157                           |
| Diluted                                  | <b>78,70,11,436</b>                             | 7,84,830,145                           |
| Earnings per share (₹)                   |   |  |
| Basic                                    | <b>12.78</b>                                    | 14.71                                  |
| Diluted                                  | <b>12.77</b>                                    | 14.69                                  |
| Face value per share (₹)                 | <b>10.00</b>                                    | 10.00                                  |

The dilutive effect on the earnings per share is caused by the potential shares that would be issued upon the exercise of the ESOP Options. As a result of the dilution, the denominator increased by 6,95,005 shares (Previous Year 9,97,988 shares).

**31 Auditor's Remuneration**

|                   | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|-------------------|---|--|
| <b>As Auditor</b> |   |  |
| Statutory audit   | <b>0.40</b>                                     | 0.59                                   |
| Tax audit         | -   | 0.03                                   |
| Others            | <b>0.35</b>                                     | 0.06                                   |
| For certificates  | <b>0.03</b>                                     | 0.02                                   |
| <b>Sub Total</b>  | <b>0.78</b>                                     | 0.70                                   |
| GST               | <b>0.07</b>                                     | 0.06                                   |
| <b>Total</b>      | <b>0.84</b>                                     | 0.76                                   |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**32 Leases**

**I. Lease disclosures under Ind-AS 116 for the current year ended 31 March 2020**

**A. Implementation of Ind-AS 116**

This note explains the impact of the adoption of Ind-AS 116 Leases on the financial statements.

Under the erstwhile standard, Ind-AS 17 - Leases, the leases in which a substantial portion of the risk and rewards of the ownership were retained by the lessor were classified as operating leases. Under Ind-AS 116, the Company recognises right-of-use assets and lease liabilities for leases i.e. these leases are on the balance sheet. Lease liabilities as at 01 April 2019 were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average of lessee's incremental borrowing rate applied to the lease liabilities as at 01 April 2019 was 8.54%. This change is in accordance with the transitional provisions of Ind-AS 116.

Effective 01 April 2019, the Company has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on 01 April 2019 using the modified retrospective method. Consequently, the cumulative adjustment has been taken to retained earnings on the date of initial application i.e. 01 April 2019. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures.

On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹ 235.37 crore (including ₹ Nil crore reclassified from other non-financial assets) and a lease liability of ₹ 235.37 crore. The cumulative effect of applying the standard resulted in ₹15.33 crore being debited to retained earnings.

i) Practical expedients applied

The Company has elected not to reassess the previously identified leases applying Ind-AS 17 - Leases as to whether a contract is, or contains a lease at the date of initial application. Further, In applying Ind-AS 116 for the first time, the Company has also used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- relying on its previous assessment of whether leases are onerous under Ind-AS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- there were no onerous contracts as at 01 April 2019.
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of lease liabilities

| Particulars   | 1 April 2019 |
|---|--------------|
| Operating lease commitment as at 31 March 2019 as disclosed in the Company's financial statements | 342.19       |
| Discounted using the incremental borrowing rate at 01 April 2019                                  | 8.54%        |
| Finance lease liabilities recognised as at 31 March 2019  | 235.37       |
| Change in estimate of lease term  | -            |
| Lease liability recognised at 01 April 2019   | 235.37       |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**

(Currency : Indian Rupees in crore)

- B.** The Company has entered into leasing arrangements for premises. Majority of the leases are cancellable by the Company. ROU has been included after the line 'Property, Plant and Equipment' and Lease Liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

**(i) Amounts recognised in the Balance sheet**

| Particulars                                    | 31 March 2020 |
|--|---------------|
| a) <b>Right-of-use assets (net)</b>            | <b>252.41</b> |
| b) <b>Lease liabilities</b>                    |               |
| Current  | 38.94         |
| Non-current                                    | 228.48        |
| <b>Total Lease liabilities</b>                 | <b>267.42</b> |
| c) <b>Additions to the Right-of-use assets</b> | <b>64.80</b>  |

**(ii) Amounts recognised in the Statement of Profit and Loss**

| Particulars                                    | 31 March 2020 |
|--|---------------|
| a) Depreciation charge for right-of-use assets | 47.76         |
| b) Interest expense (included in finance cost) | 23.06         |
| c) Expense relating to short-term leases       | 10.27         |

**(iii) Cash Flows**

| Particulars                      | 31 March 2020 |
|----------------------------------|---------------|
| The total cash outflow of leases | 55.80         |

**(iv) Future Commitments**

| Particulars   | 31 March 2020 |
|---|---------------|
| Future undiscounted lease payments to which leases is not yet commenced | 2.31          |

**(v) Maturity analysis of undiscounted lease liability**

| Period  | 31 March 2020 |
|---|---------------|
| Not later than one year                           | 60.22         |
| Later than one year and not later than five years | 208.14        |
| Later than five years                             | 85.50         |
| <b>Total</b>                                      | <b>353.86</b> |

**II. Lease disclosures under Ind-AS 17 for the comparative year ended 31 March 2019**

**A. Operating Lease**

The Company has entered into cancellable leasing arrangements for all premises. The total lease payments recognised in the Statement of Profit and Loss towards the said leases are as follows:

| Particulars    | 31 March 2019 |
|----------------|---------------|
| Lease Payments | 57.59         |

The future lease payments in respect of the above were as follows:

| Period  | 31 March 2019 |
|---|---------------|
| Not later than one year                           | 55.09         |
| Later than one year and not later than five years | 198.36        |
| Later than five years                             | 88.74         |
| <b>Total</b>                                      | <b>342.19</b> |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**33 Accounting for Employee Share based Payments**

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOP-8 on 14 July 2015, ESOP-9 on 18 October 2016, ESOP-10 on 13 October 2017 and ESOP-11 on 15 January 2019. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of two years from the date of vesting for ESOP-8 and maximum of four years from the date of vesting for ESOP-9, ESOP-10 and ESOP-11.

**Method used for accounting for shared based payment plan.**

The Company uses fair value to account for the compensation cost of stock options to employees of the Company.

**Movement in the options outstanding under the Employees Stock Option Plan for the year ended 31 March 2020**

| Particulars                            | Options   | Weighted average exercise price (₹) |
|--|-----------|-------------------------------------|
| Options outstanding, beginning of year | 4,230,300 | 209.36                              |
| Granted during the year                | -         | -                                   |
| Exercised during the year              | 1,879,350 | 178.22                              |
| Forfeited / lapsed during the year     | 199,370   | 197.95                              |
| Options outstanding, end of year       | 2,151,580 | 237.62                              |
| Options exercisable, end of year       | 311,070   | 264.23                              |

**Movement in the options outstanding under the Employees Stock Option Plan for the year ended 31 March 2019**

| Particulars                            | Options   | Weighted average exercise price (₹) |
|--|-----------|-------------------------------------|
| Options outstanding, beginning of year | 6,269,950 | 168.41                              |
| Granted during the year                | 910,500   | 274.00                              |
| Exercised during the year              | 2,764,050 | 141.22                              |
| Forfeited / lapsed during the year     | 186,100   | 159.37                              |
| Options outstanding, end of year       | 4,230,300 | 209.36                              |
| Options exercisable, end of year       | 237,450   | 178.13                              |

**Following summarises the information about stock options outstanding as at 31 March 2020**

| Plan      | Exercise price (₹) | Number of shares arising out of options | Weighted average remaining contractual life (in years) |
|-----------|--------------------|---|--|
| ESOP - 10 | 213                | 1,283,200                               | 4.54   |
| ESOP - 11 | 274                | 868,380                                 | 4.94   |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**Following summarises the information about stock options outstanding as at 31 March 2019**

| Plan      | Exercise price<br>(₹) | Number of shares<br>arising out of options | Weighted average<br>remaining contractual<br>life (in years) |
|-----------|-----------------------|--|--|
| ESOP - 8  | 88                    | 34,500                                     | 1.50   |
| ESOP - 9  | 137                   | 874,200                                    | 4.53   |
| ESOP - 10 | 213                   | 2,414,200                                  | 5.06   |
| ESOP - 11 | 274                   | 907,400                                    | 5.94   |

**Fair Value methodology**

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company are:

| Particulars                 | 31 March 2020 | 31 March 2019 |
|-----------------------------|---------------|---------------|
| Dividend yield              | -             | 0.66%         |
| Expected volatility         | -             | 34.90%        |
| Risk-free interest rate     | -             | 7.23%         |
| Expected life of the option | -             | 3.01 years    |

The Company has not granted new stock option scheme during the year ended 31 March 2020. The above tables excludes non operationalised schemes.

The Company recorded an employee stock compensation expense of ₹11.19 crore (previous year ₹15.36 crore) in Statement of Profit and Loss.

**34 Segment reporting**

| S.N.       | Particulars                   | 31 March 2020    | 31 March 2019   |
|------------|-------------------------------|------------------|-----------------|
| <b>i.</b>  | <b>Segment Revenue</b>        |                  |                 |
|            | Lending business              | 8,643.24         | 7,076.70        |
|            | BPO Services                  | 2,113.23         | 1,648.12        |
|            | Unallocated                   | -                | -               |
|            | <b>Income from Operations</b> | <b>10,756.47</b> | <b>8,724.81</b> |
| <b>ii.</b> | <b>Segment Results</b>        |                  |                 |
|            | Lending business              | 1,366.95         | 1,720.62        |
|            | BPO Services                  | 104.28           | 73.21           |
|            | Unallocated                   | (6.75)           | (69.76)         |
|            | <b>Profit before tax</b>      | <b>1,464.48</b>  | <b>1,724.06</b> |
|            | <b>Income Tax expenses</b>    |                  |                 |
|            | Current tax                   | 471.78           | 648.99          |
|            | Deferred tax Asset            | (12.15)          | (87.34)         |
|            | Income tax for earlier year   | -                | 9.17            |
|            | <b>Net Profit</b>             | <b>1,004.85</b>  | <b>1,153.24</b> |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

| S.N. | Particulars                                     | 31 March 2020    | 31 March 2019    |
|------|---|------------------|------------------|
| iii. | <b>Capital Employed</b>                         |                  |                  |
|      | Segment assets                                  |                  |                  |
|      | Lending business                                | 59,988.97        | 55,168.78        |
|      | BPO Services                                    | 216.68           | 110.42           |
|      | Unallocated                                     | 508.81           | 427.78           |
|      | <b>Total Assets</b>                             | <b>60,714.46</b> | <b>55,706.98</b> |
|      | Segment Liabilities                             |                  |                  |
|      | Lending business                                | 52,281.15        | 48,217.23        |
|      | BPO Services                                    | 216.06           | 184.17           |
|      | Unallocated                                     | 199.45           | 127.10           |
|      | <b>Total Liabilities</b>                        | <b>52,696.66</b> | <b>48,528.50</b> |
|      | Net Segment assets/(liabilities)                | 8,017.80         | 7,178.48         |
| iv.  | <b>Capital Expenditure (including net CWIP)</b> |                  |                  |
|      | Lending business                                | 53.85            | 33.17            |
|      | BPO Services                                    | 15.62            | 10.75            |
|      | Unallocated                                     | 3.36             | 4.49             |
|      | <b>Total</b>                                    | <b>72.83</b>     | <b>48.41</b>     |
| v.   | <b>Depreciation</b>                             |                  |                  |
|      | Lending business                                | 86.60            | 48.66            |
|      | BPO Services                                    | 17.60            | 10.61            |
|      | Unallocated                                     | 5.46             | 2.65             |
|      | <b>Total</b>                                    | <b>109.66</b>    | <b>61.92</b>     |
| vi.  | <b>Other non cash expenditure</b>               |                  |                  |
|      | Lending business                                | 1,441.57         | 636.94           |
|      | BPO Services                                    | -                | -                |
|      | Unallocated                                     | -                | -                |
|      | <b>Total</b>                                    | <b>1,441.57</b>  | <b>636.94</b>    |

**a) Chief Operating Decision Maker**

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind-AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

**b) Operating Segment**

**Primary Segment (Business Segment)**

The Company is organised primarily into two operating segments, i.e. Lending business and BPO services. Lending business includes providing finance to retail customers for a variety of purposes like purchase of commercial equipment and commercial vehicles, personal purposes, enterprise loans, etc. Revenue from lending business includes (i) interest income and processing fees net of loan origination costs, (ii) collection-related charges like cheque bouncing charges, late payment charges and foreclosure charges, and (iii) insurance commission. BPO services comprises of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers.

**Secondary Segment (Geographical Segment)**

Since the business operations of the Company are primarily concentrated in India, the Company is considered to operate only in the domestic segment and therefore there is no reportable geographic segment.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**c) Segment Revenue and Expense**

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'.

**d) Segment Assets and Liabilities**

Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

**e) Accounting Policies**

The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenue and expenditure in individual segments.

**35 Related party disclosures**

Name of the related party and nature of relationship

**Holding Company:** HDFC Bank Limited

**Enterprise under common control of holding company:** HDFC Securities Limited

**Key Management Personnel :**

Aditya Puri (Chairman & Non Executive Director)

Jimmy Tata (Non Executive Director)

Bhavesh Zaveri (Non Executive Director) (resigned effective 28 November 2019)

Dr. Amla Samanta (Independent Director) (appointed effective 1 May 2019)

Adayapalam Viswanathan (Independent Director) (appointed effective 24 July 2019)

Smita Affinwalla (Independent Director)

Venkatraman Srinivasan (Independent Director)

G Ramesh (Managing Director and CEO)

**Other related parties :**

HDFC Ergo General Insurance Company Limited

HDFC Life Insurance Company Limited

**Details of Related Party Transactions for the Year:**

| <b>Related party</b> | <b>Nature of transaction</b>                                    | <b>31 March 2020</b> | <b>31 March 2019</b> |
|----------------------|---|----------------------|----------------------|
| HDFC Bank Limited    | Bank charges  | 11.06                | 8.39                 |
|                      | Charges for back office support services received / recoverable | 878.53               | 691.56               |
|                      | Charges for sales support services received / recoverable       | 1,391.50             | 1,070.35             |
|                      | Corporate logo license fees                                     | 10.26                | 11.98                |
|                      | Dividend paid   | 135.11               | 52.54                |
|                      | Fixed deposits placed   | 167.74               | 135.00               |
|                      | Interest paid on non-convertible debentures                     | 64.51                | 80.29                |
|                      | Interest paid on term loan and OD account                       | 366.13               | 214.24               |
|                      | Interest received on fixed deposits                             | 11.06                | 4.56                 |
|                      | Investment banking fees paid                                    | 1.42                 | 1.97                 |
|                      | IPA charges   | 0.01                 | 0.02                 |
|                      | Reimbursement of IT Expenses                                    | 2.12                 | 0.09                 |
|                      | Reimbursement of R & M charges received / receivable            | -                    | -                    |
|                      | Rent paid for premises taken on sub-lease                       | 2.27                 | 3.31                 |
|                      | Rent received / receivable for premises given on sub-lease      | -                    | -                    |
|                      | <b>Securities purchased during the year</b>                     | <b>1,986.50</b>      | <b>2,181.00</b>      |



**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

| Related party                               | Nature of transaction  | 31 March 2020 | 31 March 2019 |
|---|--|---------------|---------------|
|   | Securitisation   | 1,982.47      | 963.22        |
|   | Term loan availed during the year  | 4,696.15      | 2,150.00      |
|   | Term loan paid during the year   | 2,614.41      | 640.91        |
|   | Tele collection charges / field collection charges received / recoverable for collection services rendered | 189.48        | 154.97        |
| HDFC Securities Limited                     | Commission on sourcing of loans  | 0.03          | -             |
|   | Rent received / receivable for premises given on sub-lease   | 0.13          | 0.11          |
| Key Management Personnel                    | Director sitting fees and commission paid  | 0.60          | 0.46          |
|   | Dividend paid  | 0.11          | 0.28          |
|   | Salary including perquisites and allowances  | 4.10          | 3.72          |
|   | Stock Options#   | 3.49          | 0.91          |
|   | Others Contribution to Funds*  | 0.12          | 0.10          |
| HDFC Ergo General Insurance Company Limited | Insurance commission received / receivable   | 13.06         | 16.82         |
|   | Insurance premium paid   | -             | 1.73          |
|   | Rent received / receivable for premises given on sub-lease   | -             | 0.02          |
| HDFC Life Insurance Company Limited         | Insurance commission received / receivable   | 10.21         | 8.50          |
|   | Rent paid / payable  | 0.03          | 0.05          |

\* excludes amounts pertaining to gratuity and compensated absences, which are actuarially valued at the Company level.

# The intrinsic value of the stock options granted is Nil. However, the Company in compliance with Ind-AS 102 has been charged to the statement of profit and loss of ₹ 0.88 crore (previous year ₹ 0.88 crore) with a corresponding credit to the reserves.

**Balances outstanding:**

| Related party                                 | Nature of transaction                        | 31 March 2020 | 31 March 2019 |
|---|--|---------------|---------------|
| HDFC Bank Limited                             | Securitisation                               | 1,553.06      | 878.20        |
|   | Balance in current accounts                  | 310.85        | 282.68        |
|   | Balance receivable                           | 141.48        | 83.69         |
|   | Balance payable                              | 7.92          | 12.22         |
|   | Fixed deposit                                | 167.74        | 134.96        |
|   | Security deposit paid                        | 0.07          | 0.20          |
|   | Security deposit received                    | 9.85          | 9.85          |
|   | Term loan outstanding                        | 5,181.82      | 3,100.00      |
|   | Non convertible debentures issued            | 650.00        | 965.00        |
|   | Outstanding lending commitments by HDFC Bank | 1,000.00      | 1,000.00      |
| HDFC Securities Ltd.                          | Balance receivable                           | 0.22          | 0.17          |
| HDFC Ergo General Insurance Company Limited** | Balance payable                              | 20.00         | -             |
|   | Balance receivable                           | 0.64          | 2.11          |
| HDFC Life Insurance Company Limited**         | Balance payable                              | 1,435.00      | 425.00        |
|   | Balance receivable                           | 0.54          | 3.02          |

\*\* excludes amounts pertaining to insurance premiums payable that are in the nature of pass through.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**36 Employee benefits**

**(A) Defined contribution plan**

The contribution made to various statutory funds is recognised as expense and included in Note 28 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss.

**(B) Defined benefit plan (Gratuity)**

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Life Insurance Company ('HDFC Life') Limited and Life Insurance Corporation of India Limited (LIC). HDFC Life and LIC have certified the Fair Value of the Plan Assets.

Details of Actuarial Valuation as at March 31, 2020 :

|           | Particulars  | 31 March 2020  | 31 March 2019 |
|-----------|--|----------------|---------------|
| <b>A.</b> | <b>Change in defined benefit obligation</b>          |                |               |
| 1         | Defined benefit obligation at beginning of period    | <b>76.88</b>   | 63.37         |
| 2         | Service cost   |                |               |
|           | a. Current service cost                              | <b>13.54</b>   | 15.24         |
|           | b. Past service cost                                 | -              | 0.57          |
|           | c. (Gain)/loss on settlements                        | -              | -             |
| 3         | Interest expenses                                    | <b>5.30</b>    | 4.19          |
| 4         | Cash flows   |                |               |
|           | a. Benefit payments from plan                        | <b>(11.01)</b> | (9.59)        |
|           | b. Benefit payments from employer                    | -              | -             |
|           | c. Settlement payments from plan                     | -              | -             |
|           | d. Settlement payments from employer                 | -              | -             |
| 5         | Remeasurements                                       |                |               |
|           | a. Effect of changes in demographic assumptions      | <b>0.19</b>    | (0.91)        |
|           | b. Effect of changes in financial assumptions        | <b>6.51</b>    | 0.35          |
|           | c. Effect of experience adjustments                  | <b>25.07</b>   | 3.67          |
| 6         | Transfer In/Out                                      |                |               |
|           | a. Transfer In                                       | -              | -             |
|           | b. Transfer out                                      | -              | -             |
| 7         | Defined benefit obligation at end of period          | <b>116.48</b>  | 76.88         |
| <b>B.</b> | <b>Change in fair value of plan assets</b>           |                |               |
| 1         | Fair value of plan assets at beginning of period     | <b>38.09</b>   | 33.18         |
| 2         | Interest income                                      | <b>2.63</b>    | 2.55          |
| 3         | Cash flows   |                |               |
|           | a. Total employer contributions                      |                |               |
|           | (i) Employer contributions                           | <b>19.66</b>   | 14.11         |
|           | (ii) Employer direct benefit payments                | -              | -             |
|           | (iii) Employer direct settlement payments            | -              | -             |
|           | b. Participant contributions                         | -              | -             |
|           | c. Benefit payments from plan assets                 | <b>(11.01)</b> | (9.59)        |
|           | d. Benefit payments from employer                    | -              | -             |
|           | e. Settlement payments from plan assets              | -              | -             |
|           | f. Settlement payments from employer                 | -              | -             |
| 4         | Remeasurements                                       |                |               |
|           | a. Return on plan assets (excluding interest income) | <b>5.17</b>    | (2.17)        |
| 5         | Transfer In/Out                                      |                |               |
|           | a. Transfer In                                       | -              | -             |
|           | b. Transfer out                                      | -              | -             |
| 6         | Fair value of plan assets at end of period           | <b>54.53</b>   | 38.09         |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

|           | <b>Particulars</b>   | <b>31 March 2020</b> | <b>31 March 2019</b> |
|-----------|--|----------------------|----------------------|
| <b>C.</b> | <b>Amounts recognised in the Balance Sheet</b>               |                      |                      |
| 1         | Defined benefit obligation                                   | <b>116.48</b>        | 76.88                |
| 2         | Fair value of plan assets                                    | <b>(54.53)</b>       | (38.09)              |
| 3         | Funded status  | <b>61.95</b>         | 38.79                |
| 4         | Effect of asset ceiling                                      | -                    | -                    |
| 5         | Net defined benefit liability (asset)                        | <b>61.95</b>         | 38.79                |
| <b>D.</b> | <b>Components of defined benefit cost</b>                    |                      |                      |
| 1         | Service cost   |                      |                      |
|           | a. Current service cost                                      | <b>13.54</b>         | 15.24                |
|           | b. Past service cost   | -                    | 0.57                 |
|           | c. (Gain)/loss on settlements                                | -                    | -                    |
|           | d. Total service cost  | <b>13.54</b>         | 15.80                |
| 2         | Net interest cost  |                      |                      |
|           | a. Interest expense on DBO                                   | <b>5.30</b>          | 4.19                 |
|           | b. Interest (income) on plan assets                          | <b>2.63</b>          | 2.55                 |
|           | c. Interest expense on effect of (asset ceiling)             | -                    | -                    |
|           | d. Total net interest cost                                   | <b>2.67</b>          | 1.64                 |
| 3         | Remeasurements (recognised in OCI/Retained Earnings)         |                      |                      |
|           | a. Effect of changes in demographic assumptions              | <b>0.19</b>          | (0.91)               |
|           | b. Effect of changes in financial assumptions                | <b>6.51</b>          | 0.35                 |
|           | c. Effect of experience adjustments                          | <b>25.07</b>         | 3.67                 |
|           | d. Return on plan assets (excluding interest income)         | <b>(5.17)</b>        | (2.17)               |
|           | e. Changes in asset ceiling (excluding interest income)      | -                    | -                    |
|           | f. Total remeasurements included in OCI/Retained Earnings    | <b>26.59</b>         | 5.27                 |
| 4         | Total defined benefit cost recognised in P&L and OCI         | <b>42.81</b>         | 22.72                |
| <b>E.</b> | <b>Remeasurement</b>   |                      |                      |
|           | a. Actuarial Loss/(Gain) on DBO                              | <b>31.77</b>         | 3.11                 |
|           | b. Returns above Interest Income                             | <b>(5.17)</b>        | (2.17)               |
|           | c. Change in Asset ceiling                                   | -                    | -                    |
|           | Total Remeasurements (OCI/Retained Earnings)                 | <b>26.59</b>         | 5.27                 |
| <b>F.</b> | <b>Employer Expense (P&amp;L)</b>                            |                      |                      |
|           | a. Current Service Cost                                      | <b>13.54</b>         | 15.24                |
|           | b. Interest Cost on net DBO                                  | <b>2.67</b>          | 1.64                 |
|           | c. Past Service Cost   | -                    | 0.57                 |
|           | d. Total P&L Expenses  | <b>16.21</b>         | 17.45                |
| <b>G.</b> | <b>Net defined benefit liability (asset) reconciliation</b>  |                      |                      |
| 1         | Net defined benefit liability (asset)                        | <b>38.79</b>         | 30.19                |
| 2         | Defined benefit cost included in P&L                         | <b>16.21</b>         | 17.45                |
| 3         | Total remeasurements included in OCI/Retained Earnings       | <b>26.59</b>         | 5.27                 |
| 4         | a. Employer contributions                                    | <b>(19.66)</b>       | (14.11)              |
|           | b. Employer direct benefit payments                          | -                    | -                    |
|           | c. Employer direct settlement payments                       | -                    | -                    |
| 5         | Net transfer   | -                    | -                    |
| 6         | Net defined benefit liability (asset) as of end of period    | <b>61.95</b>         | 38.79                |
| <b>H.</b> | <b>Reconciliation of OCI (Remeasurement)</b>                 |                      |                      |
| 1         | Recognised in OCI at the beginning of period                 | <b>7.87</b>          | 2.60                 |
| 2         | Recognised in OCI during the period                          | <b>26.59</b>         | 5.27                 |
| 3         | Recognised in OCI/Retained Earnings at the end of the period | <b>34.46</b>         | 7.87                 |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

|           | Particulars                                      | 31 March 2020              | 31 March 2019              |
|-----------|--|----------------------------|----------------------------|
| <b>I.</b> | <b>Sensitivity analysis - DBO end of Period</b>  |                            |                            |
| 1         | Discount rate +100 basis points                  | (2.88)                     | 75.85                      |
| 2         | Discount rate -100 basis points                  | 3.05                       | 77.96                      |
| 3         | Salary Increase Rate +1%                         | 2.64                       | 77.58                      |
| 4         | Salary Increase Rate -1%                         | (2.68)                     | 76.20                      |
| 5         | Attrition Rate +1%                               | (0.68)                     | 76.66                      |
| 6         | Attrition Rate -1%                               | 0.70                       | 77.11                      |
| <b>J.</b> | <b>Significant actuarial assumptions</b>         |                            |                            |
| 1         | Discount rate Current Year (p.a.)                | 4.87%                      | 6.84% - 6.92%              |
| 2         | Discount rate Previous Year (p.a.)               | 6.84% - 6.92%              | 7.00%                      |
| 3         | Salary increase rate (p.a.)                      | 7.00% - 8.00%              | 5.00% - 8.00%              |
| 4         | Attrition Rate (%)                               | 26%-89%                    | 27%-92%                    |
| 5         | Retirement Age (years)                           | 60                         | 60                         |
| 6         | Pre-retirement mortality                         | IALM (2006-08)<br>Ultimate | IALM (2012-14)<br>Ultimate |
| 7         | Disability                                       | Nil                        | Nil                        |
| <b>K.</b> | <b>Data</b>                                      |                            |                            |
| 1         | No.  | 105,029                    | 88,713                     |
| 2         | Average age (yrs.)                               | 28.7                       | 28-30                      |
| 3         | Average past service (yrs.)                      | 2.3                        | 2-3                        |
| 4         | Average salary monthly (₹)                       | 8,606                      | 6,944 - 8,966              |
| 5         | Future service (yrs.)                            | 31.3                       | 31.33                      |
| 6         | Weighted average duration of DBO                 | 3.00                       | 2.67                       |
| <b>L.</b> | <b>Expected cash flows for following year</b>    |                            |                            |
| 1         | Expected contributions/Addl. Provision Next Year | 32.83                      | 37.76                      |
| 2         | Expected total benefit payments                  |                            |                            |
|           | Year 1   | 57.04                      | 42.90                      |
|           | Year 2   | 35.32                      | 17.15                      |
|           | Year 3   | 24.00                      | 9.25                       |
|           | Year 4   | 16.58                      | 5.36                       |
|           | Year 5   | 11.90                      | 3.18                       |
|           | Next 5 years                                     | 24.19                      | 4.20                       |

| Category of Plan asset                               | % of Fair value to total planned assets (as at 31 March 2020) |
|--|---|
| Government securities and corporate bonds/debentures | 94.71%  |
| Money market instruments and fixed deposits          | 6.41%   |
| Net current assets and other approved security       | -1.12%  |
| <b>Total</b>   | <b>100.00%</b>  |

The Company's gratuity plan obligation is determined by actuarial valuation and is funded by investments in government securities. As such, the valuation and the funding are exposed to certain risks, including mainly salary increments, attrition levels, interest rates and investment yields. If salaries and interest rates rise faster than assumed or if the attrition rates are lower than assumed, then the Company's gratuity obligation would rise faster in future periods and an increase in market yields of government securities would reduce the value of the plan's investments, leading to higher future funding requirements. The Company monitors plan obligations and investments regularly with a view to ensure that there is adequate funding on an ongoing basis, thus mitigating any potential adverse consequences of the risks described.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**C) Compensated absences**

| Particulars                    | 31 March 2020 | 31 March 2019      |
|--------------------------------|---------------|--------------------|
| Total actuarial Liability      | -             | 1.69               |
| Assumptions                    |               |                    |
| Discount rate                  | -             | 6.84% - 6.92% p.a. |
| Expected return on plan assets | -             | -                  |
| Salary escalation rate         |               |                    |
| General                        | -             | 5% - 8% p.a.       |
| Others                         | -             | 5% - 8% p.a.       |

As at 31 March 2020, the Company neither has a policy of encashment of unavailed leaves for its employees nor does it allow the leaves to be carried forward to the next year.

