SPANDANA

ANNUAL REPORT
2020-21

Excellence & empathy

SPANDANA SPHOORTY FINANCIAL LIMITED

What's inside...

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Investor Information

Market Capitalisation as at March 31, 2021	:	₹ 3,898.80 Cr
BSE Code	:	542759
NSE Symbol	:	SPANDANA
AGM Date	:	September 28, 2021
AGM Time	:	11.30 a.m. (IST)
AGM Mode	:	Video Conferencing (VC) and Other Audio Visual Means (OAVM)

Disclaimer:

This document contains statements about expected future events and financials of Spandana Sphoorty Financial Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions, and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report. The financial numbers are consolidated basis unless otherwise mentioned.

Excellence & empathy

Rarely do Excellence and Empathy go together in the same breath. But when Excellence is the sequel to Empathy, the product is unique and for the greater good of the society.

More than two decades back, Spandana Sphoorty Financial Limited started out on a journey to include the economically deprived, especially women, in the financial lending space. Those who are financially weak but economically active and out of the banking lending periphery should not be denied of credit was our motto.

However, fiscal 2020-21 was an unfathomable period for our industry. Though our aim to reach out to more people in need of credit met with short-term posers during the nationwide lockdown in the early fiscal, it was our swift-steering skills that helped us tide over the pandemic and post an **Excellent** performance during the year.

The Company exhibited a stellar growth in loan disbursements and became the second largest Microfinance Company in India. With best-in-class asset quality, industry leading capital adequacy ratio, the Company has maintained its active customer base and improved cent percent collection efficiency.

But this **Excellence** couldn't have been this fulfilling had we not been **Empathetic** towards our borrowers in such harsh times. We lowered our interest rates, accelerated our CSR activities and reached out to as many women possible to enhance their lives.

Moving forward with our strategy to foster inclusive growth, we vow to demonstrate **Excellence** at all levels of functioning, and at the same allow **Empathy** to guide our decision making.

₹8,157 Cr
Assets Under Management
*(**19%** growth over the previous year)*

₹6,426 Cr
Disbursements

₹9,75 Cr
Net Interest Income
*(**19%** growth over the previous year)*

5.6%/3.1%
GNPA/NNPA

₹631.2 Cr
EBITDA

₹146 Cr
PAT

21.63%
Cost to Income %

1,052
Number of Branches

24.5 Lakhs
Number of Borrowers as on May 22, 2021

All figures are as on March 31, 2021 | GNPA: Gross Non-Performing Asset | NNPA: Net Not-Performing Asset
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation | PAT: Profit After Tax

The excellence journey

Largest Player
in the MFI space in India in terms of PBT and PAT

2nd Largest
in terms of Market cap

2nd Largest
NBFC MFI in terms of AUM

Spandana Sphoorty at a Glance

Spandana Sphoorty Financial Limited ('Spandana', or 'the Company' or 'we') commenced its journey with the incorporation under the Companies Act, 1956. The Reserve Bank of India (RBI) licensed us under the Reserve Bank of India Act, 1934, to carry on the business of a Non-Banking Financial Institution. With the release of NBFC-Micro Finance Institution (NBFC-MFI) as a new category of NBFCs, we were reclassified as an NBFC-MFI.

A Sight of Empathy

Guntur Town, Andhra Pradesh, India

A life can change in a day. In the summer of 1997, a woman rag-picker buying household reject items on a pushcart caught the sight of Mrs. Padmaja Reddy.

The entrepreneur in Mrs. Reddy realised that the rag-picker was working very hard, yet wasn't getting the returns on her toil, and had to live in poverty.

With an exploitative daily cart rent, the lady was spending far more than the cost of a new cart. To Mrs. Reddy's amaze, she got to know from the ragpicker that she had been paying for the pushcart for the past 20 years. Even after paying almost ₹ 60,000 over the years, the lady still did not own the cart.

Such was the tribulation that even if she toiled for some more years, she wouldn't have owned the cart. And, it was all because of her inability to pay a lump sum to buy a cart, which denied her a decent livelihood despite all the hard work. The lack of access to affordable and serviceable capital left her with no choice but to keep paying for the cart to the moneylender.

A bank would have never provided credit to a ragpicker and the moneylender was exploiting the situation. Mrs. Reddy decided to lend her a small amount, enough to buy a cart, with a promise from the lady of timely and reasonable repayments.

The ragpicker started using her self-owned pushcart, saving a handsome amount on the rent cost. She not only conveniently repaid the money from her increased returns, but also started saving money.The renewed life and better livelihood of the ragpicker caught the attention of several people. As the word spread about a lady helping economically active women with loans, several people from the low-income group made a beeline to meet Mrs. Reddy at her doorstep.

A life can change any day. All it needs is a sight of empathy and the vision to make a difference to the world around us.

₹ 4,300 Cr

Gross loan disbursement in our history of Microfinance Programme of over 23 years, first as SRUDO and later as Spandana

This is the story of Spandana. The story of how a person identified the needs of the economically deprived section of the society. Gradually, the financial inclusion idea germinated and now the Company has catapulted into one of the largest MFIs in India.

In the past 23 years of our existence, we have only strengthened the socio-economic status of low-income households–mostly women–that are unbanked and under-banked in rural and urban areas. Usually, the products offered by the banks may not meet the banking requirements of low-income households and individuals. This is where we step in to fill the demand gap by providing services at the doorstep.

Our financial services are improving livelihoods, helping in established entities, enhancing self-image, and enabling our customers to be a part of decision-making at the household level. Thereby, helping women to manage and grow their micro-enterprises with access to capital through MFI loans.

Lending model

Spandana follows the group-based as well as the individual micro-credit lending model. Loans are given to individuals based on their household economics. Besides microcredit, we have offered various other loan products in our journey as an MFI. These include agri-family loans, farm equipment loans, small mortgages, and loans against gold jewellery, among others.

Product Offerings

Chethana/Abhilasha (JLG Loans)

This product has been designed especially for low-income households.

Loans Against Property (LAP)

These loans are given against the mortgage of residential properties/commercial shops (excluding open plots on agriculture land).

Personal Loans

These are exclusively for business development, purchase of livestock, house construction/ renovation, or any other emergency needs.

Gold Loans (Keertana)

These are given against the mortgage of jewellery.

Interim Loans

These loans assist borrowers struggling to meet short-term liquidity requirements.

Vision

We want to be the largest Micro Finance Institution by 2025 serving low-income segment with highest market share in each and every geography that we operate in.

Mission

We want to be the leading Micro Finance Company by offering a range of financial products and services to low income households and individuals to improve their quality of life. We constantly endeavour to deliver quality services to our clients and remunerative returns to our stakeholders by maintaining highest levels of transparency and integrity. We strive to be the most preferred employer for our staff and preferred service provider for our borrowers.

Objectives

- Build strong second line with layers of leadership across all levels
- Continue to maintain high corporate governance standards
- Preserve organizational values, work ethics and build a culture that ensures high job satisfaction to employees
- Set new benchmarks of efficiency and productivity for the industry and continue to maintain operational excellence
- Have world class technology that can support the delivery of range of products

Core Values

Our core values are exemplified by **TRICS**:

- **Transparency:** Maintaining simplicity and clarity in all activities and operations so that high standards of fairness can be established in all the dealings.
- **Responsiveness:** Constantly working to identify the changing needs of clients and potential clients and developing suitable products and services to address these needs. Thus, keeping Spandana ahead of its competitors.
- **Integrity:** Maintaining high standards of conduct, truthfulness, and honesty in all dealings, to honour the commitment made to our clients and organization.
- **Commitment:** Performing all activities and tasks with professionalism and enthusiasm to give the highest level of client satisfaction and optimal efficiency.
- **Team Spirit:** Working together to create a synergy that results in exponential growth.

16 years journey

Started with Empathy, Progressing with Excellence

Spandana's growth journey is a tale that needs to be told and cherished. In the past 16 years, we have witnessed three major crises on our operations front. But no matter how strong the currents were, we have always resurfaced with renewed resoluteness and stronger commitment towards financial inclusion. We believe that the low-income community is creditworthy, and thus, traversed into the lending space to provide them a fair financial chance. Throughout our journey, we have grown, matured and excelled.

1997-98

- Spandana started operations as SRUDO, an NGO in Guntur, Andhra Pradesh
- Offered multiple community welfare programs with microfinance at the core

1998-99

- Achieved break-even in the first full year of operations; a breakthrough for any contemporary microfinance program

2002-03

- Incorporated Spandana Sphoorty Innovative Financial Services Limited (SSIFSL)on March 10, 2003, (later abridged to Spandana Sphoorty Financial Limited)
- SRUDO's operations became the largest microfinance program in India

2005-06

- Conducted business under NBFC licensed company setup (SSIFSL)
- Crossed cumulative disbursements of ₹ 10,000 million

2010-11

- Curbed onerously by AP-MFI (regulation of money lending) Act, leading to large-scale defaults in Andhra Pradesh, which constituted 51% of the portfolio; 14,000 on-roll staff
- Opted for Corporate Debt Restructuring (CDR) with lenders in March 2011

2011-12

- Signed CDR agreements with a deep restructuring of debt with tenor extension and part conversion to OCCRPS

2013-14

- Resumed operations in AP on a low key with help from the interim relief from Supreme Court; also helped improve overdue collections

2016-17

- Exited CDR Mechanism at the year-end; Raised ₹ 5,140 million Equity Capital from Kangchenjunga and Kedaara AIF-1; Infused a primary ₹ 3,000 million into Spandana; Set the stage for growth in coming years with capital buffer
- Experienced sectoral impact on collections of MFIs following demonetization in November 2016, impacting the borrower segment

2018-19

- Adopted IND-AS
- Witnessed strong growth and good asset quality despite multiple events like liquidity squeeze, floods, and state elections, among others
- Acquired 95.97% of the equity shares of Criss Financial Holdings Limited (Criss) in December 2018 and further subscribed to issue of fresh equity shares of Criss, resulting into Spandana holding 97.54% stake in the entity

2019-20

- Listed on NSE and BSE on August 19, 2019
- Grew the number of borrowers to 2.6 million
- Became country's most profitable MFI in terms of PAT and PBT
- Positioned as the industry leader in terms of capital adequacy, with a CRAR of 47%

2020-21

- Became 2nd largest MFI in India in MFI segment
- Highest ever monthly disbursement of ₹ 1,115 Cr in March2021
- Onboarded 16 new lenders in such a disruptive environment
- First MFI to resume business post lockdown
- 71% of the portfolio created post April 2020 (post-Covid portfolio)
- Agile risk management helped avoid over-leveraged areas – No presence in Assam and pulled back business in West Bengal
- Transitioned to monthly repayment cycle demonstrating superior collection efficiency
- Rating upgrade to A (stable) by both CRISIL and India Ratings

Message to stakeholders

We remained true to our core principle of demonstrating empathy towards our customers while positively impacting their livelihood. We stood by our customer-first philosophy and reflected excellent profitability

Dear Stakeholders,

The year 2020 was about change and our response to it. It was about how we adapted to disruptions and transitioned into the new normal with agility. The financial year 2020-21 saw unprecedented challenges for the economy and the microfinance business in India. Covid-19 wrecked lives and livelihood across the globe. Economies suffered significant contractions along with stagnation across all sectors.

The Indian Government and the Reserve Bank of India (RBI) promptly offered a stimulus worth ₹ 29.87 trillion to protect our economy. The gradual resumption of the economy in the second half of FY21 and inoculation drive boosted public confidence. We began to see a revival of consumption, manufacturing, and commerce across sectors. In the December quarter of FY21, the economy grew by 0.4%, and in the March quarter of FY21, it grew by 1.6%.

It gives me immense pleasure to report that, at Spandana Sphoorty, we remained true to our core principle of demonstrating empathy towards our customers while positively impacting their livelihood. We stood by our customer-first philosophy and reflected excellent profitability. As a Company, we constantly strive to imbibe the learnings from every crisis we have faced. And I feel incredibly proud to say that each time, we have emerged stronger, backed by our dynamic risk management framework and support of all stakeholders.

Client-first engagement philosophy

Our Company was formed with a vision to make a difference in the lives of our borrowers. In the times of turbulence led by two waves of Covid-19, we proactively undertook several measures to stay connected with the borrowers throughout the period. During the first wave of Covid-19, we were among the first few MFIs to resume business post-lockdown, opening branches across 18 states in April 2020. During the second wave of Covid-19, we didn't close any branches. Our credit agents and officers spent considerable time and effort on the field to resolve borrower queries.

Braved the tough times and emerged stronger

I am genuinely pleased to report that we performed exceptionally well in FY21. Despite the difficulties, the entire loan book increased by 19% to ₹ 8,157 Cr in FY21. Our consolidated total revenue was ₹ 1,506 Cr, with a profit after tax of ₹ 146 Cr. Our disbursements to high-quality borrowers helped us quickly normalize Collection Efficiencies post the second wave of Covid-19. Our Collection Efficiency was 83% for Q1 FY22 due to localised restrictions. However, it improved to 93% in Q2 FY22. However, we carry ₹ 577 Cr of provision, accounting for 7.1% of the total AUM as on Q1 FY22.

Covid-19 has reinforced our belief in the strategy to be nimble. We have benefited from an industry-leading geographic diversification and our under-exposure to over-leveraged states. Our business model continues to be differentiated with best-in-class productivity metrics. It allows us to be industry's cost leaders. We have continuously optimised our HR policies, branch structure, and collection models to deliver consistent cost savings – a structural advantage for our Company.

I am happy to report that despite the challenging environment, we obtained A (stable) rating in July 2021 from CRISIL. Our lenders and retail investors maintained confidence in our Company which helped us overcome these turbulent times. As a result, we raised ₹ 337.5 Cr in a single MLD transaction which is the highest ever in Micro Finance Industry in Q1 FY22.

During the year, we focussed exceptionally on our employee safety. We followed Covid-19 safety guidelines by the Government. We gradually shifted to work from home culture and fostered a healthy working environment for our people. We have also been regularly sanitising our offices and have distributed masks and other Covid-19 essentials to our people. As responsible corporate citizens, we have also tried spreading awareness about the pandemic. We provided Covid-19 insurance for all our employees and their families.

Along with these, we also provided an extension of leaves and one-time payment for the purchase of oximeters. Our Covid-19 vaccination programme launched by our Company for all the employees led a helping hand during such dire times. We also supported our communities to stay resilient to the impacts of the pandemic.

During such tough times, I am thankful to our stakeholders and borrowers for continuously placing their trust in us. Thank you for having chosen us as a partner of your journey. I also sincerely thank all our employees for dedicated time and effort to remain in the fields. They have helped us achieve our shared ambition to empower our borrowers, lenders and investors – supporting and guiding us to achieve our goals. As we look forward from here, we are ready to embark on the next growth phase to realise our vision of financial inclusion.

I pray for your's and your family's safety and well-being.

Padmaja Gangireddy

Founder & Managing Director

SPANDANA

Excellence that transformed business

Growth leads to transformation. For players like us, it becomes necessary to grow with the times by keeping the requirements of borrowers and market at the forefront.

Spandana boasts of well-balanced, resilient and adaptive business model. We have well-spread-out footprints, qualified team, strong cash position, well-capitalized business, and a robust risk management framework. These pluses allow us to try and test the uncharted shores. Thus, when the industry was busy tackling the pandemic-led uncertainties, we already had our plans ready for the post-Covid-19 world and the transformations that were to follow.

Understanding the borrower, ideate new products

Blue Lemon Product

We are the one-stop solution provider for all the financial needs of a borrower. Valuing their needs, we launched Blue Lemon - a consumer goods finance product to enable our clients to purchase mobile phones, refrigerators, sewing machines, and televisions, among others.We provide theloans with zero downpayment to address our borrowers' unplanned cash unavailability. The product loan size ranges from ₹ 500 to ₹ 80,000 with a tenure ranging from 1-24 months, based on the clients' requirements.

Firm focus on firming up services

Loan Cycle Caps

To cater to the needs of different strata of borrowers from varied regions, the loan amount caps have been revised for borrowers with different cycles.

Rate of Interest

We revised the interest rate from 21.87% to 21.20% per annum. A lesser interest rate placed us in a comfortable position in the Micro Finance Industry. It helped us reach out to newer clients and retain the existing ones as well. We continue to pass on the benefits of changes in the interest rates to our borrowers on a quarterly basis.

Family Member Insurance

We continuously strive to make a borrower's life better. Thus, we have introduced an immediate family member insurance for widowed and separated borrowers, insuring their blood relatives, along with them.

Maximizing Technology

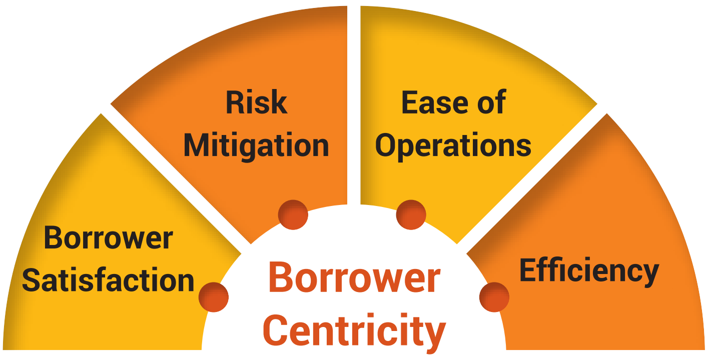
We have always given precedence to borrower-centricity in our pursuit of digital expansion. We now have a system that facilitates optimized, seamless, and secured transactions, along with smooth information flow across all functional units.

Our in-house technology that helps us deliver digitization solutions across various processes are:

- QR Code-based digital client onboarding
- Loan application workflow
- Real-time collections entry on the mobile platform with geo-tag feature
- Reduced risk with OTP-based loan disbursement
- Initiated cashless collections using National Automated Clearing House (NACH)

Advantages of being technologically upgraded

- Leveraging technology in borrower-facing business transactions has enhanced brand image and credibility
- Mobile platform has bridged the information gap, and enabled our representatives to instantly address concerns
- Process digitization has empowered our workforce to converge their efforts towards business excellence



We have also laid major stress on leveraging IT to create strong internal systemand processes. These will improve operational efficiency using our in-house-developed ERP product – FinS.

Convenience: Marking attendance from Mobile app, FinS web for Loan and BL Products

Efficiency: Uploading specific documents from Mobile app; permission to modify borrower details have streamlined the processes

Cheerful customers: From empathy to excellence

Chronicles of Growth

As a result of our efforts over the years, we have helped in improving the lives of many women around the country. Here are a few fascinating stories about how we've helped women better their financial situation and livelihood prospects.

1

Story of Tulsi and Nagaraj

The agro-based coir industry provides employment to over 7 Lakh workers in major coconut producing states in India. Tulsi and Nagaraj from Hiriyur of Karnataka also employ more than five poor labourers in their neighbourhood in their coir-making factory, which they run on their own premises. The couple also has five machines to manufacture coir. But this was not the scenario around 11 years back. They had dreams and plans. But resources were a problem to transform these dreams into reality. It was at this point of time in their lives,the couple heard about Spandana and how it provides loans to individuals without collateral pledge. They realised they too can get formal credit. This meant they will be free from the tyranny of village middlemen/money lenders. They borrowed ₹ 1 Lakh three years ago. Since then, their business has been running successfully. Every month there is coir production worth ₹ 1 Lakh and a profit of ₹ 40,000. Their lives have changed. They have not only been able to fulfil their own dreams, but also dreams of many others by providing jobs to the needy.

2

Story of Reshma B and Daulat Khan

Reshma B and Daulat Khan of Karnataka's Davangere area have been running a famous tea and snacks stall for the past seven years. However, seven years ago their lives were different. They struggled everyday to make ends meet. They then heard about the loans Spandana provides without collaterals. This meant they will have access to formal credit system. This brought in hope,as they always wanted to start their own business but were afraid to take a loan from middlemen who charge very high interests. The couple approached Spandana for the first loan of ₹ 70,000. Since then,they have taken loans from Spandana more than five times. They now earn ₹ 12,000 to ₹ 13,000 per month. It was extremely tough for them to run the business and the family during the national lockdown in March-April 2020, but they resumed business when mobility restrictions were eased.

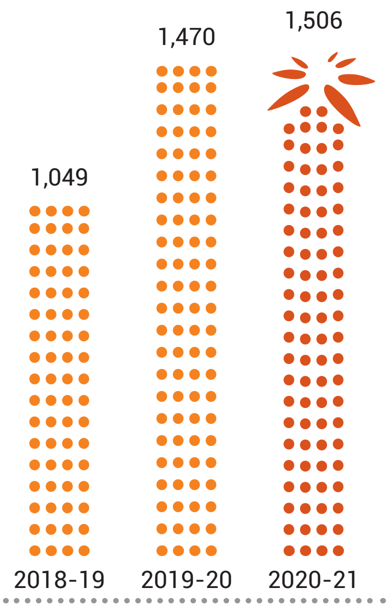
3

Story of Sumera

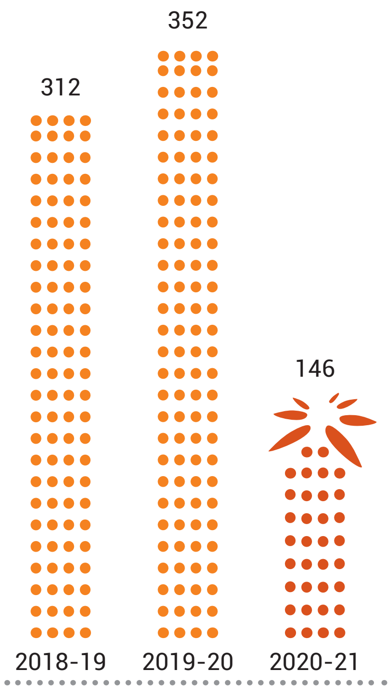
Sumera owns a beauty parlour-cum-tailoring shop and her income ranges between ₹ 20,000 and ₹ 25,000 per month. She started the business almost 10 years ago and during her journey, Spandana gave her the wings to fly by providing access to formal credit without any collateral to pledge. She has taken loans three to four times of an average amount of ₹ 30,000.Today, she is the sole breadwinner of the family. Her standard of living has improved and her dreams to stand on her own feet is finally a reality. Spandana gave her the courage to dream and make it a reality. She says, she is an empowered woman of today's generation.

Excellence in performance

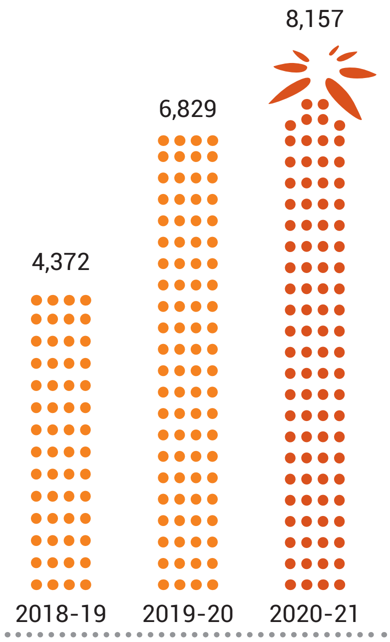
Total Income
(₹ in Cr)



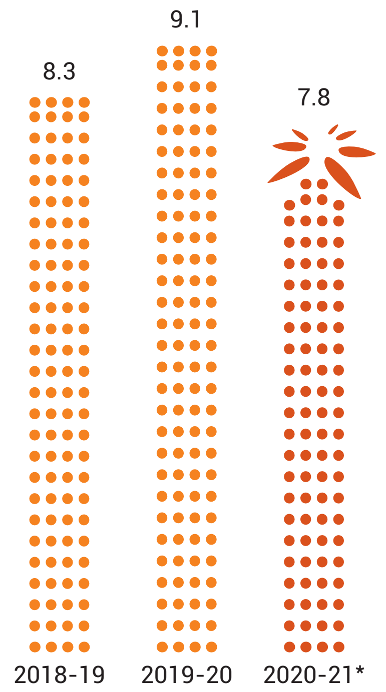
Profit after Tax
(₹ in Cr)



Assets Under Management
(₹ in Cr)

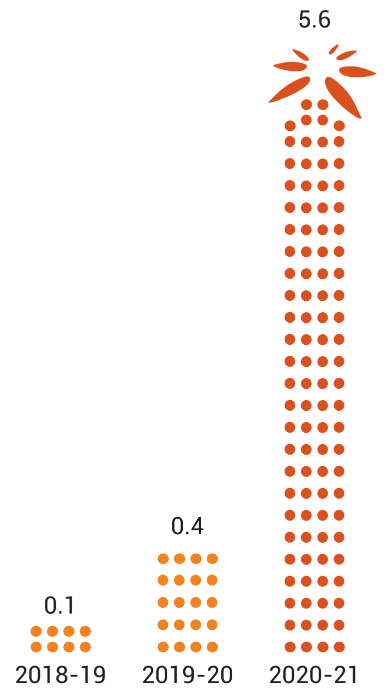


Return on Asset
(%)

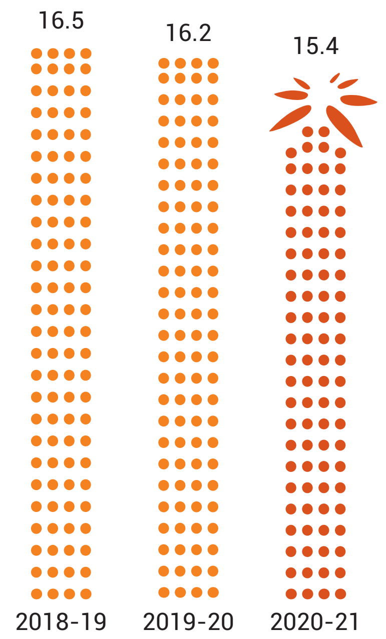


*Normalised figures (excluding Covid related provisions & one-time deferred adjustments)

Gross NPA
(%)



Net Interest Margin
(%)



NIM (%): NII/monthly average AUM

NII: Total interest income on AUM - total interest expenses including DA interest

Note: The financial numbers are consolidated unless otherwise mentioned

SPANDANA

Corporate information

Company Name
Spandana Sphoorty Financial Limited

Corporate Identity Number
L65929TG2003PLC040648

RBI Registration Number
N-09.00414 (Non-Banking Finance Company registration number issued by RBI; now operating in NBFC-MFI category)

Website
www.spandanaindia.com

Registered and Corporate Office
Plot No: 31 & 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad - 500 032, Telangana, India
Ph: +91 40 4812 6666
Fax: +91 40 4438 6640

Chief Financial Officer
Satish Kottakota

Company Secretary and Compliance Officer
Ramesh Periasamy
E-mail: secretarial@spandanaindia.com

Statutory Auditors
S.R. Batliboi & Co. LLP
Chartered Accountants
(ICAI FRN-301003E/E300005)

Registrars and Transfer Agents
KFin Technologies Pvt. Ltd.
(Earlier known as Karvy Fintech Pvt. Ltd.)
(SEBI Registration No.: INR000000221)
Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, Telangana, India
Ph: +91 40 6716 2222
Fax: +91 40 2343 1551
Investor grievance:
E-mail: einward.ris@karvy.com
Website: www.karisma.karvy.com

Board of Directors

- **Deepak Calian Vaidya**
  Non-Executive Chairman & Independent Director
  DIN: 00337276
- **Padmaja Gangireddy**
  Managing Director
  DIN: 00004842
- **Jagdish Capoor**
  Independent Director
  DIN: 00002516
- **Bharat Dhirajlal Shah**
  Independent Director
  DIN: 00136969
- **Abanti Mitra**
  Independent Director
  DIN: 02305893
- **Ramachandra K. Kamath**
  Non-Executive Director*
  DIN: 01715073
- **Amit Sobti**
  Non-Executive Director*
  DIN: 07795874
- **Kartikeya Dhruv Kaji**
  Non-Executive Director*
  DIN: 07641723
- **Sunish Sharma**
  Non-Executive Director*
  DIN: 00274432

* Nominee of Kedaara Capital I Limited

Lenders

- Aditya Birla Finance Limited
- Arka Fincap Limited
- Bandhan Bank Limited
- Bank of Baroda
- Bank of Maharashtra
- Credavenue Private Limited
- Edelweiss Financial Services Limited
- Equitas Small Finance Bank Limited
- Federal Bank Limited
- Fincare Small Finance Bank Limited
- Hero FinCorp Limited
- Hinduja Leyland Finance Limited
- Hongkong and Shanghai Banking Corporation Limited
- IDFC First Bank Limited
- IIFL Finance Limited
- Incred Capital Financial Services Private Limited
- InCred Capital Inclusion Advisory Services Private Limited
- Indian Bank
- Indusind Bank Limited
- Jana Small Finance Bank limited
- JM Financial Products Limited
- Kotak Mahindra Bank Limited
- Maanaveeya Development & Finance Private Limited
- MAS Financial Services Limited
- NABKISAN Finance Limited
- National Bank for Agriculture and Rural Development
- Northern Arc Capital Limited
- PHL Fininvest Private Ltd.
- Poonawalla Finance Private Limited
- Piramal Capital and Housing Finance
- RBL Bank Limited
- Reponsability India
- Standard Chartered Bank
- State Bank of India
- State Bank of Mauritius Limited
- Sundaram Finance Limited
- The Catholic Syrian Bank Limited
- Ujjivan Small Finance Bank Limited
- Unifi Capital Private Limited
- Vivriti Asset Management
- Vivriti Capital Private Limited
- Woori Bank
- Yes Bank Limited

Debenture Trustees

Catalyst Trusteeship Limited
GDA House, Plot No. 85,
Bhusari Colony (Right),
Paud Road, Pune411038, India
Tel: +91 (020) 25280081
Fax: 91 (020) 25280275
dt@ctltrustee. com
Website: www.catalysttrustee.com

IDBI Trusteeship Services Limited
Asian Building, Ground Floor,
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Mumbai400 001, India
Tel: +91 (22) 40807068
naresh.sachwani@idbitrustee.com
website:www.idbitrustee.com

MANAGEMENT DISCUSSION & ANALYSIS

1. INDUSTRY OVERVIEW

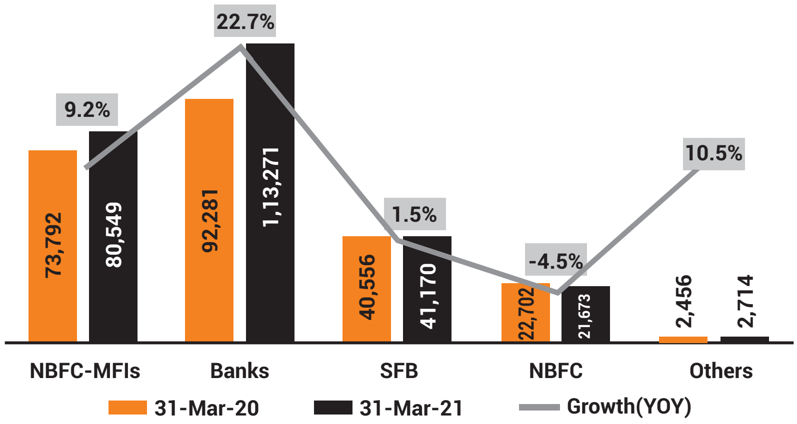
Microfinance Institutions (MFIs) were founded with the goal to ascertain financial inclusion and equality by providing loans to people who do not have access to traditional banking facilities. By offering small-ticket-sized loans to low-income households, the MFIs serve as a great alternative for the people in dire need of funds.

MFIs supplement banks by bridging the huge demand-supply imbalance in the domestic microcredit industry. Microfinance has accelerated rural development, women empowerment, and wealth generation in India. These were accomplished by extending credit, insurance, and other financial services to low-income households with small-scale savings.

The Indian microfinance industry serves a pivotal role in promoting financial inclusion and assisting low-income earners who are marginalized in society. The industry has grown enormously over time. With Government incentives, digital integration and a customer-centric orientation the future is bright for MFIs in India.

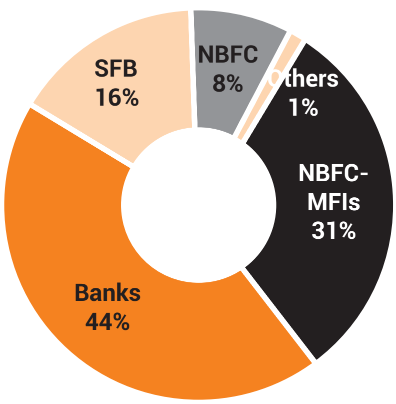
The microfinance industry recorded a y-o-y growth of 11.0% as of March 2021, with total loan portfolio standing at ₹ 2.6 trillion. The non-banking financial company-microfinance institutions (NBFC-MFIs) are the second largest provider of micro-credit in India. It witnessed a robust growth rate of ~40% between the fiscals 2015 and 2021. The total loan amount outstanding for NBFC-MFIs stood at ₹ 0.81 trillion as of March 2021 (Source: Mfin Micrometer, Issue 37).

PORTFOLIO OUTSTANDING OF THE MICRO FINANCE INDUSTRY (₹ CR)



Source: Mfin Micrometer, Issue 37

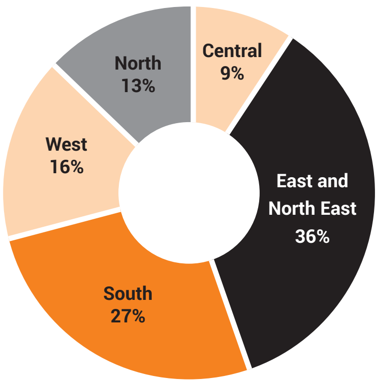
March 31, 2021



Source: Mfin Micrometer, Issue 37

The Indian MFI industry has added about 0.4 million unique borrowers since March 2020. As on March 31, 2021, the industry serves 59.3 million unique borrowers through 108.3 million loan accounts.

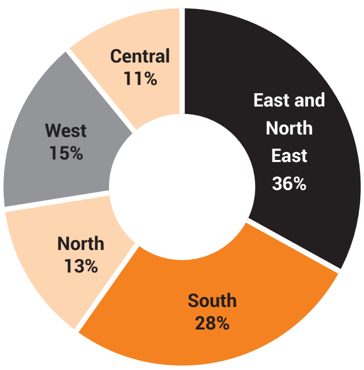
Regional distribution of unique borrowers March 31, 2021



Source: Mfin Micrometer, Issue 37

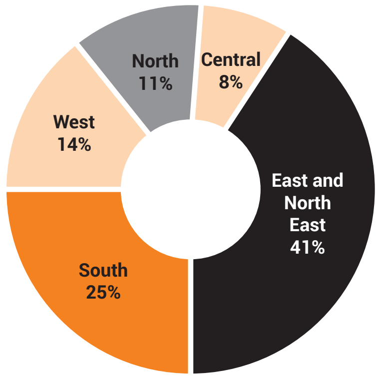
As on March 2021, microfinance operations are present in 28 states and 9 union territories (UTs). The top 10 states constitute 82.11% in terms of GLP and 82.3% of the total loan amount outstanding.

Regional distribution of GLP March 31, 2021



Source: Mfin Micrometer, Issue 37

Regional distribution of portfolio March 31, 2021



Source: Mfin Micrometer, Issue 37

As the impacts of the Covid-19 pandemic begin to fade, the sector is steadily gaining traction once again. In FY 2021-22, MFIs are predicted to rise by 25-26% (Source: CRISIL). One of the key development drivers for the industry in the next few years will be expanding reach within the country, enhancing digital loan processing and disbursements.

2. OPERATIONAL GROWTH

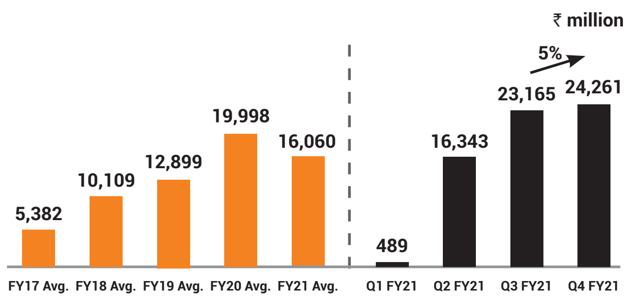
Expanding to New Geographies:

In FY 2020-21, we haven't expanded to any other new state but made our presence strong in 18 new states and 289 districts. When compared to the previous year, the number of branches has increased by 4%.

Improvement in Disbursal and Collection

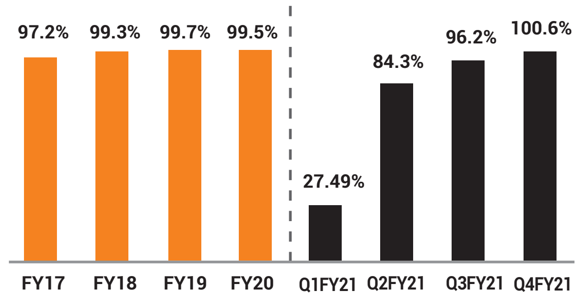
In FY 2020-21, we served a total of 2.45 million borrowers. During the year FY 2020-21 the Company disbursed ₹ 64,260 million as compared to ₹ 79,990 million in FY 2019-20. Disbursements were primarily affected due to the Covid-19 pandemic lockdown and disruption of business across sectors. With the resumption of business activities, the demand for microfinancing increased. The Company achieved quarterly improvement in disbursals, we clocked the highest average quarterly disbursement of ₹ 24,260 million in Q4 FY 2020-21.

Average Quarterly Disbursement



Collections including previous overdues during FY 2020-21 decreased to ₹ 50,335 million from ₹ 58,462 million in FY 2019-20. The collection efficiency including arrears also increased from second quarter onwards and reached 100.6% in Q4 FY 2020-21. We made continuous efforts to encourage customers to continue repayment. As of March 2021, 93.3% of our borrowers have resumed full repayment and around 4.4% have resumed partial repayment.

Collection Efficiency Including Arrears



Expanding Team Strength:

At Spandana, we have a total of 8,664 employees. We have been enhancing our field staff base to facilitate future expansion. The personnel base expanded by 5% during the year, resulting in an increase in the staff-per-branch ratio to 8.2 in 2021. Where most of the organizations are reducing the employee strength due to Covid-19, we hired employees big time.

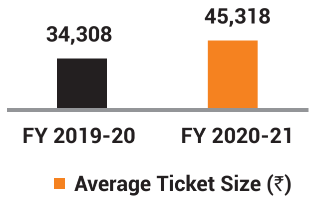
3. PORTFOLIO MIX

Spandana has an excellent track record of a healthy portfolio mix. We are diversified across ticket sizes, loan cycles as well as in rural and urban portfolio. Our strength as an organization in the microfinance space is indicated by a higher share of portfolio in the advanced loan cycles. In addition to an optimum portfolio mix and diversified allocation, we have robust asset quality across loan cycles.

Ticket Size:

As on FY 2020-21, our average ticket size for the loans disbursed during the year stood at ₹ 45,318, a change of 32% during the same period previous year. Advancing with our simple and flexible microfinance solutions, we have been able to maintain a diverse mix of ticket sizes. Moreover, we have successfully been able to accommodate borrowers' demands, while staying within the demographical lending limits.

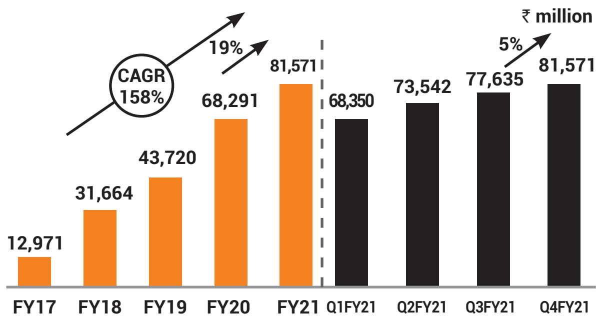
Average Ticket Size
(₹)



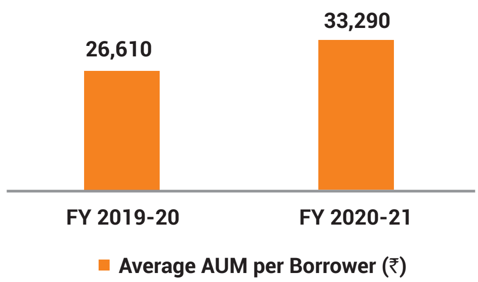
Loan Outstanding:

The Assets Under Management (AUM) during FY 2020-21 grew by 19% from ₹ 68,291 million at the end of FY 2019-20 to ₹ 81,571 million at the end of FY 2020-21. Borrowers repaying their loans and availing fresh loans with every next loan cycle predominantly gave thrust to this growth. The average loan outstanding per borrower also increased from ₹ 26,610 at the end of FY 2019-20 to ₹ 33,290 at the end of FY 2020-21.

Robust Growth in AUM



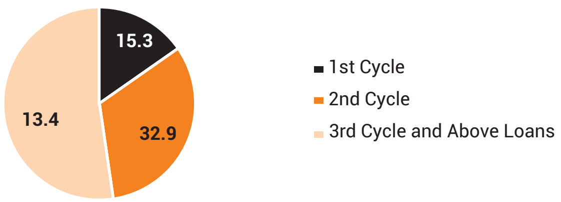
Average AUM per Borrower
(₹)



Cycle-wise Mix:

Our portfolio is well diversified across loan cycles. About 15% of our borrowers are in the first-cycle loans, which indicate our access to underserved section of the borrower profile. Furthermore, 53% of our loans are in the third cycle and above, which is a testimony of our long-term bond with our borrowers. An overall balanced mix across loan cycles shows active liability management and a seasoned loan portfolio. Our customer-centric business approach has led to sustainable relationship with our borrowers and has made the foundation more concrete for new borrower relationships.

Cycle-wise mix (%)



Rural Focus:

The rural India exhibits immense potential for microfinance lending with the Government laying more emphasis on rural development. Rural-centric infrastructure projects and efforts to uplift the medium and small enterprises have shown great confidence to microfinance lending in these underserved sections. At Spandana, our loan exposure is 95% in rural and 5% in urban areas, indicating our active focus in these regions, which provide us a distinctive advantage compared to our peers. In addition to having a competitive edge, the rural loans portfolio also exhibits a healthy asset quality with timely repayment.

4. PRODUCT MIX

At Spandana, our loan solutions are focussed on the uplift and financial well-being of women from the low-income groups in the rural area. 'Abhilasha / Chethana' loans - our flagship product - is an income-generation loan designed to help women attain financial stability and elevate their socio-economic status. As of March 31, 2021, 'Abhilasha / Chethana' contributed around 95.3% to the total AUM.

We also provide loans to individual clients, who do not have sufficient collateral, under our joint liability group (JLG) model. The group, on the other hand, guarantees the repayment of loans provided to individual members of the group. This model helps us service individuals who have been unsuccessful in getting access to credit due to insufficient documentation. Agriculture & allied, small-scale activities, and emergent needs are the focus areas of these loans.

We also provide loans against property to salaried, self-employed individuals as well as to clients with business needs. 'Shree' loans are given to low/lower-middle-income women in Andhra Pradesh (AP); gold loans are given to individuals against mortgage of gold jewellery for agriculture, business, and short-term liquidity needs; and interim loans are given to existing clients (on a group guarantee basis).