**37 Contingent liabilities**

| S.N. | Particulars  | 31 March 2020 | 31 March 2019 |
|------|--|---------------|---------------|
| 1    | Claims against the Company not acknowledged as debt (Refer Note 37.1)  | 94.32         | 93.73         |
| 2    | Estimated amount of contracts remaining to be executed on capital account and not provided for:<br><br>(Net of Advances amounting to ₹3.61 crore, previous year ₹1.27 crore) | 12.42         | 19.53         |
| 3    | Undrawn committed sanctions to borrowers   | 88.84         | 31.70         |

**37.1 Claims against the Company not acknowledged as debt**

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Suit filed by borrowers                                     | 4.13          | 3.54          |
| Other contingent liabilities in respect of :                |               |               |
| 1. Provident Fund matter - (see (a) below)                  | 50.14         | 50.14         |
| 2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below) | 34.88         | 34.88         |
| 3. Income tax matter  | 4.85          | 4.85          |
| 4. Payment of Labour Welfare Fund                           | 0.32          | 0.32          |
| <b>Total</b>  | <b>94.32</b>  | <b>93.73</b>  |

**a) Provident Fund matter**

The Company has received a notice of demand from the Provident Fund department amounting to ₹50.14 crore. The Company had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Company had received a favorable outcome. However, a sum of ₹ 1 crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Other financial assets in Note 10.

The Provident Fund department has challenged order of the appellate authority in the High Court. The management of the Company is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. In the eventuality of any claim arising out of this case, the same will be billed to the customer in the year the claim is final and accordingly no provision has been made.

**b) Payment of Bonus (Amendment) Act, 2015**

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on 1 January 2016 by Government of India, the Company would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from 1 April 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. In light of the above, the Company has decided to disclose such bonus amounting to ₹ 34.88 crore as a contingent liability.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**37.2** The Company's pending litigations comprise of claims against the Company by the customers and proceedings pending with other authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

**37.3** The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

**38 Maturity analysis of assets & liabilities**

| Particulars                               | 31 March 2020    |                  | 31 March 2019 |             |
|---|------------------|------------------|---------------|-------------|
|   | Current          | Non Current      | Current       | Non Current |
| <b>ASSETS</b>                             |                  |                  |               |             |
| <b>Financial Assets</b>                   |                  |                  |               |             |
| (a) Cash and cash equivalents (CCE)       | 355.95           | -                | 334.72        | -           |
| (b) Bank balances other than CCE          | 207.23           | -                | 153.79        | -           |
| (c) Derivative financial instruments      | 81.32            | -                | -             | -           |
| (d) Trade receivables                     | 181.18           | -                | 114.42        | -           |
| (e) Loans                                 | 17,730.01        | 39,415.87        | 17,324.76     | 36,556.41   |
| (f) Investments                           | 1,744.81         | 0.95             | 567.41        | 0.95        |
| (g) Other financial assets                | 69.90            | 48.18            | 40.54         | 69.25       |
|   | <b>20,370.40</b> | <b>39,465.00</b> | 18,535.64     | 36,626.61   |
| <b>Non-financial Assets</b>               |                  |                  |               |             |
| (a) Current tax assets (Net)              | 77.42            | -                | 36.74         | -           |
| (b) Deferred tax assets (Net)             | -                | 415.62           | -             | 384.96      |
| (c) Property, plant and equipment         | -                | 124.48           | -             | 113.89      |
| (d) Capital work-in-progress              | -                | 0.06             | -             | -           |
| (e) Other intangible assets               | -                | 9.07             | -             | 9.14        |
| (f) Other non-financial assets            | 37.62            | 214.79           | -             | -           |
|   | <b>115.04</b>    | <b>764.02</b>    | 36.74         | 507.99      |
| <b>TOTAL ASSETS</b>                       | <b>20,485.44</b> | <b>40,229.02</b> | 18,572.38     | 37,134.60   |
| <b>LIABILITIES</b>                        |                  |                  |               |             |
| <b>Financial Liabilities</b>              |                  |                  |               |             |
| (a) Derivative financial instruments      | -                | -                | -             | -           |
| (b) Trade payables                        | 149.99           | -                | 394.91        | -           |
| (c) Debt securities                       | 9,228.64         | 13,364.74        | 10,105.73     | 14,013.94   |
| (d) Borrowings other than debt securities | 8,661.58         | 14,918.58        | 5,864.37      | 12,231.28   |
| (e) Subordinated liabilities              | -                | 3,630.55         | -             | 2,889.78    |
| (f) Other financial liabilities           | 1,986.95         | 267.43           | 2,303.28      | 320.52      |
|   | <b>20,027.16</b> | <b>32,181.30</b> | 18,668.29     | 29,455.52   |
| <b>Non-Financial Liabilities</b>          |                  |                  |               |             |
| (a) Current tax liabilities (net)         | 74.60            | -                | 56.12         | -           |
| (b) Provisions                            | 224.61           | 62.25            | 238.06        | 30.14       |
| (c) Other non-financial liabilities       | 45.51            | 81.23            | 65.04         | 15.33       |
|   | <b>344.72</b>    | <b>143.48</b>    | 359.22        | 45.47       |
| <b>TOTAL LIABILITIES</b>                  | <b>20,371.88</b> | <b>32,324.78</b> | 19,027.51     | 29,500.99   |
| <b>NET</b>                                | <b>113.56</b>    | <b>7,904.24</b>  | (455.13)      | 7,633.61    |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**39 Corporate social responsibility**

The average profit before tax of the Group for the last three financial years was ₹1,414 crore, basis which the Group was required to spend ₹28.28 crore towards Corporate Social Responsibility (CSR) activities for the current financial year.

Amount spent during the year on:

| Particulars                           | 31 March 2020 |                          |              | 31 March 2019 |                          |       |
|---------------------------------------|---------------|--------------------------|--------------|---------------|--------------------------|-------|
|                                       | Amount Spent  | Amount Unpaid/ provision | Total        | Amount Spent  | Amount Unpaid/ provision | Total |
| Construction/acquisition of any asset | -             | -                        | -            | -             | -                        | -     |
| On purpose other than (i) above       | <b>24.81</b>  | <b>3.47</b>              | <b>28.28</b> | 22.85         | -                        | 22.85 |

**40. Details of dues to Micro, Small and Medium Enterprises**

As per the confirmation received from the parties following is the status of MSME parties.

| Particulars  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| The Principal amount remaining Unpaid at the end of the year | -             | -             |
| The Interest Amount remaining unpaid at the end of the year  | -             | -             |
| Balance of MSME parties at the end of the year               | -             | -             |

**Note** - The above is based on the information available with the Company which has been relied upon by the auditors.

**41 Fair value measurement**

**a) Valuation principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below:

**b) Total financial assets measured at fair value on a recurring basis :**

The following tables show an analysis of the fair value of financial assets by level of the fair value hierarchy.

| Investments                      | Category | Fair value hierarchy | Fair Value    |               |
|----------------------------------|----------|----------------------|---------------|---------------|
|                                  |          |                      | 31 March 2020 | 31 March 2019 |
| Mutual fund units                | FVTPL    | Level 1              | <b>750.02</b> | 326.86        |
| Unquoted equity shares           | FVTPL    | Level 3              | <b>0.95</b>   | 0.95          |
| Treasury bills                   | FVTPL    | Level 1              | <b>994.79</b> | 240.55        |
| Derivative financial instruments | FVTPL    | Level 2              | <b>81.32</b>  | -             |

Quoted price in active markets (Level 1):

Units held in mutual funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Treasury bills are valued based on market quotes.

Observable inputs (Level 2):

Fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product.

Fair value of debt securities, borrowings other than debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rate near to report date based on comparable rate / market observable data.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

Unobservable inputs (Level 3):

Unquoted equity shares are measured at fair value using suitable valuation models.

- c) The table below presents information pertaining to the fair values and carrying values of the Company's financial assets and liabilities.

| Particulars                                       | Category | 31 March 2020    |                  | 31 March 2019  |            |
|---|----------|------------------|------------------|----------------|------------|
|   |          | Carrying value   | Fair value       | Carrying value | Fair value |
| <b>Financial Assets</b>                           |          |                  |                  |                |            |
| (a) Cash and cash equivalents (CCE)               |          | 355.95           | 355.95           | 334.72         | 334.72     |
| (b) Bank balances other than CCE                  |          | 207.23           | 207.23           | 153.79         | 153.79     |
| (c) Derivative financial instruments              | Level 2  | 81.32            | 81.32            | -              | -          |
| (d) Trade receivables                             |          | 181.18           | 181.18           | 114.42         | 114.42     |
| (e) Loans   | Level 2  | 57,145.88        | 53,256.66        | 53,881.17      | 50,723.84  |
| (f) Investments - Mutual funds and Treasury bills |          | 1,744.81         | 1,744.81         | 567.41         | 567.41     |
| Investments - Unquoted equity shares              | Level 3  | 0.95             | 0.95             | 0.95           | 0.95       |
| (g) Other financial assets                        |          | 118.08           | 118.08           | 109.79         | 109.79     |
|   |          | <b>59,835.40</b> | <b>55,946.18</b> | 55,162.25      | 52,004.92  |
| <b>Financial Liabilities</b>                      |          |                  |                  |                |            |
| (a) Derivative financial instruments              |          | -                | -                | -              | -          |
| (b) Trade payables                                |          | 150.00           | 150.00           | 394.91         | 394.91     |
| (c) Debt securities                               | Level 2  | 22,593.38        | 23,951.81        | 24,119.67      | 18,230.59  |
| (d) Borrowings other than Securitisation          | Level 2  | 20,954.00        | 20,762.75        | 16,474.55      | 18,545.44  |
| Borrowings under Securitisation                   | Level 2  | 2,626.16         | 2,831.79         | 1,621.10       | 1,759.70   |
| (e) Subordinated liabilities                      | Level 2  | 3,630.55         | 3,913.97         | 2,889.78       | 4,808.56   |
| (f) Other financial liabilities                   |          | 2,254.38         | 2,254.38         | 2,623.80       | 2,623.80   |
|   |          | <b>52,208.47</b> | <b>53,864.69</b> | 48,123.81      | 46,363.00  |

**(i) Short-term and other financial assets and liabilities**

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities that are insignificant in value, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, trade payables, other financial assets and other financial liabilities.

**(ii) Loans**

These financial assets are recorded at amortised cost, the fair values of which are estimated at portfolio level using a discounted cash flow model based on contractual cash flows discounted using market rates incorporating the counterparties' credit risk.

**(iii) Debt securities, borrowings and subordinated liabilities**

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the company's own credit risk or based on market-observable data such as secondary market prices for its traded debt, as relevant.



## Notes to the Standalone Financial Statements (contd.) as at 31 March 2020



(Currency : Indian Rupees in crore)

### 42 Capital Management

The primary objective of the Company's capital management policy is to ensure compliance with regulatory capital requirements. In line with this objective, the Company ensures adequate capital at all times and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flows are monitored, borrowing covenants are honoured and ratings are maintained.

Regulatory capital-related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed levels. In accordance with such norms, Tier I capital of the Company comprises of share capital, share premium, reserves and perpetual debt, Tier II capital comprises of subordinated debt and provision on loans that are not credit-impaired. There were no changes in the capital management process during the periods presented.

### 43 Risk Management

While risk is inherent in the Company's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Company's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

#### a) Credit risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

#### Financial assets measured on a collective basis

The company splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

#### Significant increase in credit risk

The company considers an exposure to have significantly increased in credit risk when the borrower crosses 30 DPD but is within 90 DPD.

#### Impairment assessment

The company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower crosses 90 days past due on its contractual payments. Further, the borrower is retained in Stage 3 (credit-impaired) till all the overdue amounts are repaid i.e borrower becomes 0 days past due on its contractual payments.

#### Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation.

#### Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that incorporates the probability of default and subsequent recoveries, discounted.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

Current economic data and forward-looking economic forecasts and scenarios are used in order to determine the Ind-AS 109 LGD rate. The company uses data obtained from third party sources and combines such data with inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios.

**Analysis of risk concentration**

The following table shows the risk concentration of the Company's loans.

|                           | 31 March 2020    | 31 March 2019    |
|---------------------------|------------------|------------------|
| Carrying value of Loans   | 57,145.88        | 53,881.18        |
| Mortgage backed loans     | 17,847.74        | 18,174.98        |
| Other assets backed loans | 23,817.31        | 22,496.23        |
| Personal loans            | 13,234.91        | 11,398.19        |
| Others                    | 2,245.92         | 1,811.77         |
| <b>Total</b>              | <b>57,145.88</b> | <b>53,881.18</b> |

**Collateral and other credit enhancements**

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

**Collateral coverage - credit impaired loans**

| Loan to Value (LTV) range | 31 March 2020   | 31 March 2019 |
|---------------------------|-----------------|---------------|
| Upto 50 % Coverage        | 1,202.22        | 524.88        |
| 51-75 % Coverage          | 555.54          | 126.58        |
| 76-100 % Coverage         | 51.94           | 27.18         |
| Above 100% Coverage       | 10.83           | 0.04          |
| <b>Total</b>              | <b>1,820.53</b> | <b>678.68</b> |

**b) Liquidity risk and funding management**

Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

**Maturity profile of financial liabilities**

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31st March.

| 31 March 2020                    | Less than 1 year | 1 year to 3 years | 3 years to 5 years | 5 years and above | Total            |
|----------------------------------|------------------|-------------------|--------------------|-------------------|------------------|
| Derivative financial instruments | -                | -                 | -                  | -                 | -                |
| Debt securities                  | 10,828.66        | 14,631.49         | 833.87             | 420.75            | 26,714.76        |
| Borrowings                       | 8,580.57         | 13,821.56         | 1,097.94           | -                 | 23,500.07        |
| Borrowings under Securitisation  | 1,483.34         | 1,303.57          | 46.99              | -                 | 2,833.89         |
| Subordinated liabilities         | 337.22           | 1,274.65          | 1,262.80           | 3,115.79          | 5,990.46         |
| <b>Total</b>                     | <b>21,229.78</b> | <b>31,031.27</b>  | <b>3,241.59</b>    | <b>3,536.54</b>   | <b>59,039.18</b> |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

| 31 March 2019                   | Less than<br>1 year | 1 year to<br>3 years | 3 years to<br>5 years | 5 years<br>and above | Total            |
|---------------------------------|---------------------|----------------------|-----------------------|----------------------|------------------|
| Debt securities                 | 11,989.00           | 13,937.48            | 2,192.24              | -                    | 28,118.72        |
| Borrowings                      | 6,268.93            | 10,664.27            | 2,195.14              | -                    | 19,128.34        |
| Borrowings under Securitisation | 918.43              | 817.38               | 25.39                 | -                    | 1,761.20         |
| Subordinated liabilities        | 271.96              | 543.56               | 1,314.48              | 2,705.97             | 4,835.97         |
| <b>Total</b>                    | <b>19,448.32</b>    | <b>25,962.69</b>     | <b>5,727.25</b>       | <b>2,705.97</b>      | <b>53,844.23</b> |

**c) Market risk**

Market risk represents 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 and equity prices.

**i) Interest rate risk**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss.

|                              | % Increase in rate |               | Increase/(decrease) in profit |               |
|------------------------------|--------------------|---------------|-------------------------------|---------------|
|                              | 31 March 2020      | 31 March 2019 | 31 March 2020                 | 31 March 2019 |
| Borrowings that are repriced | 0.25%              | 0.25%         | (44.35)                       | (31.21)       |
| Loans that are repriced      | 0.25%              | 0.25%         | 42.07                         | 39.62         |

**ii) Foreign Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Company arises majorly on account of foreign currency borrowings. The Company manages this foreign currency risk by entering into cross currency swaps and forward contract. When a derivative is entered into for the purpose of being as hedge, the Company negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Company's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Company holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

**d) Operational risk**

Operational risk is the risk of loss arising from inadequate or failed internal process or proper systems.

The operational risks of the Company are managed through comprehensive internal control systems and procedures and key back up processes. This enables the management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis. The Company also undertakes Risk based audits on a regular basis across all business units / functions. While examining the effectiveness of control framework through self-assessment, the risk-based audit would assure effective implementation of self-certification and internal financial controls adherence, thereby, reducing enterprise exposure.

The Company has put in place a robust Disaster Recovery (DR) plan, which is periodically tested. Business Continuity Plan (BCP) is further put in place to ensure seamless continuity of operations including services to customers, when confronted with adverse events such as natural disasters, technological failures, human errors, terrorism, etc. Periodic testing is carried out to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Company's readiness.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**44 Impact of hedging activities**

**a) Disclosure of effects of hedge accounting on financial position:**

| 31 March 2020   |               |             |                                       |             |  |   |  |                            |
|---|---------------|-------------|---------------------------------------|-------------|--|---|--|----------------------------|
| Type of hedge and risks   | Nominal value |             | Carrying amount of hedging instrument |             | Maturity date                            | Changes in fair value of hedging instrument | Change in the value of hedged item used as the basis for recognising hedge effectiveness | Line item in Balance Sheet |
|   | Assets        | Liabilities | Assets                                | Liabilities |  |   |  |                            |
| Cash flow hedge   |               |             |                                       |             |  |   |  |                            |
| Foreign exchange forward contracts (Cross currency interest rate swaps) | 2,269.50      | -           | 81.32                                 | -           | 30 Oct 2022, 29 Nov 2022 and 10 Dec 2022 | 81.32                                       | (81.32)  | Borrowings                 |

| 31 March 2019   |               |             |                                       |             |               |   |  |                            |
|---|---------------|-------------|---------------------------------------|-------------|---------------|---|--|----------------------------|
| Type of hedge and risks   | Nominal value |             | Carrying amount of hedging instrument |             | Maturity date | Changes in fair value of hedging instrument | Change in the value of hedged item used as the basis for recognising hedge effectiveness | Line item in Balance Sheet |
|   | Assets        | Liabilities | Assets                                | Liabilities |               |   |  |                            |
| Cash flow hedge   |               |             |                                       |             |               |   |  |                            |
| Foreign exchange forward contracts (Cross currency interest rate swaps) | -             | -           | -                                     | -           | -             | -   | -  | -                          |

**b) Disclosure of effects of hedge accounting on financial performance**

| 31 March 2020                                |  |  |   |  |
|--|--|--|---|--|
| Type of hedge                                | Change in the value of the hedging instrument recognised in other comprehensive Income | Hedge ineffectiveness recognised in statement of profit and loss | Amount reclassified from cash flow hedge reserve to statement of profit or loss | Line item affected in statement of profit and loss because of the reclassification |
| Cash flow hedge                              |  |  |   |  |
| Foreign exchange risk and interest rate risk | 81.32  | -  | (128.28)  | Finance cost   |

| 31 March 2019                                |  |  |   |  |
|--|--|--|---|--|
| Type of hedge                                | Change in the value of the hedging instrument recognised in other comprehensive Income | Hedge ineffectiveness recognised in statement of profit and loss | Amount reclassified from cash flow hedge reserve to statement of profit or loss | Line item affected in statement of profit and loss because of the reclassification |
| Cash flow hedge                              |  |  |   |  |
| Foreign exchange risk and interest rate risk | -  | -  | -   | NA   |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**45 Changes in Liabilities arising from financing activities**

| Particulars                           | 1 April 2019 | Cash flows | Exchange Difference | Other   | 31 March 2020 |
|---------------------------------------|--------------|------------|---------------------|---------|---------------|
| Debt securities                       | 24,119.67    | (1,727.00) | -                   | 200.71  | 22,593.38     |
| Borrowings other than debt securities | 16,474.55    | 4,372.45   | 128.28              | (21.28) | 20,954.00     |
| Borrowings under Securitisation       | 1,621.10     | 1,005.06   | -                   | -       | 2,626.16      |
| Subordinated liabilities              | 2,889.78     | 743.50     | -                   | (2.73)  | 3,630.55      |
| Total                                 | 45,105.10    | 4,394.01   | 128.28              | 176.70  | 49,804.09     |

| Particulars                           | 1 April 2018 | Cash flows | Exchange Difference | Other    | 31 March 2019 |
|---------------------------------------|--------------|------------|---------------------|----------|---------------|
| Debt securities                       | 20,410.36    | 3,816.91   | -                   | (107.60) | 24,119.67     |
| Borrowings other than debt securities | 12,482.93    | 4,001.05   | -                   | (9.43)   | 16,474.55     |
| Borrowings under Securitisation       | 867.42       | 753.68     | -                   | -        | 1,621.10      |
| Subordinated liabilities              | 1,992.50     | 900.00     | -                   | (2.72)   | 2,889.78      |
| Total                                 | 35,753.21    | 9,471.64   | -                   | (119.75) | 45,105.10     |

- (i) Other column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees etc
- (ii) Total Liabilities comprises of Debt securities, Borrowings (other than debt securities) and Subordinated Liabilities

**46 Expenditure / Remittances in Foreign Currencies**

**a) Expenditure in Foreign Currencies**

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Interest and processing charges for debt instrument | 19.46         | -             |
| Professional charges                                | 0.14          | 0.72          |

**b) Remittances in Foreign Currencies**

| Particulars              | 31 March 2020 | 31 March 2019 |
|--------------------------|---------------|---------------|
| Purchase of fixed assets | 0.03          | -             |

- c) There is no dividend paid in foreign currency.

**47 Event after Reporting Date**

There has been event after the reporting date (Please refer Note 78). Necessary adjustments/disclosures have been provided in the financial statements.

**48 Transfer of Financial Assets**

**48.1 Transferred financial assets that are not derecognised in their entirety**

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

**A) Securitisation**

The Company has transferred certain pools of fixed rate loan receivables backed by underlying assets by entering into securitisation transactions with the Special Purpose Vehicle Trusts (SPV Trust) sponsored by commercial banks for consideration received in cash at the inception of the transaction.

## Notes to the Standalone Financial Statements (contd.) as at 31 March 2020



(Currency : Indian Rupees in crore)

The Company, being Originator of these loan receivables, also acts as Servicer with a responsibility of collection of receivables from its borrowers and depositing the same in Collection and Payout Account maintained by the SPV Trust for making scheduled payouts to the investors in Pass Through Certificates (PTCs) issued by the SPV Trust. These securitisation transactions also requires the Company to provide for first loss credit enhancement in various forms, such as corporate guarantee, cash collateral, subscription to subordinated PTCs etc. as credit support in the event of shortfall in collections from underlying loan contracts. By virtue of existence of credit enhancement, the Company is exposed to credit risk, being the expected losses that will be incurred on the transferred loan receivables to the extent of the credit enhancement provided.

In view of the above, the Company has retained substantially all the risks and rewards of ownership of the financial asset and thereby does not meet the derecognition criteria as set out in Ind-AS 109. Consideration received in this transaction is presented as 'Borrowing under Securitisation' under Note 16.

The following table provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

| Particulars  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| Carrying amount of transferred assets measured at amortised cost                         | 2,632.39      | 1,613.41      |
| Carrying amount of associated liabilities (Debt securities - measured at amortised cost) | 2,626.16      | 1,621.10      |
| Fair value of assets   | 2,364.33      | 1,495.38      |
| Fair value of associated liabilities   | 2,831.79      | 1,759.70      |
| Net position at Fair Value   | (467.46)      | (264.32)      |

### B) Assignment

The Company has sold some loans (measured at amortised cost) by way of direct bilateral assignment, as a source of finance.

As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been de-recognised from the Company's balance sheet.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain/(loss) on derecognition, per type of asset.

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Carrying amount of de-recognised financial asset      | 401.80        | 715.75        |
| Carrying amount of retained assets at amortised cost* | 47.40         | 84.48         |
| Gain on sale of the de-recognised financial asset     | Nil           | 36.72         |

\*excludes Excess Interest Spread (EIS) on de-recognised financial assets of ₹17.32 crore (previous year ₹34.65 crore)

### 48.2 Transferred financial assets that are derecognised in their entirety but where the Company has continuing involvement

The Company has not transferred any assets that are derecognised in their entirety where the Company continues to have continuing involvement.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**RBI disclosures from Notes 49 to 78 have been prepared as per RBI Circulars / Directives basis Ind-AS financial statements. RBI disclosures are prepared basis gross carrying value of loans.**

**49 A Disclosure relating to securitisation pursuant to Reserve Bank of India notification DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012 and DNBR (PD) CC. No.029/03.10.001/2014-15 dated 10 April 2015\***

| Sr. No | Particulars   | 31 March 2020   | 31 March 2019 |
|--------|---|-----------------|---------------|
| 1      | No of SPVs sponsored by the NBFC for securitisation transactions                  | <b>Six</b>      | Five          |
| 2      | Total amount of securitised assets as per books of the SPVs sponsored by the NBFC | <b>2,701.56</b> | 1,680.34      |
| 3      | Total amount of exposures retained by the NBFC to comply with MRR                 |                 |               |
|        | a) Off-balance sheet exposures  |                 |               |
|        | * First loss  | <b>76.85</b>    | 51.03         |
|        | * Others  | -               | -             |
|        | b) On-balance sheet exposures   |                 |               |
|        | * First loss  | <b>279.59</b>   | 211.20        |
|        | * Others  | -               | -             |
|        | Amount of exposures to securitisation transactions other than MRR                 |                 |               |
|        | a) Off-balance sheet exposures  |                 |               |
| 4      | i) Exposure to own securitisations  |                 |               |
|        | * First loss  | -               | -             |
|        | * loss  | -               | -             |
|        | ii) Exposure to third party securitisations                                       |                 |               |
|        | * First loss  | -               | -             |
|        | * Others  | -               | -             |
|        | b) On-balance sheet exposures   |                 |               |
|        | i) Exposure to own securitisations  |                 |               |
|        | * First loss  | -               | -             |
|        | * Others  | -               | -             |
|        | ii) Exposure to third party securitisations                                       |                 |               |
|        | * First loss  | -               | -             |
|        | * Others  | -               | -             |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**49 B Disclosure relating to Securitisation pursuant to Reserve Bank of India notification DBOD. No.BP. 1502/21.04.048/ 2004-05 dated 1 February 2006\***

| Sr. No | Particulars   | 31 March 2020 | 31 March 2019 |
|--------|---|---------------|---------------|
| i)     | Total number of contracts for loan assets securitised during the year               | 36,057        | 19,782        |
| ii)    | Book value of Loan assets securitised during the year                               | 2,492.18      | 1,600.33      |
| iii)   | Sale consideration received for securitised assets during the year                  | 2,492.18      | 1,600.33      |
| iv)    | Gain/ Loss (if any) on sale of securitised loan assets                              | Nil           | Nil           |
| v)     | Quantum (Outstanding value) of service provided: Credit Enhancement (Fixed Deposit) | 102.23        | 101.96        |

**49 C Disclosure of financial assets sold to securitisation Company pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001 / 2014-15 dated 10 April 2015\***

a) Details of Financial assets sold to Securitisation/Reconstruction Company (SC/RC) for Asset Reconstruction

| Sr. No | Particulars   | 31 March 2020 | 31 March 2019 |
|--------|---|---------------|---------------|
| i)     | Number of Accounts*   | 112           | Nil           |
| ii)    | Aggregate value (net of provisions) of account sold to SC/RC                          | Nil           | Nil           |
| iii)   | Aggregate consideration   | 22.80         | Nil           |
| iv)    | Additional consideration realised in respect of accounts transferred in earlier years | Nil           | Nil           |
| v)     | Aggregate gain/(loss) over net book value   | 22.80         | Nil           |

\*These are written off loan accounts.

b) Details of Assignment Transactions

| Sr. No | Particulars   | 31 March 2020 | 31 March 2019 |
|--------|---|---------------|---------------|
| i)     | Number of Accounts  | Nil           | 1,567.00      |
| ii)    | Aggregate value (net of provisions) of account sold                                   | Nil           | 832.57        |
| iii)   | Aggregate consideration   | Nil           | 832.57        |
| iv)    | Additional consideration realised in respect of accounts transferred in earlier years | Nil           | Nil           |
| v)     | Aggregate gain/(loss) over net book value   | Nil           | Nil           |

\* The securitised loans disclosed in the above notes, i.e. 49A, 49B and 49C do not qualify for de-recognition under Ind-AS. Nevertheless, the information in the notes is presented to ensure compliance with the RBI disclosure requirements.

**50** Total fixed deposits stands at ₹ 204.19 crore (previous year ₹151.96 crore) on account of securitisation transaction outstanding till 31st March 2020.

**51** Loan against gold portfolio to Total assets is 0.98% (Previous year 1.12%).

**52 Disclosure pursuant to Reserve Bank of India notification DNBS.CC.PD.No.356 /03.10.01/2013-14 dated 16 September 2013 pertaining to gold loans**

**Details of Gold auctions conducted\***

| Particulars                   | 31 March 2020 | 31 March 2019 |
|-------------------------------|---------------|---------------|
| No of loan accounts           | 2,854         | 1,649         |
| Outstanding loan amount       | 13.91         | 8.38          |
| Sale Consideration of gold ** | 24.95         | 14.17         |

\* there is no sister concern participation in any of the above auctions.

\*\* the excess of sales consideration over and above the outstanding amount is repaid to respective borrower.



**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**53 Disclosure pursuant to Reserve Bank of India notification DOR (NBFC).CC.PD.No.109 /22.10.106/2019-20 dated 13 March 2020 pertaining to Asset Classification as per RBI Norms**

**As at 31 March 2020**

| Asset Classification as per RBI Norms   | Asset Classification as per Ind-AS 109 | Gross Carrying Amounts 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)  |
| <b>Performing Assets</b>  |  |                                      |   |                     |  |  |
| Standard  | Stage 1                                | 54,243.55                            | 632.73  | 53,610.82           | 202.05                                 | 430.68   |
|   | Stage 2                                | 1,928.27                             | 212.22  | 1,716.05            | 11.86                                  | 200.36   |
| <b>Subtotal</b>   |  | <b>56,171.82</b>                     | <b>844.95</b>   | <b>55,326.87</b>    | <b>213.91</b>                          | <b>631.04</b>  |
| <b>Non-Performing Assets (NPA)</b>  |  |                                      |   |                     |  |  |
| Substandard   | Stage 3                                | 2,259.13                             | 438.60  | 1,820.53            | 240.60                                 | 198.00   |
| Doubtful - up to 1 year   | Stage 3                                | -                                    | -   | -                   | 9.42                                   | (9.42)   |
| 1 to 3 years  | Stage 3                                | -                                    | -   | -                   | -                                      | -  |
| More than 3 years   | Stage 3                                | -                                    | -   | -                   | -                                      | -  |
| Subtotal for doubtful   |  | -                                    | -   | -                   | 9.42                                   | (9.42)   |
| Loss  | Stage 3                                | -                                    | -   | -                   | 0.86                                   | (0.86)   |
| <b>Subtotal for NPA</b>   |  | <b>2,259.13</b>                      | <b>438.60</b>   | <b>1,820.53</b>     | <b>250.88</b>                          | <b>187.72</b>  |
| Other items such as guarantee, loan commitment, 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                                | 573.14                               | 7.17  | 565.97              | -                                      | 7.17   |
|   | Stage 2                                | 1.15                                 | 0.26  | 0.89                | -                                      | 0.26   |
|   | Stage 3                                | 0.92                                 | 0.92  | -                   | 2.71                                   | (1.79)   |
| Subtotal  | Stage 1                                | 54,816.69                            | 639.90  | 54,176.79           | 202.05                                 | 437.85   |
|   | Stage 2                                | 1,929.42                             | 212.48  | 1,716.94            | 11.86                                  | 200.62   |
|   | Stage 3                                | 2,260.05                             | 439.52  | 1,820.53            | 253.59                                 | 185.93   |
| <b>TOTAL</b>  | <b>Total</b>                           | <b>59,006.16</b>                     | <b>1,291.90</b>   | <b>57,714.26</b>    | <b>467.50</b>                          | <b>824.40</b>  |

The above table discloses the provisions amounts as per IRAC norms, while the Company has made a provision of non-performing assets of ₹994.14 crore as per the Company's policy which is in excess of the IRAC norms.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**As at 31 March 2019**

| Asset Classification as per RBI Norms   | Asset Classification as per Ind-AS 109 | Gross Carrying Amounts 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)  |
| <b>Performing Assets</b>  |  |                                      |   |                     |  |  |
| Standard  | <b>Stage 1</b>                         | 52,537.04                            | 357.43  | 52,179.62           | 204.73                                 | 152.70   |
|   | <b>Stage 2</b>                         | 1,171.99                             | 148.18  | 1,023.81            | 4.56                                   | 143.62   |
| <b>Subtotal</b>   |  | 53,709.03                            | 505.61  | 53,203.43           | 209.29                                 | 296.32   |
| <b>Non-Performing Assets (NPA)</b>  |  |                                      |   |                     |  |  |
| Substandard   | <b>Stage 3</b>                         | 1,000.38                             | 321.69  | 678.69              | 90.97                                  | 230.72   |
| Doubtful - up to 1 year   | <b>Stage 3</b>                         | -                                    | -   | -                   | 7.81                                   | (7.81)   |
| 1 to 3 years  | <b>Stage 3</b>                         | -                                    | -   | -                   | -                                      | -  |
| More than 3 years   | <b>Stage 3</b>                         | -                                    | -   | -                   | -                                      | -  |
| Subtotal for doubtful   |  | -                                    | -   | -                   | 7.81                                   | (7.81)   |
| Loss  | <b>Stage 3</b>                         | -                                    | -   | -                   | -                                      | -  |
| <b>Subtotal for NPA</b>   |  | 1,000.38                             | 321.69  | 678.69              | 98.78                                  | 222.91   |
| Other items such as guarantee, loan commitment, etc. which are in the scope of Ind-AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms | <b>Stage 1</b>                         | 387.86                               | 4.28  | 383.58              | -                                      | 4.28   |
|   | <b>Stage 2</b>                         | 2.20                                 | 0.88  | 1.32                | -                                      | 0.88   |
|   | <b>Stage 3</b>                         | 0.87                                 | 0.87  | -                   | 2.71                                   | (1.84)   |
| Subtotal  |  |                                      |   |                     |  |  |
|   | <b>Stage 1</b>                         | 52,924.90                            | 361.71  | 52,563.19           | 204.73                                 | 156.98   |
|   | <b>Stage 2</b>                         | 1,174.19                             | 149.07  | 1,025.12            | 4.56                                   | 144.51   |
|   | <b>Stage 3</b>                         | 1,001.25                             | 322.56  | 678.69              | 101.49                                 | 221.07   |
| <b>TOTAL</b>  | <b>Total</b>                           | 55,100.34                            | 833.34  | 54,267.00           | 310.78                                 | 522.56   |

The above table discloses the provisions amounts as per IRAC norms, while the Company has made a provision of non-performing assets of ₹560.11 crore as per Company's policy which is in excess of the IRAC norms.

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**Additional Disclosure pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001/2014-15 dated 10 April 2015**

**54 A Movement of Credit impaired loans under Ind-AS**

| S.N.  | Particulars  | 31 March 2020 | 31 March 2019 |
|-------|--|---------------|---------------|
| (i)   | Net impaired loss allowance to Net loans (%)                   | 3.24%         | 1.26%         |
| (ii)  | Movement of Credit impaired loans under Ind-AS (Gross)         |               |               |
|       | a) Opening balance   | 1,000.38      | 737.60        |
|       | b) Additions during the year                                   | 3,229.27      | 1,404.12      |
|       | c) Reductions during the year                                  | 1,970.52      | 1,141.33      |
|       | d) Closing balance   | 2,259.13      | 1,000.38      |
| (iii) | Movement of Net impaired loss                                  |               |               |
|       | a) Opening balance   | 678.70        | 493.72        |
|       | b) Additions during the year                                   | 2,659.30      | 1,044.60      |
|       | c) Reductions during the year                                  | 1,517.47      | 859.62        |
|       | d) Closing balance   | 1,820.53      | 678.70        |
| (iv)  | Movement of impairment loss allowance on credit impaired loans |               |               |
|       | a) Opening balance   | 321.68        | 243.88        |
|       | b) Impairment loss allowance made during the year              | 569.97        | 359.51        |
|       | c) Write-off/write-back of excess allowance                    | 453.05        | 281.72        |
|       | d) Closing balance   | 438.60        | 321.68        |

**54B Movement of impairment loss allowance for low credit risk loans and significant increase in credit risk loans**

| S.N. | Particulars  | 31 March 2020 | 31 March 2019 |
|------|--|---------------|---------------|
| (i)  | Movement of impairment allowance for low credit risk loans and significant increase in credit risk loans |               |               |
|      | a) Opening balance   | 506.55        | 459.03        |
|      | b) Additions during the year   | 696.61        | 333.75        |
|      | c) Reductions during the year  | 356.70        | 286.24        |
|      | d) Closing balance   | 846.46        | 506.55        |

**55 Concentration of Loan, Exposures & Credit impaired loan**

a) Concentration of Loan

| Particulars  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| Total Advances to Twenty Largest Borrowers                           | 209.66        | 254.29        |
| Percentage of advances to twenty largest borrowers to Total Advances | 0.36%         | 0.46%         |

b) Concentration of Exposures

| Particulars  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| Total Exposure to Twenty Largest Borrowers                             | 209.66        | 254.29        |
| Percentage of exposures to twenty largest borrowers to Total Exposures | 0.36%         | 0.46%         |

c) Concentration of credit impaired loans

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Total Exposure of Top four credit impaired accounts | 31.07         | 19.33         |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**d) Sector-wise distribution of credit impaired loans**

| Sr. No. | Sector                          | Percentage of Impairment loss allowance to Total credit impaired loans in that sector |               |
|---------|---------------------------------|---|---------------|
|         |                                 | 31 March 2020   | 31 March 2019 |
| 1       | Agriculture & allied activities | 4.03%   | 1.64%         |
| 2       | MSME                            | -   | -             |
| 3       | Corporate borrowers             | 12.43%  | 2.59%         |
| 4       | Services                        | 2.83%   | 1.68%         |
| 5       | Unsecured personal loans        | 1.42%   | 1.31%         |
| 6       | Auto loans                      | -   | -             |
| 7       | Other personal loans            | -   | -             |
| 8       | Others                          | 5.35%   | 2.06%         |

**56 Details of credit impaired financial assets purchased/sold**

The Company has not purchased any credit impaired financial assets during the previous year. However, the Company has transferred certain credit impaired assets to Asset Reconstruction Company in terms of guidelines issued by RBI circular no. DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015. (Refer Note 49C).

**57 Customer Complaints**

| S.N. | Particulars  | 31 March 2020 | 31 March 2019 |
|------|--|---------------|---------------|
| a)   | No. of Complaints pending at the beginning of the year | 293           | 2             |
| b)   | No. of Complaints received during the year             | 10,028        | 1,976         |
| c)   | No. of Complaints redressed during the year            | 10,191        | 1,685         |
| d)   | No. of Complaints pending at the end of the year       | 130           | 293           |

Note :- During the year, the Company revised the definition of complaints to include any expression of dissatisfaction from a customer or any identified service deficiency.

**58 Investments**

| S.N.     | Particulars  | 31 March 2020 | 31 March 2019 |
|----------|--|---------------|---------------|
| <b>1</b> | <b>Value of Investments*</b>                                     |               |               |
| i)       | Gross value of Investments                                       | 1,742.14      | 568.03        |
| ii)      | Unrealised fair value movement                                   | 3.63          | 0.33          |
| iii)     | Fair value of Investments  | 1,745.76      | 568.36        |
|          | <i>* Please note that all investments are held in India</i>      |               |               |
| <b>2</b> | <b>Movement of unrealised fair value movement on investments</b> |               |               |
| i)       | Opening Balance  | 0.33          | (0.80)        |
| ii)      | Add : increase in unrealised fair value during the year          | 3.30          | 1.13          |
| iii)     | Less : decrease in unrealised fair value during the year         |               | -             |
| iv)      | Closing Balance  | 3.63          | 0.33          |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**59 Derivatives**

**a) Forward Rate Agreement (FRA) / Interest Rate Swap (IRS)**

| S.N. | Particulars   | 31 March 2020   | 31 March 2019 |
|------|---|-----------------|---------------|
| i)   | The notional principal of swap agreements   | <b>2,269.50</b> | -             |
| ii)  | Losses which would be incurred if counterparties failed to fulfil their obligations under the agreement | <b>118.53</b>   | -             |
| iii) | Collateral required by the Company upon entering into swaps   | -               | -             |
| iv)  | Concentration of credit risk arising from the swaps   | <b>1.49%</b>    | -             |
| v)   | The fair value of the swap book (Asset / (Liability))   | <b>1.00</b>     | -             |

**b) Exchange Traded Interest Rate (IR) Derivatives**

The Company has not entered into any exchange traded derivative.

**c) Disclosures on Risk Exposure in Derivatives**

**Qualitative Disclosures**

- i) The Company undertakes the derivatives transaction to prudently hedge the risk in context of a particular borrowing or to diversify sources of borrowing and to maintain fixed and floating borrowing mix. The Company does not indulge into any derivative trading transactions. The Company reviews, the proposed transaction and outline any considerations associated with the transaction, including identification of the benefits and potential risks (worst case scenarios); an independent analysis of potential savings from the proposed transaction. The Company evaluates all the risks inherent in the transaction viz., counter party risk, Market Risk, Operational Risk, basis risk etc.
- ii) Credit risk is controlled by restricting the counterparties that the Company deals with, to those who either have banking relationship with the Company or are internationally renowned or can provide sufficient information. Market/Price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled. Normally transaction entered for hedging, will run over the life of the underlying instrument, irrespective of profit or loss. Liquidity risk is controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
- iii) The respective functions of trading, confirmation and settlement should be performed by different personnel. The front office and back-office role is well defined and segregated. All the derivatives transactions are quarterly monitored and reviewed. All the derivative transactions have to be reported to the board of directors on every quarterly board meetings including their financial positions.

**Quantitative Disclosures**

**d) Foreign currency non-repatriate loans availed**

| S.N. | Particulars  | 31 March 2020         |                           | 31 March 2019        |                           |
|------|--|-----------------------|---------------------------|----------------------|---------------------------|
|      |  | Currency Derivatives* | Interest Rate Derivatives | Currency Derivatives | Interest Rate Derivatives |
| i)   | Derivatives (Notional Principal Amount)<br>- For hedging | <b>2,269.50</b>       | -                         | -                    | -                         |
| ii)  | Marked to Market Positions                               |                       |                           |                      |                           |
|      | (a) Asset [+] Estimated gain                             | <b>81.32</b>          | -                         | -                    | -                         |
|      | (b) Liability [-] Estimated loss                         | -                     | -                         | -                    | -                         |
| iii) | Credit exposure  | <b>2,269.50</b>       | -                         | -                    | -                         |
| iv)  | Unhedged exposures                                       | -                     | -                         | -                    | -                         |

\* Cross currency interest rate swap

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**60 Exposure to Capital Market**

| Sr. No. | Particulars   | 31 March 2020 | 31 March 2019 |
|---------|---|---------------|---------------|
| i)      | Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt   | 2.30          | 2.30          |
| ii)     | Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares ( including IPO's/ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds   | 0.01          | 60.13         |
| iii)    | Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security  | 1.36          | 149.69        |
| iv)     | Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds' does not fully cover the advances | -             | -             |
| v)      | Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers  | -             | -             |
| vi)     | Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources  | -             | -             |
| vii)    | Bridge loans to companies against expected equity flows/ issues   | -             | -             |
| viii)   | All exposures to Venture capital funds (both registered and unregistered).  | -             | -             |
|         | <b>Total Exposure to Capital Market</b>   | <b>3.67</b>   | <b>212.12</b> |

**61 Capital Adequacy Ratio**

The Company's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines and disclosed using Ind-AS terminology, is as follows:

| Particulars  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| CRAR%  | 19.36%        | 17.91%        |
| CRAR - Tier I Capital %                                  | 13.96%        | 12.78%        |
| CRAR - Tier II Capital %                                 | 5.40%         | 5.13%         |
| Amount of Subordinated Debt raised as Tier-II capital    | 3,143.50      | 2,600.00      |
| Amount Raised by the issue of Perpetual Debt Instruments | 500.00        | Nil           |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**62 Exposure to Real Estate Sector**

| Categories   | 31 March 2020    | 31 March 2019 |
|--|------------------|---------------|
| A. Direct Exposure   |                  |               |
| i. Residential Mortgages -<br>(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented)   | <b>12,390.73</b> | 12,131.43     |
| ii. Commercial Real Estate -<br>(Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits) | <b>5,741.33</b>  | 6,317.09      |
| iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures -   |                  |               |
| a) Residential,  | -                | -             |
| b) Commercial Real Estate  | -                | -             |
| B. Indirect Exposure<br>(Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).  | -                | -             |

**63 Maturity pattern of certain items of assets and liabilities**

| Particulars                 | Deposits           | Advances                 | Investments(*)       | Borrowings               | Foreign Currency Assets/Foreign Currency Liabilities |
|-----------------------------|--------------------|--------------------------|----------------------|--------------------------|--|
| 1 day to 30/31 days         | -<br>(17.00)       | 237.28<br>(1,939.29)     | 1,744.81<br>(567.41) | 598.57<br>(1,477.12)     | -<br>-   |
| Over one month to 2 months  | -                  | 168.19<br>(1,497.69)     | -                    | 1,659.09<br>(1,149.80)   | -<br>-   |
| Over 2 months upto 3 months | 25.00<br>-         | 2,259.37<br>(1,467.06)   | -                    | 2,483.78<br>(1,332.37)   | -<br>-   |
| Over 3 months to 6 months   | 0.03<br>-          | 4,713.86<br>(4,291.75)   | -                    | 5,556.97<br>(4,847.03)   | -<br>-   |
| Over 6 months to 1 year     | 179.19<br>(134.96) | 9,138.71<br>(7,792.43)   | -                    | 7,463.53<br>(8,564.28)   | 128.27<br>-  |
| Over 1 year to 3 years      | -                  | 25,375.76<br>(22,400.16) | -                    | 24,613.08<br>(22,492.21) | 2,141.23<br>-  |
| Over 3 years to 5 years     | -                  | 6,913.14<br>(7,434.81)   | -                    | 2,554.29<br>(4,596.51)   | -<br>-   |
| Over 5 years                | -                  | 9,624.62<br>(7,886.21)   | 0.95<br>(0.95)       | 2,605.27<br>(2,070.00)   | -<br>-   |
| Total                       | 204.22<br>(151.96) | 58,430.93<br>(54,709.41) | 1,745.76<br>(568.36) | 47,534.58<br>(46,529.32) | 2,269.50<br>-  |

\* Long-Term Investment in Clayfin Technologies Private Limited (Erstwhile Vayana Private Limited) are shown at book value in "over 5 year"

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



Currency : Indian Rupees in crore)

64 **Disclosure on restructuring pursuant to Reserve Bank of India notification DNBS.CO. PD. No. 367/03.10.01/2013-14 dated 23rd January 2014**

| Sl No | Type of Restructuring<br>Asset Classification Details  | Under CDR Mechanism                                   |                 |       | Under SME Debt Restructuring Mechanism                |                 |       | Others  |                 |       | Total   |                 |       |
|-------|--|---|-----------------|-------|---|-----------------|-------|---|-----------------|-------|---|-----------------|-------|
|       |  | Low credit risk & Significant increase in credit risk | Credit-Impaired | Total | Low credit risk & Significant increase in credit risk | Credit-Impaired | Total | Low credit risk & Significant increase in credit risk | Credit-Impaired | Total | Low credit risk & Significant increase in credit risk | Credit-Impaired | Total |
| 1     | Restructured Accounts as on April 1 of the FY (opening figures)*   | No. of borrowers                                      | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Amount outstanding                                    | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Provision thereon                                     | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
| 2     | Fresh restructuring during the year  | No. of borrowers                                      | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Amount outstanding                                    | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Provision thereon                                     | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
| 3     | Upgradations to restructured Low credit risk & Significant increase in credit risk during the FY   | No. of borrowers                                      | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Amount outstanding                                    | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Provision thereon                                     | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
| 4     | Restructured Low credit risk & Significant increase in credit risk loan which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructures Low credit risk & Significant increase in credit risk loan at the beginning of the next FY | No. of borrowers                                      | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Amount outstanding                                    | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Provision thereon                                     | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
| 5     | Downgradations of restructures accounts during the FY  | No. of borrowers                                      | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Amount outstanding                                    | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Provision thereon                                     | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
| 6     | Write-offs of restructured accounts during the FY  | No. of borrowers                                      | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Amount outstanding                                    | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Provision thereon                                     | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
| 7     | Restructured Accounts as on March 31 of the FY (closing figures)*  | No. of borrowers                                      | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Amount outstanding                                    | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |
|       |  | Provision thereon                                     | -               | -     | -   | -               | -     | -   | -               | -     | -   | -               | -     |

\* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)  
Previous year figures are presented in italics.



**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**65 Provisions and Contingencies**

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| <b>Category-wise Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss</b> |               |               |
| Provisions for depreciation on investment   | -             | -             |
| Provision towards non-performing assets*  | <b>116.91</b> | 77.81         |
| Provision made towards income tax   | <b>471.78</b> | 648.99        |
| Provision for compensated absences  | -             | 1.69          |
| Provision for gratuity  | <b>42.81</b>  | 22.72         |
| Provisions for other receivables  | <b>(0.01)</b> | (4.79)        |
| Provision for standard assets#  | <b>339.92</b> | 47.52         |

\* Represents impairment loss allowance on stage 3 loans.

# Represents impairment loss allowance on stage 1 and stage 2 loans.

**66 Schedule to the Balance Sheet of a non deposit taking Non-Banking Financial Company (as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)**

| S.N. | Particulars  | 31 March 2020    | 31 March 2019 |
|------|--|------------------|---------------|
|      | <b>Liabilities side:</b>   |                  |               |
| 1    | Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:           |                  |               |
|      | (a) Debentures   |                  |               |
|      | - Secured  | <b>22,678.30</b> | 21,491.60     |
|      | - Unsecured  | <b>3,810.33</b>  | 3,010.03      |
|      | (other than falling within the meaning of public deposits)   |                  |               |
|      | (b) Deferred Credits   | -                | -             |
|      | (c) Term Loans   | <b>21,102.27</b> | 16,557.33     |
|      | (d) Inter-Corporate Loans and Borrowings   | -                | -             |
|      | (e) Other Loans  | <b>4,035.19</b>  | 5,344.24      |
|      | (Represents Working Capital Demand Loans and Cash Credit from Banks)                                 |                  |               |
|      | <b>Assets side:</b>  |                  |               |
| 2    | Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]: |                  |               |
|      | (a) Secured  | <b>20,477.35</b> | 20,273.91     |
|      | (b) Unsecured  | <b>13,736.45</b> | 11,739.44     |
| 3    | Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities         |                  |               |
|      | (i) Lease Assets including Lease Rentals Accrued and Due:  |                  |               |
|      | 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>180.08</b>    | 53.82         |
|      | b) Loans other than (a) above  | <b>24,037.06</b> | 22,642.24     |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

| <b>S.N.</b> | <b>Particulars</b>  | <b>31 March 2020</b> | <b>31 March 2019</b> |
|-------------|---|----------------------|----------------------|
| 4           | Break-up of Investments (net of provision for diminution in value):   |                      |                      |
|             | Current Investments:  |                      |                      |
|             | I. Quoted:  |                      |                      |
|             | i. Shares   |                      |                      |
|             | a) Equity   | -                    | -                    |
|             | b) Preference   | -                    | -                    |
|             | ii. Debentures and Bonds  | -                    | -                    |
|             | iii. Units of Mutual Funds  | 750.02               | 326.86               |
|             | iv. Government Securities   | 994.79               | -                    |
|             | v. Others (please specify)  | -                    | -                    |
|             | II. Unquoted:   |                      |                      |
|             | i. Shares   |                      |                      |
|             | a) Equity   | 0.95                 | 0.95                 |
|             | b) Preference   | -                    | -                    |
|             | ii. Debentures and Bonds  | -                    | -                    |
|             | iii. Units of Mutual Funds  | -                    | -                    |
|             | iv. Government Securities   | -                    | -                    |
|             | v. Others (please specify)  | -                    | -                    |
|             | Long Term Investments:  |                      |                      |
|             | I. Quoted:  |                      |                      |
|             | i. Shares   |                      |                      |
|             | a) Equity   | -                    | -                    |
|             | b) Preference   | -                    | -                    |
|             | ii. Debentures and Bonds  | -                    | -                    |
|             | iii. Units of Mutual Funds  | -                    | -                    |
|             | iv. Government Securities   | -                    | -                    |
|             | v. Others (please specify)  | -                    | -                    |
|             | II. Unquoted:   |                      |                      |
|             | i. Shares   |                      |                      |
|             | a) Equity   | -                    | -                    |
|             | b) Preference   | -                    | -                    |
|             | ii. Debentures and Bonds  | -                    | -                    |
|             | iii. Units of Mutual Funds  | -                    | -                    |
|             | iv. Government Securities   | -                    | -                    |
|             | v. Others (Pass through certificates)   | -                    | -                    |
| 5           | Borrower Group-wise Classification of Assets Financed as in (2) and (3) above:  |                      |                      |
|             | 1. Related Parties  |                      |                      |
|             | (a) Subsidiaries  | -                    | -                    |
|             | (b) Companies in the same Group   | -                    | -                    |
|             | (c) Other Related Parties   | -                    | -                    |
|             | 2. Other than Related Parties   | 58,430.95            | 54,709.41            |
| 6           | Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) |                      |                      |
|             | 1. Related Parties  |                      |                      |
|             | (a) Subsidiaries  | -                    | -                    |
|             | (b) Companies in the same Group   | -                    | -                    |
|             | (c) Other Related Parties   | -                    | -                    |
|             | 2. Other than Related Parties   | 1,745.76             | 568.36               |

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

| S.N. | Particulars                                   | 31 March 2020 | 31 March 2019 |
|------|---|---------------|---------------|
| 7    | Other Information                             |               |               |
|      | (i) Gross credit impaired assets              |               |               |
|      | a. Related party                              | -             | -             |
|      | b. Other than related party                   | 2,259.13      | 1,000.38      |
|      | (ii) Net credit impaired assets               |               |               |
|      | (a) Related party                             | -             | -             |
|      | (b) Other than related party                  | 1,820.53      | 678.70        |
|      | (iii) Assets Acquired in Satisfaction of Debt | -             | -             |

**67 Penalties imposed by RBI and Other Regulators**

No penalties have been imposed by RBI and Other Regulators during current year (Previous year - NIL).