5. PORTFOLIO DIVERSIFICATION

We know the importance of diversification across regions and the benefits associated with a geographically diversified loan portfolio. To mitigate the risks associated with geographic concentration, we actively leverage our knowledge gained in the various territories, tweaking our portfolio to achieve an optimum mix. Our geographical diversification penetrates right from the state level to as precise as the branch level with major focus on increasing rural exposure.

State Level:

With increase in loan size over the time, we have successfully diversified our loan portfolio. In FY 2020-21, our portfolio was further diversified, with none of the states having an exposure of more than 18.5% of AUM. We keep internal benchmarks and limits to monitor our portfolio and effectively minimize concentration risk. Besides this, we also have a cap on our concentration risk at the level of our total networth. Disbursements by state are also within the 19% limit. Madhya Pradesh had the biggest disbursement in FY 2020-21, accounting for 19% of total disbursements, followed by Orissa (16.7%), Karnataka (14.1%), and Andhra Pradesh (14.1%).

District Level:

In addition to limits on state-level risk concentration, we have internal caps in place at the district level within states with no single district accounting for more than 2% of the total AUM. Individually, 95% of our districts generate less than 1% of the total AUM, indicating a lower risk of concentration. Spandana's exposure to the top-10 districts is only 14.4% of the AUM, as compared to significant exposure by larger MFIs/SFBs.

Exposure of Districts	as of March 2021	
% Contribution to Gross AUM	No. of Districts	% of Total Districts
< 0.5%	223	77%
0.5% - 1%	53	18%
1% - 2%	10	3%
>2%	1	0%
Total	289	100%

Exposure of Districts	FY 2020-21	
Proportion of Total Disbursements	No. of Districts	Proportion of Total Districts
< 0.5%	225	78%
0.5% - 1%	50	17%
1% - 2%	10	3%
>2%	4	1%
Total	289	100%

Exposure of Districts	as of March 2021	
Buckets	AUM (₹ million)	Proportion of Total AUM
Top 5 Districts	7,215.4	7.2%
Top 10 Districts	11,730.0	11.7%
Top 50 Districts	37,059.5	36.9%
Remaining Districts	44,331.8	44.2%

Branch Level:

The exposure risk limitation applies not just at the district level, but also at the branch level, with no branch exceeding 0.25% of the total AUM. We have always paid close attention to proactively managing our concentration risk, along with improving performance. Our dynamic and continuous risk-management approach stands witness to our diversified loan portfolio. In FY 2020-21, 980 branches out of a total of 1,052 have less than 0.15% exposure of the total AUM.

Exposure of Districts	FY 2020-21	
Proportion of Gross AUM	No. of Branches	Proportion of Total Branches
<0.15%	980	93%
0.15%-0.25%	72	7%
0.25%-0.35%	-	-
>0.35%	-	-
Total	1,052	100%

6. PRODUCTIVITY METRICS

Our AUM growth per branch results from our improved productivity even during the tough times of the Covid-19 pandemic. As of March 31, 2021, we have over 1,052 branches across India with AUM per branch of ₹ 77.4 million which increased our productivity levels, focusing on further improvement.

Rising employee productivity has led to reduction in operational expenses (Opex). Opex over AUM ratio has come down from 4.0% in FY 2019-20 to 3.2% in FY 2020-21. This is mainly because of the high efficiency level of our feet-on-the-street warriors - loan officers and salesforce. We foresee potential for further improvement in opex levels going ahead with increasing AUM per branch and employee productivity.

7. HUMAN RESOURCE MANAGEMENT

We believe in nurturing our employees for their all-round development. We conduct regular training sessions, skill development sessions at the office as well as field levels to ensure continuous development of our employees and enhance their productivity levels. To our new employees, we provide induction training followed by role-specific knowledge transfer for smooth progression. Our HR department continuously works towards raising employee morale and aligning employee-organizational goals. We believe in performance-based reward system and incentivise our people upon exemplary performances. Furthermore, to prevent fraud, several control measures are in place, including periodic transfers, non-home placements, and position rotations. We moved on to FY 2021-22 with 8,644 total employees and 6,721 loan officers on a consolidated basis.

8. OPPORTUNITIES AND POTENTIAL FOR GROWTH

Increasing Rural Penetration

India has a majority of its population in the low-income group, which presents a huge opportunity for the microfinance space. Despite several Government initiatives to uplift rural lives, along with enhanced microcredit access, credit exposure is highly concentrated owing to insufficient credit documents in the rural regions. This indicates a huge potential for the future of micro-credit in India.

Underserved MSME Segment

The MSME sector contributes to around one-third of India's GDP and it is one of the most underserved in terms of credit access owing to informal documentation and insufficient reach. The Covid-19 pandemic and resultant lockdown hit the sector hard, leading to rising demand for micro-credit. The Government has also taken several steps and initiatives to uplift the MSME space in India, which will in a way translate into more opportunities for microfinance institutions.

Increasing Digital Penetration

Digitization has given a major thrust to the sector and has a huge potential in driving the future of microfinance in India. Rising digital penetration through the use of machine learning, artificial intelligence, digital application has led to a significant improvement in the business processes and reduced costs. It has led to seamless customer experience and has made it easy for us to develop flexible solutions and reduce the loan-processing time. Moreover, the Covid-19 crisis has prompted the Government and organizations to take collective steps towards digital integration, which will provide sustainable growth opportunities in the future.

Increasing Demand for Additional Working Capital

The Covid-19 pandemic has left an indelible impact on businesses across sectors. Small-scale industries were the most affected and some even faced bankruptcies. During the pandemic and also after it, there is and will be, an increasing demand for working capital credit in the market. This will help the small enterprises to recover to the pre-pandemic levels of normalcy and present a major opportunity scope for the microfinance space.

9. THREATS

Uncertainty Due to Covid-19

We are still facing the impacts of the pandemic. With an imminent third wave in the offing, it is difficult to ascertain the future implications of the pandemic. Volatile external conditions, stringent regulatory norms might need constant vigilance and swift implementation of mitigation measures to tackle the challenging scenario.

Inadequate Financial Literacy

India has a low financial literacy rate compared to other major economies. Rural areas are the primary drivers of growth for micro-credit. However, these areas lack adequate financial awareness and literacy to make informed decisions. The Government is taking active steps to spread awareness and increase microfinance penetration. Going ahead, the growth of the MFIs will be contingent on the effectiveness of these measures.

10. RISK AND MITIGATION

Risk management provides impartial monitoring and employs a comprehensive strategy to managing current and emerging risks. At Spandana, we have a robust risk mitigation framework that guides our strategic decision making.

Credit Risk:

Inability of the borrower to repay the loan on time can amount to credit risk for the Company. This risk might also get amplified due to the impact of Covid-19 on lives and livelihood.

Mitigation:

The Company manages credit risk by adhering to stringent credit norms developed over several decades of microfinance experience. It maintains the traditional practice of individually analysing each borrower before committing to a credit exposure. It has prudent lending strategies and robust credit appraisal systems in place that help in minimising the probability of default. Further, the Company also has specific lending policies, credit approval committees and regular monitoring of exposures to mitigate risk.

Liquidity Risk:

Liquidity risk arises from the squeeze in liquidity due to asset-liability profile mismatch. This could translate to higher cost of funding as well as the inability to meet its short-term payment obligations.

Mitigation:

The Company generates sufficient cash flows from operations and financing to pay its financial obligations as and when they become due. It has a liquidity risk framework to ensure that the Company can always fulfil its payment obligation and effectively manages funding risks. The Company has Asset-Liability Management (ALM) policy and ALM Committee in place to review and monitor the liquidity risk and ensure compliance with the prescribed regulatory requirements. We also extend limits on borrowing from a single lender to reduce dependency.

Market Risk:

The Company is exposed to market risk considering market conditions such as interest rates and credit liquidity can cause a financial instrument's fair value or future cash flows to fluctuate.

Mitigation:

The Company has a market risk management framework that provides a comprehensive and dynamic structure for measuring, monitoring and managing market risk. Furthermore, the Company's rigorous asset-liability management and well-diversified liability profile safeguards it from market volatility.

Interest Rate Risk:

Interest rate risk affects the Company primarily because it lends to clients at fixed interest rates for periods that may differ from its funding sources. Although the Company's borrowings are at both fixed and variable interest rates for various periods.

Mitigation:

Most of our outstanding liability is in Indian Rupees and is less prone to interest rate fluctuations. The Company further hedges risk through derivative transactions. The Asset Liability Management Committee of the Company assesses asset-liability management (ALM) and ensures that any substantial mismatches are effectively managed. To maintain a healthy mix of sources, our resource mobilization team fetches funds from a variety of places, including banks, financial institutions, and capital markets.

11. INTERNAL CONTROL SYSTEMS

Effective internal control is crucial for reducing the risk of financial loss. It helps ensure accuracy, completeness and reliability in financial statements. At Spandana, our internal control measures are designed to protect our assets, adhere to applicable laws and compliances and prevent fraud and malpractices. The Company takes a holistic approach to information security. It enables the Company to maintain the confidentiality, integrity, and availability of consumer data and Company's information assets.

The internal control system is supplemented by concurrent internal audits and regular reviews by the management. The internal audit department is responsible for authorising, documenting, monitoring as well as maintaining a process compliance check across all branches, while also identifying potential financial misappropriations. Further, with regard to financial statements and operations, the Company has effective internal controls in place.

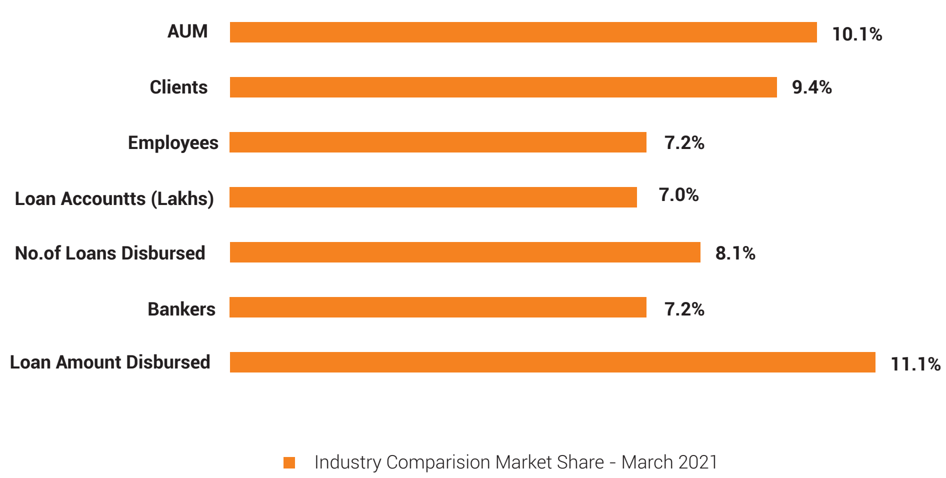
We have sufficient internal auditors with one internal auditor for every five branches. Going ahead, we plan to increase vigilance and have individual auditor for every four branches. Apart from general branch audits, other audits are meticulously carried out depending on internal triggers, which assist us in recognising any potential branch shortcomings.

12. COMPARISON WITHIN INDUSTRY

Outshining Peers

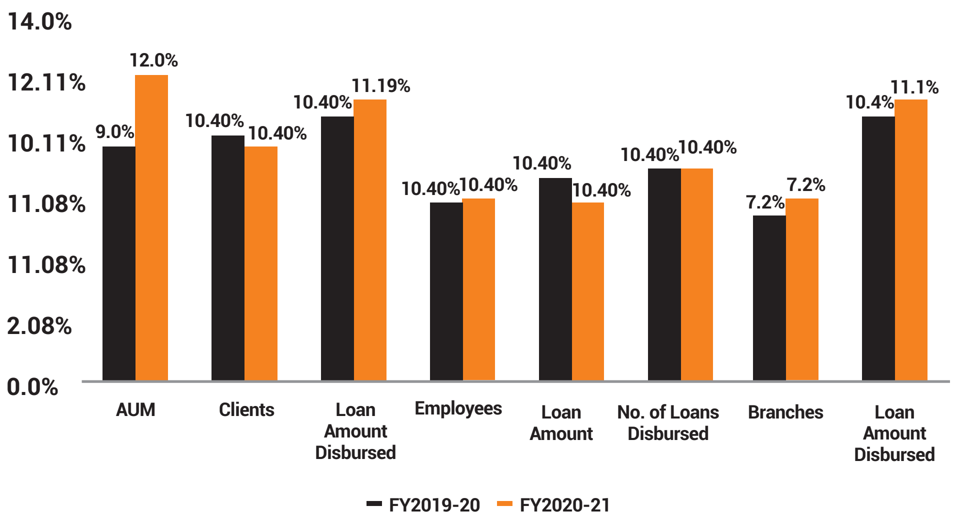
In terms of AUM, Spandana has a 10.1% market share among all NBFC-MFIs in India. During FY 2020-21, the Company expanded 1% additional market share in the microfinance space. Furthermore, the Company's borrowers account for 9.4% of all borrowers (not unique). The following graph shows Spandana's market share among NBFC-MFIs in terms of various metrics.

Industry Comparison Market Share - March 2021



Spandana's market share increased in several metrics in FY 2020-21 compared to FY 2019-20, as shown below.

Spandana's Market Share Among NBFC-MFIs:



The Company focused on increasing its geographical footprint post resumption of activities in FY 2020-21 to leverage opportunities in the microfinance space. Compared to the industry, the growth in disbursements and AUM was moderate due to cautious disbursements considering the impacts of the pandemic to livelihoods across regions.

13. CONSOLIDATED FINANCIAL PERFORMANCE (IND-AS)

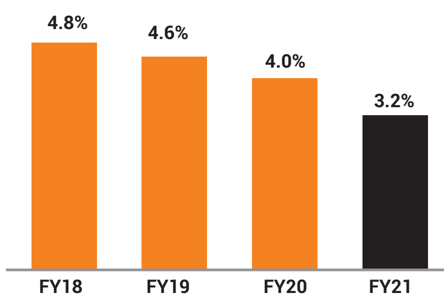
During FY 2020-21, the Company recorded revenue from operation of ₹ 14,826 million with a Profit after Tax of ₹ 1,455 million. Revenue from operation during the year was affected due to lower upfront DA income compare to FY 2019-20. Further, the performance during the years was also subdued due to Covid-19-related provisioning .

In FY 2020-21, we raised debt of ₹ 54,820 million through a diversified lender base, including multiple new banks, NBFCs, other institutions and even retail investors. We on-boarded 16 new lenders even in a disruptive environment and ended the year with strong funding access and adequate liquidity surplus of ₹ 11,350 million.

Our aggregate borrowings increased from ₹ 30,523 million in March 2020 to ₹ 53,732 million in March 2021. We reduced the cost of borrowing during the year from 11.9% in FY 2019-20 to 11.4% in FY 2020-21. Despite the adverse scenario created by Covid-19, our credit rating was maintained at A- (Stable) by ICRA and A (Stable) by India Ratings.

Efficient use of our existing infrastructure has been a fundamental contributor to our operational excellence. We have always been known for having the lowest opex ratio in the industry. Moreover, we have been able to lower our operating expense ratio (i.e., opex to AUM ratio) to 3.2% in FY 2020-21 from 4.0% in FY 2019-20, contributing to our enhanced profitability.

OPEX/AUM (%)



14. OUTLOOK

We have successfully swum through the Covid-19 currents and prepared for its future waves too. We have delivered sustained performance with an improved profitability. In our forward march, our focus will be to attain the next leg of growth with enhanced use of technology. We will also focus on maintaining portfolio asset quality, further reducing our concentration risk with supervision and limits across borrowers and geographies. We will also aim to capitalize on existing borrower base and add new borrowers to our portfolio. With Covid-19 still a part of our lives, the future remains uncertain. However, at Spandana we have a strong and energetic team, robust financials and proven credit underwriting mechanisms that will help us expand our reach and grow against all odds.

15. EXPLANATIONS WHERE THE CHANGE IN THE RATIOS IS MORE THAN 25%

a) **Asset Under Management (AUM):** ₹ 81,570 million (Own: ₹ 66,440, PTC: ₹ 6,230, DA: ₹ 8,900)

b) **Net Interest Income:** ₹ 9,754.19 million

c) **Net Profit Margin:** 9.7%

d) **Cost to Income Ratio:** 21.63%

e) **Opex to AUM Ratio:** 3.2%

f) **Interest Coverage Ratio:** 1.49 times

g) **Debt Equity Ratio:** 1.95 times

h) **Pre - Provision Operating Profit (PPOP) Margin:** 56%

i) **Pre - Provision Operating Profit (PPOP)/Average Total Assets:** 11.6%

Return on Equity (ROE): ROE for FY 2020-21 is 5.4% compared to 15.6% in FY 2019-20. The reduction is majorly due to lower profitability on account higher provision cost during FY21

j) **Current Ratio:** 1.51 times

Cautionary Statement

Statements in this report on Management Discussion and Analysis relating to the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results might differ materially from those expressed or implied depending upon factors such as climatic conditions, global and domestic demand-supply conditions, raw materials cost, availability and prices of finished goods, foreign exchange market movements, changes in Government regulations, tax structure, economic and political developments within India and other factors such as litigation and industrial relations. The Company has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed. The Company assumes no responsibility in respect of forward-looking statements herein which may undergo changes in future based on subsequent developments, information or events.

Note:

Unless specified otherwise, all the figures used in this report till Management Discussion & Analysis section are on a consolidated basis

Asset Under Management (AUM) = Loan portfolio, including portfolio assigned. The old AP portfolio has been completely written off in FY 2019-20

Net Interest Income = (Interest income on the loan portfolio + retained interest income on derecognized loan portfolio) - (finance cost - interest on lease liability)

Cost to Income Ratio = (Employee benefit expenses + depreciation and amortization expense + other expenses) / (total income - finance cost)

Opex to AUM Ratio = (Employee benefit expenses + depreciation and amortization expense + other expenses) / quarterly average AUM (annualized)

Spandana's
Corporate Social Responsibility Initiatives

Progressing towards building a sustainable society

What does sustainable mean to us?

Creating a resilient business by making the communities around us a better place.

Spandana truly believes that if a business needs to thrive and sustain, it has to build communities which are resilient, free from the cycle of poverty and egalitarian in nature. Therefore alongwith investment in business, Spandana also invests in communities through its corporate social responsibility initiatives. In Spandana corporate social responsibility initiatives are not considered as mere obligations to be fulfilled as a part of adherence to the Law. Instead they are considered as an important goal for the business to achieve for its success in the long run.

Mission

Mission of CSR initiatives of Spandana is to empower individuals with right resources so that they can be self sufficient and self dependent, who in turn empower an .entire community

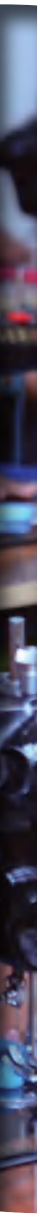
Vision

Empowering individuals with right kind of resources, training and knowledge so that they can be self sustaining unit taking care of their family, community .and the surrounding environment

Creating a value in the society

Spandana's CSR initiatives are designed to

- Break the cycle of poverty and end all its forms by promoting livelihood opportunities
- Ending hunger through promoting sustainable farming
- Empowering women and girls with the right resources and training
- Providing affordable, reliable, sustainable and modern energy to all
- Promoting inclusive and sustainable economic growth by providing accessibility to resources



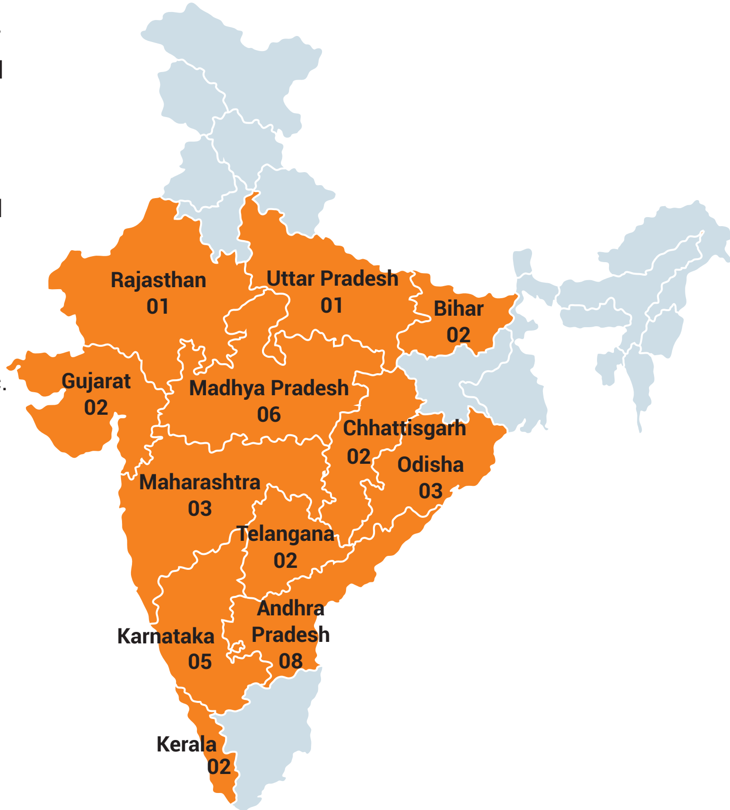
Our Programmes

Economic Empowerment of Rural Women and Girls

Gender inequality is deep rooted in our society. Women and girls in many parts of our country still do not have basic access to education and healthcare facilities. They are also victims of violence and discrimination. Discrimination of women and girls is prevalent in all spheres of life and this does not exclude the workplace discrimination. They suffer from lack of access to decent workplace, face occupational segregation and gender wage gap. This is a case which is common for both urban and rural women. The scenario of rural women in India is even more severe given the fact that they are agents of social, economic and environmental changes required for sustainable development. Apart from limited access to education and healthcare women in rural India also have limited access to credit or any other form of economic resources. This has aggravated by climate change, food crisis and recent COVID-19 pandemic. Empowering moreover economic empowerment is a key to bring development and well being in the individuals, families and in the communities as a whole.