**68 Disclosure on frauds pursuant to RBI Master direction**

The frauds detected and reported for the year amounted to ₹ 0.86 crore (Previous year ₹ 0.40 crore).

**69 Details of Financing of Parent Company Products**

There is no financing during the current year.

**70 Details of Single Borrower Limits (SBL)/Group Borrower Limits (GBL) exceeded**

The Company has not exceeded the single borrower limits/group borrower limits as set as by Reserve Bank of India.

**71 Advances against Intangible Securities**

The Company has not given any loans against intangible securities.

**72 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)**

There are no overseas asset owned by the Company.

**73 Draw Down from Reserves**

The Company has made no drawdown from existing reserves.

**74 Off-balance Sheet SPVs sponsored**

The Company is now required to provide its financial statements under Ind-AS, which requires all securitisation related SPV's to be consolidated in the books of the originator (the Company). Accordingly, these SPV's stand consolidated and none of the SPV's sponsored are off-balance sheet.

**75 Ratings**

The Credit Analysis & Research Limited (CARE) and CRISIL Limited (CRISIL) have assigned ratings for the various facilities availed by the Company, details of which are given below:

| Facility                   | 31 March 2020         |                        | 31 March 2019         |                        |
|----------------------------|-----------------------|------------------------|-----------------------|------------------------|
|                            | CARE                  | CRISIL                 | CARE                  | CRISIL                 |
| Bank facilities            | AAA/Stable            | AAA/Stable             | AAA/Stable            | AAA/Stable             |
| Non-convertible debentures | AAA/Stable            | AAA/Stable             | AAA/Stable            | AAA/Stable             |
| Short term debt program    | A1+                   | A1+                    | A1+                   | A1+                    |
| Subordinated bond issue    | AAA/Stable            | AAA/Stable             | AAA/Stable            | AAA/Stable             |
| Perpetual bond issue       | AAA/Stable            | AAA/Stable             | AAA/Stable            | AAA/Stable             |
| Market Linked Debentures   | PP-MLD AAA/<br>Stable | PP-MLD AAAr/<br>Stable | PP-MLD AAA/<br>Stable | PP-MLD AAAr/<br>Stable |

**76 Registration under Other Regulators**

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

**Notes to the Standalone Financial Statements (contd.)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**77 Disclosure pursuant to Reserve Bank of India Circular DOR.No.BP.BC.63/21.04.048/2020-21 dated 17 April 2020 pertaining to Asset Classification and Provisioning in terms of COVID19 Regulatory Package**

| S.N. | Particulars  | 31 March 2020 |
|------|--|---------------|
| i)   | Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended  | 378.97        |
| ii)  | Respective amount where asset classification benefits is extended                          | 378.97        |
| iii) | General provision made*  | -             |
| iv)  | General provision adjusted during the period against slippages and the residual provisions | -             |

\*The Company, being NBFC, has complied with Ind-AS and guidelines duly approved by the Board for recognition of the impairments. Refer Note 78.

**78 Provision for impact of COVID-19**

**78.1** The 'severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)', generally known as COVID-19, which was declared as a global pandemic by World Health Organisation on 11 March 2020, continues to spread across globe and in India. Globally countries and businesses are under lockdown. On 24 March 2020, the Government of India announced a 21 days lockdown initially, which was extended by 19 days across the country to contain the spread of the virus. Considering the severe health hazard associated with COVID-19 pandemic, certain parts of the country have further extended the lockdown. There is high level of uncertainty about the duration of the lockdown and the time required to return to normalcy. The extent to which COVID-19 pandemic will impact the Company's provision on assets is dependent on the future developments which are highly uncertain. The impact of the global health pandemic may be different from that estimated at the date of approval of these standalone financial results and the Company will continue to closely monitor any material changes to future economic conditions.

**78.2** In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27 March 2020 and 17 April 2020, the lending institutions have been permitted to grant a moratorium of three months on payment of all installments and / or interest, as applicable, falling due between 1 March 2020 and 31 May 2020 ('moratorium period') to eligible borrowers in accordance with the Board approved policy. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period.

The Company holds provisions as at 31 March 2020 against the potential impact of COVID-19 based on the information available at this point in time.

**79 Disclosure under clause 28 of the Listing Agreement for Debt Securities**

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| a) Loans and advances in the nature of loans to subsidiaries                                      | -             | -             |
| b) Loans and advances in the nature of loans to associates  | -             | -             |
| c) Loans and advances in the nature of loans where there is -                                     | -             | -             |
| (i) no repayment schedule or repayment beyond seven years   | -             | -             |
| (ii) no interest or interest below section 186 of Companies Act, 2013.                            | -             | -             |
| d) Loans and advances in the nature of loans to firms/companies in which directors are interested | -             | -             |

## Notes to the Standalone Financial Statements (contd.) as at 31 March 2020



(Currency : Indian Rupees in crore)

### 80 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of a first and pari passu mortgage in favour of the Security Trustee on the Company's Office no 319, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and further secured by way of hypothecation of receivables under financing activity with a minimum requirement of asset cover of 1.1 times.

### 81 Standards issued but not yet effective

There are neither new standards nor amendments to existing standards which are effective for the annual period beginning from 01 April 2020.

### 82 Previous year figures have been regrouped/rearranged, where necessary.

As per our report of even date attached

For **B S R & Co. LLP**

*Chartered Accountants*

Firms' Registration No: 101248W/W-100022

**Sd/-**

**Akeel Master**

*Partner*

Membership No.: 046768

Mumbai

13 May 2020

**For and on behalf of the Board of Directors of HDB Financial Services Limited**

**Sd/-**

**G Ramesh**

*Managing Director*

**Sd/-**

**Haren Parekh**

*Chief Financial Officer*

**Sd/-**

**Adayapalam Viswanathan**

*Director*

**Sd/-**

**Dipti Khandelwal**

*Company Secretary*

# Independent Auditors' Report



To the members of HDB Financial Services Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of HDB Financial Services Limited (“the Company”), and its controlled structured entities (the Company and its controlled structured entities together referred to as “the Group”), which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the consolidated financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (“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 consolidated state of affairs of the Group as at 31 March 2020, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

### 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

As described in Note 49.2 to the consolidated 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 49.1 to the consolidated financial statements, the extent to which the COVID-19 pandemic will have impact on 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 (Contd.)



Description of Key Audit Matters:

| Key audit matter   | How the matter was addressed in our audit  |
|--|--|
| <p><b>Impairment of loans and advances to customers</b></p> <p><b>Charge: INR 1,442 crore for year ended 31 March 2020</b></p> <p><b>Provision: INR 1,285 crore at 31 March 2020</b></p>   |  |
| <p><i>Refer to the accounting policies in “Note 2.2(F) to the consolidated financial statements: Impairment”, “Note 3(B) to the consolidated financial statements: Significant Accounting Policies- use of estimates” and “Note 8 to the consolidated financial statements: Loans”</i></p>   |  |
| <p><b>Subjective estimate</b></p> <p>Recognition and measurement of impairment of loans and advances involve significant management judgement.</p> <p>Under Ind AS 109, Financial Instruments, allowance for loan losses is determined using expected credit loss (ECL) model. The Company’s impairment allowance is derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors.</p> <p>The most significant areas are:</p> <ul style="list-style-type: none"> <li>- Segmentation of loan book</li> <li>- Determination of exposure at default</li> <li>- Loan staging criteria</li> <li>- Calculation of probability of default / Loss given default</li> <li>- Consideration of probability weighted scenarios and forward looking macro-economic factors</li> <li>- Complexity of disclosures</li> </ul> <p>There are many data inputs required by the ECL model. 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.</p> | <p>Our audit procedures included:</p> <p><b>Design / controls</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge.</li> <li>• Understanding management’s revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package.</li> <li>• Evaluating management’s controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19.</li> <li>• Testing the controls over ‘Governance Framework’ in line with the RBI guidance.</li> <li>• Testing of review controls over measurement of impairment allowances and disclosures in financial statements.</li> </ul> |

# Independent Auditors' Report



## Key Audit Matters (Continued)

| Key audit matter   | How the matter was addressed in our audit   |
|--|---|
| <p><b>Impact of Covid -19</b></p> <p>On 11 March 2020 the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic.</p> <p>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 on loans and advances on account of:</p> <ul style="list-style-type: none"> <li>- Short and long term macroeconomic effect on businesses in the country and its consequential first order and cascading negative impact on revenue and employment generation opportunities;</li> <li>- impact of the pandemic on the Company's customers and their ability to repay dues; and</li> <li>- application of regulatory package announced by the Reserve Bank of India (RBI) on asset classification and provisioning.</li> </ul> <p>Management has conducted a qualitative assessment of significant increase in credit risk ('SICR') of its loan and advances with respect to the moratorium benefit to borrowers prescribed by the RBI and considered updated macro-economic scenarios to factor in the potential impact of COVID-19 on expected credit loss provision.</p> | <p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>• Focus on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model.</li> <li>• Involving our specialists to test the model methodology and reasonableness of assumptions used, including management overlays.</li> <li>• Test of details over calculation of impairment allowance for assessing the completeness, accuracy and relevance of data.</li> <li>• Model calculations testing through reperformance where possible.</li> <li>• 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.</li> <li>• Assessing the appropriateness of management rationale for determination of criteria for SICR considering both: adverse effects of COVID-19 and migrants in the form of the RBI / Government financial relief package.</li> <li>• 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.</li> <li>• Checked 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.</li> <li>• Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Company regarding impact of COVID-19.</li> <li>• Considered the appropriateness of disclosures relating to financial risk management including those relating to ECL provision on loans and advances.</li> </ul> |



## Key Audit Matters (Continued)

| Key audit matter   | How the matter was addressed in our audit  |
|--|--|
| <p><b>Information Technology</b></p> <p><b>IT systems and controls</b></p> <p>The Company's key financial accounting and reporting processes 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 materially misstated. The Company primarily uses three systems for its overall financial reporting.</p> <p>We have focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems.</p> | <p>Our audit procedures to assess the IT system access management included the following:</p> <p><b>General IT controls / user access management</b></p> <ul style="list-style-type: none"> <li>• We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations.</li> <li>• We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties.</li> <li>• For a selected group of key controls over financial and reporting system, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process.</li> <li>• Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission.</li> <li>• Other areas that were independently assessed included password policies, system configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.</li> </ul> |

### Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information to be included in the Company's annual report, but does not include the financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### Management's and Board of Directors' Responsibility for the Consolidated Financial Statements

The Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in terms of the requirement of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and consolidated other comprehensive income, consolidated

statement of changes in equity and consolidated cash flows of the Group 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 Group 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management and Board of Directors of the entities included within the Group are responsible for assessing the ability of each entity 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 respective Board of Directors of the entities included in the Group is responsible for overseeing the financial reporting process of each entity.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 made by management and the Board of Directors.
- Conclude on the appropriateness of management's and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. 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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements, of which we are the independent auditors. For the other entities included

in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

We communicate with those charged with governance of the Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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 consolidated 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.

## Other Matters

- a. We did not audit the financial statements of 6 controlled structured entities whose financial statements reflect total assets of ₹ 2,746 crore as at 31 March 2020, total revenues of Rs. Nil and net cash flows amounting to Rs. Nil for the year then ended, as considered in the Consolidated Financial Statements, have not been audited either by us or by other auditors. These unaudited financial statements/financial information have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these entities, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid entities, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements / financial information are not material to the Group.

Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the financial statements/ financial information certified by the Management.

## Report on Other Legal and Regulatory Requirements

- (A) As required by Section 143(3) of the Act, based on our audit and as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:
  - i) 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 of the aforesaid consolidated financial statements.
  - ii) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books by the Company.
  - iii) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements.
  - iv) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.
  - v) On the basis of the written representations received from the directors of the Company as on 31 March

## Independent Auditors' Report (Contd.)



2020 taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.

- vi) With respect to the adequacy of the internal financial controls with reference to financial statements of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (B) With respect to the other matters to be included in the Auditors' 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 and as noted in the 'Other Matters' paragraph:
- i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2020 on its consolidated financial position of the Group - Refer Note 37.2 to the consolidated financial statements;
  - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 37.3 to the consolidated financial statements;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Group 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**

Sd/-

**Akeel Master**  
*Partner*

Membership No: 046768  
UDIN:20046768AAAAHY5831

Mumbai  
13 May 2020

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

**(Referred to in paragraph A(vi) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

**Opinion**

In conjunction with our audit of the consolidated financial statements of HDB Financial Services Limited as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to consolidated financial statements of HDB Financial Services Limited (hereinafter referred to as "the Company") and its controlled structured entities, as of that date.

In our opinion, the Company and its controlled structured entities, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls 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 with reference to consolidated financial statements based on the criteria established by the respective 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 the respective 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 Companies Act, 2013 (hereinafter referred to as "the Act").

**Auditors' Responsibility**

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated 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 consolidated 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 consolidated financial statements were 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 with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and also refer to Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

### Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

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

### Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated 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 consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements insofar as it relates to the Company, as Section 143(3)(i) of the Act is not applicable to controlled structured entities.

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

Sd/-

**Akeel Master**  
*Partner*

Mumbai  
13 May 2020

Membership No: 046768  
UDIN:20046768AAAAHY5831

# Consolidated Balance Sheet as at 31 March 2020



(Currency : Indian Rupees in crore)

|   | Note | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------|------------------------|------------------------|
| <b>ASSETS</b>   |      |                        |                        |
| <b>1 Financial Assets</b>   |      |                        |                        |
| (a) Cash and cash equivalents   | 4    | 355.95                 | 334.72                 |
| (b) Bank balances other than (a) above  | 5    | 207.23                 | 153.79                 |
| (c) Derivative financial instruments  | 6    | 81.32                  | -                      |
| (d) Trade receivables   | 7    | 181.18                 | 114.42                 |
| (e) Loans   | 8    | 57,145.88              | 53,881.17              |
| (f) Investments   | 9    | 1,745.76               | 568.36                 |
| (g) Other financial assets  | 10   | 118.08                 | 109.79                 |
|   |      | <b>59,835.40</b>       | 55,162.25              |
| <b>2 Non-financial Assets</b>   |      |                        |                        |
| (a) Current tax assets (Net)  | 11   | 77.42                  | 36.74                  |
| (b) Deferred tax assets (Net)   | 12   | 415.62                 | 384.96                 |
| (c) Property, plant and equipment   |      | 124.48                 | 113.89                 |
| (d) Capital work-in-progress  | 13   | 0.06                   | -                      |
| (e) Other intangible assets   |      | 9.07                   | 9.14                   |
| (f) Right of Use Assets   | 14   | 252.41                 | -                      |
|   |      | <b>879.06</b>          | 544.73                 |
| <b>TOTAL ASSETS</b>   |      | <b>60,714.46</b>       | 55,706.98              |
| <b>LIABILITIES AND EQUITY</b>   |      |                        |                        |
| <b>Liabilities</b>  |      |                        |                        |
| <b>3 Financial Liabilities</b>  |      |                        |                        |
| (a) Derivative financial instruments  | 6    | -                      | -                      |
| (b) Trade payables  | 15   | -                      | -                      |
| (i) Total outstanding dues of micro enterprises and small enterprises                       |      | -                      | -                      |
| (ii) Total outstanding dues of creditors other than micro enterprises and small enterprises |      | 149.99                 | 394.91                 |
| (c) Debt securities   | 16   | 22,593.38              | 24,119.67              |
| (d) Borrowings (other than debt securities)   | 17   | 23,580.16              | 18,095.65              |
| (e) Subordinated liabilities  | 18   | 3,630.55               | 2,889.78               |
| (f) Other financial liabilities   | 19   | 2,254.38               | 2,623.80               |
|   |      | <b>52,208.46</b>       | 48,123.81              |
| <b>4 Non-Financial Liabilities</b>  |      |                        |                        |
| (a) Current tax liabilities (net)   | 20   | 74.60                  | 56.12                  |
| (b) Provisions  | 21   | 286.86                 | 268.20                 |
| (c) Other non-financial liabilities   | 22   | 126.74                 | 80.37                  |
|   |      | <b>488.20</b>          | 404.69                 |
| <b>5 Equity</b>   |      |                        |                        |
| (a) Equity share capital  | 23   | 787.58                 | 785.70                 |
| (b) Other equity  |      | 7,230.22               | 6,392.78               |
|   |      | <b>8,017.80</b>        | 7,178.48               |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |      | <b>60,714.46</b>       | 55,706.98              |
| Significant accounting policies and notes to the Consolidated Financial Statements.         | 2-53 |                        |                        |

The notes referred to above form an integral part of the Consolidated Financial Statements.  
As per our report of even date attached

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

Sd/-  
**Akeel Master**

Partner  
Membership No. 046768

Mumbai  
13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-  
**G Ramesh**  
Managing Director

Sd/-  
**Haren Parekh**  
Chief Financial Officer

Sd/-  
**Adayapalam Viswanathan**  
Director

Sd/-  
**Dipti Khandelwal**  
Company Secretary

# Consolidated Statement of Profit and Loss for the year ended 31 March 2020



(Currency : Indian Rupees in crore)

|   | Note  | For the<br>year ended<br>31 March 2020 | For the<br>year ended<br>31 March 2019 |
|---|-------|--|--|
| <b>1 Revenue from operations</b>  |       |  |  |
| (a) Interest income   | 24    | 8,233.47                               | 6,712.12                               |
| (b) Sale of services  |       | 2,113.23                               | 1,648.12                               |
| (c) Other financial charges   |       | 408.32                                 | 294.92                                 |
| (d) Net gain on fair value changes  | 25    | 18.78                                  | 32.93                                  |
| (e) Net gain/loss on derecognition of financial instruments under amortised cost category |       | (17.33)                                | 36.72                                  |
| <b>Total Revenue from operations</b>  |       | <b>10,756.47</b>                       | <b>8,724.81</b>                        |
| <b>2 Expenses</b>   |       |  |  |
| (a) Finance Costs   | 26    | 4,081.42                               | 3,333.33                               |
| (b) Impairment on financial instruments (Expected Credit Loss)                            | 27    | 1,441.57                               | 636.94                                 |
| (c) Employee Benefits Expenses  | 28    | 3,195.57                               | 2,551.74                               |
| (d) Depreciation, amortisation and impairment   | 13,14 | 109.66                                 | 61.92                                  |
| (e) Others expenses   | 29    | 463.77                                 | 416.82                                 |
| <b>Total Expenses</b>   |       | <b>9,291.99</b>                        | <b>7,000.75</b>                        |
| <b>3 Profit/(loss) before tax</b>   |       | <b>1,464.48</b>                        | <b>1,724.06</b>                        |
| <b>4 Tax Expense:</b>   | 11,12 |  |  |
| (a) Current tax   |       | 471.78                                 | 648.99                                 |
| (b) Deferred tax (credit)   |       | (12.15)                                | (87.34)                                |
| (c) Income tax for earlier year   |       | -                                      | 9.17                                   |
| <b>Total Tax expense</b>  |       | <b>459.63</b>                          | <b>570.82</b>                          |
| <b>5 Profit/(loss) for the year from continuing operations</b>                            |       | <b>1,004.85</b>                        | <b>1,153.24</b>                        |
| <b>6 Other Comprehensive Income</b>   |       |  |  |
| (a) Items that will not be reclassified to profit or loss                                 |       |  |  |
| - Remeasurement gain/(loss) on defined benefit plan                                       |       | (26.59)                                | (5.27)                                 |
| - Income tax relating to items that will not be reclassified to profit or loss            |       | 6.69                                   | 1.84                                   |
| <b>Sub total (a)</b>  |       | <b>(19.90)</b>                         | <b>(3.43)</b>                          |
| (b) Items that will be reclassified to profit or loss                                     |       |  |  |
| - Items that will be reclassified to profit or loss                                       |       | (46.95)                                | -                                      |
| - Income tax relating to items that will be reclassified to profit or loss                |       | 11.82                                  | -                                      |
| <b>Sub total (b)</b>  |       | <b>(35.13)</b>                         | <b>-</b>                               |
| <b>Other Comprehensive Income</b>   |       | <b>(55.03)</b>                         | <b>(3.43)</b>                          |
| <b>7 Total Comprehensive Income for the year</b>  |       | <b>949.82</b>                          | <b>1,149.81</b>                        |
| <b>8 Earnings per equity share (for continuing operations)</b>                            | 30    |  |  |
| Basic (₹)   |       | 12.78                                  | 14.71                                  |
| Diluted (₹)   |       | 12.77                                  | 14.69                                  |
| Significant accounting policies and notes to the Consolidated Financial Statements.       | 2-53  |  |  |

The notes referred to above form an integral part of the Consolidated Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firms' Registration No: 101248W/W-100022

Sd/-  
**Akeel Master**

Partner

Membership No. 046768

Mumbai  
13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-  
**G Ramesh**  
Managing Director

Sd/-  
**Haren Parekh**  
Chief Financial Officer

Sd/-  
**Adayapalam Viswanathan**  
Director

Sd/-  
**Dipti Khandelwal**  
Company Secretary



# Consolidated Cash Flow Statement for the year ended 31 March 2020



(Currency : Indian Rupees in crore)

| Particulars   | For the year ended<br>31 March 2020 | For the year ended<br>31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| <b>A Cash flow from operating activities</b>                                      |                                     |                                     |
| Profit/(loss) before tax  | 1,464.48                            | 1,724.06                            |
| <b>Adjustments for</b>  |                                     |                                     |
| (Profit)/loss on sale of asset  | (0.19)                              | 0.28                                |
| Interest Expenses   | 3,796.73                            | 3,144.01                            |
| Interest Income   | (8,233.47)                          | (6,712.12)                          |
| Realised net (gain)/loss on FVTPL investments                                     | (43.85)                             | (31.25)                             |
| Unrealised (gain)/loss on FVTPL investments                                       | (1.95)                              | (1.68)                              |
| Discount on commercial paper  | 284.69                              | 189.33                              |
| Impairment on financial instruments   | 1,441.57                            | 636.95                              |
| Provision for compensated absence and gratuity                                    | 16.21                               | 10.41                               |
| Employee share based payment expenses   | 11.19                               | 15.36                               |
| Rent expenses reversal  | (55.80)                             | -                                   |
| Depreciation, amortisation and impairment   | 109.66                              | 61.92                               |
| <b>Operating cash flow before working capital changes</b>                         | <b>(1,210.73)</b>                   | <b>(962.73)</b>                     |
| <b>Adjustments for working capital changes:</b>                                   |                                     |                                     |
| (Increase)/decrease in trade receivables  | (66.76)                             | 6.92                                |
| (Increase)/decrease in other financial assets and others                          | (207.27)                            | (458.37)                            |
| (Increase)/decrease in Loans  | (4,608.28)                          | (10,356.11)                         |
| Increase/(decrease) in other financial and non financial liabilities & provisions | (1,768.36)                          | (1,521.66)                          |
| Increase/(decrease) in trade payables   | (244.92)                            | 115.42                              |
| Interest Paid   | (3,296.85)                          | (2,893.01)                          |
| Interest Received   | 8,134.29                            | 6,625.67                            |
| Cash generated from operations  | (3,268.88)                          | (9,443.86)                          |
| Direct taxes paid (net of refunds)  | 237.00                              | 453.00                              |
| <b>Net cash flow generated from/(used in) operating activities (A)</b>            | <b>(3,031.88)</b>                   | <b>(8,990.86)</b>                   |
| <b>B Cash flow from investing activities</b>                                      |                                     |                                     |
| Purchase of fixed assets  | (72.83)                             | (48.40)                             |
| Proceeds from sale of fixed assets  | 0.54                                | 0.20                                |
| Purchase of investments Mutual fund   | (16,678.65)                         | (15,490.51)                         |
| Proceeds of investments Mutual fund   | 15,547.05                           | 15,358.10                           |
| <b>Net cash generated from/(used in) investing activities (B)</b>                 | <b>(1,203.89)</b>                   | <b>(180.61)</b>                     |

# Consolidated Cash Flow Statement for the year ended 31 March 2020 (Contd.)



(Currency : Indian Rupees in crore)

| Particulars   | For the year ended<br>31 March 2020 | For the year ended<br>31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| <b>C Cash flow from financing activities</b>                        |                                     |                                     |
| Proceeds from issue of shares and security premium                  | 33.49                               | 39.03                               |
| Debt securities issued  | 9,426.00                            | 15,336.00                           |
| Debt securities repaid  | (11,153.00)                         | (11,519.09)                         |
| Borrowings other than debt securities issued                        | 24,679.56                           | 12,520.00                           |
| Borrowings other than debt securities repaid                        | (19,302.05)                         | (7,765.27)                          |
| Subordinated debt issued  | 743.50                              | 900.00                              |
| Dividend & Tax paid on dividend                                     | (170.50)                            | (66.07)                             |
| <b>Net cash generated from/(used in) financing activities (C)</b>   | <b>4,257.00</b>                     | <b>9,444.60</b>                     |
| <b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b> | <b>21.23</b>                        | <b>273.11</b>                       |
| Add : Cash and cash equivalents as at the beginning of the year     | 334.72                              | 61.61                               |
| Cash and cash equivalents as at the end of the year*                | 355.95                              | 334.72                              |
| *Components of cash and cash equivalents                            |                                     |                                     |
| Balances with banks   | 347.71                              | 278.38                              |
| Demand drafts on hand   | 2.36                                | 15.37                               |
| Cash on hand  | 5.88                                | 40.97                               |
|   | <b>355.95</b>                       | <b>334.72</b>                       |

The above consolidated cash flow statement has been prepared under the indirect method set out in Ind-AS 7 - Statement of Cash Flow.

As per our report of even date attached

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

Sd/-  
**Akeel Master**

Partner  
Membership No. 046768

Mumbai  
13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-  
**G Ramesh**  
Managing Director

Sd/-  
**Haren Parekh**  
Chief Financial Officer

Sd/-  
**Adayapalam Viswanathan**  
Director

Sd/-  
**Dipti Khandelwal**  
Company Secretary

# Consolidated Statement of Changes in Equity as at 31 March, 2020



(Currency : Indian Rupees in crore)

## Statement of Changes in Equity

### A Equity Share Capital

|   |        |
|---|--------|
| Balance as at April 1, 2018                     | 782.94 |
| Changes in Equity Share Capital during the year | 2.76   |
| Balance as at March 31, 2019                    | 785.70 |
| Changes in Equity Share Capital during the year | 1.88   |
| Balance as at March 31, 2020                    | 787.58 |

### B Other Equity

|   | Reserves and Surplus       |  |   |  | Other Comprehensive Income  |                          | Total    |
|---|----------------------------|--|---|--|---|--------------------------|----------|
|   | Securities Premium Account | Employee Stock Options Outstanding Account | Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934 | Retained Earnings- Other than Remeasurement of Post Employment Benefit Obligations | Retained Earnings- Remeasurement of Post Employment Benefit Obligations | Cash Flow Hedges Reserve |          |
| Balance as at April 1, 2019   | 2,893.82                   | 38.23                                      | 811.68  | 2,656.10   | (7.06)  | -                        | 6,392.78 |
| Adjustment on initial application of IndAS 116                            | -                          | -  | -   | 15.33  | -   | -                        | 15.33    |
| Profit for the year   | -                          | -  | -   | 1,004.85   | -   | -                        | 1,004.85 |
| Other Comprehensive Income  | -                          | -  | -   | -  | (19.90)   | (35.13)                  | (55.03)  |
| Total Comprehensive Income for the year                                   | -                          | -  | -   | 1,020.18   | (19.90)   | (35.13)                  | 965.15   |
| Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934 | -                          | -  | 200.97  | (200.97)   | -   | -                        | -        |
| Premium on issue of shares  | 31.61                      | -  | -   | -  | -   | -                        | 31.61    |
| Share based payment   | -                          | 11.19                                      | -   | -  | -   | -                        | 11.19    |
| Dividend  | -                          | -  | -   | (141.43)   | -   | -                        | (141.43) |
| Dividend Distribution Tax   | -                          | -  | -   | (29.08)  | -   | -                        | (29.08)  |
| Balance As At March 31, 2020  | 2,925.43                   | 49.42                                      | 1,012.65  | 3,304.80   | (26.96)   | (35.13)                  | 7,230.22 |

# Consolidated Statement of Changes in Equity as at 31 March 2020 (Contd.)



(Currency : Indian Rupees in crore)

## B Other Equity (Contd.)

|   | Reserves and Surplus       |  |   |  | Other Comprehensive Income  | Total    |
|---|----------------------------|--|---|--|---|----------|
|   | Securities Premium Account | Employee Stock Options Outstanding Account | Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934 | Retained Earnings- Other than Remeasurement of Post Employment Benefit Obligations | Retained Earnings- Remeasurement of Post Employment Benefit Obligations |          |
| Balance as at April 1, 2018   | 2,857.55                   | 22.87                                      | 581.03  | 1,799.59   | (3.63)  | 5,257.41 |
| Profit for the year   | -                          | -  | -   | 1,153.24   | -   | 1,153.24 |
| Other Comprehensive Income  | -                          | -  | -   | -  | (3.43)  | (3.43)   |
| Total Comprehensive Income for the year                                   | -                          | -  | -   | 1,153.24   | (3.43)  | 1,149.81 |
| Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934 | -                          | -  | 230.65  | (230.65)   | -   | -        |
| Premium on issue of shares  | 36.27                      | -  | -   | -  | -   | 36.27    |
| Share based payment   | -                          | 15.36                                      | -   | -  | -   | 15.36    |
| Dividends   | -                          | -  | -   | (54.81)  | -   | (54.81)  |
| Dividend Distribution Tax   | -                          | -  | -   | (11.27)  | -   | (11.27)  |
| Balance As At March 31, 2019  | 2,893.82                   | 38.23                                      | 811.68  | 2,656.10   | (7.06)  | 6,392.78 |

As required by section 45-IC of the RBI Act 1934, the Company maintains a Reserve Fund and transfers therein a sum not less than twenty per cent of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared. The Company cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date the RBI has not specified any purpose for appropriation of Reserve Fund maintained under section 45-IC of RBI Act, 1934.

Significant accounting policies and notes to the Consolidated Financial Statements. Note 2 - 53

The notes referred to above form an integral part of the Consolidated Financial Statements.

As per our report of even date attached

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

Sd/-  
**Akeel Master**

Partner  
Membership No. 046768

Mumbai  
13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-  
**G Ramesh**  
Managing Director

Sd/-  
**Haren Parekh**  
Chief Financial Officer

Sd/-  
**Adayapalam Viswanathan**  
Director

Sd/-  
**Dipti Khandelwal**  
Company Secretary

# Notes to the Consolidated Financial Statements for the year ended 31 March 2020



## 1 Group overview

HDB Financial Services Ltd. ('the Company'), incorporated in Ahmedabad, India, is a Systemically Important Non Deposit taking Non-Banking Financial Company ('NBFC') as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934.

The Company provides lending services and business process outsourcing services. The Company also provides services related to the marketing and promotion of various financial products.

The Company's registered office is situated at Ahmedabad, India, while its corporate office is located in Mumbai, India. The Company is a subsidiary of HDFC Bank Limited.

The consolidated financial statements comprise the financial statements of the Company and its controlled structured entities (collectively known as 'the Group') as at 31 March 2020.

## 2 Significant accounting policies

### 2.1 Basis of preparation of financial statements

#### (A) Compliance with Ind-AS

The financial statements of the Group comply in all material aspects with Indian Accounting Standards ('Ind-AS') notified under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

#### (B) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind-AS.

The Statement of Cash Flows has been presented as per the requirements of Ind-AS 7 Statement of Cash Flows.

#### Basis of consolidation

The Company consolidates an entity when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of the entity begins when the Group obtains control over the entity and ceases when the Group loses control of the entity.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

## Notes to the Consolidated Financial Statements for the year ended 31 March 2020 (Contd.)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of structured entities to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statement of the following controlled structured trusts (all incorporated in India) have been consolidated as per Ind-AS 110 - Consolidated Financial Statements.

| Name of the entity                 | Proportion of Ownership Interest (%)* |               |
|------------------------------------|---------------------------------------|---------------|
|                                    | 31 March 2020                         | 31 March 2019 |
| Venus Trust March 2020             | 1.46%                                 | -             |
| Venus Trust December 2019          | 1.86%                                 | -             |
| Venus Trust June 2019              | 4.40%                                 | -             |
| Venus Trust March 2019             | 3.33%                                 | 3.33%         |
| Venus Trust November 2018 Series 2 | 3.34%                                 | 3.34%         |
| Venus Trust November 2018 Series 1 | 4.12%                                 | 4.12%         |
| Venus Trust March 2017             | -                                     | 3.25%         |
| Venus Trust February 2017          | -                                     | 2.90%         |

\* the Company's share of pass through certificates issued by the trust.

The above structured entities are the entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, but the relevant activities are directed by means of contractual agreements. The primary use of structured entities is to provide the Group access to liquidity through asset securitisations.

### (C) Basis of preparation

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments and plan assets of defined benefit plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR crore in compliance with Schedule III of the Act, unless otherwise stated.

### (D) Use of estimates and judgements

The preparation of financial statements in conformity with Ind-AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates are recognised in the periods in which the Group becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised and future periods. The estimates and judgements that have significant impact on the carrying amount of assets and liabilities at each balance sheet date are discussed in Note 3.

## **2.2 Financial Instruments**

### **(A) Date of recognition**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### **(B) Initial measurement**

Recognised financial instruments are initially measured at transaction price, which equates fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in statement of profit and loss.

### **(C) Classification and subsequent measurement**

#### **(i) Financial assets**

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Group classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit and loss ('FVTPL')

#### **(a) Financial assets carried at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ('Asset held to collect contractual cash flows'); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in statement of profit and loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group records loans at amortised cost.

#### **(b) Financial assets at fair value through other comprehensive income**

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the assets, ('Contractual cash flows of assets

collected through hold and sell model') and contractual cash flows that are SPPI, are subsequently measured at FVOCI. Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income which is recognised in statement of profit and loss. Amounts recorded in OCI are not subsequently transferred to the statement of profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment.

**(c) Financial assets at fair value through profit or loss**

Financial assets, which do not meet the criteria for categorisation as at amortised cost or as FVOCI, are measured at FVTPL. Subsequent changes in fair value are recognised in statement of profit and loss.

The Group records investments in equity instruments, mutual funds and Treasury bills at FVTPL.

**(ii) Financial liabilities and equity instrument**

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**(a) Equity instrument**

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 Group are recognised at the proceeds received, net of directly attributable transaction costs.

**(b) Financial liabilities**

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in the statement of profit and loss.

Any gain or loss on de-recognition of financial liabilities is also recognised in profit or loss.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

**(D) Reclassification**

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line or in the period the Group changes its business model for managing financial assets. Financial liabilities are not reclassified.

**(E) Derecognition**

**(i) Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the financial asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset and the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay.



If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of profit and loss.

**(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. 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. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in statement of profit and loss.

**(F) Impairment of financial assets**

The Group applies the ECL model in accordance with Ind-AS 109 for recognising impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Group's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). The Group has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind-AS 109. Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Group categorises financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: Low credit risk, i.e. 0 to 30 days past due
- Stage 2: Significant increase in credit risk, i.e. 31 to 90 days past due
- Stage 3: Impaired assets, i.e. more than 90 days past due

LGD is an estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Group.

The Group incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of external actual and forecast information, the Group forms a 'base case' view of the future direction of relevant economic variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

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 Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Group regularly reviews its models in the context of actual loss experienced and makes adjustments when such differences are significantly material. Adjustments including reversal of ECL is recognised through statement of profit and loss.

After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group follows the simplified approach required by Ind-AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognised at each reporting date, right from initial recognition of the receivables.

**(G) Write offs**

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no reasonable expectation of recovering the asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**(H) Offsetting**

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, the Group has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**2.3 Derivative financial instruments**

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value on the date of 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 Group designates certain derivatives as 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 policy**

The Group makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Group applies hedge accounting for transactions that meet specific criteria. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and

strategy for undertaking the hedge. The documentation includes the Group'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 Group 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.

#### **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 and 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 OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in 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.

The Group'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 relationships exists between the hedged item and hedging instrument. The Group 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.

#### **2.4 Cash and cash equivalents**

Cash and cash equivalents includes cash at banks and on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

The Group follows the policy of crediting the customer's account only on receipt of amount in the bank and as such no cheques in hand are taken into consideration.

#### **2.5 Upfront servicers fees booked on direct assignment**

Servicer fees receivable for servicing loan contracts under direct assignment are discounted at the applicable rate entered into with the assignee and recognised upfront in the balance sheet and amortised on a straight line basis over the remaining contractual maturity of the underlying loans.

#### **2.6 Property, plant and equipment**

##### **(A) Recognition and measurement**

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-financial assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'.

## Notes to the Consolidated Financial Statements for the year ended 31 March 2020 (Contd.)

### (B) Subsequent expenditure

Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefits/functioning capability from/of such assets.

### (C) Depreciation, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives in the manner prescribed in Schedule II of the Act. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:-

| Type of Assets                  | Estimated useful life as assessed by the Company | Estimated useful life under Schedule II of the Act |
|---------------------------------|--|--|
| Computers                       | 2-5 years  | 3 years  |
| Software and system development | 3 years  | 3 years  |
| Office equipment                | 3 years  | 5 years  |
| Motor cars                      | 4 years  | 8 years  |
| Furniture and fixtures          | 3-7 years  | 10 years   |
| Building                        | 60 years   | 60 years   |
| Leasehold improvements          | Tenure of lease agreements                       | Tenure of lease agreements                         |

The Group uniformly estimates a zero residual value for all these assets. Items costing less than ₹ 5,000 are fully depreciated in the year of purchase. Depreciation is pro-rated in the year of acquisition as well as in the year of disposal.

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Consequently, the useful life of certain computer-related assets, furniture and fixtures, office equipment and motor cars differ from the life prescribed in Schedule II of the Act.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income/expense in the statement of profit and loss in the year the asset is de-recognised.

### 2.7 Other intangible assets

Software and system development expenditures are capitalised at cost of acquisition including cost attributable to readying the asset for use. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of these intangible assets is estimated at 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

### 2.8 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired due to events or changes in circumstances indicating that their carrying amounts may not be realised. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit ('CGU'). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount.

The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

## **2.9 Dividend**

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period, being appropriately authorised and no longer at the discretion of the Group. The final dividend on shares is recorded as a liability on the date of approval by the shareholders, and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

## **2.10 Revenue recognition**

Revenue (other than for those items to which Ind-AS 109 Financial Instruments is applicable) is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind-AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

The Group recognises revenue from contracts with customers based on a five-step model as set out in Ind 115:

**Step 1:** Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

**Step 2:** Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

**Step 3:** Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

**Step 4:** Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

**Step 5:** Recognise revenue when (or as) the Group satisfies a performance obligation.

Specific policies for the Group's different sources of revenue are explained below:

### **(A) Income from lending business**

#### **Interest income**

Interest income on a financial asset at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fees received and cost incurred approximates the effective interest rate of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

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 ECLs).

#### **Other financial charges**

Cheque bouncing charges, late payment charges, prepayment charges and application money are recognised on a point-in-time basis, and are recorded when realised since the probability of collecting such monies is established when the customer pays.

**(B) Income from BPO services and other financial charges**

Income from BPO services comprise of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. Performance obligations are satisfied over time and revenue is recorded on a monthly basis.

**(C) Income from direct assignment**

Gains arising out of direct assignment transactions comprise of the difference between the interest on the loan portfolio and the applicable rate at which the direct assignment is entered into with the assignee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the statement of profit and loss. EIS evaluated and adjusted for ECL and expected prepayment.

**2.11 Employee benefits**

**(A) Provident fund**

Retirement benefit in the form of provident fund, is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

**(B) ESIC and Labour welfare fund**

The Group's contribution paid/payable during the year to ESIC and Labour welfare fund are recognised in the statement of profit or loss.

**(C) Gratuity**

The Group operates a defined benefit gratuity plan that provides for gratuity benefit to all employees. The Group makes annual contributions to a fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

**(D) Compensated absences**

The Group neither has a policy of encashment of unavailed leaves for its employees nor allow the leaves to be carry forward to next year.

**(E) Share-based payments**

The Group recognises compensation expense relating to share-based payments in net profit using fair value in accordance with Ind-AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

## **2.12 Provisions and contingences**

The Group recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that may arise from past events but probably will not require an outflow of resources to settle the obligation.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

## **2.13 Leases**

Effective 01 April 2019, the Group has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on 01 April 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Group is not required to restate the comparative figures.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The following policies apply subsequent to the date of initial application, 1 April 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in statement of profit and loss.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

#### **2.14 Goods and services tax paid on acquisition of assets or on incurring expenses**

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or services is not recoverable from the tax 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 tax authority is included as part of receivables or payables, respectively, in the balance sheet.

#### **2.15 Income tax**

##### **(A) Current tax**

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 in respect of taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years.

##### **(B) Deferred tax**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 reassessed 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 at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

## **2.16 Earnings per share**

The Group reports basic and diluted earnings per equity share. Basic earnings per equity share have been computed by dividing net profit/loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

## **2.17 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Group has been identified as the CODM as defined by Ind-AS 108 Operating Segments, who assesses the financial performance and position of the Group and makes strategic decisions.

Operating segments identified by the Group comprises as under:

- Lending services
- BPO services

The accounting policies consistently used in the preparation of the financial statements are also applied to item of revenue and expenditure in individual segments. Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprises as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'. Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

## **2.18 Collateral**

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Group uses active market data and external valuers for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models or through external valuers. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

The Group physically repossess and takes into custody properties or other assets and also engages external agents to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

## **2.19 Statement of cash flows**

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

### **3 Critical accounting estimates and judgements**

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which have a significant impact on the carrying amounts of assets and liabilities at each balance sheet date.

#### **(A) Fair value of financial instruments**

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. 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.

Fair value measurements under Ind-AS are categorised into Level 1, 2, or 3 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 Group can access at measurement date
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs) that the Group can access at measurement date

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 41.

#### **(B) Expected credit loss**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and credit assessment and including forward looking information.

The inputs used and process followed by the Group in determining the ECL have been detailed in Note 43.

#### **(C) Effective interest rate**

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected behavioural life of the financial asset to the gross carrying amount of the financial asset.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges) as well as expected changes to the base rate and other transaction costs and fees paid or received that are integral parts of the instrument.

#### **(D) Business model assessment**

Classification and measurement of financial assets depends on the results of the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**(E) Useful life and expected residual value of assets**

Depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

**(F) Leases**

- The determination of lease term for some lease contracts in which the Group is a lessee, including whether the Group is reasonably certain to exercise lessee options.
- The determination of the incremental borrowing rate used to measure lease liabilities.

**(G) Deferred Tax**

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Group considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

**(H) Defined benefit plans**

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**(I) Provisions and contingences**

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Group's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group 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.

## Notes to the Consolidated Financial Statements (Continued) as at 31 March 2020



(Currency : Indian Rupees in crore)

### 4 Cash and cash equivalents

|                       | As at<br>31 March 2020 | As at<br>31 March 2019 |
|-----------------------|------------------------|------------------------|
| Cash on hand          | 5.88                   | 40.97                  |
| Balances with banks   | 347.71                 | 278.38                 |
| Demand drafts on hand | 2.36                   | 15.37                  |
| <b>Total</b>          | <b>355.95</b>          | <b>334.72</b>          |

### 5 Bank balances Other than cash and cash equivalents

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Deposits with bank  | 0.03                   | -                      |
| Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments. | 204.19                 | 151.96                 |
| Interest accrued but not due on fixed deposits  | 3.01                   | 1.83                   |
| <b>Total</b>  | <b>207.23</b>          | <b>153.79</b>          |

### 6 Derivative financial Instruments

|  | 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   | 2,269.50            | 81.32             | -                      | -                   | -                 | -                      |
| Subtotal (i)   | 2,269.50            | 81.32             | -                      | -                   | -                 | -                      |
| (ii) Interest rate derivatives   |                     |                   |                        |                     |                   |                        |
| Forward Rate Agreements and Interest Rate swaps  | -                   | -                 | -                      | -                   | -                 | -                      |
| Subtotal (ii)  | -                   | -                 | -                      | -                   | -                 | -                      |
| Total Derivative Financial Instruments (i)+(ii)  | 2,269.50            | 81.32             | -                      | -                   | -                 | -                      |
| Part II  |                     |                   |                        |                     |                   |                        |
| Included in above (Part I) are derivatives held for hedging and risk management purposes as follows: |                     |                   |                        |                     |                   |                        |
| (i) Fair value hedging:  |                     |                   |                        |                     |                   |                        |
| Currency derivatives   | -                   | -                 | -                      | -                   | -                 | -                      |
| Interest Rate derivatives  | -                   | -                 | -                      | -                   | -                 | -                      |
| Subtotal (i)   | -                   | -                 | -                      | -                   | -                 | -                      |
| (ii) Cash flow hedging:  |                     |                   |                        |                     |                   |                        |
| Currency derivatives   | 2,269.50            | 81.32             | -                      | -                   | -                 | -                      |
| Interest rate derivatives  | -                   | -                 | -                      | -                   | -                 | -                      |
| Subtotal (ii)  | 2,269.50            | 81.32             | -                      | -                   | -                 | -                      |
| (iii) Undesignated Derivatives   |                     |                   |                        |                     |                   |                        |
| Currency Swaps   | -                   | -                 | -                      | -                   | -                 | -                      |
| Subtotal (iii)   | -                   | -                 | -                      | -                   | -                 | -                      |
| Total Derivative Financial Instruments (i)+(ii)+(iii)  | 2,269.50            | 81.32             | -                      | -                   | -                 | -                      |

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. The table above 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 Consolidated Financial Statements (Continued)  
as at 31 March, 2020**



(Currency : Indian Rupees in crore)

**7 Trade receivables**

|                                     | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|-------------------------------------|--------------------------------|------------------------|
| <b>Unsecured</b>                    |                                |                        |
| Low Credit Risk                     | <b>185.94</b>                  | 116.45                 |
| Significant increase in Credit Risk | <b>1.15</b>                    | 2.20                   |
| Credit impaired                     | <b>0.92</b>                    | 0.87                   |
|                                     | <b>188.00</b>                  | 119.52                 |
| Less: Impairment loss allowance     | <b>6.82</b>                    | 5.10                   |
| <b>Total</b>                        | <b>181.18</b>                  | 114.42                 |

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person, or from firms or private companies respectively in which any director is a partner, a director or a member.

**Reconciliation of impairment Loss allowance on trade receivables:**

|                                     | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|-------------------------------------|--------------------------------|------------------------|
| Balance as at beginning of the year | <b>5.10</b>                    | 9.89                   |
| Increase during the year            | <b>2.69</b>                    | 2.29                   |
| Decrease during the year            | <b>(0.97)</b>                  | (7.09)                 |
| Balance at end of the year          | <b>6.82</b>                    | 5.10                   |

**8 Loans**

|  | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|--|--------------------------------|------------------------|
| <b>Term Loans in India - at amortised cost</b> |                                |                        |
| - Public sector                                | -                              | -                      |
| - Others                                       |                                |                        |
| Secured (Secured by tangible assets)           | <b>44,662.81</b>               | 42,969.97              |
| Unsecured                                      | <b>13,768.14</b>               | 11,739.44              |
| Total Gross Loans                              | <b>58,430.95</b>               | 54,709.41              |
| Less: Impairment loss allowance                | <b>1,285.07</b>                | 828.24                 |
| <b>Total</b>                                   | <b>57,145.88</b>               | 53,881.17              |

**Credit quality of assets**

The table below shows the credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

|                                     | <b>Stage</b>   | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|-------------------------------------|----------------|--------------------------------|------------------------|
| Low credit risk                     | <b>Stage 1</b> | <b>54,243.55</b>               | 52,537.04              |
| Significant increase in credit risk | <b>Stage 2</b> | <b>1,928.27</b>                | 1,171.99               |
| Credit-Impaired                     | <b>Stage 3</b> | <b>2,259.13</b>                | 1,000.38               |
| <b>Total</b>                        |                | <b>58,430.95</b>               | 54,709.41              |

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March, 2020**



(Currency : Indian Rupees in crore)

An analysis of changes in the Impairment loss allowance in relation to Loans is, as follows:

Analysis of changes in the Impairment loss allowance

|   | As at 31 March 2020 |         |          |          |
|---|---------------------|---------|----------|----------|
|   | Stage 1             | Stage 2 | Stage 3  | Total    |
| Impairment loss allowance - opening balance | 358.37              | 148.18  | 321.69   | 828.24   |
| Originated or new                           | 241.75              | 33.84   | 36.09    | 311.68   |
| Matured or repaid                           | (161.27)            | (78.50) | 557.42   | 317.66   |
| Transfers to Stage 1                        | 42.05               | (18.13) | (23.93)  | -        |
| Transfers to Stage 2                        | (28.70)             | 32.23   | (3.54)   | -        |
| Transfers to Stage 3                        | (57.46)             | (59.47) | 116.93   | -        |
| Remeasurement                               | 239.50              | 154.07  | 416.94   | 810.51   |
| Amounts written off (net of recovery)       | -                   | -       | (983.01) | (983.01) |
| Impairment loss allowance - closing balance | 634.25              | 212.22  | 438.60   | 1,285.07 |

|   | As at 31 March 2019 |         |          |          |
|---|---------------------|---------|----------|----------|
|   | Stage 1             | Stage 2 | Stage 3  | Total    |
| Impairment loss allowance - opening balance | 343.52              | 115.51  | 243.88   | 702.91   |
| Originated or new                           | 151.30              | 18.99   | 37.43    | 207.72   |
| Matured or repaid                           | (162.50)            | (61.33) | 266.71   | 42.88    |
| Transfers to Stage 1                        | 41.11               | (20.22) | (20.89)  | -        |
| Transfers to Stage 2                        | (26.08)             | 35.86   | (9.78)   | -        |
| Transfers to Stage 3                        | (27.60)             | (34.80) | 62.40    | -        |
| Remeasurement                               | 38.62               | 94.17   | 259.69   | 392.47   |
| Amounts written off (net of recovery)       | -                   | -       | (517.75) | (517.75) |
| Impairment loss allowance - closing balance | 358.37              | 148.18  | 321.69   | 828.24   |

**9 Investments**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| <b>Recorded at Fair value through profit and loss account</b> |                        |                        |
| In India  |                        |                        |
| Mutual fund units   | 750.02                 | 326.86                 |
| Treasury bills  | 994.79                 | 240.55                 |
| Unquoted equity shares  | 0.95                   | 0.95                   |
| <b>Total</b>  | <b>1,745.76</b>        | <b>568.36</b>          |

**10 Other financial assets**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Capital advances   | 3.61                   | 1.27                   |
| Security deposits at amortised cost (Unsecured, considered good)     | 20.28                  | 16.77                  |
| Prepaid rent (Security deposits, Unsecured, considered good)         | 8.42                   | 7.92                   |
| Retained interest on assigned loan                                   | 17.32                  | 34.65                  |
| Servicing assets on assigned loan                                    | 4.28                   | 8.64                   |
| Advances recoverable in cash or in kind (Unsecured, considered good) | 64.17                  | 40.54                  |
| <b>Total</b>   | <b>118.08</b>          | <b>109.79</b>          |

**Notes to the Consolidated Financial Statements (Continued)**  
**as at 31 March 2020**



(Currency : Indian Rupees in crore)

**11 Current tax assets (Net)**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Current tax assets  |                        |                        |
| Advance tax and tax deducted at source (Net of provision for tax<br>₹ 471.78 crore (Previous Year: ₹ 648.99 crore)) | 77.42                  | 36.74                  |
| <b>Total</b>  | <b>77.42</b>           | <b>36.74</b>           |

**12 Deferred tax assets (Net)**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Deferred Tax Asset/(Liabilities) Net               |                        |                        |
| <b>Deferred Tax Asset</b>                          |                        |                        |
| Depreciation and amortisation                      | 16.77                  | 17.73                  |
| Provision for employee benefits                    | 7.58                   | 9.35                   |
| Provision for diminution of investment             | 0.34                   | 0.46                   |
| Loans - Impairment                                 | 325.13                 | 291.19                 |
| Loans - DSA  | 63.27                  | 78.37                  |
| Borrowings   | (12.07)                | (8.86)                 |
| Cash Flow Hedges Reserve                           | 11.82                  | -                      |
| Investments - MTM and others                       | (0.91)                 | (0.59)                 |
| Lease  | 3.78                   | -                      |
| Securitisation                                     | (0.09)                 | (2.69)                 |
| Deferred Tax Asset                                 | 415.62                 | 384.96                 |
| Movement in Net deferred tax Asset during the year | 30.66                  | 89.19                  |

The components of income tax expense for the years ended 31 March 2020 and 2019 are:

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Current tax:  |                        |                        |
| In respect of current year  | 471.78                 | 648.99                 |
| In respect of prior years   | -                      | 9.17                   |
| Deferred Tax:   |                        |                        |
| Deferred tax relating to origination and reversal of temporary<br>differences | (12.15)                | (87.34)                |
| In respect of prior years   | -                      | -                      |
| Total Income Tax recognised in profit or loss                                 | 459.63                 | 570.81                 |
| Current tax   | 471.78                 | 658.16                 |
| Deferred tax (Debit)  | (12.15)                | (87.34)                |

Income Tax recognised in Other comprehensive income

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| Deferred tax related to items recognised in Other comprehensive<br>income during the year: |                        |                        |
| Income tax relating to items that will not be reclassified to profit or loss               | 6.69                   | 1.84                   |
| Income tax relating to items that will be reclassified to profit or loss                   | 11.82                  | -                      |
| Total Income tax recognised in Other comprehensive income (Debit)                          | 18.51                  | 1.84                   |

**Notes to the Consolidated Financial Statements (Continued)**  
**as at 31 March 2020**



(Currency : Indian Rupees in crore)

The reconciliation of estimated income tax expense at tax rate to income tax expense reported in profit or loss is as follows:

|  | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|--|--------------------------------|------------------------|
| Profit before tax  | <b>1,464.48</b>                | 1,724.06               |
| Applicable income tax rate (%)   | <b>25.17</b>                   | 34.94                  |
| Income tax expense calculated at applicable income tax rate  | <b>368.58</b>                  | 602.46                 |
| Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense: |                                |                        |
| Effect of income exempt from tax   | -                              | -                      |
| Effect of expenses/provisions not deductible in determining taxable profit                         | <b>103.20</b>                  | 46.54                  |
| Effects of income not considered as taxable on compliance of condition                             | -                              | -                      |
| Income tax for earlier year  | -                              | 9.17                   |
| Income tax expense recognised in profit and loss   | <b>471.78</b>                  | 658.16                 |
| Actual effective income tax rate (%)   | <b>32.21</b>                   | 38.17                  |

The Group 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 Group 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 above mentioned change amounting to ₹ 107.55 crore has been recognised in the consolidated statement of profit and loss for the year ended 31 March 2020.