Addressing this issue of rural women in its operational areas, Spandana initiated vocational training centres for rural women and girls. These vocational training centres train the women and girls for a period of 6 months in stitching, cutting and tailoring. There are 37 training centres operational across India. More 27 are proposed to be opened in the next quarter. In each centre there is an average of 25 trainees taking training for 6 months.

Spandana, through this initiative is touching more than 952 rural women and girls across India. The trainings are conducted by well qualified local trainers. The geographical span of these training centres are as below



Spandana through this initiative is aligning to **Sustainable Development Goal No. 5 (SDG- 5)** i.e. addressing gender equality and women empowerment by taking initiatives to giving women equal rights to economic resources.

SPANDANA

Promoting clean and affordable energy

The Sustainable Development Goal No. 7 ensures access to affordable, reliable, sustainable and modern energy by all in the year 2030. The goal also says that certain portion of the population must have access to clean fuels and technology. In the year 2019, 66% of the global of population had access to clean fuel for cooking purpose. From the FY 2010-2019 much of the increase in access to clean fuel and technologies was noticed in populous and low to middle income countries like Brazil, India, China, Indonesia and Pakistan. In these countries people were exposed to high polluting cooking fuels are exposed to illness related to cardiovascular and to their respiratory systems, this also increases the risk and vulnerability to COVID-19.

Spandana which is already reaching out to people from the disadvantage section of the society for its business purpose, is highly aware about the consequences these population faces while using high polluting fuels. Therefore via its CSR activities, it decided to promote clean energy and technology and aligning to Goal 7 of Sustainable Development Goal. Spandana distributed latest technology induction stoves to families who couldn't afford gas or other forms of clean technologies.

Many families in rural parts of Odisha do not have access to electricity. In these areas Spandana has distributed solar lanterns. This helped the families who are denied of the electricity. These solar systems help families to manage activities during night hours.

The second initiative under this banner is providing of bi-cycles to the villages which are surrounded by nature or far off from the city centre. Addateegala is one such village in East Godavari which is situated in the lap of nature and abode to many tribes. This village is also far off from the city centre. Spandana distributed 200 bi-cycle to the villagers. The bi-cycles help the villagers to reach the city centre at a much less time, also at the same time not impacting the green and serene environment which would have been if it was a petrol/diesel vehicle.

Disaster Response

Odisha was impacted severely by two consecutive tropical cyclones Amphan and Phani in 2020. Both were very strong tropical cyclones that were witness in the Ganges Delta since 2007. Amphan was also termed as the first super cyclone that was formed in the Bay of Bengal since Odisha cyclone in 1999. States like West Bengal and Odisha in India and Bangladesh were highly affected and impacted by these two cyclones. Property and human lives were damaged. People didn't have access to basic necessities like food, clean drinking water or electricity.

In Odisha, Spandana's operational and the surrounding areas were impacted and properties were severely damaged. These areas were mainly near the sea shore i.e. areas in and around Puri were severely impacted. Even after the severity of the cyclone was reduced the aftermath of the same was immense and heart trenching. Loss of human lives, damage to public and private properties in these areas was unfathomable. Food, basic shelters were provided by many private benefactors as well as by govt. agencies. But due to the heavy winds during the storm, trees were uprooted which damaged the electric poles and wires of these areas. Electricity supply was hampered severely. Restoration of electricity supply took a long time. During this crisis moment Spandana provided with 103 solar lamps/lanterns to the affected families. This created a sigh of relief for these families as they don't have to be in dark during night time. Children were able to continue with their studies with the help of these solar lamps. These lamps were also helpful to women in ensuring safety during night time.

In the month of August, 2020 20 mandals in East and West Godavari districts were gripped under flood. Human lives and property were affected. Also certain portions of Kerala were impacted by the Godavari flood. Victims were assisted with dry ration as a part of relief activity.

Aiming for Zero Hunger and responding to COVID-19

The World is aiming for a Zero Hunger by the year 2030. This will be achieved by practising sustainable and productive agriculture. South Asia still faces the burden of hunger, with more than 15% of population is undernourished. Research and studies have shown that how we grow and consume our food has a significant impact on levels of hunger. The hunger levels not only in India but globally has been severely affected due to COVID-19 pandemic. Countries going under lock- down for months have resulted in loss of work. Real estate, retail, food and beverage, tourism industries have been harshly impacted with hundreds and thousands of employees losing their livelihood. In India migrant labourers were immensely affected when the country came into a standstill for a nationwide lockdown. Rural India was equally affected similar to its counterpart. Since the lockdown extended to the entire nation, labours at agriculture fields were also not allowed. This way many people who were daily wage earners lost their livelihood.

Addressing to this problem the CSR team of Spandana distributed seeds to the affected families for kitchen gardening. The distribution of seeds was done in the areas of Kukatpally and Patny. The affected families were given spinach and tomato seeds, as these vegetables are a part of the staple diet of the target population. The beneficiaries were already adept to the conventional methods of gardening. Hence the initiative brought a significant impact to their lives. The need for immediate food and nutrition during the pandemic time was resolved.

Case Study

Stitching back her life

Lakshmi is a mother of two and resides in Mahabubnagar. She is in her late thirties and leads a simple life with simple dreams for herself and her family. Her husband earned a decent amount from driving an auto- rickshaw in the city. Her story is like any other housewife i.e. all was going on well until the national lockdown was announced in the country on March 23, 2021. The economic activities of the entire country came to a standstill. Shops, offices, transportation all were closed. Lakshmi, who had hardly stepped out of the four –walls of her house, is now burdened with the responsibility of economically supporting her family.

Govt. help for limited period of time and was also not sufficient for a 4 member family. Their savings were gradually hitting the bottom. Then on one such day when she was engrossed with her problem and her bleak future, she saw a sign board which read free training in tailoring and stitching supported by Spandana. She instantly met the trainer in the centre and got herself enrolled. Her classes started from the very next day. Initially it was a bit of a challenge for her to balance her household chores and training. But with her strong determination she managed. The 6 months of intense training by the well qualified trainer was a boon for her. Once an unskilled person, Lakshmi is now skilful wage earner.

Even before she finished her full training she started taking orders from her neighbours. Gradually she established her own setting in her uncle's place. There was a regular flow of orders in her kiosk. She now earns almost ₹ 4,000/- per month. Though not that sufficient but it is definitely an additional income which compensated her husband's reduced income. The icing on the cake is her orders are now so high that she urged the trainer to help her. She also plans to hire another person to help her finish her pending orders.

It is rewardingto see her happiness in her eyes, and her heartfelt gratitude goes to Spandana's CSR initiative. She adds that if it was not because of the free training, her life would have been very difficult by now.

STAFF CODE OF CONDUCT

COMMITMENT TO TRANSPARENCY AND CODE OF CONDUCT

Spandana believes in maintaining complete transparency. In its business transactions, it maintains complete transparency including disclosure of all charges for the services it provides. In this process, it also complies with the Fair Practices Code of RBI for NBFCs, Industry Code of Conduct as laid down by the Industry associations - viz - Sa-Dhan and MFIN and also its own Code of Conduct specifically for its staff. The code of conduct for its staff clearly lays down the Do's and Dont's of staff behavior towards the clients. **Spandana's Code of Conduct for its staff** is presented here.

Spandana Code of Conduct for its staff

1. Every client should be treated with respect. We shall always address our clients respectfully and politely. We shall never use any abusive or threatening language with our clients. We shall also not permit abusive language being used with our clients by other peer group members for loan recovery.

DOs	DON'Ts
• While addressing them, use "Garu/Ji" or equivalent respectful salutation. We shall give similar respect to the family members and neighbors of our clients. Treat everybody with respect irrespective of their age (including very young borrowers and kids). • When talking to the borrower, body language should be appropriate, we should not get restless, always keep smiling.	• If there are minors and aged people in the family, avoid discussing loan default/ over-dues before them.

2. Other DOs and DON'Ts to be observed while doing borrower interactions –

DOs	DON'Ts
• In case any unethical methods of collection and recovery efforts are observed from other MFIs, we shall report that to Head Office for reporting to the Code of Conduct enforcement. • In case of any policy change, please communicate with the borrowers properly and ensure that they have understood the revisions and their impact on their transactions with the Company. • Inform clients about the Feedback and Grievance redressal mechanism and re-affirm the same every once in 6 months and always at the time of new loan disbursal. • Even after the group training and loan disbursement, if any queries come on charges or loan features, these should be addressed with proper explanation to the satisfaction of clients. If they still have doubts, you should use the guidance of senior officers in explaining the details.	• We shall not promote nor allow any unethical methods of collection and recovery efforts by ourselves and our colleagues. In case any such incident is observed, we shall immediately report to the complaints cell. • Never discriminate based on caste and religion • Never insist on repayments during events of distress like a bereavement in the family. • Never visit clients at odd hours for repayments • Without the borrower's permission, we should not enter his/her premises. We should also not be standing outside the borrower's house and make the borrower and his/her family uncomfortable. Never resort to any forcible entry into the house/ workplace of clients and do any forced seizure of any assets for unsecured loans.

STAFF CODE OF CONDUCT (Contd.)

3. For the conduct of center meetings - Staff should follow the following meeting norms:

DOs	DON'Ts
• Conduct meetings at pre-agreed location and time • Ensure punctuality in attending center meetings for the staff (all staff including BMs, RMs, and others from HO who visit centers) • Should practice good manners and respect all members • Ensure that group stays cohesive and members regularly attend the meetings • Record and monitor attendance: Promote attendance in group meetings – except genuine cases where the members have informed the group in advance. Any member not attending for more than 6 weeks without any intimation to any of her group members, her house should be visited and details gathered. • Try to conduct the meeting peacefully and cordially – in case any member/s are agitated against each other, make efforts to diffuse/ resolve the situation. Never get emotional or agitated in the meetings. Always keep patience. • Administer the pledge and promote productive use of loans • Collect loan repayments, ensure that every borrower's loan card is updated fully with date and signatures; Or issue the receipt – as the case may be. • Collect feedback from members on products and procedures. Address borrower feedback and complaints • Collect loan applications • Record loans in the Centre Register & member loan cards	• Should not maintain a personal relationship with members • Should not accept any gifts/offerings from members • Do not refuse pre-payments. Do not charge anything beyond what is mentioned on the loan card/ repayment schedule and what is approved as per policy.

STAFF CODE OF CONDUCT (Contd.)

4. In the case of delinquent borrower/ group, use motivation and soft persuasion and to solicit repayments – all these guidelines apply to borrowers at any stage of their default.

DOs	DON'Ts
• We should give a patient hearing to the borrower and offer solutions to the borrower's problems. We should counsel the borrowers and improve our repayment culture. • **The recovery mechanism should always be smooth. When faced with recovery problems, the CAs should approach the BMs and RMs and act as per their suggestions. The CA along with the BM and wherever required, other officers, will visit the defaulting member along with the other group members and motivate them to repay.** • **In case there are genuine reasons** of the cash-flow shortfall at the borrower household level, branch staff is empowered to defer the repayment collection by a few days up to the end of the week (for weekly loans)/ and end of the month (for monthly loans) depending upon the frequency of repayments. Any deferment of demand beyond that requires approval by the Regional Manager/ Zonal Manager. In case of genuine instances, e.g. flooding due to heavy rainfall affecting income-generating activities of some borrowers, for such borrowers, the collections can be deferred by 1 to 2 weeks with approvals as per policy. • **In all cases of wilful defaults**, visit the borrower regularly and motivate them to repay with soft persuasion. o Inform the borrowers about the fallout of their credit histories getting affected - which in turn would affect their ability to take further loans. o The peer group members of the willful defaulters should also be requested to motivate the defaulters to repay. • **In all cases of willful defaults pursuant to any fraudulent borrower behavior –** e.g. faking KYC documents, misrepresentation of any other facts, misappropriation of money of group members, and misleading group members not to repay – we should gather proper evidence and pursue legally by filing a police complaint and helping the police in investigations For Secured loans, following additional efforts need to be made – as per the terms of the loan agreement, probability and right of repossession of assets need to be informed to the borrower after issuing due notices as per the loan agreements. We must release all securities on the successful repayment of all dues associated with the loan.	• We shall not use any physical violence in our interactions with our clients and non-clients when faced with recovery problems. We should never enter into any kind of physical assault with the borrower nor use unparliamentary words. • **The group is always made responsible to look for solutions to repay loans and members are always given the understanding that it is their responsibility and they should find a solution for that. However, to recover the installment amount of members who have exited the group, we should not put pressure on the rest of the borrowers in the group.** • We should inform the group leaders too that they should not apply pressure on the borrowers who are unable to repay. • We should not visit the borrowers at odd hours. • Forcible entry into a dwelling, use of muscle power for recovery of loans and forced seizure of property without legal orders is strictly prohibited – except in case of secured loans where the security can be enforced within the boundaries of the legal process.

Our borrowers are our strengths. As we endeavor to work towards greater satisfaction of our borrowers, we believe that in the long run, the company would benefit from better quality borrowers and smoother operations.

BOARD OF DIRECTORS

BRIEF BIOGRAPHIES OF DIRECTORS

- **Deepak Calian Vaidya,** Non-Executive Chairman, and Independent Director

  Mr. Deepak Calian Vaidya is a Non-Executive Chairman and Independent Director of our Company. He is a fellow of the Institute of Chartered Accountants in England and Wales since 1979. He serves as a director on the board of directors of Apollo Gleneagles Hospital Limited, Indraprastha Medical Corporation Limited, Marudhar Hotels Private Limited, Stelis Biopharma Private Limited, Solara Active Pharma Sciences Limited, Sutherland Healthcare Solutions Private Limited, Suntec Business Solutions Private Limited, and UTI Capital Private Limited. He has served as a director on the board of the directors of Capricorn Securities India Private Limited & Arc Advisory Services Private Limited. He has been a Director on our Board since June 6, 2018.

- **Padmaja Gangireddy,** Founder and Managing Director

  Mrs. Padmaja Gangireddy is the Founder and Managing Director of our Company. She holds a bachelors' degree in science and a bachelors' degree in communication and journalism. She attended a course on credit and micro-enterprise development from Durham University, UK, a microfinance training program from Naropa University, USA, the HBS-Accion program on strategic leadership for microfinance from Harvard Business School and an executive education programme from Indian School of Business, Hyderabad. She worked at ASSIST (a non-governmental organization) for seven years and her last held title was deputy director. She founded SRUDO in 1998, became a promoter of the Company in 2003, and has been a Managing Director on the board of directors of the Company since April 19, 2003. She is the founder and promoter of Abhiram. She also serves as a director on the board of directors of Caspian Financial, Criss Financial and Abhiram Marketing. She has served on the board of MFIN-Microfinance Institutions Network. She has been awarded the "Women Leadership Award for Excellence in Banking & Finance Sector" presented by CMO Asia in 2018, the "Outstanding Achievement Award for Excellence in Banking & Finance" at the International Achievers Conference, 2018 and as one of the "Most Admired Leaders of Asia 2018" by Process Evaluators & Research – BARC Asia & Jury Panel, Herald Global. Recently, she has been awarded as 'Promising Entrepreneur 2020' by Economic Times. She has been a Director on our Board since April 19, 2003.

- **Jagdish Capoor,** Independent Director

  Mr. Jagdish Capoor is an Independent Director of our Company. He holds a bachelors' degree in commerce and a masters' degree in commerce from Agra University. He has previously worked as the deputy governor of the Reserve Bank of India for more than four years. He also serves as a director on the board of directors of HDFC Securities Limited, LIC Housing Finance Limited, LIC Pension Fund Limited, LICHFL Trustee Company Private Limited, and Manappuram Finance Limited. He has served as a director on the board of the directors of HDFC Bank Limited & BSE Limited. He has been a Director on our Board since June 6, 2018.

- **Bharat Dhirajlal Shah,** Independent Director

  Mr. Bharat Dhirajlal Shah is an Independent Director of our Company. He holds a certificate from the University of Bombay in financial management and a national diploma in applied chemistry from Borough Polytechnic, London. He is the chairman of HDFC Securities Limited and a co-founder of HDFC Bank Limited. He joined HDFC Bank Limited as an executive director in 1994 and has held the positions of head – custody and depository, retail, human resources, private banking, infrastructure, and merchant services for 12 years. He continues to be associated with HDFC Bank Limited as an advisor. He also serves as a director on the board of directors of 3M India Limited, Digikredit Finance Private Limited, Exide Industries Limited, Mahindra Lifespace Developers Limited, Salisbury Investments Private Limited, Strides Pharma Science Limited (erstwhile Strides Shasun Limited), Tata Sky Limited and Mahindra World City Developers Limited. He has been a Director on our Board since April 13, 2018.

- **Abanti Mitra,** Independent Director

  Ms. Abanti Mitra is an Independent Director of our Company. She holds a post-graduate diploma in rural management from Institute of Rural Management, Anand. She has previously worked as an executive with Astra Marine Private Limited for one year, a management executive at Micro-Credit Ratings International Limited for two years, and a manager with

BOARD OF DIRECTORS (Contd.)

ICICI Bank Limited for approximately three years. She also serves as a director on the board of directors of Development Equities Private Limited, Positron Consulting Services Private Limited, and Criss Financial. She has served as a Director on our Board previously from 2012 to 2016. She has been a Director on our Board since August 24, 2017.

- **Ramachandra Kasargod Kamath,** Nominee Director of Kedaara Capital

  Mr. Ramachandra Kasargod Kamath is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelors' degree in Commerce from University of Mysore. He is an honorary fellow of the Indian Institute of Banking & Finance since 2009. He was certified as an associate of the Indian Institute of Bankers in 1994. He has previously worked with Corporation Bank for 28 years, where his last held position was general manager. He has worked as chairman and managing director with Punjab National Bank for five years. He was an executive director at Bank of India for five years and also the chairman and managing director at Allahabad Bank for five years. He held the post of chairman of the Indian Banks Association for two years. He also serves as a director on the board of directors of Aavas Financiers Limited, Ashimara Housing Private Limited, Centrum Capital Limited, Manipal Technologies Limited, and New Opportunity Consultancy Private Limited. He has a proprietary concern named KR Kamath for management advisory services rendered by him. He has been a Director on our Board since May 4, 2017.

- **Amit Sobti,** Nominee Director of Kedaara Capital

  Mr. Amit Sobti is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelor of arts degree (magna cum laude) in business economics and computer science from Brown University. He is currently a senior principal at Ontario Teachers' Pension Plan (Asia) Limited were he leads in advising on private capital investments in India. He has been in this role since 2016. He has over 15 years of experience in private equity, including over two years with Unitas Capital Private Limited, nine years with Warburg Pincus LLC, and two years with Rhone Group LLC. He has been a Director on our Board since May 29, 2017.

- **Kartikeya Dhruv Kaji,** Nominee Director of Kedaara Capital

  Mr. Kartikeya Dhruv Kaji is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelors' degree in arts (economics) from the Dartmouth College, New Hampshire, and a master's degree in business administration (finance and entrepreneurial management) from the Wharton School of the University of Pennsylvania. Kartikeya Dhruv Kaji currently serves as a Principal at Kedaara Capital Advisors LLP. He has previously worked with Perella Weinberg Partners and Merrill Lynch in New York, and with Temasek Holdings Advisors India Private Limited. He has been a Director on our Board since March 31, 2017.

- **Sunish Sharma,** Nominee Director of Kedaara Capital

  Mr. Sunish Sharma is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelors' degree in Commerce (Hons.) from the University of Delhi and a master's in business administration from Indian Institute of Management, Calcutta, where he was awarded the Dr. Joginder Kumar Chowdhury Gold Medal. He has also passed the final examination at the Institute of Cost and Works Accountants of India (now known as Institute of Cost Accountants of India) and is a qualified cost accountant. He has previously worked with McKinsey & Co. for six years and at the time of leaving he held the position of engagement manager. He has also worked with General Atlantic for eight years where his last held position was managing director. He is the managing partner and co-founder of Kedaara Capital Advisors LLP. He has extensive private equity investment experience in business services and technology, healthcare, financial services, and consumer sectors. He is also a co-founder of the Ashoka University and the Young India Fellowship, an initiative that was launched in collaboration with the University of Pennsylvania's School of Engineering and Applied Sciences. He was one of the authors of the NASSCOM-McKinsey Report on "Strategies to achieve the Indian IT industry's aspiration". He was featured on the list of "Asia's 25 most influential people in private equity" by the Asian Investor magazine published in the year 2013, and also on the list of "Hottest Young Executives" in the Business Today magazine published in the year 2011. He also serves as a director on the board of directors of Vedant Fashions Private Limited. He has been a Director on our Board since March 31, 2017.

BOARD'S REPORT

To

The Members

of **Spandana Sphoorty Financial Limited,**

Your Directors have pleasure in presenting the 18th Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended March 31, 2021.

1. FINANCIAL SUMMARY /PERFORMANCE OF THE COMPANY :

The standalone and consolidated financial statements for the financial year ended March 31, 2021, forming part of this Annual Report, have been prepared in accordance with the Indian Accounting Standards (Ind AS) as notified by the Ministry of Corporate Affairs.

Key highlights of financial performance of your Company are summarized below:

(₹ in Cr)

Particulars	Standalone		Consolidated	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Income from Operations	1,442.91	1,409.49	1,482.63	1,435.30
Other Income	21.84	31.93	23.00	34.21
Profit Before Depreciation, Interest and Tax (PBDIT)	**602.27**	**960.99**	**631.24**	**983.62**
Depreciation	7.48	8.74	7.62	8.83
Financial charges	417.16	354.11	423.17	356.34
Profit Before Tax	**177.63**	**598.14**	**200.45**	**618.45**
Provision for Tax - Current year	48.65	261.45	55.00	266.62
Profit/(Loss) After Tax	**128.98**	**336.69**	**145.46**	**351.83**
Transfer to Statutory Reserves	25.80	67.34	25.80	67.34
Balance carried to Balance sheet	**103.18**	**269.35**	**119.66**	**284.49**

During the Financial Year under review, the Income from operations of the Company increased to ₹ 1,442.91 Cr as compared to FY 2019-20 which is mainly due to an increase in the AUM of the Company from ₹ 6,660.72 Cr in FY 2019-20 to ₹ 7,735.78 Cr and the Profit before Tax reduced to ₹ 177.63 Cr as against ₹ 598.14 Cr due to Covid-19 related write offs and provisions.

During the Financial Year under review, disbursements reached highest of ₹ 2,426 Cr in Q4 FY 2020-21. Profitability rebounded in line with guidance, Normalized RoA stood at 10% and RoE stood at 26% for FY 2020-21. Capital Adequacy ratio was at 39.20% on a standalone basis. Your Company has generated Consolidated PPOP of ₹ 846 Cr and PBT of ₹ 200 Cr in FY 2020-21 on a consolidated basis.

Your Company has strong distribution network of 1,052 branches spread across 289 Districts of 18 states and best in class Collection Efficiency of 100.6% including arrears on a consolidated basis. Your Company has raised ₹ 5,482 Cr of debt during FY 2020-21 in a disruptive environment. With the diversified lender base, your Company has raised ₹ 1,175 Cr through money market instruments and ₹ 700 Cr from retail investors through wealth management channel. Your Company has a strong funding access with adequate liquidity surplus of ₹ 1,135 Cr as on March 31, 2021.

All Loans which are standard as on February 29, 2020 and loans disbursed during the month of March, 2020 have been classified as Covid-19 affected portfolio and all Loans which are not standard as on February 29, 2020 and loans disbursed during FY 2020-21 have been classified as non Covid-19 affected portfolio. Majority of the loan book is Post Covid-19 which is disbursed after proper assessment of the income levels and business activities of the borrowers and the likely impact they would have due to pandemic. Based on the detailed assessment, your Company has identified certain risky portfolio which it has written-off during Q3 and Q4 of FY 2020-21.

Your Company has district level exposure which ensures low impact from region-specific issues viz. top 3 States constitute less than 48% of AUM, no State has more than 18.5% of AUM, no District has more than 2.25% of AUM and no Branch has more than 0.25% of AUM.

Your Company had started transition to monthly repayment in late-2019, in response to borrowers demand, driven by a lower time commitment from their side. Industry has evolved, where more frequent borrower meetings were once required to maintain discipline which no longer needed, and as borrowers have become more experienced with MFIs and credit bureaus. At present, 87% of AUM is on the monthly repayment, and it is consistently demonstrating superior collection efficiency and this will also have a positive long-term impact on the operating cost ratios and portfolio quality.

Your Company has strong Credit Ratings which upgraded to A (stable) rating from India Ratings and A- (stable) rating from ICRA reaffirmed during the year under review despite impact of Covid-19.

2. DIVIDENDS:

Considering your Company's growth, and future strategy and plans, your Directors consider it prudent to conserve resources and despite having sufficient distributable profits, do not recommend any dividend on equity shares for the financial year under review.

3. OPERATIONAL HIGHLIGHTS AND FUNDRAISE:

The operational highlights of your company are as follows:

Details	Mar-19	Mar-20	Mar-21
No. of States	17	18	18
No. of Branches	899	979	982
No. of Districts	263	280	282
No. of Villages	72,326	78,936	78,949
No. of Employees	6,500	8,015	8,323
No. of Borrowers (in lakh)	24.03	25.07	23.73
Gross Disbursements (₹ in Cr)	4,915.70	7,722.17	6,099.00
Loan Portfolio (₹ in Cr) on Balance Sheet	4,194.52	5,070.36	7,028.02
Asset Under Management- AUM (₹ Cr)	4,269.24	6,660.72	7,735.78

- During FY 2020-21, the Company continued its operations in 17 states and 1 union territory (viz. Madhya Pradesh, Haryana, Andhra Pradesh, Telangana, Karnataka, Kerala, Maharashtra, Odisha, Goa, Chhattisgarh, Gujarat, Jharkhand, Uttar Pradesh, West Bengal, Rajasthan, Bihar, Tamil Nadu, and Pondicherry).
- During FY 2020-21, the number of borrowers dropped by 5.35% to 23.73 lakh borrowers from 25.07 lakh. The number of branches grew by 0.31% from 979 to 982 across the existing states.
- Disbursements dropped by 21% from ₹ 7,722.17 Cr in FY 2019-20 to ₹ 6,099 Cr for FY 2020-21 since no disbursements made in Q1 of FY 2020-21.

3.1 Securitization:

Your Company has used securitization to improve its asset and liability mix in line with extant guidelines of RBI on securitization. Gross Securitizations including Direct Assignment (DA) during the year to the tune of ₹ 1,112 Cr has been done by issuing Pass-Through Certificates (PTCs) and transferring portfolio by way of DA. As of March 31, 2021, the total Asset under management out of securitized portfolio is ₹ 1,500.4 Cr (including DA of ₹ 877.4 Cr).

3.2 Public Deposits:

Your Company is registered with Reserve Bank of India (RBI), as a non-deposit accepting NBFC under section 45-1A of the RBI Act, 1934, and reclassified as NBFC-MFI, effective from April 13, 2015. Your Directors hereby report that the Company has not accepted any public deposits during the year under review and it continues to be a non-deposit taking non-banking financial company in conformity with the guidelines of the RBI. As such no amount of principal and interest was outstanding during the year.

3.3 RBI Guidelines:

As on March 31, 2021, the Company is in compliance of the regulatory requirements of net owned funds ('NOF') and Capital to Risk Assets Ratio ('CRAR'), under section 45-IA of the Reserve Bank of India Act, 1934, to carry on the business of a non-banking financial institution ('NBFI'). Your Company's Capital Adequacy Ratio is as follows:

Capital Adequacy Ratio	FY 2020-21	FY 2019-20
i) CRAR –Tier I Capital (%)	39.74	47.27
ii) CRAR – Tier II Capital (%)	(0.54)	0.18
Capital to Risk Assets Ratio (CRAR)	39.20	47.44

3.4 Auction of gold jewellery for recovery of overdues of loans against them:

BOARD'S REPORT (Contd.)

No Auctions were done during the FY 2020-21 of gold jewellery for recovery of overdues of loans against them.

3.5 Reserve Fund:

As per section 45IC of RBI Act 1934, the Company has transferred ₹ 25.80 Cr in reserve fund i.e. aggregating 20% of its standalone net profit.

3.6 COVID-19 Pandemic:

Due to sudden spread of COVID-19 pandemic during February and March 2020, national lockdown was imposed by Government of India to protect the population from the pandemic and its further spread. Simultaneously, the Government and RBI announced several measures, which included loan moratorium for the borrowers across lenders. Your Company had provided moratorium to the borrowers based on borrower's request till August 31, 2020. Now that COVID-19 second wave has again led to many states announcing lockdown, we took a decision to safeguard our employees and borrowers through necessary measures. RBI too extended the support by announcing resolution plan 2.0 for COVID impacted businesses by way of restructuring, additional credit lines, deferred payment etc. Your Company is in the process of extending such support to the borrowers in line with the Policy approved by the Board of Directors.

Despite Covid-19 pandemic, your Company has a strong funding access with adequate liquidity surplus of ₹1,135 Cr as on March 31, 2021, comfortably covering the fixed obligations during first quarter of FY 2021-22. Your Company continued to secure confidence from its lenders who were committed to provide funds. Your Company has been maintaining a higher liquidity position and there was no negative mismatch under any granular bucket as on March 31, 2021. Your Company is in compliance with the RBI Circular on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies dated November 04, 2019.

4. SHARE CAPITAL/DEBENTURES:

The Issued and paid-up Equity Share Capital of the Company as on March 31, 2021, stood at ₹ 64,31,54,830 (Rupees Sixty-four crore thirty-one lakh fifty-four thousand and eight hundred thirty) consisting of 6,43,15,483 (Six crore forty-three lakh fifteen thousand four hundred eighty-three) Equity Shares of ₹ 10/- each.

During the financial year under review, there was no change in Authorized Share Capital and Paid-up Equity Share Capital of the Company.

During the year under review, the Company has not issued shares with differential voting rights nor granted sweat equity. Further, the Company has also not provided any money for the purchase of its own shares by employees or for the benefit of employees.

Details of Secured Debt Securities as on March 31, 2021:

Sr.	ISIN	Date of Debenture Trust Deed	Facility@	Type of charge created	Sanctioned Amount (₹ in million)	Outstanding @@ (₹ in million)
1	INE572J07109	November 30, 2018	NCD	Exclusive	820.00	426.58
2	INE572J07117	June 19, 2020	NCD	Exclusive	1,000.00	832.05
3	INE572J07125	September 08, 2020	NCD	Exclusive	250.00	251.02
4	INE572J07133	September 18, 2020	NCD	Exclusive	1,000.00	853.62
5	INE572J07141	September 24, 2020	NCD	Exclusive	400.00	423.42
6	INE572J07158	September 29, 2020	NCD	Exclusive	250.00	184.74
7	INE572J07224	October 28, 2020	NCD	Exclusive	325.00	339.93
8	INE572J07216	November 12, 2020	NCD	Exclusive	1,000.00	1,040.89
9	INE572J07166	November 12, 2020	MLD	Exclusive	80.00	84.70
10	INE572J07174	November 12, 2020	MLD	Exclusive	80.00	84.94
11	INE572J07182	November 12, 2020	MLD	Exclusive	80.00	85.23
12	INE572J07240	November 17, 2020	MLD	Exclusive	750.00	766.45
13	INE572J07232	November 18, 2020	NCD	Exclusive	1,500.00	1,383.22
14	INE572J07257	November 24, 2020	MLD	Exclusive	1,000.00	1,008.92
15	INE572J07265	November 26, 2020	NCD	Exclusive	500.00	498.78
16	INE572J07273	December 16, 2020	MLD	Exclusive	636.00	644.56

Sr.	ISIN	Date of Debenture Trust Deed	Facility@	Type of charge created	Sanctioned Amount (₹ in million)	Outstanding @@ (₹ in million)
17	INE572J07281	December 23, 2020	NCD	Exclusive	215.00	221.47
18	INE572J07299	December 29, 2020	MLD	Exclusive	827.50	818.94
19	INE572J07307	January 20, 2021	NCD	Exclusive	400.00	405.12
20	INE572J07190	January 25, 2021	MLD	Exclusive	200.00	225.8
21	INE572J07208	January 25, 2021	MLD	Exclusive	174.00	191.02
22	INE572J07315	February 25, 2021	NCD	Exclusive	1,200.00	1,190.45
23	INE572J07323	February 09, 2021	NCD	Exclusive	350.00	351.75
24	INE572J07331	March 16, 2021	MLD	Exclusive	500.00	483.28
25	INE572J07356	March 31, 2021	NCD	Exclusive	200.00	198.20
26	INE572J07349	March 31, 2021	NCD	Exclusive	250.00	249.78
	Total				**13,987.5**	**13,244.86**

@NCD- "Non-convertible Debentures"; MLD -"Market Linked Debentures" @@Includes interest accrued and Ind AS adjustments

5. EMPLOYEE STOCK OPTION PLAN (ESOP PLAN) AND EMPLOYEE STOCK OPTION SCHEME (ESOP SCHEME):

The Company has instituted Stock Option Plan, 2018 (the "ESOP Plan 2018"), Stock Option Scheme, 2018 ("the "ESOP Scheme 2018") and Stock Option Scheme, 2021 ("the "ESOP Scheme 2021") to attract, retain, motivate the personnel for positions of substantial responsibility and to provide additional incentive to the Management team, Directors and Employees of the Company and its Subsidiaries. The Members of the Company have passed the special resolution at their Meeting held on June 14, 2018, approved the ESOP Plan 2018 and ESOP Scheme 2018. ESOP Scheme 2021 was approved by the Members on March 26, 2021 by the special resolution passed through Postal Ballot.

Further pursuant to requirements of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR)], the Members of the Company ratified the "ESOP Plan 2018 and ESOP Scheme 2018" after the IPO of the Company in compliance with the provisions of the SEBI SBEB Regulations.

The Nomination and Remuneration Committee monitors the Plan in compliance with the Companies Act, 2013, the SEBI SBEB Regulations and related laws. The Company shall present a certificate received from its Auditors as per the SEBI SBEB Regulations for the inspection of the Members of the Company. The disclosures as required under the SEBI SBEB Regulations have been placed on the website of the Company at https://www.spandanaindia.com/investors/corporate_governance.html.

6. AUDITORS:

6.1 Statutory Auditors:

As per Section 139 of the Companies Act, 2013 ('the Act'), read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company at the 15th AGM, held on August 03, 2018, has re-appointed S R Batliboi & Co. LLP, (Firm Registration No. 301003E/E300005), Chartered Accountants, as the Statutory Auditors of the Company for a further period of 5 years i.e. to hold office from the conclusion of the 15th AGM till the conclusion of the 20th AGM of the Company. Pursuant to amendments in Section 139 of the Companies Act, 2013, the requirements to place the matter relating to such an appointment for ratification by members at every annual general meeting have been omitted with effect from May 07, 2018.

The Reports were given by S R Batliboi & Co. LLP, Chartered Accountants on the Annual Audited Consolidated and Standalone Financial Statements of the Company for the FY 2020-21 are part of the Annual Report. The Auditor's Reports read along with the Notes on the Annual Audited Consolidated and Standalone Financial Statements are self-explanatory and do not call for any further comments. There has been no qualification, reservation or adverse remark or disclaimer in their Reports.

During the FY 2020-21, the Auditors had not reported any matter under Section 143(12) of the Act, therefore no detail is required to be disclosed under Section 134(3)(ca) of the Act.

BOARD'S REPORT (Contd.)

6.2 Secretarial Auditors:

Pursuant to the requirements of Section 204(1) of the Act read with Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of SEBI (LODR), M/s RPR & Associates, Practicing Company Secretaries, (CP No. 5360), were appointed as Secretarial Auditors of the Company for the FY 2020-21. The Secretarial Audit Report for the financial year ended March 31, 2021, is annexed to this report as **"Annexure I"**. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year 2021, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

During the year, your Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

6.3 Internal Auditors:

Your Company has its own internal audit team as per the Internal Audit Policy. Each branch is audited at least once in 3 months. Risk areas were identified every month and branches were audited more than once wherever there were triggers of risk. Branches are audited more frequently, at least once in a month where risk was perceived to be higher.

In terms of Section 138 of the Act and Companies (Accounts) Rules, 2014, the Board of Directors at its Meeting held on August 31, 2020, upon recommendation of Audit Committee, had appointed BDO India LLP, as Internal Auditors of the Company, for the FY 2020-21, for conducting the internal audit.

6.4 Cost Auditors:

The provisions of Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014 relating to Cost Audit and maintaining of cost audit records does not apply to the Company.

7. HOLDING / SUBSIDIARY COMPANIES / ASSOCIATES / JOINT VENTURES:

The Company has the following subsidiaries as on March 31, 2021:

S. No.	Name of the Company	Particular	Date of becoming Subsidiary
1.	Caspian Financial Services Limited	Wholly owned Subsidiary Company	since its Incorporation i.e., October 13, 2017
2.	Criss Financial Holdings Limited	Subsidiary Company	December 27, 2018

The statement required to be provided with respect to subsidiaries, associate companies and joint ventures pursuant to the provisions of Section 129(3) of the Act and Rule 5 of the Companies (Accounts) Rules, 2014 in Form AOC – 1 is annexed herewith as **"Annexure II".**

The Audited Financial Statements, the Auditors Reports thereon and the Board's Reports for the year ended March 31, 2021, of the subsidiary companies, shall be available for inspection by the Members at its registered office, during business hours on all working days up to the date of the Annual General Meeting. A Member who is desirous of obtaining a copy of the accounts of the subsidiaries companies is requested to write to the Company.

During the financial year, none of the Company ceased to be the Company's subsidiaries, joint ventures, or associate companies.

Pursuant to Regulation 16(1)(c) of the SEBI (LODR), defines "material subsidiary" as a subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries at the end of the immediately preceding accounting year. Further, none of the subsidiaries mentioned hereinabove is a material subsidiary as per the thresholds laid down under the SEBI (LODR).

Pursuant to the provisions of section 136 of the Act as amended the standalone financial statements, consolidated financial statements of the Company and separate financial statements along with auditors reports thereon of each of the subsidiary is available on the website of the Company at https://www.spandanaindia.com/investors/financials.html.

8. CONSOLIDATED FINANCIAL STATEMENTS:

The Consolidated Financial Statements of the Company prepared in accordance with relevant Indian Accounting Standards (IND-AS) viz. (include the relevant standards) forms part of this Annual Report.

9. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

Affairs of your Company are being managed by a professional Board comprising of eminent personalities having experience and expertise suited to guide the Company in the right direction. Present Directors of your Company are:

NAME OF DIRECTOR	Designation
Mr. Deepak Calian Vaidya	Chairman and Independent Non-Executive Director
Mr. Bharat Dhirajlal Shah	Independent Non-Executive Director
Mr. Jagdish Capoor	Independent Non-Executive Director
Ms. Abanti Mitra	Independent Non-Executive Director
Mrs. Padmaja Gangireddy	Managing Director
Mr. Ramachandra Kasargod Kamath	Nominee Director
Mr. Kartikeya Dhruv Kaji	Nominee Director
Mr. Sunish Sharma	Nominee Director
Mr. Amit Sobti	Nominee Director
Mr. Darius Dinshaw Pandole*	Nominee Director

*Resigned from the Board w.e.f. September 21, 2020

12.1 Rotation of Directors:

In terms of the provisions of Section 152 of the Act Mr. Ramachandra Kasargod Kamath (DIN: 01715073) and Mr. Kartikeya Dhruv Kaji (DIN: 07641723), Nominee Directors of the Company, being longest in the office, retires at the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment. The brief resume and other details of Mr. Ramachandra Kasargod Kamath and Mr. Kartikeya Dhruv Kaji as required under the Act and SEBI (LODR) for their re-appointment as Director are provided in the Notice of 18th Annual General Meeting of your Company.

12.2 Declaration by Independent Directors:

The Company has received a declaration from all the Independent Directors of the Company, confirming that they meet with the criteria of independence as prescribed under subsection (6) of section 149 of the Act.

12.3 Key Managerial Personnel of the Company:

During the year under review, Mr. Sudhesh Chandrasekar has resigned as the Chief Financial Officer of the Company w.e.f. June 05, 2020, Mr. Rakesh Jhinjharia has resigned as the Company Secretary of the Company w.e.f. June 05, 2020 and Mr. Satish Kottakota has been appointed as the Chief Financial Officer of the Company w.e.f. June 01, 2020.

Mr. Ramesh Periasamy has been appointed as the Company Secretary and Compliance Officer of the Company w.e.f. August 29, 2020. Mrs. Sharmila S has been appointed as the Chief Risk Officer of the Company w.e.f. December 28, 2020.

10. MEETINGS OF THE BOARD OF DIRECTORS:

During the FY 2020-21, 6 (Six) Board Meetings were convened thorough Audio-Visual Electronic Communication Means (AVEC). The details related to Board Meetings are provided in Corporate Governance Report forming part of this Report.

The intervening gap between the Board Meetings was within the period prescribed under the Act and SEBI (LODR). The notice and agenda including all material information and minimum information required to be made available to the Board under Regulation 17 read with Schedule II Part-A of the SEBI (LODR) were circulated to all Directors, well within the prescribed time, before the Meeting or presented before the Meeting.

11. BOARD EVALUATION:

Pursuant to the provisions of the Act the Board has carried out the annual evaluation of its own performance, its Committees, and Individual directors including Independent Directors ("Performance Evaluation"). It covers the areas relevant to the functioning as Independent Directors or other directors, member of Board, or Committees of the Board. A structured questionnaire was prepared, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

The Directors have expressed their satisfaction with the evaluation process.

12. CODE OF CONDUCT FOR ITS DIRECTORS AND SENIOR MANAGEMENT:

Pursuant to Regulation 17(5) of the SEBI (LODR), the Company has a Code of Conduct for its Directors and Senior Management including Non-Executive and Independent Directors to the extent of their role and responsibilities in the Company. The said code is available at the website of the Company at http://www.spandanaindia.com/investors/corporate_governance.html.

Further, in accordance with Schedule V(D) of the SEBI (LODR) declaration from Managing Director of the Company has

BOARD'S REPORT (Contd.)

been received confirming that all the Directors and the Senior Management Personnel of the Company have complied to the Code of Conduct for the Financial Year ended March 31, 2021 as attached with this Report.

13. CORPORATE SOCIAL RESPONSIBILITY (CSR) :

In terms of section 135 and Schedule VII of the Act read with rules made thereunder, the Board of Directors of your Company have constituted a CSR Committee. The current composition of the Committee is as follows;

Sl. No.	Name	Designation & Category
1.	Mr. Ramachandra Kasargod Kamath	Chairperson, Nominee Director
2.	Mrs. Padmaja Gangireddy	Member, Managing Director
3.	Mrs. Abanti Mitra	Member, Independent Non-Executive Director
4.	Mr. Sunish Sharma	Member, Nominee Director
5.	Mr. Deepak Calian Vaidya	Member, Independent Non-Executive Director

The details of the Corporate Social Responsibility Policy adopted by the Company have been disclosed on the website of the Company at https://www.spandanaindia.com/pdfs/1.CSR%20Policy.pdf.