**Notes to the Consolidated Financial Statements (Continued)**  
**as at 31 March 2020**

(Currency : Indian Rupees in crore)

**13 Property, Plant and Equipment (PPE), Other Intangible assets & Capital work-in-progress**

| Description   | Office equipment | Furniture and fixtures | Leasehold improvements | Computers     | Building    | Motor cars  | Total PPE Tangibles | Software and System development | Total Other Intangibles | Total         |
|---|------------------|------------------------|------------------------|---------------|-------------|-------------|---------------------|---------------------------------|-------------------------|---------------|
| <b>Balance as at 1st April, 2019</b>                                | <b>48.04</b>     | <b>84.90</b>           | <b>67.91</b>           | <b>107.08</b> | <b>0.15</b> | <b>6.68</b> | <b>314.77</b>       | <b>26.44</b>                    | <b>26.44</b>            | <b>341.20</b> |
| Additions during the year   | 11.73            | 9.62                   | 12.26                  | 30.80         | -           | 1.38        | 65.78               | 6.99                            | 6.99                    | 72.77         |
| Disposals/Adjustments during the year                               | 0.50             | 0.73                   | 1.16                   | 0.20          | -           | 0.68        | 3.27                | -                               | -                       | 3.27          |
| <b>Balance as at 31st March, 2020</b>                               | <b>59.26</b>     | <b>93.79</b>           | <b>79.00</b>           | <b>137.68</b> | <b>0.15</b> | <b>7.39</b> | <b>377.27</b>       | <b>33.43</b>                    | <b>33.43</b>            | <b>410.70</b> |
| <b>Accumulated Depreciation / impairment as at 1st April, 2019</b>  | <b>33.22</b>     | <b>55.17</b>           | <b>30.72</b>           | <b>79.35</b>  | <b>0.02</b> | <b>2.41</b> | <b>200.89</b>       | <b>17.30</b>                    | <b>17.30</b>            | <b>218.18</b> |
| Depreciation charge during the year                                 | 7.72             | 12.27                  | 8.86                   | 24.25         | 0.02        | 1.71        | 54.83               | 7.06                            | 7.06                    | 61.90         |
| Disposals/Adjustments during the year                               | 0.50             | 0.69                   | 1.08                   | 0.20          | -           | 0.45        | 2.92                | -                               | -                       | 2.92          |
| <b>Accumulated Depreciation / impairment as at 31st March, 2020</b> | <b>40.43</b>     | <b>66.75</b>           | <b>38.49</b>           | <b>103.40</b> | <b>0.04</b> | <b>3.67</b> | <b>252.79</b>       | <b>24.36</b>                    | <b>24.36</b>            | <b>277.15</b> |
| <b>Net carrying amount as at 31st March, 2020</b>                   | <b>18.83</b>     | <b>27.04</b>           | <b>40.51</b>           | <b>34.28</b>  | <b>0.11</b> | <b>3.72</b> | <b>124.48</b>       | <b>9.07</b>                     | <b>9.07</b>             | <b>133.55</b> |
| <b>Balance as at 1st April, 2018</b>                                | <b>44.53</b>     | <b>80.56</b>           | <b>59.90</b>           | <b>89.10</b>  | <b>0.15</b> | <b>4.97</b> | <b>279.22</b>       | <b>17.96</b>                    | <b>17.96</b>            | <b>297.18</b> |
| Additions during the year   | 4.88             | 5.83                   | 8.66                   | 18.66         | -           | 1.90        | 39.93               | 8.47                            | 8.47                    | 48.40         |
| Disposals/Adjustments during the year                               | 1.37             | 1.49                   | 0.65                   | 0.68          | -           | 0.19        | 4.38                | -                               | -                       | 4.38          |
| <b>Balance as at 31st March, 2019</b>                               | <b>48.04</b>     | <b>84.90</b>           | <b>67.91</b>           | <b>107.08</b> | <b>0.15</b> | <b>6.68</b> | <b>314.77</b>       | <b>26.44</b>                    | <b>26.44</b>            | <b>341.20</b> |
| <b>Accumulated Depreciation / impairment as at 1st April, 2018</b>  | <b>27.62</b>     | <b>40.20</b>           | <b>23.71</b>           | <b>56.64</b>  | <b>0.01</b> | <b>1.30</b> | <b>149.50</b>       | <b>10.67</b>                    | <b>10.67</b>            | <b>160.16</b> |
| Depreciation charge for the year                                    | 6.86             | 16.12                  | 7.64                   | 23.38         | -           | 1.30        | 55.30               | 6.63                            | 6.63                    | 61.93         |
| Disposals/Adjustments during the year                               | 1.26             | 1.15                   | 0.63                   | 0.68          | -           | 0.19        | 3.91                | -                               | -                       | 3.91          |
| <b>Accumulated Depreciation / impairment as at 31st March, 2019</b> | <b>33.22</b>     | <b>55.17</b>           | <b>30.72</b>           | <b>79.35</b>  | <b>0.02</b> | <b>2.41</b> | <b>200.89</b>       | <b>17.30</b>                    | <b>17.30</b>            | <b>218.18</b> |
| <b>Net carrying amount as at 31st March, 2019</b>                   | <b>14.82</b>     | <b>29.73</b>           | <b>37.19</b>           | <b>27.73</b>  | <b>0.13</b> | <b>4.27</b> | <b>113.89</b>       | <b>9.14</b>                     | <b>9.14</b>             | <b>123.02</b> |

**Notes to the Consolidated Financial Statements (Continued)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**Capital work-in-progress**

|                          | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|--------------------------|--------------------------------|------------------------|
| Capital work-in-progress | <b>0.06</b>                    | -                      |
| Total                    | <b>0.06</b>                    | -                      |

**14 Right of Use Assets**

|                     | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|---------------------|--------------------------------|------------------------|
| Right of Use Assets | <b>252.41</b>                  | -                      |
| Total               | <b>252.41</b>                  | -                      |

**15 Trade Payables**

|  | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|--|--------------------------------|------------------------|
| Trade payables   |                                |                        |
| i) total outstanding dues to micro and small enterprises                       |                                |                        |
| ii) total outstanding dues of creditors other than micro and small enterprises | <b>149.99</b>                  | 394.91                 |
| Total  | <b>149.99</b>                  | 394.91                 |

15.1 Trade Payables includes ₹ Nil (Previous Year: ₹ Nil) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid/is payable by the Company during the year to "Suppliers" registered under this act. The above is based on the information available with the Company which has been relied upon by the auditors.

**16 Debt Securities**

|  | <b>As at<br/>31 March 2020</b> | As at<br>31 March 2019 |
|--|--------------------------------|------------------------|
| At Amortised Cost  |                                |                        |
| <b>Secured</b>   |                                |                        |
| Privately placed redeemable non convertible debenture  | <b>21,189.00</b>               | 20,401.00              |
| Secured by pari passu charge by mortgage of Company's Office no.130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity. |                                |                        |
| <b>Unsecured</b>   |                                |                        |
| Commercial paper   | <b>1,405.00</b>                | 3,920.00               |
| Total  | <b>22,594.00</b>               | 24,321.00              |
| Less: Unamortised borrowing cost/Unmatured discount on Commercial paper/Premium and discount on NCD  | <b>0.62</b>                    | 201.33                 |
| Debt Securities net of unamortised cost  | <b>22,593.38</b>               | 24,119.67              |
| Debt securities in India   | <b>22,594.00</b>               | 24,321.00              |
| Debt securities outside India  | -                              | -                      |
| Total  | <b>22,594.00</b>               | 24,321.00              |
| Less: Unamortised borrowing cost/Unmatured discount on Commercial paper/Premium and discount on NCD  | <b>0.62</b>                    | 201.33                 |
| Debt Securities net of unamortised cost  | <b>22,593.38</b>               | 24,119.67              |

**Notes to the Consolidated Financial Statements (Continued)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

16.1 No non convertible debentures, non convertible perpetual debentures and any other borrowing is guaranteed by directors and/or others.

16.2 Terms of repayment of privately placed redeemable non convertible debentures.

Previous Year figures are in (brackets)

| Rate of interest (%) | 0-1 year                      | 1-3 years                       | 3-5 years                   | >5 years           | Total                           |
|----------------------|-------------------------------|---------------------------------|-----------------------------|--------------------|---------------------------------|
| 6.5-7.5              | <b>1,700.00</b><br>(815.00)   | <b>2,850.00</b><br>(1,700.00)   | <b>430.00</b><br>-          | -<br>-             | <b>4,980.00</b><br>(2,515.00)   |
| 7.5-8.5              | <b>3,273.90</b><br>(3,122.00) | <b>4,241.00</b><br>(4,600.90)   | <b>280.00</b><br>-          | <b>300.00</b><br>- | <b>8,094.90</b><br>(7,722.90)   |
| 8.5-9.5              | <b>2,850.00</b><br>(2,296.00) | <b>5,264.10</b><br>(6,010.50)   | -<br>(1,706.60)             | -<br>-             | <b>8,114.10</b><br>(10,013.10)  |
| 9.5-10.5             | -<br>(150.00)                 | -<br>-                          | -<br>-                      | -<br>-             | -<br>(150.00)                   |
| Total                | <b>7,823.90</b><br>(6,383.00) | <b>12,355.10</b><br>(12,311.40) | <b>710.00</b><br>(1,706.60) | <b>300.00</b><br>- | <b>21,189.00</b><br>(20,401.00) |

16.3 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year (Refer Note 51).

**17 Borrowings (Other than Debt Securities)**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| <b>At Amortised Cost</b>  |                        |                        |
| Borrowings (other than debt securities)                                     |                        |                        |
| <b>Secured</b>  |                        |                        |
| (a) External commercial borrowings (ECB)                                    | <b>3,244.50</b>        | 975.00                 |
| (b) Term loan against hypothecation of Receivables under financing activity | <b>17,740.20</b>       | 15,508.98              |
| (c) Borrowing under Securitisation  | <b>2,626.16</b>        | 1,621.10               |
| Total   | <b>23,610.86</b>       | 18,105.08              |
| Less: Unamortised borrowing cost  | <b>30.70</b>           | 9.43                   |
| Borrowings (Other than Debt Securities) net of unamortised cost             | <b>23,580.16</b>       | 18,095.65              |
| Borrowings in India   | <b>21,341.36</b>       | 18,105.08              |
| Borrowings outside India  | <b>2,269.50</b>        | -                      |
| Total   | <b>23,610.86</b>       | 18,105.08              |
| Less: Unamortised borrowing cost  | <b>30.70</b>           | 9.43                   |
| Borrowings (Other than Debt Securities) net of unamortised cost             | <b>23,580.16</b>       | 18,095.65              |

17.1 No term loans, external commercial borrowings, commercial paper and any other borrowing is guaranteed by directors and/or others.

17.2 During the period presented there were no defaults in the repayment of principal and interest.

**Notes to the Consolidated Financial Statements (Continued)**  
**as at 31 March 2020**



(Currency : Indian Rupees in crore)

17.3(a) Terms of repayment of External commercial borrowings from International Finance Corporation.

Previous Year figures are in (brackets)

| Rate of interest (%) | 0-3 years     | 3-5 years | >5 years | Total         |
|----------------------|---------------|-----------|----------|---------------|
| 8 - 9                | <b>975.00</b> | -         | -        | <b>975.00</b> |
|                      | (975.00)      | -         | -        | (975.00)      |

17.3(b) Terms of repayment of External commercial borrowings in foreign currency

Previous Year figures are in (brackets)

| Rate of interest (%) | 0-3 years       | 3-5 years | >5 years | Total           |
|----------------------|-----------------|-----------|----------|-----------------|
| 8 - 9                | <b>2,269.50</b> | -         | -        | <b>2,269.50</b> |
|                      | -               | -         | -        | -               |

The Company had availed External Commercial Borrowing (ECBs) of USD 300 million for financing prospective borrower 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 the RBI guidelines, borrowings have been swapped into rupees for the entire maturity by way of principal swaps hedged through Derivative contract. The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

17.4 Terms of repayment of Term loans from Banks.

Previous Year figures are in (brackets)

| Marginal Cost of Funds Based Lending Rate (MCLR) (a) | 0-1 year        | 1-3 years        | 3-5 years        | Total            |
|--|-----------------|------------------|------------------|------------------|
| 1 Month MCLR + (0.00% to 0.75%)                      | <b>1,090.00</b> | <b>75.00</b>     | -                | <b>1,165.00</b>  |
|  | (460.00)        | (1,415.00)       | -                | (1,875.00)       |
| 3 Month MCLR + (0.00% to 1.5%)                       | <b>1,967.44</b> | <b>3,866.21</b>  | <b>612.58</b>    | <b>6,446.23</b>  |
|  | (971.11)        | (2,212.10)       | (502.88)         | (3,686.09)       |
| 6 Month MCLR + (0.00% to 0.75%)                      | <b>547.69</b>   | <b>1,054.55</b>  | <b>175.00</b>    | <b>1,777.24</b>  |
|  | (809.09)        | (427.21)         | -                | (1,236.30)       |
| 1 Year MCLR + (0.00% to 0.25%)                       | <b>1,753.94</b> | <b>2,502.27</b>  | <b>283.33</b>    | <b>4,539.54</b>  |
|  | (734.09)        | (1,170.45)       | (45.45)          | (1,950.00)       |
| 1 Year MCLR + (0.25% to 1.25%)                       | -               | -                | -                | -                |
|  | (1,386.36)      | (2,563.64)       | (1,299.38)       | (5,249.38)       |
| Total (a)  | <b>5,359.07</b> | <b>7,498.03</b>  | <b>1,070.91</b>  | <b>13,928.01</b> |
|  | (4,360.65)      | (7,788.40)       | (1,847.71)       | (13,996.76)      |
| <b>Rate linked to T-Bills rates (b)</b>              | <b>0-1 year</b> | <b>1-3 years</b> | <b>3-5 years</b> | <b>Total</b>     |
| 3 Month T-Bills rates (0.00% to 3.50%)               | <b>250.00</b>   | <b>399.70</b>    | -                | <b>649.70</b>    |
|  | (600.00)        | (499.94)         | (149.77)         | (1,249.72)       |
| 6 Month T-Bills rates (0.00% to 3.50%)               | <b>331.82</b>   | <b>543.18</b>    | -                | <b>875.00</b>    |
|  | -               | -                | -                | -                |
| 12 Month T-Bills rates (0.00% to 3.50%)              | <b>75.00</b>    | <b>112.50</b>    | -                | <b>187.50</b>    |
|  | (75.00)         | (150.00)         | (37.50)          | (262.50)         |
| OIS (0.00% to 3.50%)                                 | -               | <b>500.00</b>    | -                | <b>500.00</b>    |
|  | -               | -                | -                | -                |
| Repo Rate (0.00% to 3.50%)                           | <b>172.72</b>   | <b>427.27</b>    | -                | <b>599.99</b>    |
|  | -               | -                | -                | -                |
| MIBOR (0.00% to 3.50%)                               | <b>1,000.00</b> | -                | -                | <b>1,000.00</b>  |
|  | -               | -                | -                | -                |
| Total (b)  | <b>1,829.54</b> | <b>1,982.65</b>  | -                | <b>3,812.19</b>  |
|  | (675.00)        | (649.94)         | (187.27)         | (1,512.22)       |
| Total (a)+(b)  | <b>7,188.61</b> | <b>9,480.68</b>  | <b>1,070.91</b>  | <b>17,740.20</b> |
|  | (5,035.65)      | (8,438.35)       | (2,034.99)       | (15,508.98)      |

**Notes to the Consolidated Financial Statements (Continued)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

17.6 All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

17.7 Terms of repayment of Borrowing under Securitisation.

Previous Year figures are in (brackets)

|            | 0-1 year             | 1-3 years            | 3-5 years        | Total                 |
|------------|----------------------|----------------------|------------------|-----------------------|
| 6.5 to 7.5 | 1,345.91<br>(828.72) | 1,234.26<br>(767.47) | 46.00<br>(24.91) | 2,626.16<br>(1621.10) |

**18 Subordinated Liabilities**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| At Amortised Cost  |                        |                        |
| <b>Unsecured</b>   |                        |                        |
| (a) Privately placed subordinated (Tier II) redeemable bonds | 3,143.50               | 2,600.00               |
| (b) Redeemable non convertible perpetual bonds               | 500.00                 | 300.00                 |
| Total  | 3,643.50               | 2,900.00               |
| Less: Unamortised borrowing cost                             | 12.95                  | 10.22                  |
| Subordinated Liabilities net of unamortised cost             | 3,630.55               | 2,889.78               |
| Subordinated Liabilities in India                            | 3,643.50               | 2,900.00               |
| Subordinated Liabilities outside India                       | -                      | -                      |
| Total  | 3,643.50               | 2,900.00               |
| Less: Unamortised borrowing cost                             | 12.95                  | 10.22                  |
| Subordinated Liabilities net of unamortised cost             | 3,630.55               | 2,889.78               |

18.1 No subordinate debts and any other borrowing is guaranteed by directors and/or others.

18.2 Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds and redeemable non convertible perpetual bonds

Previous Year figures are in (brackets)

| Rate of interest | <5 years             | >5 years               | Total                  |
|------------------|----------------------|------------------------|------------------------|
| 8.0-10.5         | 1,330.00<br>(830.00) | 2,313.50<br>(2,070.00) | 3,643.50<br>(2,900.00) |

**19 Other financial liabilities**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Interest accrued  | 1,777.73               | 1,300.90               |
| Overdrawn balances in current account with banks                  | 111.72                 | 1,203.24               |
| Deposits (not as defined in Section 2(31) of Companies Act, 2013) | 10.19                  | 9.98                   |
| Creditors for other expenses                                      | 28.31                  | 54.03                  |
| Statutory liabilities   | 59.00                  | 55.65                  |
| Lease Liability (RTU)   | 267.43                 | -                      |
| Total   | 2,254.38               | 2,623.80               |

**Notes to the Consolidated Financial Statements (Continued)  
for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**20 Current tax liabilities (Net)**

|   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Provisions for tax (Net of advance tax ₹ 237.00 crore,<br>Previous Year ₹ 453.00 crore) | 74.60                  | 56.12                  |
| <b>Total</b>  | <b>74.60</b>           | <b>56.12</b>           |

**21 Provisions**

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| <b>Provision for employee benefits</b> |                        |                        |
| Gratuity (funded)                      | 62.25                  | 38.94                  |
| Compensated absence (unfunded)         | -                      | 21.07                  |
| Salary, bonus and reimbursements       | 194.67                 | 190.71                 |
| Contribution to provident fund         | 29.94                  | 17.48                  |
| <b>Total</b>                           | <b>286.86</b>          | <b>268.20</b>          |

**22 Other non-financial liabilities**

|                        | As at<br>31 March 2020 | As at<br>31 March 2019 |
|------------------------|------------------------|------------------------|
| Other payables         | 16.11                  | 15.33                  |
| Provision for expenses | 110.63                 | 65.04                  |
| <b>Total</b>           | <b>126.74</b>          | <b>80.37</b>           |

**23 Equity Share capital**

|   | Face Value<br>₹ each | As at<br>31 March<br>2020 | As at<br>31 March<br>2019 | As at<br>31 March<br>2020 | As at<br>31 March<br>2019 |
|---|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   |                      | Number of<br>shares       | Number of<br>shares       |                           |                           |
| Authorised equity shares                                    | 10                   | 1,00,15,50,000            | 1,00,15,50,000            | 1,001.55                  | 1,001.55                  |
| Issued, Subscribed & Paid up equity<br>shares fully paid up | 10                   | 78,75,79,656              | 78,57,00,306              | 787.58                    | 785.70                    |
| <b>Total</b>  |                      |                           |                           | <b>787.58</b>             | <b>785.70</b>             |

**23.1 Reconciliation of the number of shares**

|  | As at<br>31 March 2020 |               | As at<br>31 March 2019 |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Number                 | Amount        | Number                 | Amount        |
| Equity shares of ₹10 fully paid up               |                        |               |                        |               |
| Shares outstanding at the beginning of the year  | 78,57,00,306           | 785.70        | 78,29,36,256           | 782.94        |
| Shares issued - ESOP exercised                   | 18,79,350              | 1.88          | 27,64,050              | 2.76          |
| <b>Shares outstanding at the end of the year</b> | <b>78,75,79,656</b>    | <b>787.58</b> | <b>78,57,00,306</b>    | <b>785.70</b> |

**23.2 Terms/rights attached to equity shares.**

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive 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.

**Notes to the Consolidated Financial Statements (Continued)  
for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

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.

**23.3 Details of shareholders holding more than 5% of the aggregate shares in the Company**

| Particulars  | As at<br>31 March 2020 |              | As at<br>31 March 2019 |              |
|--|------------------------|--------------|------------------------|--------------|
|  | No. of Shares held     | % of Holding | No. of Shares held     | % of Holding |
| Equity shares of ₹ 10 fully paid up<br>HDFC Bank Limited (Holding Company) | 75,05,96,670           | 95.30        | 75,05,96,670           | 95.53        |

**23.4 Number of shares reserved for ESOPs**

| Particulars   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|---|------------------------|------------------------|
| Equity shares of ₹10 fully paid up<br>Number of Shares reserved for ESOPs (Refer note 33) | 21,51,580              | 42,30,300              |

**23.5** Pursuant to the Scheme of Amalgamation of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, 7,560,985 shares of face value ₹10 each were issued during the financial year 2016-2017 to the shareholders of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd for consideration other than cash.

**24 Interest Income**

|                                 | For the<br>year ended<br>31 March 2020 | For the<br>year ended<br>31 March 2019 |
|---------------------------------|--|--|
| <b>At amortised cost</b>        |  |  |
| Interest on Loans               | 8,218.81                               | 6,697.62                               |
| Interest on deposits with Banks | 14.65                                  | 14.50                                  |
| <b>Total</b>                    | <b>8,233.47</b>                        | <b>6,712.12</b>                        |

**25 Net gain / (loss) on fair value changes**

|  | For the<br>year ended<br>31 March 2020 | For the<br>year ended<br>31 March 2019 |
|--|--|--|
| Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL) |  |  |
| Investments  | 18.78                                  | 32.93                                  |
| Unquoted equity shares   | -                                      | -                                      |
|  | <b>18.78</b>                           | <b>32.93</b>                           |
| Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL) |  |  |
| Realised   | 16.83                                  | 31.25                                  |
| Unrealised   | 1.95                                   | 1.68                                   |
| <b>Total</b>   | <b>18.78</b>                           | <b>32.93</b>                           |

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**26 Finance Costs**

|  | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|--|---|--|
| <b>Interest expenses on financial liabilities measured at amortised cost</b> |   |  |
| Interest on borrowings   | 1,679.71  | 1,328.82                               |
| Interest on debt securities  | 1,787.48  | 1,587.45                               |
| Interest on subordinated liabilities   | 305.61  | 215.43                                 |
| Discount on commercial paper   | 284.69  | 189.33                                 |
| Other borrowing costs  | 23.93   | 12.30                                  |
| <b>Total</b>   | <b>4,081.42</b>                                 | <b>3,333.33</b>                        |

**27 Impairment on financial instruments**

|  | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|--|---|--|
| <b>Impairment on financial instruments at amortised cost</b> |   |  |
| Loans  | 1,439.85  | 641.73                                 |
| Trade receivables  | 1.72  | (4.79)                                 |
| <b>Total</b>   | <b>1,441.57</b>                                 | <b>636.94</b>                          |

**28 Employee benefits expenses**

|   | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|---|---|--|
| Salaries and wages (including bonus)      | 2,924.30  | 2,353.78                               |
| Contribution to provident and other funds | 226.47  | 153.20                                 |
| Employee share based payment expenses     | 11.19   | 15.36                                  |
| Staff welfare expenses                    | 33.61   | 29.40                                  |
| <b>Total</b>                              | <b>3,195.57</b>                                 | <b>2,551.74</b>                        |

**29 Other expenses**

|   | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|---|---|--|
| Rent  | 10.27   | 57.59                                  |
| Rates and taxes   | 1.12  | 0.28                                   |
| Telephone   | 30.22   | 23.91                                  |
| Power and fuel  | 27.45   | 21.63                                  |
| Repairs and maintenance-premises  | 3.99  | 1.69                                   |
| Repairs and maintenance-others  | 2.11  | 1.96                                   |
| Credit report charges   | 51.97   | 46.78                                  |
| Commission and brokerage  | 3.02  | 3.00                                   |
| Auditor's remuneration (Refer Note 31)                                      | 0.84  | 0.76                                   |
| Insurance   | 0.01  | 0.68                                   |
| Loss on sale of asset   | (0.19)  | 0.28                                   |
| Expenses towards Corporate Social Responsibility Initiative (Refer Note 39) | 28.28   | 22.65                                  |
| Others administrative expenses  | 304.68  | 235.61                                 |
| <b>Total</b>  | <b>463.77</b>                                   | <b>416.82</b>                          |



**Notes to the Consolidated Financial Statements (Continued)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**30 Earnings per Share**

|  | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|--|---|--|
| Net Profit (₹ in crore)                  | <b>1,004.85</b>                                 | 1,153.24                               |
| <b>Continuing Operations</b>             |   |  |
| Weighted average number of equity shares |   |  |
| Basic                                    | <b>78,63,16,430</b>                             | 78,38,32,157                           |
| Diluted                                  | <b>78,70,11,436</b>                             | 78,48,30,145                           |
| Earnings per share (₹)                   |   |  |
| Basic                                    | <b>12.78</b>                                    | 14.71                                  |
| Diluted                                  | <b>12.77</b>                                    | 14.69                                  |
| Face value per share (₹)                 | <b>10.00</b>                                    | 10.00                                  |

The dilutive effect on the earnings per share is caused by the potential shares that would be issued upon the exercise of the ESOP Options. As a result of the dilution, the denominator increased by 6,95,005 shares (Previous Year 9,97,988 shares).

**31 Auditor's Remuneration**

|                   | <b>For the<br/>year ended<br/>31 March 2020</b> | For the<br>year ended<br>31 March 2019 |
|-------------------|---|--|
| <u>As Auditor</u> |   |  |
| Statutory audit   | <b>0.40</b>                                     | 0.59                                   |
| Tax audit         | -   | 0.03                                   |
| Others            | <b>0.35</b>                                     | 0.06                                   |
| For certificates  | <b>0.03</b>                                     | 0.02                                   |
| <b>Sub Total</b>  | <b>0.78</b>                                     | 0.70                                   |
| GST               | <b>0.07</b>                                     | 0.06                                   |
| <b>Total</b>      | <b>0.84</b>                                     | 0.76                                   |

**32 Leases**

**I. Lease disclosures under Ind-AS 116 for the current year ended 31 March 2020**

**A. Implementation of Ind-AS 116**

This note explains the impact of the adoption of Ind-AS 116 Leases on the financial statements.

Under the erstwhile standard, Ind-AS 17 - Leases, the leases in which a substantial portion of the risk and rewards of the ownership were retained by the lessor were classified as operating leases. Under Ind-AS 116, the Group recognises right-of-use assets and lease liabilities for leases i.e. these leases are on the balance sheet. Lease liabilities as at 01 April 2019 were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average of lessee's incremental borrowing rate applied to the lease liabilities as at 01 April 2019 was 8.54%. This change is in accordance with the transitional provisions of Ind-AS 116.