The Annual Report on CSR activities is annexed to this report as **"Annexure III".**

14. DETAILS OF COMMITTEES OF BOARD OF DIRECTORS OF COMPANY :

The details of Committees of the Board of Directors of Company are elaborated in the Report on Corporate Governance which forms a part of this Report.

15. CORPORATE GOVERNANCE:

In terms of Regulation 34(3) read with Schedule V of the SEBI (LODR), the detailed Report on Corporate Governance along with a certificate on Corporate Governance compliance received from Mr. Ravi Prasada Reddy, Practicing Company Secretary, Hyderabad forms integral part of this report.

16. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The Management Discussion and Analysis Report as required under Schedule V of the SEBI (LODR) annexed to this report.

17. BUSINESS RESPONSIBILITY REPORT:

The Business Responsibility Report for the year under review is annexed to this report as **"Annexure IV".**

18. THE ANNUAL RETURN:

Pursuant to sub-section (3)(a) of Section 134 and sub-section (3) of Section 92 of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the copy of Annual Return as at March 31, 2021 is available on the website of the Company at the link: http://www.spandanaindia.com/.

19. DEBENTURE REDEMPTION RESERVE:

Pursuant to Rule 7(b)(ii) of the Companies (Share Capital and Debentures) Rules, 2014 ('Rules'), the Company is not required to create Debenture Redemption Reserve as the Debentures of the Company are privately placed.

20. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information required under Section 134(3)(m) of the Act read with Rule, 8 of the Companies (Accounts) Rules, 2014 for the financial year ended March 31, 2021, are as follows:

20.1 Conservation of Energy:

Our operations are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and electrical equipment. Further, the Company believes in the optimum utilization of alternative resources available to reduce usage and conserve energy. We are also promoting the use of renewable energy sources among clients in their households.

20.2 Research and Development (R&D):

Social research and development of new products and methodologies continue to be an ongoing process for the Company. This helps us to enhance the quality of service and borrower satisfaction through continuous innovation. The Company has been adapting various lending models within the limited scope of MFI norms and has successfully implemented a Fortnightly / Monthly lending product.

20.3 Technology absorption, adaptation, and innovation:

Technology is being used as a business enabler at Spandana. We are improving our processes and controls with higher technology development and adoption to get better operational efficiencies keeping scalability in high consideration. The Company has migrated to a browser-based application FinS which has the accounts, loans, insurance, and payroll modules integrated. FinS have enabled us to have the entire data in a single database and have real-time data available without any time lag. The collection efficiency of each branch is tracked daily. Credit bureau verification is integrated and the bureau check happens seamlessly. To avoid data manipulation at the branch level, applications login has been centralized. Moreover, a mobile platform has also been integrated for further optimizing our business processes and enhanced value creation for our clients. A back-office team with strength of more than 200 including data entry operators, team leads and managers processes the loan applications. Loan applications are sourced from mobile as well as from web platform. Applications are logged on FinS for bureau verification and processing of loans.

20.4 Foreign exchange earnings and outgo:

There are no Foreign exchange earnings and outgo during the financial year ended March 31, 2021.

21. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

The ratio of the remuneration of each director to the median's employee's remuneration and other details in terms of Section 197(12) of the Act read with Rule 5(1) of the Companies (Companies Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. In terms of the provisions of Section 197 (12) of the Act read with Rules 5(2) and 5 (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names of the top ten employees in terms of remuneration drawn and names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules forms part of this Report.

Having regard to the provisions of the second proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the Members of the Company. Any Member interested in obtaining such information may send their request to secretarial@spandanaindia.com.

22. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE:

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future, therefore the disclosure under Rule 8 (5)(vii) of Companies (Accounts) Rules, 2014, is not applicable to the Company.

23. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES :

Your Company has established the Vigil Mechanism to encourage employees to report suspected legal violations, fraudulent or irregular conduct of an employee or business associate of the Company. Such incidents, if not reported would breach trust and endanger the Company's reputation. Through this mechanism, the Company provides a channel to the employees and Directors to report to the management about unethical behaviour, actual or suspected fraud or violation of the Codes of Conduct or legal or regulatory requirements incorrect or misrepresentation of any financial statements and reports, etc.

The Company also has a Fraud Reporting Policy to deal with instances of fraud and mismanagement, if any. This Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. A Committee has been constituted which looks into the complaints raised.

24. INVESTOR RELATION:

Your Company has set up an effective Investor Relations Program through which the Company on a regular basis keep all its investors updated on all the crucial information by disseminating the same on the Company's website. The Company also inform both the exchanges regarding earning calls, investor meets, press release on the financial results of the Company and such other matters having direct/indirect bearing on the Share Price of the Company, in compliance with the SEBI (LODR).

25. BORROWER GRIEVANCES:

Your Company has a dedicated Borrower Grievance Cell to receive and handle the day to day borrower grievances. Further the details of the concerned persons are also mentioned on the website of the Company, and a toll free number is also displayed at every branch for the borrowers to lodge their complaints (if any), and the borrowers can also directly reach out to the right persons for their grievance redressal. All the grievances of borrowers are dealt expeditiously, in a fair and transparent manner.

26. CODE OF CONDUCT FOR INSIDER TRADING:

Your Company has duly formulated and adopted Code of Conduct for Prohibition of Insider Trading and Internal Procedure in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The objective of this Code is to regulate, monitor and report trading by its Designated Persons and Immediate Relatives of Designated Persons towards achieving and protecting the interest of Stakeholders at large.

The Code of Conduct for Insider Trading is available on the Company's website at https://www.spandanaindia.com/pdfs/Amended%20Insider%20Trading%20Code%20and%20Code%20of%20Fair%20Disclosure_SSFL_final.pdf?v=2.

27. FAIR PRACTICE CODE:

Your Company has duly formulated and adopted Fair Practice Code (FPC) in compliance with the guidelines issued by RBI, to deliver quality services to borrowers by maintaining highest levels of transparency and integrity. It also aims to provide valuable information to Borrowers for making an informed decision.

The FPC (English Version) is available on the Company's website at https://www.spandanaindia.com/pdfs/fpc_english.pdf.

The FPC (Hindi Version) is available on the Company's website at https://www.spandanaindia.com/pdfs/fpc_hindi.pdf.

28. RISK MANAGEMENT POLICY:

The Board of Directors has constituted Risk Management Committee to identify, monitor and review all the elements of risk associated with the Company. The detail of Committee and its terms of reference are elaborated in the Report on Corporate Governance which forms a part of this Report.

The Company has duly approved and adopted Risk Management Policy, wherein risk management practices has integrated into governance and operations and has developed a strong risk culture within the Organization. Further, the risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

29. DIVIDEND DISTRIBUTION POLICY:

Your Company has formulated Dividend Policy in accordance with SEBI (LODR), for bringing transparency in the matter of declaration of dividend and to protect the interest of investors. The Dividend Policy is available on the website of the Company at https://www.spandanaindia.com/investors/corporate_governance.html.

30. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE ACT:

Pursuant to the provisions of Sec 186 (11) of the Act disclosure requirement of particulars of loans given, investments made or guarantee given or securities provided is not applicable to the Company.

31. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

Your Company has formulated a policy on related party transactions and is available on Company's website at https://www.spandanaindia.com/pdfs/7.RPT%20Policy.pdf.

This policy deals with the review and approval of related party transactions. The Board of Directors of the Company had approved the criteria for making the omnibus approval by the Audit Committee within the overall framework of the policy on related party transactions. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and on an arm's length basis.

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large. All Related Party Transactions are placed before the Audit Committee for approval. The details of the related party transactions are disclosed as per Indian Accounting Standard (IND AS) – 24 and set out in note 33 to the Standalone financial statements forming part of this annual report.

Contracts / arrangements / transactions entered by the Company during the year under review with related parties under Section 188 of the Act were in ordinary course of business and on arm's length basis. During the year, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the provisions of Section 188 of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014, Regulation 23 of SEBI Listing Regulations and the Company's policy on related party transactions. Therefore, particulars of contracts/ arrangements with related parties under Section 188 of the Act in Form AOC-2 is not annexed with this report.

32. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company has a sound Internal Control System, commensurate with the nature, size, scale and complexity of its operations which ensures that transactions are recorded, authorized and reported correctly. The Company has put in place policies and procedures for continuously monitoring and ensuring the orderly and efficient conduct of the business, including adherence to the Company's Policies, for safeguarding its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparations of reliable financial disclosures. The Audit Committee periodically reviews and evaluates the effectiveness of internal financial control system.

33. MATERIAL CHANGES AND COMMITMENTS:

No material changes or commitments have occurred after the close of the year till the date of this Report except as mentioned herein above, which may affect the financial position of the Company.

34. DEBENTURE TRUSTEE:

To protect the Interest of the Debenture Holders of the Company, your company has appointed the Debenture Trustees named as:-

Catalyst Trusteeship Limited

Registered Office: GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune-411038

Tel: +91 (020) 25280081/Fax: 91 (020) 25280275

www.catalysttrustee.com

IDBI Trusteeship Services Limited

Asian Building, Ground Floor,

17, R. Kamani Marg, Ballard Estate,Mumbai – 400 001.

(91) (22) 40807068

naresh.sachwani@idbitrustee.com www.idbitrustee.com

35. INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013:

The Company has constituted an Internal Compliant Committee as required to be formed under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder which were notified on December 09, 2013.

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and Redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder. During the FY 2020-21, there were no complaints received by the Committee.

36. 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

a) that in the preparation of the annual financial statements for the financial year ended March 31, 2021; the applicable accounting standards had been followed along with proper explanation relating to material departures;

b) that such accounting policies as mentioned in Note no. 1 of the Notes to the Financial Statements have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profit of the Company for the year ended on that date;

BOARD'S REPORT (Contd.)

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

d) that the annual financial statements for the financial year ended March 31, 2021 have been prepared on a going concern basis; and

e) that the proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

f) that the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

37. CREDIT RATING:

During the year under review, your Company has obtained following credit ratings for bank facilities and debt instruments;

Instrument	Rating agency	Rating Action	Rated Amount (₹ Cr)
Long term bank facilities	ICRA	[ICRA]A- (Stable) / Assigned	3,500.00
Long term bank facilities	India Ratings	[INDIA]A (Stable) / Assigned	500.00
Non-Convertible debentures	ICRA	[ICRA]A- (Stable) / Assigned	859.46
Non-Convertible debentures	India Ratings	[INDIA]A (Stable) / Assigned	250.00
Market Linked Debentures	ICRA	PP-MLD[ICRA]A- (Stable) / Assigned	400.00
Market Linked Debentures	India Ratings	IND PP-MLD Aemr/Stable / Assigned	375.00

38. OTHER DISCLOSURES:

The Company has not revised Financial Statements as mentioned under section 131 of the Act.

During the year under review, the Company has complied with the provisions of the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019, read with RBI Master Direction – Foreign Investment in India issued vide notification no. RBI/FED/2017-18/60 dated January 4, 2018 the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 and the Consolidated FDI Policy, as amended.

39. GRATITUDE AND ACKNOWLEDGEMENT:

The Board expresses its deep sense of gratitude to the Government of India, Reserve Bank of India and other regulators for the valuable guidance and support the Company has received from them during the year. The Board would also like to express its sincere appreciation of the co-operation and assistance received from its stakeholders, Shareholders, Bankers and other Business Constituents during the year under review. The Board places on record its appreciation of the dedicated services and contributions made by its staff for the overall performance of the Company.

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Padmaja Gangireddy
Managing Director
DIN: 00004842

Date: May 22, 2021
Place: Hyderabad

Deepak Calian Vaidya
Chairman
DIN: 00337276

Date: May 22, 2021
Place: Mumbai

ANNEXURE I

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

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

To
The Members,
M/s. Spandana Sphoorty Financial Limited
Plot No: 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial Dist,
Nanakramguda, Hyderabad TG 500032

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Spandana Sphoorty Financial Limited** (hereinafter referred as the ***"Company"***). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the ***"Financial Year"*** ended on **March 31, 2021, (i.e. from April 01, 2020 to March 31, 2021)** 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, 2021 according to the provisions of:

A. The Companies Act, 2013 (the "Act") and the rules made thereunder;

B. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

C. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

D. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

E. The rules, regulations, and directions issued by the Reserve Bank of India, as are applicable to Systemically Important Non-Deposit taking Non-Banking Financial Companies with classification as 'Investment & Credit Company'- categorized as a Micro Finance Company which are specifically applicable to the Company.

F. 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;

   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and amendments from time to time;

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments from time to time;

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and amendments from time to time;

   (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) (Amendment) Regulations, 2018 regarding the Companies Act and dealing with client ;

   (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2018; (Not applicable to the Company during the Audit Period)

   (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Company during the Audit Period)

ANNEXURE I (Contd.)

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

(i) Revised Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI).

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into by the Company with National Stock Exchange of India Ltd and BSE Limited.

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, having regard to the compliance system prevailing in the Company and on examination of relevant documents and records in pursuance thereof, on test check basis and on the basis of the management representation that the Company has complied with all the industrial specific applicable laws.

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 notices are given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent in advance as required, 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 of decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the respective meetings.

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

We further report that during the audit period, the Company has:

a) granted following Employees Stock Options (ESOPs) to its eligible employees in terms of the Spandana Employee Stock Option Plan 2018 **(the "ESOP Plan")** and Spandana Employee Stock Option Scheme 2018 **(the "ESOP Scheme")**:

S. No.	Date of the Grant	No. of Employees	No. of ESOPs granted
1.	June 3, 2020	2	1,25,000
2.	June 16, 2020	1	40,000
3.	August 31, 2020	2	28,000
4.	November 12, 2020	3	1,35,000

b) passed a resolution pursuant to Section 42 of the Companies Act, 2013 for approving issue of non-convertible debentures up to an aggregate amount of ₹ 2000,00,00,000.00/- under private placement basis in one or more series or tranches.

c) issued and allotted 68,140 (Sixty Eight Thousand One hundred and forty) Non-Convertible Debentures aggregating to ₹10,74,25,00,000.00 (One Thousand Seventy Four Crores and Twenty Five Lakhs Rupees) on private placement in multiple tranches. Details are as:

ANNEXURE I (Contd.)

S. No	Details of Debentures	No of Securities	Face Value	Amount
1	12.75% Rated, Listed, Secured, Redeemable NCD	1000	10,00,000	1,00,00,00,000
2	14% Secured, Rated, Listed, Senior, Redeemable NCD	250	10,00,000	25,00,00,000
3	13.25% Secure, Rated, listed, senior, redeemable, transferable NCD	400	10,00,000	40,00,00,000
4	12.75% % Secured, Rated, Listed, Taxable, Transferable, Senior, Redeemable Non-Convertible Debentures	250	10,00,000	25,00,00,000
5	Secured, Rated, Listed, Senior, Taxable, Principal Protected, Redeemable Non-Convertible Debentures-MLD	2400	1,00,000	24,00,00,000
6	Secured Rated, Listed, Unsubordinated, Redeemable, Principal Protected Redeemable Non-Convertible Debentures-MLD Series A	1740	1,00,000	17,40,00,000
7	Secured Rated, Listed, Unsubordinated, Redeemable, Principal Protected Redeemable Non-Convertible Debentures-MLD Series B	2000	1,00,000	20,00,00,000
8	Secured, Rated, Listed, Redeemable, Principal Protected Market Linked NCD	7500	1,00,000	75,00,00,000
9	10.8% Secured, Listed, Rated, Senior, Redeemable Non-Convertible Debentures	1400	10,00,000	1,40,00,00,000
10	Secured, Rated, Listed, Redeemable, Transferable, Taxable, Principal Protected, Market Linked, Non-Convertible Debentures	10000	1,00,000	1,00,00,00,000
11	12.20% Secured, Rated, Listed, Redeemable, Transferable, Non-Convertible Debentures	500	10,00,000	50,00,00,000
12	Senior, Rated, Secured, Redeemable, Listed, Principal Protected Market Linked NCD	6360	1,00,000	63,60,00,000
13	11.48661% Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures	215	10,00,000	21,50,00,000
14	Secured, Rated, Listed, Redeemable, Transferable, Principle Protected, Market Linked NCD	8275	1,00,000	82,75,00,000
15	11.50% Secured, Rated, Listed, Redeemable, Transferable Non-convertible Debentures	4000	1,00,000	40,00,00,000
16	12.5% Secured, Rated, Listed, Redeemable, Transferable Non-convertible Debentures	12000	1,00,000	1,20,00,00,000
17	11.48661% Secured, Rated, Listed, Redeemable, Transferable Non-convertible Debentures	350	10,00,000	35,00,00,000
18	Senior, Secured, Rated, Listed, Redeemable, Transferable, Principal Protected Market Linked	5000	1,00,000	50,00,00,000
19	12.50% Rated, Unlisted, Senior, Transferable, Redeemable, Taxable, Non-Convertible Debentures-Series A	2500	1,00,000	25,00,00,000
20	12.50% Rated, Unlisted, Senior, Transferable, Redeemable, Taxable, Non-Convertible Debentures-Series B	2000	1,00,000	20,00,00,000
	Total	**68,140**		**10,74,25,00,000**

d) partial redeemed or amortized or fully redeemed following Non-Convertible Debentures:

S. No.	Details of Debentures	Amortization/ Fully Redeemed
1.	820 (March 31, 2019: 625), 13.12% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1,000,000 each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 7, 2018.	Amortization
2.	825 (March 31, 2019: 4,000), 12.90% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Cr each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of Twelve or Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	Full Redemption

ANNEXURE I (Contd.)

3.	250 (September 30, 2020: 250), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Cr each redeemable in twenty four equal monthly installments from the date of allotment i.e. September 29, 2020.	Amortization: October 29, 2020
4.	250 (September 30, 2020: 250), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Cr each redeemable in twenty four equal monthly installments from the date of allotment i.e. September 29, 2020.	Amortization: November 29, 2020
5.	820 (March 31, 2019: 625), 13.12% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1,000,000 each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 7, 2018.	Amortization
6.	250 (September 30, 2020: 250), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Cr each redeemable in twenty four equal monthly installments from the date of allotment i.e. September 29, 2020.	Amortization: December 29, 2020
7.	250 (September 30, 2020: 250), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Cr each redeemable in twenty four equal monthly installments from the date of allotment i.e. September 29, 2020.	Amortization: January 29, 2021
8.	250 (September 30, 2020: 250), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Cr each redeemable in twenty four equal monthly installments from the date of allotment i.e. September 29, 2020.	Amortization: February 29, 2021
9.	250 (September 30, 2020: 250), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Cr each redeemable in twenty four equal monthly installments from the date of allotment i.e. September 29, 2020.	Amortization: March 29, 2021

For **RPR & ASSOCIATES**
Company Secretaries

Y Ravi Prasada Reddy
Proprietor
FCS No.5783, C P No. 5360
UDIN: F005783C000357101

Place: Hyderabad
Date: May 22, 2021

ANNEXURE I (Contd.)

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

To

The Members,

M/s. SpandanaSphoorty Financial Limited

Plot No: 31 & 32, Ramky Selenium Towers,

Tower A, Ground Floor, Financial Dist,

Nanakramguda, Hyderabad TG 500032

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices followed by us provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.

4. Wherever required, we have obtained the Management representations about the compliance of laws, rules and regulations and happening of events etc.,

5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **RPR & ASSOCIATES**
Company Secretaries

Y Ravi Prasada Reddy
Proprietor
FCS No.5783, C P No. 5360

Place: Hyderabad
Date: May 22, 2021

ANNEXURE II

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

Amount in ₹ Cr

Sl. No.	Particulars	Details	Details
1.	Name of the subsidiary	Caspian Financial Services Limited	Criss Financial Holdings Limited
2.	Financial Year ended on	March 31, 2021	March 31, 2021
3.	Reporting currency	₹	₹
4.	Share capital	2.00	7.67
5.	Reserves & surplus	0.24	51.26
6.	Total assets	2.28	399.90
7.	Total Liabilities	0.04	269.74
8.	Investments	2.28	14.04
9.	Turnover	0.08	54.10
10.	Profit before taxation	0.08	23.26
11.	Provision for taxation	0.02	6.32
12.	Profit after taxation	0.06	16.94
13.	Proposed Dividend	Nil	Nil
14.	% of shareholding	100%	98.45%

1. Names of subsidiaries which are yet to commence operations:

Caspian Financial Services Limited is yet to commence its commercial operations.

2. Names of subsidiaries which have been liquidated or sold during the year.

No subsidiaries have been liquidated or sold during the year under review.

The Company does not have any associate company or joint venture company during the year under review. Hence, Part B of Form AOC-1 is not applicable.

For & on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Padmaja Gangireddy	**Deepak Calian Vaidya**
Managing Director	Chairman
DIN: 00004842	DIN: 00337276
Date: May 22, 2021	Date: May 22, 2021
Place: Hyderabad	Place: Mumbai

ANNEXURE III

[ANNEXURE -II]

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT FOR FINANCIAL YEAR COMMENCING ON OR AFTER 1ST DAY OF APRIL, 2020

1. **Brief outline on CSR Policy of the Company.**

   In pursuit of our mission to be one of the most significant microfinance service providers in the country by offering a range of financial and non financial products and services to low income households and individuals to improve their quality of life, we constantly endeavour to deliver quality services to our clients and remunerative returns to our Investors by maintaining highest levels of transparency and integrity. In the process we strive to be the most responsive corporate citizen in the community we serve. It is therefore a conscious strategy to design and implement various programmes making a lasting impact on the society at large. Spandana is therefore committed to giving back to the society through its Corporate Social Responsibility (CSR) initiatives

2. **Composition of CSR Committee:-**

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Ramachandra Kasargod Kamath	Chairperson, Non-Executive Nominee Director	3	3
2	Mrs. Padmaja Gangireddy	Member, Managing Director	3	2
3	Mrs. Abanti Mitra	Member, Independent Director	3	3
4	Mr. Sunish Sharma*	Member, Nominee Director	3	0
5	Mr. Deepak Calian Vaidya*	Member, Independent Director	3	0

*Became Member of the CSR Committee w.e.f. February 9, 2021.

2. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company.

   Web link: https://www.spandanaindia.com/investors/corporate_governance.html

3. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).

   Not Applicable.

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

   Not Applicable

6. Average net profit of the Company as per section 135(5).

   ₹ 434.53 Cr.

7. (a) Two percent of average net profit of the Company as per section 135(5)

   The Company is required to spend ₹ 8.76 Cr towards CSR

   (include an unspent amount of ₹ 0.12 Cr carried forward from the previous financial year)

   (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.

   Nil

   (c) Amount required to be set off for the financial year, if any

   Nil

   (d) Total CSR obligation for the financial year (7a+7b-7c).

   ₹ 8.76 Cr

ANNEXURE III (Contd.)

(Includes an amount of unspent amount of ₹ 0.12 Cr carried forward from the previous financial year)

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

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹ Cr)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second provision to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
1.42	5.40	April 30, 2021	**Not applicable**	**Not Applicable**	**Not Applicable**

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	**Name of the Project.**	**Item from the list of activities in Schedule VII to the Act.**	**Local area (Yes/ No).**	**Location of the project.**		**Project duration.**	**Amount allocated for the project (in ₹ Cr).**	**Amount spent in the current financial Year (in ₹ Cr).**	**Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹ Cr).**	**Mode of Implementation - Direct (Yes /No).**	**Mode of Implementation - Through Implementing Agency**	
				State.	**District.**						**Name**	**CSR Registration number.**
1.	Economic Empowerment of Rural Women and Girls:	Promoting Gender Equality	Yes	Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Kerala, MP, Maharashtra, Odisha, Rajasthan, Telangana, UP.		Ongoing Project	0.19	0.19	NA	NA	NA	
2.	Promoting clean and affordable energy	Ensuring environmental Sustainability	Yes	Rajasthan And Bihar		Ongoing Project	0.97	0.97	NA	Yes	NA	NA
3.	Disaster Response	Disaster Management	Yes	Orissa and Andhra Pradesh		Ongoing Project	0.27	0.27	NA	Yes	NA	NA
	Total						**1.42**	**1.42**				

ANNEXURE III (Contd.)

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/ No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation - Direct (Yes/ No).	Mode of implementation - Through implementing agency.	
				State.	District.			Name.	CSR registration number.
1.	-	-	-	-		-	-	-	-
2.	-	-	-	-		-	-	-	-
3.	-	-	-	-		-	-	-	-
	Total	-	-	-		-	-	-	-

(d) Amount spent in Administrative Overheads: Nil

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) ₹ 1.42 Cr

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

Sl. No.	Particular	Amount (in ₹ Cr)
(i)	Two percent of average net profit of the Company as per section 135(5)	₹ 8.69 Cr.
(ii)	Total amount spent for the Financial Year	₹ 1.42 Cr
(iii)	Excess amount spent for the financial year [(ii)-(i)]	₹ 1.42 Cr
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	-

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹ Cr)	Amount spent in the reporting Financial Year (in ₹ Cr).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in ₹ Cr)
				Name of the Fund	Amount (in ₹ Cr).	Date of transfer.	
1.	FY 2019-20	NA	0.12	-	-	-	-
2.	FY 2018-19	NA	-	-	-	-	-
3.	FY 2017-19	NA	-	-	-	-	-
	Total		0.12	-	-	-	-

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in ₹).	Amount spent on the project in the reporting Financial Year (in ₹).	Cumulative amount spent at the end of reporting Financial Year. (In ₹)	Status of the project - Completed / Ongoing.
1	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-
	Total							

ANNEXURE III (Contd.)

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

    Not Applicable

    (Asset-wise details).

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

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

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

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

11. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per section 135(5).

    Since the implementation of CSR programs are directly handled by the Company, COVID-19 pandemic and nationwide lockdown prevented the employees to reach out to the beneficiaries directly on the CSR approved projects. Presently, the unspent amount is utilized for people who were affected during the second wave of COVID-19 for the ongoing CSR projects as approved by the Board of Directors.

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Ramachandra Kasargod Kamath
Chairman - CSR Committee
DIN: 01715073

Padmaja Gangireddy
Managing Director
DIN: 00004842

Place: Mumbai
Date: May 22, 2021

ANNEXURE IV - BUSINESS RESPONSIBILITY REPORT

BUSINESS RESPONSIBILITY REPORT

[See Regulation 34(2)(f) of SEBI (LODR)]

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1	Corporate Identity Number (CIN) of the Company:	L65929TG2003PLC040648
2	Name of the Company	Spandana Sphoorty Financial Limited
3	Registered address	Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad TG 500032 IN
4	Website	www.spandanaindia.com
5	E-mail id	contact@spandanaindia.com
6	Financial Year reported	2020-21
7	Sector(s) that the Company is engaged in (industrial activitycode-wise)	Financial Services (Microfinance) (NIC Code 64990)
8	List three key products/services that the Company manufactures/provides (as in balancesheet)	1. Microfinance Services i.e., providing unsecured loans for income generation activities to borrowers from economically weaker sections 2. Business Loans
9	Total number of locations where business activity is undertaken by the Company	17 States and 1 Union Territory
	(a) Number of International Locations (Provide details of major5)	Nil
	(b) Number of National Locations	Registered Office: 1 Corporate Office: 1 Branches: 982
10	Markets served by the Company – Local/ State/ National/ International	National

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1	Paid up Capital (₹ in Cr)	64.315
2	Total Turnover (₹ in Cr)	1,442.91 on a standalone basis
3	Total profit after taxes (₹ in Cr)	128.98 on a standalone basis
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	1.1%
5	List of activities in which expenditure in 4 above has been incurred	Refer Report on CSR activities forming part of Board's Report

SECTION C: OTHER DETAILS

1	Does the Company have any Subsidiary Company/ Companies?	Yes
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiarycompany(s)	Yes; the Company has 2 subsidiaries and both participate in the Business Responsibility initiatives undertaken by the Company
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	No

ANNEXURE IV (Contd.)

SECTION D: BR INFORMATION

1	**Details of Director/Directors responsible for BR**	
a	**Details of the Director/Director responsible for implementation of the BR policy/policies**	
	DINNumber	00004842
	Name	Mrs. Padmaja Gangireddy
	Designation	Managing Director
b.	Details of the BR head	
	DIN Number	00004842
	Name	Mrs. Padmaja Gangireddy
	Designation	Managing Director
	Telephone number	040-48126666
	e-mail id	contact@spandanaindia.com

2.	**Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)**
	The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under:
P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle.
P3	Businesses should promote the wellbeing of all employees.
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment.
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

ANNEXURE IV (Contd.)

S.No.	Questions	Business Ethics P1	Product Responsibility P2	Wellbeing of employees P3	Stakeholders engagement P4	Human rights P5	Environment P6	Public Policy P7	CSR P8	Customer Relations P9
1	Do you have a policy/ policies for	Y	N (Refer Note 1)	Y	Y	Y	N (Refer Note 2)	N (Refer Note 3)	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	Y	-	-	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y*	-	Y*	Y*	Y*	-	-	Y*	Y*
4	Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y**	-	Y**	Y**	Y**	-	-	Y**	Y**
5	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	-	Y	Y	Y	-	-	Y	Y
6	Indicate the link for the policy to beviewed online?	www.spandanaindia.com								
7	Has the policy been formallycommunicated to all relevant internal and external stakeholders?	Y	-	Y	Y	Y	-	-	Y	Y
8	Does the Company have in-housestructure to implement the policy/ policies.	Y	-	Y	Y	Y	-	-	Y	Y
9	Does the Company have a grievance redressalmechanism related to the policy/ policies to address stakeholders' grievances?	Y	-	Y	Y	Y	-	-	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	-	Y	Y	Y	-	-	Y	Y

* All policies have been formulated in accordance with the applicable laws and regulations and after considering the best practices adopted by the industry.

** All policies approved by the Board and signed by the official who oversees the implementation of such policies.

Note 1:The core business area of the Company is to provide financial services and hence this principle has limited applicability. The Company, however, complies with all applicable regulations in respect of its operations.

Note 2: Principle 6 is not particularly relevant to the Company given that it operates in the financial services sector. Still, the Company complies with applicable environmental regulations in respect of its premises. The Company along with its employees makes continuous efforts to ensure that there is an optimum utilization of the available resources (like paper, water, energy, etc.) with minimal or no wastage.

ANNEXURE IV (Contd.)

Note 3: The Company is a member of Microfinance Institutions Network (MFIN) and Sa-Dhan and these associations advocate, on behalf of the entire microfinance industry, with the regulator and various other bodies.

Note 4: All policies and processes are subject to internal audit and internal reviews on a periodic basis.

Governance related to BR

1	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.	Annually
2	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	The BR Report forms part of the Annual Report and is available on the website of the Company viz. www.spandanaindia.com.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability:

1	Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/ Others?	Yes. It extends to the subsidiary companies as well.

ANNEXURE IV (Contd.)

<table>
<tr><td>2</td><td>How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words orso.</td><td>Following are the details of the complaints received and resolved with 100% satisfactory from various stakeholders during the FY 2020-21:

<table><tr><th>Customer complaints</th><th>Complaints received during the FY</th><th>Complaints resolved during the FY</th><th>Complaints Pending as on March 31, 2021</th></tr><tr><td>Customer Complaints</td><td>1,107</td><td>1,108</td><td>41</td></tr><tr><td>Shareholder complaints</td><td>Nil</td><td>Nil</td><td>Nil</td></tr><tr><td>Complaints re-ceived under Whistler Blower Policy / Vigil mechanism</td><td>Nil</td><td>Nil</td><td>Nil</td></tr></table></td></tr>
</table>

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle:

1	List up to 3 of your products or services whose design has incorporated social or environmental con-cerns, risks and/ oropportunities.	Microfinance Services i.e., providing unsecured loans for income generation activities to borrowers from economically weaker sections Business Loans are provided to lower middle income segment of the population in order to scale up their business and improve their livelihood.
2	For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit ofproduct (optional): (a) Reduction during sourcing/production/ distribu-tion achieved since the previous year throughout the valuechain? (b) Reduction during usage by consumers (energy, water) has been achieved since the previousyear?	Not applicable
3	Does the company have procedures in place for sustainable sourcing (including transportation) ? (a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.	Not applicable

ANNEXURE IV (Contd.)

4	Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? (a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?	Yes, wherever possible.
5	Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words orso.	Yes, wherever possible.

Principle 3: Businesses should promote the well-being of all employees:

1	Please indicate the Total number of employees	**8,323 as on March 31, 2021**
2	Please indicate the Total number of employees hired on temporary/contractual/casual basis.	NA
3	Please indicate the Number of permanent women employees.	108
4	Please indicate the Number of permanent employees with disabilities	Nil
5	Do you have an employee association that is recognized by management	**No**
6	What percentage of your permanent employees is members of this recognized employee association?	**Not applicable**
7	Pleaseindicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financialyear.	

No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1	Child labour/forced labour/involuntary labour	Nil	Nil
2	Sexual harassment	Nil	Nil
3	Discriminatory employment	Nil	Nil

8	What percentage of your under mentioned employees were given safety & skill up- gradation training in the last year?	Total No. of Trainees were trained in safety and skill up-gradation training (April 1, 2020 to March 31, 2021) : 3702
	a. Permanent Employees	3702
	b. Permanent Women Employees	40
	c. Casual/Temporary/ContractualEmployees	NA
	d. Employees with Disabilities	NA

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized:

1	Has the Company mapped its internal and external stakeholders? Yes/No	Yes
2	Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders.	Yes

ANNEXURE IV (Contd.)

3	Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words orso.	The Company is engaged in providing finan-cial services to low income households in rural India for their lifecycle needs. In addition, the Company conducts financial literacy programmes, skill development programmes and vocational training programmes for low income households.

Principle 5: Businesses should respect and promote human rights:

1	Does the policy of the Company on human rights cover only the Company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?	The Company's policy on Codes of Conduct applies to the Company, its subsidiaries, all Directors and all the employees.
2	How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?	During the FY 2020-21, no complaint regarding human rights violation was received.

Principle 6: Business should respect, protect, and make efforts to restore the environment:

1	Does the policy related to Principle 6 cover only the Company or extends to the Group/JointVentures/Suppliers/Contractors/NGOs/others.	Not applicable
2	Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpageetc.	Not applicable
3	Does the Company identify and assess potential environmental risks? Y/N	Not applicable
4	Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?	Not applicable
5	Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc Y/N. If yes, please give hyperlink for web page, etc.	Not applicable
6	Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year beingreported?	Not applicable
7	Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.	Not applicable

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

	Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business dealswith:	The Company is a member of the following associations: 1. Microfinance Institutions Network (MFIN) 2. Sa Dhan
	Haveyou advocated/lobbied through above associ-ations for the advancement or improvement of public good? Yes/No, if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)	Yes, MFIN and Sa Dhan do MFI industry advocacy and are part of policy making related to MFI Industry.

ANNEXURE IV (Contd.)

Principle 8: Businesses should support inclusive growth and equitable development:

1	Does the Company have specified programmes/initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.	The Company support low income households in rural areas to undertake economic activities through financial support. The Company provides employment opportunity to the freshers from rural areas and family members of our customers. In addition, the Company conducts financial literacy programmes, skill development programmes and vocational training programmes for low income house-holds.
2	Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/ any other organization?	The Company is directly involved in planning and executing its various CSR projects.
3	Have you done any impact assessment of your initiative?	Yes, at periodic intervals, CSR Committee and the Board of Directors are apprised with the progress and updates of the CSR initiatives undertaken as per the guidelines of Schedule VII of the Act.
4	What is your company's direct contribution to community development projects amounting INR and the details ofthe projects undertaken.	Please refer to Report on CSR Activities for details.
5	Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.	Our initiatives have been undertaken after an assessment of community needs. We work with community resources, potential and aspirations, aiming to enhance their quality of lives over time. Our projects have set timelines, whereby we aim to ensure that changes are not just visible, but sustained over a time.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

1	What percentage of customer complaints/consumer cases are pending as on the end of financial year	For the FY 2020-21, the Company has resolved all the complaints received except 41 complaints as mentioned in this report.
2	Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)	Yes. As per Fair Practices Code, the Company displays the interest rate being charged and other practices being adopted by the Company while lending loans to its Borrowers.
3	Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anticompetitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.	None
4	Did your company carry out any consumer survey/ consumer satisfaction trends?	Yes, this is done periodically

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Governance

Corporate Governance refers to, but not limited to, a set of laws, regulations and good practices & systems that enable an organization to perform efficiently and ethically to generate long term wealth and create value for all its stakeholders. Sound governance practices and responsible corporate behavior contribute to superior long term performance of organizations. Corporate governance is the creation and enhancement of long-term sustainable value for our stakeholders through ethically driven business process. We, at Spandana, strongly believe in the practice of conducting the business activities in an ethical manner that ensures high level of accountability and trust for all our stakeholders.

Our principals of good Corporate Governance in entrenched in our values and policies and also embedded in our day-to-day business practices, leading to value driven growth. We have adopted the best governance practices and disclosure standards leading to enhanced shareholders' value while protecting the interest of all the stakeholders.

Our values reflect our continued commitment to ethical business practices across our operations. The timely disclosures, transparent accountability policies go a long way in maintain good corporate governance, preserving shareholders' trust and maximizing long term corporate value. Our actions are governed by our values and principles, viz., integrity, team work, securing the interest of our borrowers, and innovation are reinforced across all levels of the Company.

The Company conforms to the requirements of the Corporate Governance as stipulated in Part C of the Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) that are implemented in a manner so as to achieve the objectives of the principles stated in the clause with respect to Rights of Shareholders, Role of Stakeholders in Corporate Governance, Disclosure and Transparency, Responsibilities of the Board and Other responsibilities prescribed under these regulations

2. Board of Directors

The Board plays a pivotal role in ensuring good corporate governance. The Board of Directors is the apex body that governs the overall functioning of the Company. They are entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with requisite powers, authorities and duties. The Board provides and evaluates the strategic direction of the Company, management policies and their effectiveness and ensures that the long-term interests of the shareholders are being served. The Board reviews its strength and composition from time to time to ensure that it remains aligned with the statutory as well as business requirements. All the Board of Directors are entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with the requisite powers, authorities and duties.

Composition

The composition of the Board is in conformity with Regulations 17 of SEBI Listing Regulations, which stipulates that the Board should have an optimum combination of executive and non-executive directors with at least one (1) woman director and that at least fifty percent (50%) of the Board should consist of non-executive directors. It further stipulates that if the chairperson of the Board is a non-executive and non-promoter director then at least one-third of the board should comprise of Independent Directors.

The Company has a balanced mix of Executive, Non-Executive and Independent Non-Executive Directors. As on March 31, 2021, the Company's Board comprised of nine (9) Directors, including four (4) Non-executive Independent Directors as mentioned in the table below. The Chairman of the Board is a Non-Executive Independent Director.

CORPORATE GOVERNANCE REPORT (Contd.)

<table>
<tr><th>S. No.</th><th>Name of Directors</th><th>Designation</th><th>Category</th></tr>
<tr><td>1.</td><td>Mr. Deepak Calian Vaidya</td><td>Chairman</td><td>Non - Executive –Independent Director</td></tr>
<tr><td>2.</td><td>Mrs. Padmaja Gangireddy</td><td>Managing Director</td><td>Executive Director</td></tr>
<tr><td>3.</td><td>Mr. Kartikeya Dhruv Kaji</td><td>Nominee Director of Kedaara Capital</td><td rowspan="4">Non - Executive –Non Independent Directors</td></tr>
<tr><td>4.</td><td>Mr. Sunish Sharma</td><td>Nominee Director of Kedaara Capital</td></tr>
<tr><td>5.</td><td>Mr. Amit Sobti</td><td>Nominee Director of Kedaara Capital</td></tr>
<tr><td>6.</td><td>Mr. Ramachandra Kasargod Kamath</td><td>Nominee Director of Kedaara Capital</td></tr>
<tr><td>7.</td><td>Mr. Bharat Dhirajlal Shah</td><td>Independent Director</td><td rowspan="3">Non - Executive –Independent Directors</td></tr>
<tr><td>8.</td><td>Mr. Jagdish Capoor</td><td>Independent Director</td></tr>
<tr><td>9.</td><td>Ms. Abanti Mitra</td><td>Independent Director</td></tr>
</table>

Board Diversity

The Company has in place a policy on Board Diversity. Diversity is ensured through consideration of a number of factors, including but not limited to skills, regional and industry experience, background and other qualities. The current composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the business.

The following key skills and attributes are taken into consideration by the Nomination and Remuneration Committee while appointing the Directors on the Board of the Company:

S. No.	Skills / Expertise / Competencies
1.	Financial Acumen
2.	Legal and Compliance
3.	Corporate Governance
4.	ALM and Risk Management
5.	Strategy and strategic planning
6.	Information Technology and Digital
7.	Active Contributor to the Board/Committee
8.	Understanding of Business/Industry
9.	Mentor

In the table below, the specific areas of focus or expertise of individual Board members have been highlighted. However, the absence of mark against a member's name does not necessarily mean that the member does not possess the corresponding qualification or skill.

Name of Directors	Financial Acumen	Legal and Compliance	Corporate Governance	ALM and Risk Management	Strategy and Strategic Planning	Information Technology and Digital	Active Contributor to the Board/Committee	Understanding of Business/ Industry	Mentor
Mr. Deepak Calian Vaidya	✓	✓	✓				✓	✓	✓
Mrs. Padmaja Gangireddy	✓		✓	✓	✓		✓	✓	
Mr. Jagdish Capoor	✓	✓	✓	✓			✓	✓	✓
Mr. Bharat Dhirajlal Shah	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Abanti Mitra	✓		✓	✓	✓		✓	✓	✓
Mr. Ramachandra Kasargod Kamath	✓	✓	✓	✓	✓		✓	✓	✓
Mr. Amit Sobti	✓		✓		✓	✓	✓	✓	
Mr. Kartikeya Dhruv Kaji	✓		✓	✓	✓	✓	✓	✓	
Mr. Sunish Sharma	✓		✓	✓	✓		✓	✓	

Board Independence

Pursuant to Section 149(6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Regulation 16(1)(b) of the SEBI Listing Regulations, all the Independent Directors of the Company have provided the declaration to the Board confirming satisfaction of the conditions of their independence.

Further, none of the Directors of the Company are related to each other. All Directors are appointed by the Members of the Company.

Membership of other Boards

None of the Directors of the Company hold directorships in more than twenty companies including in more than 10 public companies. Pursuant to Regulation 17A of the SEBI Listing Regulations, none of the Directors on the Company hold directorships in more than seven listed companies and independent directorship in more than seven listed companies. The Managing Director of the Company do not hold directorship as an Independent Director in any other listed company. Further, pursuant to Regulation 26 of the SEBI Listing Regulations, none of the Directors is serving as a member of more than 10 committees or as the chairman of more than 5 committees.

The information relating to the number and category of other directorships and committee chairmanships/memberships held by the Directors in other Public Companies as on March 31, 2021 is given herein below:

CORPORATE GOVERNANCE REPORT (Contd.)