Effective 01 April 2019, the Group has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on 01 April 2019 using the modified retrospective method. Consequently, the cumulative adjustment has been taken to retained earnings on the date of initial application i.e. 01 April 2019. Based on the same and as permitted under the specific transitional provisions in the standard, the Group is not required to restate the comparative figures.

**Notes to the Consolidated Financial Statements (Continued)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹235.37 crore (including ₹Nil crore reclassified from other non-financial assets) and a lease liability of ₹235.37 crore. The cumulative effect of applying the standard resulted in ₹15.33 crore being debited to retained earnings.

**(i) Practical expedients applied**

The Group has elected not to reassess the previously identified leases applying Ind-AS 17 - Leases as to whether a contract is, or contains a lease at the date of initial application. Further, In applying Ind-AS 116 for the first time, the Group has also used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- relying on its previous assessment of whether leases are onerous under Ind-AS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- there were no onerous contracts as at 01 April 2019.
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**(ii) Measurement of lease liabilities**

| Particulars   | 1 April 2019 |
|---|--------------|
| Operating lease commitment as at 31 March 2019 as disclosed in the Group's financial statements | 342.19       |
| Discounted using the incremental borrowing rate at 01 April 2019                                | 8.54%        |
| Finance lease liabilities recognised as at 31 March 2019  | 235.37       |
| Change in estimate of lease term  | -            |
| Lease liability recognised at 01 April 2019   | 235.37       |

**B.** The Group has entered into leasing arrangements for premises. Majority of the leases are cancellable by the Group. ROU has been included after the line 'Property, Plant and Equipment' and Lease Liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

**(i) Amounts recognised in the Balance sheet**

| Particulars                                    | 31 March 2020 |
|--|---------------|
| a) <b>Right-of-use assets (net)</b>            | <b>252.41</b> |
| b) <b>Lease liabilities</b>                    |               |
| Current  | 38.94         |
| Non-current                                    | 228.48        |
| <b>Total Lease liabilities</b>                 | <b>267.42</b> |
| c) <b>Additions to the Right-of-use assets</b> | <b>64.80</b>  |

**(ii) Amounts recognised in the Statement of Profit and Loss**

| Particulars                                    | 31 March 2020 |
|--|---------------|
| a) Depreciation charge for right-of-use assets | 47.76         |
| b) Interest expense (included in finance cost) | 23.06         |
| c) Expense relating to short-term leases       | 10.27         |

**(iii) Cash Flows**

| Particulars                      | 31 March 2020 |
|----------------------------------|---------------|
| The total cash outflow of leases | 55.80         |

**Notes to the Consolidated Financial Statements (Continued)  
as at 31 March 2020**



(Currency : Indian Rupees in crore)

**(iv) Future Commitments**

| Particulars   | 31 March 2020 |
|---|---------------|
| Future undiscounted lease payments to which leases is not yet commenced | 2.31          |

**(v) Maturity analysis of undiscounted lease liability**

| Period  | 31 March 2020 |
|---|---------------|
| Not later than one year                           | 60.22         |
| Later than one year and not later than five years | 208.14        |
| Later than five years                             | 85.50         |
| <b>Total</b>                                      | <b>353.86</b> |

**II. Lease disclosures under Ind-AS 17 for the comparative year ended 31 March 2019**

**A. Operating Lease**

The Group has entered into cancellable leasing arrangements for all premises. The total lease payments recognised in the Statement of Profit and Loss towards the said leases are as follows:

| Particulars    | 31 March 2019 |
|----------------|---------------|
| Lease Payments | 57.59         |

The future lease payments in respect of the above were as follows:

| Period  | 31 March 2019 |
|---|---------------|
| Not later than one year                           | 55.09         |
| Later than one year and not later than five years | 198.36        |
| Later than five years                             | 88.74         |
| <b>Total</b>                                      | <b>342.19</b> |

**33 Accounting for Employee Share based Payments**

In accordance with resolution approved by the shareholders, the Group has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOP-8 on 14 July 2015, ESOP-9 on 18 October 2016, ESOP-10 on 13 October 2017 and ESOP-11 on 15 January 2019. Under the term of the schemes, the Group may issue stock options to employees and directors of the Group, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of two years from the date of vesting for ESOP-8 and maximum of four years from the date of vesting for ESOP-9, ESOP-10 and ESOP-11.

**Method used for accounting for shared based payment plan.**

The Group uses fair value to account for the compensation cost of stock options to employees of the Group.

**Movement in the options outstanding under the Employees Stock Option Plan for the year ended 31 March 2020**

| Particulars                            | Options   | Weighted average exercise price (₹) |
|--|-----------|-------------------------------------|
| Options outstanding, beginning of year | 42,30,300 | 209.36                              |
| Granted during the year                | -         | -                                   |
| Exercised during the year              | 18,79,350 | 178.22                              |
| Forfeited / lapsed during the year     | 1,99,370  | 197.95                              |
| Options outstanding, end of year       | 21,51,580 | 237.62                              |
| Options exercisable, end of year       | 3,11,070  | 264.23                              |

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**Movement in the options outstanding under the Employees Stock Options Plan for the year ended 31 March 2019**

| Particulars                            | Options   | Weighted average exercise price (₹) |
|--|-----------|-------------------------------------|
| Options outstanding, beginning of year | 62,69,950 | 168.41                              |
| Granted during the year                | 9,10,500  | 274.00                              |
| Exercised during the year              | 27,64,050 | 141.22                              |
| Forfeited / lapsed during the year     | 1,86,100  | 159.37                              |
| Options outstanding, end of year       | 42,30,300 | 209.36                              |
| Options exercisable, end of year       | 2,37,450  | 178.13                              |

**Following summarises the information about stock options outstanding as at 31 March 2020**

| Plan      | Exercise price (₹) | Number of shares arising out of options | Weighted average remaining contractual life (in years) |
|-----------|--------------------|---|--|
| ESOP - 10 | 213                | 12,83,200                               | 4.54   |
| ESOP - 11 | 274                | 8,68,380                                | 4.94   |

**Following summarises the information about stock options outstanding as at 31 March 2019**

| Plan      | Exercise price (₹) | Number of shares arising out of options | Weighted average remaining contractual life (in years) |
|-----------|--------------------|---|--|
| ESOP - 8  | 88                 | 34,500                                  | 1.50   |
| ESOP - 9  | 137                | 8,74,200                                | 4.53   |
| ESOP - 10 | 213                | 24,14,200                               | 5.06   |
| ESOP - 11 | 274                | 9,07,400                                | 5.94   |

**Fair Value methodology**

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Group are not listed on any stock exchange. Accordingly, the Group had considered the volatility of the Group's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Group are:

| Particulars                 | 31 March 2020 | 31 March 2019 |
|-----------------------------|---------------|---------------|
| Dividend yield              | -             | 0.66%         |
| Expected volatility         | -             | 34.90%        |
| Risk-free interest rate     | -             | 7.23%         |
| Expected life of the option | -             | 3.01 years    |

The Group has not granted new stock option scheme during the year ended 31 March 2020. The above tables excludes non operationalised schemes.

The Group recorded an employee stock compensation expense of ₹11.19 crore (previous year ₹15.36 crore) in Statement of Profit and Loss.

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**34 Segment reporting**

| <b>S.N.</b> | <b>Particulars</b>                              | <b>31 March 2020</b> | <b>31 March 2019</b> |
|-------------|---|----------------------|----------------------|
| <b>i.</b>   | <b>Segment Revenue</b>                          |                      |                      |
|             | Lending business                                | <b>8,643.24</b>      | 7,076.70             |
|             | BPO Services                                    | <b>2,113.23</b>      | 1,648.12             |
|             | Unallocated                                     |                      | -                    |
|             | <b>Income from Operations</b>                   | <b>10,756.47</b>     | 8,724.81             |
| <b>ii.</b>  | <b>Segment Results</b>                          |                      |                      |
|             | Lending business                                | <b>1,366.95</b>      | 1,720.62             |
|             | BPO Services                                    | <b>104.28</b>        | 73.21                |
|             | Unallocated                                     | <b>(6.75)</b>        | (69.76)              |
|             | <b>Profit before tax</b>                        | <b>1,464.48</b>      | 1,724.06             |
|             | <b>Income Tax expenses</b>                      |                      |                      |
|             | Current tax                                     | <b>471.78</b>        | 648.99               |
|             | Deferred tax Asset                              | <b>(12.15)</b>       | (87.34)              |
|             | Income tax for earlier year                     | -                    | 9.17                 |
|             | <b>Net Profit</b>                               | <b>1,004.85</b>      | 1,153.24             |
| <b>iii.</b> | <b>Capital Employed</b>                         |                      |                      |
|             | Segment assets                                  |                      |                      |
|             | Lending business                                | <b>59,988.97</b>     | 55,168.78            |
|             | BPO Services                                    | <b>216.68</b>        | 110.42               |
|             | Unallocated                                     | <b>508.81</b>        | 427.78               |
|             | <b>Total Assets</b>                             | <b>60,714.46</b>     | 55,706.98            |
|             | Segment Liabilities                             |                      |                      |
|             | Lending business                                | <b>52,281.15</b>     | 48,217.23            |
|             | BPO Services                                    | <b>216.06</b>        | 184.17               |
|             | Unallocated                                     | <b>199.45</b>        | 127.10               |
|             | <b>Total Liabilities</b>                        | <b>52,696.66</b>     | 48,528.50            |
|             | Net Segment assets/(liabilities)                | <b>8,017.80</b>      | 7,178.48             |
| <b>iv.</b>  | <b>Capital Expenditure (including net CWIP)</b> |                      |                      |
|             | Lending business                                | <b>53.85</b>         | 33.17                |
|             | BPO Services                                    | <b>15.62</b>         | 10.75                |
|             | Unallocated                                     | <b>3.36</b>          | 4.49                 |
|             | <b>Total</b>                                    | <b>72.83</b>         | 48.41                |
| <b>v.</b>   | <b>Depreciation</b>                             |                      |                      |
|             | Lending business                                | <b>86.60</b>         | 48.66                |
|             | BPO Services                                    | <b>17.60</b>         | 10.61                |
|             | Unallocated                                     | <b>5.46</b>          | 2.65                 |
|             | <b>Total</b>                                    | <b>109.66</b>        | 61.92                |
| <b>vi.</b>  | <b>Other non cash expenditure</b>               |                      |                      |
|             | Lending business                                | <b>1,441.57</b>      | 636.94               |
|             | BPO Services                                    | -                    | -                    |
|             | Unallocated                                     | -                    | -                    |
|             | <b>Total</b>                                    | <b>1,441.57</b>      | 636.94               |

**a) Chief Operating Decision Maker**

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind-AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

**b) Operating Segment**

**Primary Segment (Business Segment)**

The Group is organised primarily into two operating segments, i.e. Lending business and BPO services. Lending business includes providing finance to retail customers for a variety of purposes like purchase of commercial equipment and commercial vehicles, personal purposes, enterprise loans, etc. Revenue from lending business includes (i) interest income and processing fees net of loan origination costs, (ii) collection-related charges like cheque bouncing charges, late payment charges and foreclosure charges, and (iii) insurance commission. BPO services comprises of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers.

**Secondary Segment (Geographical Segment)**

Since the business operations of the Group are primarily concentrated in India, the Group is considered to operate only in the domestic segment and therefore there is no reportable geographic segment.

**c) Segment Revenue and Expense**

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'.

**d) Segment Assets and Liabilities**

Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

**e) Accounting Policies**

The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenue and expenditure in individual segments.

**35 Related party disclosures**

Name of the related party and nature of relationship

**Holding Group :** HDFC Bank Limited

**Enterprise under common control of Holding Group :** HDFC Securities Limited

**Key Management Personnel :**

Aditya Puri (Chairman & Non Executive Director)

Jimmy Tata (Non Executive Director)

Bhavesh Zaveri (Non Executive Director) (resigned effective 28 November 2019)

Dr. Amla Samanta (Independent Director) (appointed effective 1 May 2019)

Adayapalam Viswanathan (Independent Director) (appointed effective 24 July 2019)

Smita Affinwalla (Independent Director)

Venkatraman Srinivasan (Independent Director)

G Ramesh (Managing Director and CEO)

**Other related parties :**

HDFC Ergo General Insurance Company Limited

HDFC Life Insurance Company Limited

**Notes to the Consolidated Financial Statements (Continued)  
for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**Details of Related Party Transactions for the Year:**

| <b>Related party</b>   | <b>Nature of transaction</b>                                    | <b>31 March 2020</b> | <b>31 March 2019</b> |
|--|---|----------------------|----------------------|
| HDFC Bank Limited  | Bank charges  | 11.06                | 8.39                 |
|  | Charges for back office support services received / recoverable | 878.53               | 691.56               |
|  | Charges for sales support services received / recoverable       | 1,391.50             | 1,070.35             |
|  | Commission on sourcing of credit cards received / recoverable   | -                    | -                    |
|  | Corporate logo license fees                                     | 10.26                | 11.98                |
|  | Dividend paid   | 135.11               | 52.54                |
|  | Fixed deposits placed   | 167.74               | 135.00               |
|  | Interest paid on non-convertible debentures                     | 64.51                | 80.29                |
|  | Interest paid on term loan and OD account                       | 366.13               | 214.24               |
|  | Interest received on fixed deposits                             | 11.06                | 4.56                 |
|  | Investment banking fees paid                                    | 1.42                 | 1.97                 |
|  | IPA charges   | 0.01                 | 0.02                 |
|  | Reimbursement of IT Expenses                                    | 2.12                 | 0.09                 |
|  | Reimbursement of R & M charges received /receivable             | -                    | -                    |
|  | Rent paid for premises taken on sub-lease                       | 2.27                 | 3.31                 |
|  | Rent received / receivable for premises given on sub-lease      | -                    | -                    |
|  | Securities purchased during the year                            | 1,986.50             | 2,181.00             |
|  | Securitisation  | 1,982.47             | 963.22               |
|  | Term loan availed during the year                               | 4,696.15             | 2,150.00             |
|  | Term loan paid during the year                                  | 2,614.41             | 640.91               |
| Tele collection charges / field collection charges received / recoverable for collection services rendered | 189.48  | 154.97               |                      |
| HDFC Securities Limited  | Commission on sourcing of loans                                 | 0.03                 | -                    |
|  | Rent received / receivable for premises given on sub-lease      | 0.13                 | 0.11                 |
| Key Management Personnel   | Director sitting fees and commission paid                       | 0.60                 | 0.46                 |
|  | Dividend paid   | 0.11                 | 0.28                 |
|  | Salary including perquisites and allowances                     | 4.10                 | 3.72                 |
|  | Stock Options#  | 3.49                 | 0.91                 |
|  | Others Contribution to Funds*                                   | 0.12                 | 0.10                 |
| HDFC Ergo General Insurance Company Limited  | Insurance commission received / receivable                      | 13.06                | 16.82                |
|  | Insurance premium paid  | -                    | 1.73                 |
|  | Rent received / receivable for premises given on sub-lease      | -                    | 0.02                 |
| HDFC Life Insurance Company Limited  | Insurance commission received / receivable                      | 10.21                | 8.50                 |
|  | Rent paid / payable   | 0.03                 | 0.05                 |

\* excludes amounts pertaining to gratuity and compensated absences, which are actuarially valued at the Group level.

# The intrinsic value of the stock options granted is Nil. However, the Group in compliance with Ind-AS 102 has been charged to the statement of profit and loss of ₹0.88 crore (previous year ₹0.88 crore) with a corresponding credit to the reserves.

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**Balances outstanding:**

| Related party                                 | Nature of transaction                        | 31 March 2020 | 31 March 2019 |
|---|--|---------------|---------------|
| HDFC Bank Limited                             | Securitisation                               | 1,553.06      | 878.20        |
|   | Balance in current accounts                  | 310.85        | 282.68        |
|   | Balance receivable                           | 141.48        | 83.69         |
|   | Balance payable                              | 7.92          | 12.22         |
|   | Fixed deposit                                | 167.74        | 134.96        |
|   | Security deposit paid                        | 0.07          | 0.20          |
|   | Security deposit received                    | 9.85          | 9.85          |
|   | Term loan outstanding                        | 5,181.82      | 3,100.00      |
|   | Non convertible debentures issued            | 650.00        | 965.00        |
|   | Outstanding lending commitments by HDFC Bank | 1,000.00      | 1,000.00      |
| HDFC Securities Ltd.                          | Balance receivable                           | 0.22          | 0.17          |
| HDFC Ergo General Insurance Company Limited** | Balance payable                              | 20.00         | -             |
|   | Balance receivable                           | 0.64          | 2.11          |
| HDFC Life Insurance Company Limited**         | Balance payable                              | 1,435.00      | 425.00        |
|   | Balance receivable                           | 0.54          | 3.02          |

\*\* excludes amounts pertaining to insurance premiums payable that are in the nature of pass through.

**36 Employee benefits**

**(A) Defined contribution plan**

The contribution made to various statutory funds is recognised as expense and included in Note 28 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss.

**(B) Defined benefit plan (Gratuity)**

The Group contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Life Insurance Company ('HDFC Life') Limited and Life Insurance Corporation of India Limited (LIC). HDFC Life and LIC have certified the Fair Value of the Plan Assets

Details of Actuarial Valuation as at March 31, 2020

|           | Particulars                                       | 31 March 2020 | 31 March 2019 |
|-----------|---|---------------|---------------|
| <b>A.</b> | <b>Change in defined benefit obligation.</b>      |               |               |
| 1         | Defined benefit obligation at beginning of period | 76.88         | 63.37         |
| 2         | Service cost                                      |               |               |
|           | a. Current service cost                           | 13.54         | 15.24         |
|           | b. Past service cost                              | -             | 0.57          |
|           | c. (Gain)/loss on settlements                     | -             | -             |
| 3         | Interest expenses                                 | 5.30          | 4.19          |
| 4         | Cash flows  |               |               |
|           | a. Benefit payments from plan                     | (11.01)       | (9.59)        |
|           | b. Benefit payments from employer                 | -             | -             |
|           | c. Settlement payments from plan                  | -             | -             |
|           | d. Settlement payments from employer              | -             | -             |



**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

|   | <b>Particulars</b>                                   | <b>31 March 2020</b> | 31 March 2019 |
|---|--|----------------------|---------------|
| 5 | Remeasurements                                       |                      |               |
|   | a. Effect of changes in demographic assumptions      | 0.19                 | (0.91)        |
|   | b. Effect of changes in financial assumptions        | 6.51                 | 0.35          |
|   | c. Effect of experience adjustments                  | 25.07                | 3.67          |
| 6 | Transfer In / Out                                    |                      |               |
|   | a. Transfer In                                       | -                    | -             |
|   | b. Transfer out                                      | -                    | -             |
| 7 | Defined benefit obligation at end of period          | 116.48               | 76.88         |
|   | <b>B. Change in fair value of plan assets</b>        |                      |               |
| 1 | Fair value of plan assets at beginning of period     | 38.09                | 33.18         |
| 2 | Interest income                                      | 2.63                 | 2.55          |
| 3 | Cash flows   |                      |               |
|   | a. Total employer contributions                      |                      |               |
|   | (i) Employer contributions                           | 19.66                | 14.11         |
|   | (ii) Employer direct benefit payments                | -                    | -             |
|   | (iii) Employer direct settlement payments            | -                    | -             |
|   | b. Participant contributions                         | -                    | -             |
|   | c. Benefit payments from plan assets                 | (11.01)              | (9.59)        |
|   | d. Benefit payments from employer                    | -                    | -             |
|   | e. Settlement payments from plan assets              | -                    | -             |
|   | f. Settlement payments from employer                 | -                    | -             |
| 4 | Remeasurements                                       |                      |               |
|   | a. Return on plan assets (excluding interest income) | 5.17                 | (2.17)        |
| 5 | Transfer In /Out                                     |                      |               |
|   | a. Transfer In                                       | -                    | -             |
|   | b. Transfer out                                      | -                    | -             |
| 6 | Fair value of plan assets at end of period           | 54.53                | 38.09         |
|   | <b>C. Amounts recognised in the Balance Sheet</b>    |                      |               |
| 1 | Defined benefit obligation                           | 116.48               | 76.88         |
| 2 | Fair value of plan assets                            | (54.53)              | (38.09)       |
| 3 | Funded status  | 61.95                | 38.79         |
| 4 | Effect of asset ceiling                              | -                    | -             |
| 5 | Net defined benefit liability (asset)                | 61.95                | 38.79         |
|   | <b>D. Components of defined benefit cost</b>         |                      |               |
| 1 | Service cost   |                      |               |
|   | a. Current service cost                              | 13.54                | 15.24         |
|   | b. Past service cost                                 | -                    | 0.57          |
|   | c. (Gain)/loss on settlements                        | -                    | -             |
|   | d. Total service cost                                | 13.54                | 15.80         |
| 2 | Net interest cost                                    |                      |               |
|   | a. Interest expense on DBO                           | 5.30                 | 4.19          |
|   | b. Interest (income) on plan assets                  | 2.63                 | 2.55          |
|   | c. Interest expense on effect of (asset ceiling)     | -                    | -             |
|   | d. Total net interest cost                           | 2.67                 | 1.64          |

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

|   | <b>Particulars</b>   | <b>31 March 2020</b>       | <b>31 March 2019</b>       |
|---|--|----------------------------|----------------------------|
| 3 | Remeasurements (recognised in OCI/Retained Earnings)           |                            |                            |
|   | a. Effect of changes in demographic assumptions                | 0.19                       | (0.91)                     |
|   | b. Effect of changes in financial assumptions                  | 6.51                       | 0.35                       |
|   | c. Effect of experience adjustments                            | 25.07                      | 3.67                       |
|   | d. Return on plan assets (excluding interest income)           | (5.17)                     | (2.17)                     |
|   | e. Changes in asset ceiling (excluding interest income)        | -                          | -                          |
|   | f. Total remeasurements included in OCI/Retained Earnings      | 26.59                      | 5.27                       |
| 4 | Total defined benefit cost recognised in P&L and OCI           | 42.81                      | 22.72                      |
|   | <b>E. Remeasurement</b>  |                            |                            |
|   | a. Actuarial Loss/(Gain) on DBO                                | 31.77                      | 3.11                       |
|   | b. Returns above Interest Income                               | (5.17)                     | (2.17)                     |
|   | c. Change in Asset ceiling                                     | -                          | -                          |
|   | Total Remeasurements (OCI/Retained Earnings)                   | 26.59                      | 5.27                       |
|   | <b>F. Employer Expense (P&amp;L)</b>                           |                            |                            |
|   | a. Current Service Cost  | 13.54                      | 15.24                      |
|   | b. Interest Cost on net DBO                                    | 2.67                       | 1.64                       |
|   | c. Past Service Cost   | -                          | 0.57                       |
|   | d. Total P&L Expenses  | 16.21                      | 17.45                      |
|   | <b>G. Net defined benefit liability (asset) reconciliation</b> |                            |                            |
| 1 | Net defined benefit liability (asset)                          | 38.79                      | 30.19                      |
| 2 | Defined benefit cost included in P&L                           | 16.21                      | 17.45                      |
| 3 | Total remeasurements included in OCI/Retained Earnings         | 26.59                      | 5.27                       |
| 4 | a. Employer contributions                                      | (19.66)                    | (14.11)                    |
|   | b. Employer direct benefit payments                            | -                          | -                          |
|   | c. Employer direct settlement payments                         | -                          | -                          |
| 5 | Net transfer   | -                          | -                          |
| 6 | Net defined benefit liability (asset) as of end of period      | 61.95                      | 38.79                      |
|   | <b>H. Reconciliation of OCI (Remeasurement)</b>                |                            |                            |
| 1 | Recognised in OCI at the beginning of period                   | 7.87                       | 2.60                       |
| 2 | Recognised in OCI during the period                            | 26.59                      | 5.27                       |
| 3 | Recognised in OCI/Retained Earnings at the end of the period   | 34.46                      | 7.87                       |
|   | <b>I. Sensitivity analysis - DBO end of Period</b>             |                            |                            |
| 1 | Discount rate +100 basis points                                | (2.88)                     | 75.85                      |
| 2 | Discount rate -100 basis points                                | 3.05                       | 77.96                      |
| 3 | Salary Increase Rate +1%                                       | 2.64                       | 77.58                      |
| 4 | Salary Increase Rate -1%                                       | (2.68)                     | 76.20                      |
| 5 | Attrition Rate +1%   | (0.68)                     | 76.66                      |
| 6 | Attrition Rate -1%   | 0.70                       | 77.11                      |
|   | <b>J. Significant actuarial assumptions</b>                    |                            |                            |
| 1 | Discount rate Current Year (p.a.)                              | 4.87%                      | 6.84% - 6.92%              |
| 2 | Discount rate Previous Year (p.a.)                             | 6.84% - 6.92%              | 7.00%                      |
| 3 | Salary increase rate (p.a.)                                    | 7.00% - 8.00%              | 5.00% - 8.00%              |
| 4 | Attrition Rate (%)   | 26%-89%                    | 27%-92%                    |
| 5 | Retirement Age (years)   | 60                         | 60                         |
| 6 | Pre-retirement mortality                                       | IALM (2006-08)<br>Ultimate | IALM (2012-14)<br>Ultimate |
| 7 | Disability   | Nil                        | Nil                        |

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

|           | Particulars                                      | 31 March 2020 | 31 March 2019 |
|-----------|--|---------------|---------------|
| <b>K.</b> | <b>Data</b>                                      |               |               |
| 1         | No.  | 105,029       | 88,713        |
| 2         | Average age (yrs.)                               | 28.7          | 28-30         |
| 3         | Average past service (yrs.)                      | 2.3           | 2-3           |
| 4         | Average salary monthly (₹)                       | 8,606         | 6,944 - 8,966 |
| 5         | Future service (yrs.)                            | 31.3          | 31.33         |
| 6         | Weighted average duration of DBO                 | 3.00          | 2.67          |
| <b>L.</b> | <b>Expected cash flows for following year</b>    |               |               |
| 1         | Expected contributions/Addl. Provision Next Year | 32.83         | 37.76         |
| 2         | Expected total benefit payments                  |               |               |
|           | Year 1   | 57.04         | 42.90         |
|           | Year 2   | 35.32         | 17.15         |
|           | Year 3   | 24.00         | 9.25          |
|           | Year 4   | 16.58         | 5.36          |
|           | Year 5   | 11.90         | 3.18          |
|           | Next 5 years                                     | 24.19         | 4.20          |

| Category of Plan asset                               | % of Fair value to total planned assets (as at 31 March 2020) |
|--|---|
| Government securities and corporate bonds/debentures | 94.71%  |
| Money market instruments and fixed deposits          | 6.41%   |
| Net current assets and other approved security       | -1.12%  |
| <b>Total</b>   | <b>100.00%</b>  |

The Group's gratuity plan obligation is determined by actuarial valuation and is funded by investments in government securities. As such, the valuation and the funding are exposed to certain risks, including mainly salary increments, attrition levels, interest rates and investment yields. If salaries and interest rates rise faster than assumed or if the attrition rates are lower than assumed, then the Group's gratuity obligation would rise faster in future periods and an increase in market yields of government securities would reduce the value of the plan's investments, leading to higher future funding requirements. The Group monitors plan obligations and investments regularly with a view to ensuring that there is adequate funding on an ongoing basis, thus mitigating any potential adverse consequences of the risks described.

**C) Compensated absences**

| Particulars                    | 31 March 2020 | 31 March 2019      |
|--------------------------------|---------------|--------------------|
| Total actuarial Liability      | -             | 1.69               |
| Assumptions                    |               |                    |
| Discount rate                  | -             | 6.84% - 6.92% p.a. |
| Expected return on plan assets | -             | -                  |
| Salary escalation rate         |               |                    |
| General                        | -             | 5% - 8% p.a.       |
| Others                         | -             | 5% - 8% p.a.       |

As at 31 March 2020, the Group neither has a policy of encashment of unavailed leaves for its employees nor does it allow the leaves to be carried forward to next year.

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**37 Contingent liabilities**

| S.N. | Particulars  | 31 March 2020 | 31 March 2019 |
|------|--|---------------|---------------|
| 1    | Claims against the Group not acknowledged as debt (Refer Note 37.1)  | <b>94.32</b>  | 93.73         |
| 2    | Estimated amount of contracts remaining to be executed on capital account and not provided for:<br><br>(Net of Advances amounting to ₹3.61 crore, previous year ₹1.27 crore) | <b>12.42</b>  | 19.53         |
| 3    | Undrawn committed sanctions to borrowers   | <b>88.84</b>  | 31.70         |

**37.1 Claims against the Group not acknowledged as debt**

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Suit filed by borrowers                                     | <b>4.13</b>   | 3.54          |
| Other contingent liabilities in respect of :                |               |               |
| 1. Provident Fund matter - (see (a) below)                  | <b>50.14</b>  | 50.14         |
| 2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below) | <b>34.88</b>  | 34.88         |
| 3. Income tax matter  | <b>4.85</b>   | 4.85          |
| 4. Payment of Labour Welfare Fund                           | <b>0.32</b>   | 0.32          |
| <b>Total</b>  | <b>94.32</b>  | <b>93.73</b>  |

a) Provident Fund matter

The Group had received a notice of demand from the Provident Fund department amounting to ₹ 50.14 crore. The Group had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Group had received a favorable outcome. However, a sum of ₹ 1 crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Other financial assets in Note 10.

The Provident Fund department has challenged the order of the appellate authority in the High Court. The management of the Group is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. In the eventuality of any claim arising out of this case, the same will be billed to the customer in the year the claim is final and accordingly no provision has been made.

b) Payment of Bonus (Amendment) Act, 2015

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on 1 January 2016 by Government of India, the Group would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from 1 April 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. In light of the above, the Group has decided to disclose such bonus amounting to ₹ 34.88 crore as a contingent liability.

**37.2** The Group's pending litigations comprise of claims against the Group by the customers and proceedings pending with other authorities. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

**37.3** The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Group has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**38 Maturity analysis of assets & liabilities**

| Particulars                               | 31 March 2020    |                  | 31 March 2019 |             |
|---|------------------|------------------|---------------|-------------|
|   | Current          | Non Current      | Current       | Non Current |
| <b>ASSETS</b>                             |                  |                  |               |             |
| <b>Financial Assets</b>                   |                  |                  |               |             |
| (a) Cash and cash equivalents (CCE)       | 355.95           | -                | 334.72        | -           |
| (b) Bank balances other than CCE          | 207.23           | -                | 153.79        | -           |
| (c) Derivative financial instruments      | 81.32            | -                | -             | -           |
| (d) Trade receivables                     | 181.18           | -                | 114.42        | -           |
| (e) Loans                                 | 17,730.01        | 39,415.87        | 17,324.76     | 36,556.41   |
| (f) Investments                           | 1,744.81         | 0.95             | 567.41        | 0.95        |
| (g) Other financial assets                | 69.90            | 48.18            | 40.54         | 69.25       |
|   | <b>20,370.40</b> | <b>39,465.00</b> | 18,535.64     | 36,626.61   |
| <b>Non-financial Assets</b>               |                  |                  |               |             |
| (a) Current tax assets (Net)              | 77.42            | -                | 36.74         | -           |
| (b) Deferred tax assets (Net)             | -                | 415.62           | -             | 384.96      |
| (c) Property, plant and equipment         | -                | 124.48           | -             | 113.89      |
| (d) Capital work-in-progress              | -                | 0.06             | -             | -           |
| (e) Other intangible assets               | -                | 9.07             | -             | 9.14        |
| (f) Other non-financial assets            | 37.62            | 214.79           | -             | -           |
|   | <b>115.04</b>    | <b>764.02</b>    | 36.74         | 507.99      |
| <b>TOTAL ASSETS</b>                       | <b>20,485.44</b> | <b>40,229.02</b> | 18,572.38     | 37,134.60   |
| <b>LIABILITIES</b>                        |                  |                  |               |             |
| <b>Financial Liabilities</b>              |                  |                  |               |             |
| (a) Derivative financial instruments      | -                | -                | -             | -           |
| (b) Trade payables                        | 149.99           | -                | 394.91        | -           |
| (c) Debt securities                       | 9,228.64         | 13,364.74        | 10,105.73     | 14,013.94   |
| (d) Borrowings other than debt securities | 8,661.58         | 14,918.58        | 5,864.37      | 12,231.28   |
| (e) Subordinated liabilities              | -                | 3,630.55         | -             | 2,889.78    |
| (f) Other financial liabilities           | 1,986.95         | 267.43           | 2,303.28      | 320.52      |
|   | <b>20,027.16</b> | <b>32,181.30</b> | 18,668.29     | 29,455.52   |
| <b>Non-Financial Liabilities</b>          |                  |                  |               |             |
| (a) Current tax liabilities (net)         | 74.60            | -                | 56.12         | -           |
| (b) Provisions                            | 224.61           | 62.25            | 238.06        | 30.14       |
| (c) Other non-financial liabilities       | 45.51            | 81.23            | 65.04         | 15.33       |
|   | <b>344.72</b>    | <b>143.48</b>    | 359.22        | 45.47       |
| <b>TOTAL LIABILITIES</b>                  | <b>20,371.88</b> | <b>32,324.78</b> | 19,027.51     | 29,500.99   |
| <b>NET</b>                                | <b>113.56</b>    | <b>7,904.24</b>  | (455.13)      | 7,633.61    |

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**39 Corporate social responsibility**

The average profit before tax of the Group for the last three financial years was ₹ 1,414 crore, basis which the Group was required to spend ₹ 28.28 crore towards Corporate Social Responsibility (CSR) activities for the current financial year.

Amount spent during the year on:

| Particulars                           | 31 March 2020 |                          |       | 31 March 2019 |                          |       |
|---------------------------------------|---------------|--------------------------|-------|---------------|--------------------------|-------|
|                                       | Amount Spent  | Amount Unpaid/ provision | Total | Amount Spent  | Amount Unpaid/ provision | Total |
| Construction/acquisition of any asset | -             | -                        | -     | -             | -                        | -     |
| On purpose other than (i) above       | 24.81         | 3.47                     | 28.28 | 22.85         | -                        | 22.85 |

**40. Details of dues to Micro, Small and Medium Enterprises**

As per the confirmation received from the parties following is the status of MSME parties.

| Particulars  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| The Principal amount remaining unpaid at the end of the year | -             | -             |
| The Interest Amount remaining unpaid at the end of the year  | -             | -             |
| Balance of MSME parties at the end of the year               | -             | -             |

**Note** - The above is based on the information available with the Group which has been relied upon by the auditors.

**41 Fair value measurement**

**a) Valuation principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below:

**b) Total financial assets measured at fair value on a recurring basis**

The following tables show an analysis of the fair value of financial assets by level of the fair value hierarchy.

| Particulars                      | Category | Fair value hierarchy | Fair Value    |               |
|----------------------------------|----------|----------------------|---------------|---------------|
|                                  |          |                      | 31 March 2020 | 31 March 2019 |
| Mutual fund units                | FVTPL    | Level 1              | 750.02        | 326.86        |
| Unquoted equity shares           | FVTPL    | Level 3              | 0.95          | 0.95          |
| Treasury bills                   | FVTPL    | Level 1              | 994.79        | 240.55        |
| Derivative financial instruments | FVTPL    | Level 2              | 81.32         | -             |

Quoted price in active markets (Level 1):

Units held in mutual funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Treasury bills are valued based on market quotes.

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

Observable inputs (Level 2):

Fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product.

Fair value of debt securities, borrowings other than debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rate near to report date based on comparable rate / market observable data.

Unobservable inputs (Level 3):

Unquoted equity shares are measured at fair value using suitable valuation models.

- c) The table below presents information pertaining to the fair values and carrying values of the Group's financial assets and liabilities.

| Particulars                                       | Category | 31 March 2020    |                  | 31 March 2019  |            |
|---|----------|------------------|------------------|----------------|------------|
|   |          | Carrying value   | Fair value       | Carrying value | Fair value |
| <b>Financial Assets</b>                           |          |                  |                  |                |            |
| (a) Cash and cash equivalents (CCE)               |          | 355.95           | 355.95           | 334.72         | 334.72     |
| (b) Bank balances other than CCE                  |          | 207.23           | 207.23           | 153.79         | 153.79     |
| (c) Derivative financial instruments              | Level 2  | 81.32            | 81.32            | -              | -          |
| (d) Trade receivables                             |          | 181.18           | 181.18           | 114.42         | 114.42     |
| (e) Loans   | Level 2  | 57,145.88        | 53,256.66        | 53,881.17      | 50,723.84  |
| (f) Investments - Mutual funds and Treasury bills |          | 1,744.81         | 1,744.81         | 567.41         | 567.41     |
| Investments - Unquoted equity shares              | Level 3  | 0.95             | 0.95             | 0.95           | 0.95       |
| (g) Other financial assets                        |          | 118.08           | 118.08           | 109.79         | 109.79     |
|   |          | <b>59,835.40</b> | <b>55,946.18</b> | 55,162.25      | 52,004.92  |
| <b>Financial Liabilities</b>                      |          |                  |                  |                |            |
| (a) Derivative financial instruments              |          | -                | -                | -              | -          |
| (b) Trade payables                                |          | 150.00           | 150.00           | 394.91         | 394.91     |
| (c) Debt securities                               | Level 2  | 22,593.38        | 23,951.81        | 24,119.67      | 18,230.59  |
| (d) Borrowings other than Securitisation          | Level 2  | 20,954.00        | 20,762.75        | 16,474.55      | 18,545.44  |
| Borrowings under Securitisation                   | Level 2  | 2,626.16         | 2,831.79         | 1,621.10       | 1,759.70   |
| (e) Subordinated liabilities                      | Level 2  | 3,630.55         | 3,913.97         | 2,889.78       | 4,808.56   |
| (f) Other financial liabilities                   |          | 2,254.38         | 2,254.38         | 2,623.80       | 2,623.80   |
|   |          | <b>52,208.47</b> | <b>53,864.69</b> | 48,123.81      | 46,363.00  |

**(i) Short-term and other financial assets and liabilities**

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities that are insignificant in value, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, trade payables, other financial assets and other financial liabilities.

**(ii) Loans**

These financial assets are recorded at amortised cost, the fair values of which are estimated at portfolio level using a discounted cash flow model based on contractual cash flows discounted using market rates incorporating the counterparties' credit risk.

**(iii) Debt securities, borrowings and subordinated liabilities**

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the Group's own credit risk or based on market-observable data such as secondary market prices for its traded debt, as relevant.

## **42 Capital Management**

The primary objective of the Group's capital management policy is to ensure compliance with regulatory capital requirements. In line with this objective, the Group ensures adequate capital at all times and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flows are monitored, borrowing covenants are honoured and ratings are maintained.

Regulatory capital-related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed levels. In accordance with such norms, Tier I capital of the Group comprises of share capital, share premium, reserves and perpetual debt, Tier II capital comprises of subordinated debt and provision on loans that are not credit-impaired. There were no changes in the capital management process during the periods presented.

## **43 Risk Management**

While risk is inherent in the Group's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Group's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

### **a) Credit risk**

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

#### **Financial assets measured on a collective basis**

The Group splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

#### **Significant increase in credit risk**

The Group considers an exposure to have significantly increased in credit risk when the borrower crosses 30 DPD but is within 90 DPD.

#### **Impairment assessment**

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower crosses 90 days past due on its contractual payments. Further, the borrower is retained in Stage 3 (credit-impaired) till all the overdue amounts are repaid i.e. borrower becomes 0 days past due on its contractual payments.

#### **Exposure at default**

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation.

#### **Loss given default**

The credit risk assessment is based on a standardised LGD assessment framework that incorporates the probability of default and subsequent recoveries, discounted.

Current economic data and forward-looking economic forecasts and scenarios are used in order to determine the Ind-AS 109 LGD rate. The company uses data obtained from third party sources and combines such data with inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios.



**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**Analysis of risk concentration**

The following table shows the risk concentration of the Group's loans.

|                           | <b>31 March 2020</b> | 31 March 2019 |
|---------------------------|----------------------|---------------|
| Carrying value of Loans   | <b>57,145.88</b>     | 53,881.18     |
| Mortgage backed loans     | <b>17,847.74</b>     | 18,174.98     |
| Other assets backed loans | <b>23,817.31</b>     | 22,496.23     |
| Personal loans            | <b>13,234.91</b>     | 11,398.19     |
| Others                    | <b>2,245.92</b>      | 1,811.77      |
| <b>Total</b>              | <b>57,145.88</b>     | 53,881.18     |

**Collateral and other credit enhancements**

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

**Collateral coverage - credit impaired loans**

| <b>Loan to Value (LTV) range</b> | <b>31 March 2020</b> | 31 March 2019 |
|----------------------------------|----------------------|---------------|
| Upto 50 % Coverage               | <b>1,202.22</b>      | 524.88        |
| 51-75 % Coverage                 | <b>555.54</b>        | 126.58        |
| 76-100 % Coverage                | <b>51.94</b>         | 27.18         |
| Above 100% Coverage              | <b>10.83</b>         | 0.04          |
| <b>Total</b>                     | <b>1,820.53</b>      | 678.68        |

**b) Liquidity risk and funding management**

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

**Maturity profile of financial liabilities**

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31st March.

| <b>31 March 2020</b>             | <b>Less than 1 year</b> | <b>1 year to 3 years</b> | <b>3 years to 5 years</b> | <b>5 years and above</b> | <b>Total</b>     |
|----------------------------------|-------------------------|--------------------------|---------------------------|--------------------------|------------------|
| Derivative financial instruments | -                       | -                        | -                         | -                        | -                |
| Debt securities                  | <b>10,828.66</b>        | <b>14,631.49</b>         | <b>833.87</b>             | <b>420.75</b>            | <b>26,714.76</b> |
| Borrowings                       | <b>8,580.57</b>         | <b>13,821.56</b>         | <b>1,097.94</b>           | -                        | <b>23,500.07</b> |
| Borrowings under Securitisation  | <b>1,483.34</b>         | <b>1,303.57</b>          | <b>46.99</b>              | -                        | <b>2,833.89</b>  |
| Subordinated liabilities         | <b>337.22</b>           | <b>1,274.65</b>          | <b>1,262.80</b>           | <b>3,115.79</b>          | <b>5,990.46</b>  |
| <b>Total</b>                     | <b>21,229.78</b>        | <b>31,031.27</b>         | <b>3,241.59</b>           | <b>3,536.54</b>          | <b>59,039.18</b> |

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

| <b>31 March 2019</b>            | Less than<br>1 year | 1 year to<br>3 years | 3 years to<br>5 years | 5 years<br>and above | Total            |
|---------------------------------|---------------------|----------------------|-----------------------|----------------------|------------------|
| Debt securities                 | 11,989.00           | 13,937.48            | 2,192.24              | -                    | 28,118.72        |
| Borrowings                      | 6,268.93            | 10,664.27            | 2,195.14              | -                    | 19,128.34        |
| Borrowings under Securitisation | 918.43              | 817.38               | 25.39                 | -                    | 1,761.20         |
| Subordinated liabilities        | 271.96              | 543.56               | 1,314.48              | 2,705.97             | 4,835.97         |
| <b>Total</b>                    | <b>19,448.32</b>    | <b>25,962.69</b>     | <b>5,727.25</b>       | <b>2,705.97</b>      | <b>53,844.23</b> |

**c) Market risk**

Market risk represents 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 and equity prices.

**i) Interest rate risk**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Group's statement of profit and loss.

|                              | % Increase in rate |               | Increase/(decrease) in profit |               |
|------------------------------|--------------------|---------------|-------------------------------|---------------|
|                              | 31 March 2020      | 31 March 2019 | 31 March 2020                 | 31 March 2019 |
| Borrowings that are repriced | <b>0.25%</b>       | 0.25%         | <b>(44.35)</b>                | (31.21)       |
| Loans that are repriced      | <b>0.25%</b>       | 0.25%         | <b>42.07</b>                  | 39.62         |

**ii) Foreign Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Group arises majorly on account of foreign currency borrowings. The Group manages this foreign currency risk by entering into cross currency swaps and forward contract. When a derivative is entered into for the purpose of being as hedge, the Group negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Group's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Group holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

**d) Operational risk**

Operational risk is the risk of loss arising from inadequate or failed internal process or proper systems.

The operational risks of the Group are managed through comprehensive internal control systems and procedures and key back up processes. This enables the management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis. The Group also undertakes Risk based audits on a regular basis across all business units / functions. While examining the effectiveness of the control framework through self-assessment, the risk-based audit would assure effective implementation of self-certification and internal financial controls adherence, thereby, reducing enterprise exposure.

The Group has put in place a robust Disaster Recovery (DR) plan, which is periodically tested. Business Continuity Plan (BCP) is further put in place to ensure seamless continuity of operations including services to customers, when confronted with adverse events such as natural disasters, technological failures, human errors, terrorism, etc. Periodic testing is carried out to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Group's readiness.

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**44 Impact of hedging activities**

**a) Disclosure of effects of hedge accounting on financial position:**

| 31 March 2020   |               |             |                                       |             |  |   |  |                            |
|---|---------------|-------------|---------------------------------------|-------------|--|---|--|----------------------------|
| Type of hedge and risks   | Nominal value |             | Carrying amount of hedging instrument |             | Maturity date                            | Changes in fair value of hedging instrument | Change in the value of hedged item used as the basis for recognising hedge effectiveness | Line item in Balance Sheet |
|   | Assets        | Liabilities | Assets                                | Liabilities |  |   |  |                            |
| Cash flow hedge   |               |             |                                       |             |  |   |  |                            |
| Foreign exchange forward contracts (Cross currency interest rate swaps) | 2,269.50      | -           | 81.32                                 | -           | 30 Oct 2022, 29 Nov 2022 and 10 Dec 2022 | 81.32                                       | (81.32)  | Borrowings                 |

| 31 March 2019   |               |             |                                       |             |               |   |  |                            |
|---|---------------|-------------|---------------------------------------|-------------|---------------|---|--|----------------------------|
| Type of hedge and risks   | Nominal value |             | Carrying amount of hedging instrument |             | Maturity date | Changes in fair value of hedging instrument | Change in the value of hedged item used as the basis for recognising hedge effectiveness | Line item in Balance Sheet |
|   | Assets        | Liabilities | Assets                                | Liabilities |               |   |  |                            |
| Cash flow hedge   |               |             |                                       |             |               |   |  |                            |
| Foreign exchange forward contracts (Cross currency interest rate swaps) | -             | -           | -                                     | -           | -             | -   | -  | -                          |

**b) Disclosure of effects of hedge accounting on financial performance**

| 31 March 2020                                |  |  |  |  |
|--|--|--|--|--|
| Type of hedge                                | Change in the value of the hedging instrument recognised in other comprehensive Income | Hedge ineffectiveness recognised in statement of profit and loss | Amount reclassified from cash flow hedge reserve to statement of profit and loss | Line item affected in statement of profit and loss because of the reclassification |
| Cash flow hedge                              |  |  |  |  |
| Foreign exchange risk and interest rate risk | 81.32  | -  | (128.28)   | Finance cost   |

| 31 March 2019                                |  |  |  |  |
|--|--|--|--|--|
| Type of hedge                                | Change in the value of the hedging instrument recognised in other comprehensive Income | Hedge ineffectiveness recognised in statement of profit and loss | Amount reclassified from cash flow hedge reserve to statement of profit and loss | Line item affected in statement of profit and loss because of the reclassification |
| Cash flow hedge                              |  |  |  |  |
| Foreign exchange risk and interest rate risk | -  | -  | -  | NA   |

**Notes to the Consolidated Financial Statements (Continued)**  
**for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

**45 Changes in Liabilities arising from financing activities**

| Particulars                           | 1 April 2019 | Cash flows | Exchange Difference | Other   | 31 March 2020 |
|---------------------------------------|--------------|------------|---------------------|---------|---------------|
| Debt securities                       | 24,119.67    | (1,727.00) | -                   | 200.71  | 22,593.38     |
| Borrowings other than debt securities | 16,474.55    | 4,372.45   | 128.28              | (21.28) | 20,954.00     |
| Borrowings under Securitisation       | 1,621.10     | 1,005.06   | -                   | -       | 2,626.16      |
| Subordinated liabilities              | 2,889.78     | 743.50     | -                   | (2.73)  | 3,630.55      |
| Total                                 | 45,105.10    | 4,394.01   | 128.28              | 176.70  | 49,804.09     |

| Particulars                           | 1 April 2018 | Cash flows | Exchange Difference | Other    | 31 March 2019 |
|---------------------------------------|--------------|------------|---------------------|----------|---------------|
| Debt securities                       | 20,410.36    | 3,816.91   | -                   | (107.60) | 24,119.67     |
| Borrowings other than debt securities | 12,482.93    | 4,001.05   | -                   | (9.43)   | 16,474.55     |
| Borrowings under Securitisation       | 867.42       | 753.68     | -                   | -        | 1,621.10      |
| Subordinated liabilities              | 1,992.50     | 900.00     | -                   | (2.72)   | 2,889.78      |
| Total                                 | 35,753.21    | 9,471.64   | -                   | (119.75) | 45,105.10     |

- (i) Other column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees etc
- (ii) Total Liabilities comprises of Debt securities, Borrowings (other than debt securities) and Subordinated Liabilities

**46 Expenditure / Remittances in Foreign Currencies**

**a) Expenditure in Foreign Currencies**

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Interest and processing charges for debt instrument | 19.46         | -             |
| Professional charges                                | 0.14          | 0.72          |

**b) Remittances in Foreign Currencies**

| Particulars              | 31 March 2020 | 31 March 2019 |
|--------------------------|---------------|---------------|
| Purchase of fixed assets | 0.03          | -             |

- c) There is no dividend paid in foreign currency.

**47 Event after Reporting Date**

There has been an event after the reporting date (Please refer Note 49). Necessary adjustments/disclosures have been provided in the financial statements.

**48 Transfer of Financial Assets**

**48.1 Transferred financial assets that are not derecognised in their entirety**

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

**A) Securitisation**

The Group has transferred certain pools of fixed rate loan receivables backed by underlying assets by entering into securitisation transactions with the Special Purpose Vehicle Trusts (SPV Trust) sponsored by commercial banks for consideration received in cash at the inception of the transaction.

**Notes to the Consolidated Financial Statements (Continued)  
for the year ended 31 March 2020**



(Currency : Indian Rupees in crore)

The Group, being the Originator of these loan receivables, also acts as a Servicer with a responsibility of collection of receivables from its borrowers and depositing the same in Collection and Payout Account maintained by the SPV Trust for making scheduled payouts to the investors in Pass Through Certificates (PTCs) issued by the SPV Trust. These securitisation transactions also require the Group to provide for first loss credit enhancement in various forms, such as corporate guarantee, cash collateral, subscription to subordinated PTCs etc. as credit support in the event of shortfall in collections from underlying loan contracts. By virtue of existence of credit enhancement, the Group is exposed to credit risk, being the expected losses that will be incurred on the transferred loan receivables to the extent of the credit enhancement provided.

In view of the above, the Group has retained substantially all the risks and rewards of ownership of the financial asset and thereby does not meet the derecognition criteria as set out in Ind-AS 109. Consideration received in this transaction is presented as 'Borrowing under Securitisation' under Note 16.

The following table provides a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

| Particulars  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| Carrying amount of transferred assets measured at amortised cost                         | 2,632.39      | 1,613.41      |
| Carrying amount of associated liabilities (Debt securities - measured at amortised cost) | 2,626.16      | 1,621.10      |
| Fair value of assets   | 2,364.33      | 1,495.38      |
| Fair value of associated liabilities   | 2,831.79      | 1,759.70      |
| Net position at Fair Value   | (467.46)      | (264.32)      |

**B) Assignment**

The Group has sold some loans (measured at amortised cost) by way of direct bilateral assignment, as a source of finance.

As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been de-recognised from the Group's balance sheet.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain/(loss) on derecognition, per type of asset.

| Particulars   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Carrying amount of de-recognised financial asset      | 401.80        | 715.75        |
| Carrying amount of retained assets at amortised cost* | 47.40         | 84.48         |
| Gain on sale of the de-recognised financial asset     | Nil           | 36.72         |

\*excludes Excess Interest Spread (EIS) on de-recognised financial assets of ₹ 17.32 crore (previous year ₹ 34.65 crore)

**48.2 Transferred financial assets that are derecognised in their entirety but where the Group has continuing involvement**

The Group has not transferred any assets that are derecognised in their entirety where the Group continues to have continuing involvement.

**Notes to the Consolidated Financial Statements (Continued)  
for the year ended 31 March 2020**



**49 Provision for impact of COVID-19**

49.1 The 'severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)', generally known as COVID-19, which was declared as a global pandemic by World Health Organisation on 11 March 2020, continues to spread across globe and in India. Globally countries and businesses are under lockdown. On 24 March 2020, the Government of India announced a 21 days lockdown initially, which was extended by 19 days across the country to contain the spread of the virus. Considering the severe health hazard associated with COVID-19 pandemic, certain parts of the country have further extended the lockdown. There is a high level of uncertainty about the duration of the lockdown and the time required to return to normalcy. The extent to which COVID-19 pandemic will impact the Group's provision on assets is dependent on the future developments which are highly uncertain. The impact of the global health pandemic may be different from that estimated at the date of approval of these consolidated financial results and the Group will continue to closely monitor any material changes to future economic conditions.

49.2 In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27 March 2020 and 17 April 2020, the lending institutions have been permitted to grant a moratorium of three months on payment of all installments and / or interest, as applicable, falling due between 1 March 2020 and 31 May 2020 ('moratorium period') to eligible borrowers in accordance with the Board approved policy.

The Group holds provisions as at 31 March 2020 against the potential impact of COVID-19 based on the information available at this point in time.

**50 Disclosure under clause 28 of the Listing Agreement for Debt Securities**

| S.N. | Particulars  | 31 March 2020 | 31 March 2019 |
|------|--|---------------|---------------|
| a)   | Loans and advances in the nature of loans to subsidiaries                                      | -             | -             |
| b)   | Loans and advances in the nature of loans to associates  | -             | -             |
| c)   | Loans and advances in the nature of loans where there is -                                     | -             | -             |
|      | (i) no repayment schedule or repayment beyond seven years                                      | -             | -             |
|      | (ii) no interest or interest below section 186 of Companies Act, 2013                          | -             | -             |
| d)   | Loans and advances in the nature of loans to firms/companies in which directors are interested | -             | -             |

**51 Disclosure under clause 16 of the Listing Agreement for Debt Securities**

The Debentures are secured by way of a first and pari passu mortgage in favour of the Security Trustee on the Group's Office no 319, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and further secured by way of hypothecation of receivables under financing activity with a minimum requirement of asset cover of 1.1 times.

**52 Standards issued but not yet effective**

There are neither new standards nor amendments to existing standards which are effective for the annual period beginning from 01 April 2020.

**53 Previous year figures have been regrouped/rearranged, where necessary.**

As per our report of even date attached

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

Sd/-  
**Akeel Master**

Partner  
Membership No. 046768

Mumbai  
13 May 2020

For and on behalf of the Board of Directors of HDB Financial Services Limited

Sd/-  
**G Ramesh**  
Managing Director

Sd/-  
**Haren Parekh**  
Chief Financial Officer

Sd/-  
**Adayapalam Viswanathan**  
Director

Sd/-  
**Dipti Khandelwal**  
Company Secretary





**Loan  
Summary**

**Last  
Transaction  
Details**

**Next EMI  
Details**

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Support Service**

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