Name of Director	Designation	Number of Directorship in other public companies[1]				Number of committee positions held in other public companies[2]		No. of Equity shares held in the Company as on March 31, 2021
		Listed	Name of the Listed Company	Category of Directorship	Unlisted	Member	Chairperson	
Padmaja Gangireddy	Managing Director	-	-	-	3	1	0	10,300,953
Kartikeya Dhruv Kaji	Nominee Director	1	1. Aavas Financiers Limited	1. Nominee Director	2	1	0	Nil
Sunish Sharma	Nominee Director	-	-	-	-	-	-	Nil
Amit Sobti	Nominee Director	-	-	-	-			Nil
Ramachandra Kasargod Kamath	Nominee Director	2	1. Aavas Financiers Limited 2. Centrum Capital Limited	1. Nominee Director 2. Non-Executive-Non Independent Director	1	1	0	Nil
Deepak Calian Vaidya	Independent Director	3	1. Strides Pharma Science Limited 2. Solara Active Pharma Sciences Limited 3. Indraprastha Medical Corporation Limited	1. Non-Executive Director 2 Chairman & Non-Executive Director 3. Independent Director	3	3	1	Nil
Bharat Dhirajlal Shah	Independent Director	4	1. Strides Pharma Science Limited 2. 3M India Limited 3. Exide Industries Limited 4. Mahindra Lifespace Developers Limited	1. Independent Director 2. Non-Executive - Independent Director-Chairperson 3. Non-Executive - Independent Director-Chairperson 4. Independent Director	4	6	1	Nil
Jagdish Capoor	Independent Director	2	1. Manappuram Finance Limited 2. LIC Housing Finance Limited	1. Non-Executive - Independent Director-Chairperson 2. Independent Director	2	2	1	Nil
Abanti Mitra	Independent Director	-	-	-	1	1	-	4,247

1. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Act.
2. The information pertaining to the chairmanships/memberships of committees of the board held by the directors includes only audit committee and stakeholders' relationship committee.

In compliance with Regulation 17(1A) of the SEBI Listing Regulations, the shareholders of the Company had approved the continuation of the directorship of Mr. Jagdish Capoor and Mr. Deepak Calian Vaidya, who had attained the age of seventy-five year, by passing a special resolution with requisite majority in the general meeting held on July 11, 2019 and July 30, 2019 respectively. The offices held by the directors are in compliance with the Companies Act, 2013 and the SEBI Listing Regulations.

Detailed profiles of the Directors are available at the website of the Company at www.spandanaindia.com.

Board Meetings

The Board meets at regular intervals to discuss and decide on Company / business policy and strategy apart from other Board business. The Board / Committee Meetings are pre-scheduled and a tentative annual calendar of the Board and Committee Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However, in case of a special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted by law, which are noted and confirmed in the subsequent Board Meeting

The Board meetings are generally held in Hyderabad and Mumbai. During the financial year ended March 31, 2021, Six (6) Board Meetings were held on June 02, 2020, August 31, 2020, November 13, 2020, February 09, 2021, March 11, 2021 and March 31, 2021. The meetings were held at least once in quarter and the time period between the two meetings did not exceed 120 days. The required quorum was present at all the above meetings. The details of attendance of the Directors at the Board Meetings held during the FY 2020-21 and the last Annual General Meeting is given herein below:

Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Whether attended the Annual General Meeting held on September 30, 2020
Mrs. Padmaja Gangireddy	6	4	Yes
Mr. Sunish Sharma	6	6	Yes
Mr. Amit Sobti	6	6	Yes
Mr. Ramachandra Kasargod Kamath	6	6	Yes
Mr. Kartikeya Dhruv Kaji	6	6	Yes
Mr. Deepak Calian Vaidya	6	6	Yes
Mr. Bharat Dhirajlal Shah	6	6	Yes
Mr. Jagdish Capoor	6	6	Yes
Ms. Abanti Mitra	6	6	Yes

*Leave of absence was granted to the Directors who could not attend the respective meetings, if any.

The notice of Board / Committee Meetings is given well in advance to all the Directors. Agenda of the Board / Committee Meetings is set by the Company Secretary in consultation with the Managing Director of the Company. The Agenda is circulated a week prior to the date of the Meeting. The Board Agenda includes an Action Taken Report comprising of actions emanating from the Board Meetings and status updates thereof. The Agenda for the Board and Committee Meetings cover items set out as per the guidelines in SEBI Listing Regulations to the extent it is relevant and applicable. The Agenda for the Board and Committee Meetings include detailed notes on the items to be discussed at the Meeting to enable the Directors to take an informed decision. The Company also provides an option to its Directors to participate at each of the Board/ Committee meetings through tele/video conference.

With reference to the matters, where it is not practicable to circulate any document or the agenda item is of confidential nature, the same is circulated separately or tabled at the meeting, as the case may be. In special and exceptional circumstances, consideration of additional agenda items is taken up with the permission of the Chairman and with the consent of majority of Directors present at the meeting. Prior approval from the Board is obtained for circulating the agenda items with shorter notice for matters that form part of the Board and Committee Agenda and are considered to be in the nature of Unpublished Price Sensitive Information (UPSI).

At the Board meetings, presentations are made by senior management covering the plans, performance, operations, financial performance, risk management, compliance status and other issues and matters which the Board wants to be appraised of on a periodic basis. The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration and convening of the Board and Committee Meetings. The Company Secretary attends all the Meetings of the Board and its Committees. He advises / assures the Board and its Committees on Compliance and Governance principles and ensures appropriate recording of minutes of the Meetings. With a view to leverage technology and reducing paper consumption, the Company circulates the agenda papers and all the relevant annexures through notepads. The Company meets high standards of security and integrity that are required

CORPORATE GOVERNANCE REPORT (Contd.)

for storage and transmission of Board / Committee Agenda in electronic form. The Directors opting for physical copy of the agenda were provided hard copies.

The draft minutes of the Board and Committee meetings are circulated amongst the Directors/Members for their perusal and comments in accordance with Secretarial Standard-1 (SS-1) issued by Institute of Company Secretaries of India. Suggestions, if any, received from the Directors/Members are suitably incorporated in the draft minutes, in consultation with the Chairman of the Board/Committee.

Separate Meeting of Independent Directors

Separate meeting of the Independent Directors was held on May 22, 2021 without the presence of the Non-Executive Non-Independent Directors, Managing Director and the Management team of the Company. The matters considered and discussed thereat, inter-alia, included those prescribed in Regulation 25 of the SEBI Listing Regulations and Schedule IV of the Act.

Familiarization Programmes for the Independent Directors

The Company has in place the familiarization program for the Independent Directors appointed from time to time. The program aims to familiarize the Independent Directors with various aspects of the Company including the nature of financial services industry, operations and performance of the Company and its subsidiaries, roles, rights and responsibilities of the Independent Directors; and other relevant information required by Independent Directors to discharge their functions. Periodic presentations are made at the Board and Committee meetings by the senior management of the Company.

The details of familiarization Programme imparted to the Independent Directors of the Company are available on the Company's website at www.spandanaindia.com.

Code of Conduct

The Company has in place a comprehensive Code of Conduct and our Code (the Codes) applicable to the Directors and employees. The Codes give guidance and support needed for ethical conduct of business and compliance of law. The Codes reflect the core values of the Company viz. Customer Value, Ownership Mindset, Respect, Integrity, One Team and Excellence. A copy of the Code of Conduct and Our Code has been put up on the Company's website at www.spandanaindia.com. The Codes have been circulated to Directors and Management Personnel, and its compliance is affirmed by them annually as per Regulation 26(3) of the SEBI Listing Regulations. A declaration signed by the Company's Managing Director to this effect forms part of the Annual Report.

3. Committees of the Board

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas / activities as mandated by applicable regulation; which concern the Company and need a closer review. The Board Committees are set up under the formal approval of the Board to carry out clearly defined roles which are considered to be performed by Members of the Board, as a part of good governance practice. The Chairman of the respective Committee informs the Board about the summary of the discussions held in the Committees Meetings. The minutes of the meetings of all Committees are placed before the Board for review. During the year, all recommendations of the Committees of the Board which were mandatorily required have been accepted by the Board.

The Board has established the following statutory and non-statutory Committees:-

A. Audit Committee

B. Nomination and Remuneration Committee

C. Corporate Social Responsibility Committee

D. Stakeholders' Relationship Committee

E. Risk Management Policy

F. IT Strategy Committee

G. Management Committee

H. Asset Liability Management Committee

A. Audit Committee

Composition

The Audit Committee has been constituted by the Company in accordance with Section 177 of the Act read with applicable rules thereto and in accordance with Regulation 18 read with Part D of Schedule II of SEBI Listing Regulations. The members of the Audit Committee consist of five (5) Non-executive Directors of which four (4) are Independent directors. The Committee is chaired by Ms. Abanti Mitra, Independent Director.

The composition of the Committee is in adherence to provisions of the Act, SEBI LODR Regulations and the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

All members of the Committee are financially literate and learned, experienced and well known in their respective fields. The Committee acts as a link between the Statutory Auditors, the Internal Auditors and the Board of Directors of the Company. The Company Secretary acts as the Secretary to the Committee. The Meetings of the Audit Committee are also attended by the Chief Financial Officer, Internal Auditors and the Statutory Auditors as invitees. The minutes of each Audit Committee meeting are circulated amongst the members for their approval.

Terms of Reference

The broad terms of reference of the Audit Committee, inter alia, includes the following:

a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

b) Recommending to the Board, the appointment, re-appointment, and replacement, remuneration, and terms of appointment of the statutory auditor, internal auditor and cost auditor;

c) Reviewing and monitoring the auditor's independence and performance and the effectiveness of audit process;

d) Approving payments to the statutory auditors, internal auditor and cost auditor, for any other services rendered by them;

e) Reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

   (i) Matters required to be stated in the Director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, 2013;

   (ii) Changes, if any, in accounting policies and practices and reasons for the same;

   (iii) Major accounting entries involving estimates based on the exercise of judgment by management;

   (iv) Significant adjustments made in the financial statements arising out of audit findings;

   (v) Compliance with listing and other legal requirements relating to financial statements;

   (vi) Disclosure of any related party transactions; and

   (vii) Qualifications and modified opinions in the draft audit report.

f) Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;

g) Scrutiny of inter-corporate loans and investments;

h) Valuation of undertakings or assets of the Company, wherever it is necessary;

i) Evaluation of internal financial controls and risk management systems;

j) Approval or any subsequent modification of transactions of the Company with related parties;

   Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act, 2013.

CORPORATE GOVERNANCE REPORT (Contd.)

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

l) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;

m) Reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;

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

o) Discussion with internal auditors on any significant findings and follow up thereon;

p) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

q) Discussion with statutory auditors, internal auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

r) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

s) Approval of appointment of the chief financial officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

t) Reviewing the functioning of the whistle blower mechanism, in case the same is existing;

u) Carrying out any other functions as provided under the Companies Act, the Listing Regulations and other applicable laws;

v) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;

w) To review the financial statement with respect to its subsidiaries, if any, in particular investments made by the unlisted subsidiaries;

x) To examine the efficacy of audit functions and systems and suggesting steps on a periodic basis (quarterly, half yearly) for its improvement.

y) To facilitate smooth conduct of audits by external agencies, Statutory Auditors, Reserve Bank of India (RBI), lenders and any other external auditors as appointed by the Company or any other stakeholders (lenders, shareholders, regulators, government etc.)

z) To report, on a quarterly basis, the key findings of the quarter , as well as the action taken report on the same for previous quarters, to the Board of Directors.

aa) To review compliance of various inspections and audit reports of internal, concurrent and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the Company from time to time.

bb) To monitor and review all frauds that may have occurred in the Company involving an amount of ₹ 0.1 million and above or as decided from time to time.

cc) To report such frauds and other flag-offs to the Board of Directors regulators and other stakeholders, as the case warrants, along with the extent of losses. This would include drafting a calendar of reporting frauds and the remedial measures taken, to the Board of the Company.

dd) To conduct a root cause analysis and identify the systemic lacunae, if any, that may have facilitated perpetration of the fraud and put in place measures to rectify the same. Also, to ascertain reasons for delay in detection of such frauds, if any.

ee) To ensure the staff accountability is examined at all levels in all the cases of frauds and actions, if required, is completed quickly without loss of time.

ff) To review efficacy of remedial actions taken to prevent recurrence of frauds, such as strengthening internal controls and putting in place other measures as may be considered relevant to strengthen preventive mechanism.

gg) Reviewing and recommending to the board of directors of the Company potential risks involved in any new business plans and processes; and

hh) Framing, devising, monitoring, assessing and reviewing the risk management plan and policy of the Company from time to time and recommend for amendment or modification thereof;

ii) Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable laws."

The Chairperson of the Audit Committee apprises the Board of Directors about significant discussions and decisions taken at the Audit Committee meetings.

Meeting and Attendance

During the FY 2020-21, six (6) Audit Committee Meetings were held on June 1, 2020, August 31, 2020, November 12, 2020, February 9, 2021, March 11, 2021 and March 31, 2021. The required quorum was present for all the Audit Committee meetings. The gap between two meetings did not exceed 120 days. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of Member	Position	No. of Meetings Held	No. of Meetings attended
Ms. Abanti Mitra	Chairperson	6	6
Mr. Kartikeya Dhruv Kaji	Member	6	6
Mr. Bharat Dhirajlal Shah	Member	6	6
Mr. Deepak Calian Vaidya	Member	6	6
Mr. Jagdish Capoor	Member	6	6

B. Nomination and Remuneration Committee

Composition

The Nomination and Remuneration Committee (the "NRC") has been constituted by the Company in accordance with Section 178(1) of the Act and applicable ruled thereto and in accordance with Regulation 19 read with Part D of Schedule II of SEBI Listing Regulation. The members of the NRC consist of three (3) Non-executive Directors of which two (2) are Independent directors. The Committee is chaired by Mr. Bharat Dhirajlal Shah, Independent Director.

The composition of the Committee is in adherence to provisions of the Act, SEBI LODR Regulations and the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

Terms of Reference

The broad terms of reference of the NRC, inter alia, includes the following:

a) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees in accordance with Section 178(4) of the Companies Act, 2013;

b) Formulation of criteria for the performance of evaluation of independent directors and the Board;

c) Devising a policy on Board diversity;

d) Identify persons who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;

e) To determine key performance indicators of senior executives of the Company and specify deliverables for the executive in line with the business plan of the Company.

"Senior executive to include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Whole Time Directors, the Head of Departments of various functions and other key managerial personnel as decided from time to time in consultation with the Board of the Company and other stakeholders."

f) To objectively examine the annual manpower plan in relation to the business plan of the Company and to examine management recommendations regarding manpower strategy and suggest corrective actions, if required.

g) To finalize top tier organization structure including top field level functionaries and direct reportees on a periodical basis or as and when required.

h) To evaluate and approve the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including bonuses and Employees Stock Options).

i) To recommend to the Board a policy, relating to remuneration for the Directors and Key Managerial Personnel

j) Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;

k) Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:

(i) administering employee stock option schemes, employee stock purchase schemes, stock appreciation rights schemes, general employee benefits scheme and retirement benefit schemes (the "Schemes");

(ii) delegating the administration and superintendence of the Schemes to any trust set up with respect to the Schemes;

(iii) formulating detailed terms and conditions for the Schemes including provisions specified by the Board of Directors of the Company in this regard;

(iv) determining the eligibility of employees to participate under the Schemes;

(v) granting options to eligible employees and determining the date of grant;

(vi) determining the number of options to be granted to an employee;

(vii) determining the exercise price under of the Schemes; and

(viii) Construing and interpreting the Plan and any agreements defining the rights and obligations of the Company and eligible employees under the Schemes, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Schemes.

l) Framing suitable policies and systems to ensure that there is no violation of securities laws by, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas, including:

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

(ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended;

m) Determine whether to extend or continue the terms of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and

n) Perform such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee.

The NRC also considers and approves the grant of Stock Options to the employees/directors of the Company and/or its subsidiaries in accordance with the Employee Stock Option Scheme formulated by the Company pursuant to the applicable provisions of the Act and the Regulations issued by Securities and Exchange Board of India (SEBI).

Meetings and Attendance

During the FY 2020-21, four (4) NRC Meetings were held on May 30, 2020, August 28, 2020, November 12, 2020 and February 8, 2021. The required quorum was present for all the NRC meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of Member	Position	No. of Meetings Held	No. of Meetings attended
Mr. Bharat Dhirajlal Shah	Chairman	4	4
Ms. Abanti Mitra	Member	4	4
Mr. Kartikeya Dhruv Kaji	Member	4	4

Criteria for Performance Evaluation of Directors:

In compliance with provisions of SEBI Listing Regulations and pursuant to the provisions of Section 134, 178 of the Companies Act, 2013 (the 'Act') read with Schedule IV (as per section 149) annexed to the Act and the Rules made there under, the Company has framed a Policy on Performance Evaluation of Directors which laid down the criteria of performance evaluation of Board, its Committees and Individual Directors.

An annual performance evaluation for the FY 2020-21 was carried out in an independent and fair manner in accordance with the Policy, as stated above. The performance evaluation of the Directors and the Board and its committees are conducted through separate structured questionnaires, one each for Independent and Non-Executive Directors, Managing Director, Committees and the Board as a whole. The Evaluation process focused on various aspects of the functioning of the Board and Committees such as composition of the Board, improving Board effectiveness, performance of Board Committees, Board knowledge sessions and time allocation for strategic issues, etc. Separate exercise was carried out to evaluate the performance of individual Directors on parameters such as attendance, contribution and independent judgment.

As an outcome of the above exercise, it was noted that the Board as a whole is functioning as a cohesive body which is well engaged with different perspectives. The Board Members from different backgrounds bring about different complementarities and deliberations in the Board and Committee and the meetings are enriched by such diversity and complementarities. It was also noted that the Committees are functioning well and besides the Committee's terms of reference as mandated by law, important issues are brought up and discussed in the Committees.

Policy on Nominations & Remuneration for Directors, Key Managerial Personnel, Senior Management and Other Employees

In terms of the provisions of the Act read with applicable rules and SEBI Listing Regulations, the Board of Directors adopted the 'Remuneration Policy' covering aspects relating to remuneration to be paid to Directors including criteria for making payment to Executive and Non-Executive Directors, senior management including key managerial personnel and other employees of the Company.

The Remuneration Policy is adopted to inter-alia ensure that remuneration paid by the Company is in compliance with the requirements of the applicable law(s) and relationship of remuneration to performance is clear and meets appropriate performance benchmarks. The Remuneration Policy is available on the website of the Company at www.spananaindia.com.

Remuneration to Directors

(i) Details of remuneration paid / payable to the Directors for the year ended March 31, 2021:

Name of the Directors	Salary, Perquisite & Pension (₹)	Annual Fees	Commission	Stock Options	Total	Shareholding (Equity) (No.)
Mrs. Padmaja Gangireddy	5,37,50,000	-	-	-	5,37,50,000	1,03,00,953
Mr. Kartikeya Dhruv Kaji	-	-	-	-	-	-
Mr. Sunish Sharma	-	-	-	-	-	-
Mr. Amit Sobti	-	-	-	-	-	-

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Name of the Directors	Salary, Perquisite & Pension (₹)	Annual Fees	Commission	Stock Options	Total	Shareholding (Equity) (No.)
Mr. Ramachandra Kasargod Kamath	-	20,00,000	-	-	20,00,000	-
Mr. Deepak Calian Vaidya	-	20,00,000	-	-	20,00,000	-
Mr. Bharat Dhirajlal Shah	-	20,00,000	-	-	20,00,000	-
Mr. Jagdish Capoor	-	20,00,000	-	-	20,00,000	-
Ms. Abanti Mitra	-	20,00,000	-	-	20,00,000	4,247

(ii) Criteria of making payments to Non-Executive Directors:

The criteria for making payment to Non-Executive Directors including Independent Directors are prescribed in the Remuneration Policy which is available on the website of the Company at www.spananaindia.com.

(iii) Details of fixed components and performance linked incentives along with the Performance Criteria:

The Board of Directors at its meeting held on May 17, 2019 had approved the following remuneration of Mrs. Padmaja Gangireddy, Managing Director of the Company:

a) Fixed Salary: ₹ 3,00,00,000 (Indian Rupees three Crore only) per annum ("Fixed Component")

b) Variable Salary: The following shall be the variable component of the salary, paid in addition to the Fixed Component ("Variable Salary"):

(i) In the event that the Company's Profit before Tax is greater than ₹ 550 Cr for FY 2019-20, ₹ 700 Cr for FY 2020-21 and ₹ 875 Cr for FY 2021-22, the Variable Salary shall be equivalent to 75% (seventy five percent) of the Fixed Component.

(ii) In the event that the Company's Profit before Tax is less than as mentioned in point (i) and greater than or equal to ₹ 510 Cr for FY 2019-20, ₹ 580 Cr for FY 2020-21 and ₹ 670 Cr for FY 2021-22, the Variable Salary shall be equivalent to 37.5% (thirty seven point five percent) of the Fixed Component.

c) Other Benefits:

(i) Entitlement of Leave and its encashment as per rules of the Company

(ii) Contribution to Provident Fund: As per rules of the Company

(iii) Gratuity: As per rules of the Company

(iv) Company (owned and maintained) car and telephone (both mobile and land lines), fax and internet at residence for official and personal use.

(v) Provision of personal secretary.

(vi) Reimbursement of Expenses: Expenses incurred for travelling, board and lodging during business trips and provision of car(s) for use on Company's business and communication expenses at residence shall be reimbursed on actual basis and not considered as perquisites.

(vii) The Managing Director is not subject to retire by rotation.

(iv) Details of service contracts, notice period, severance fees:

Mrs. Padmaja Gangireddy is eligible for a severance fee of 12 months pay upon termination of the Employment Agreement by the Board. Service contract and the notice period are as per the terms of agreement entered into by her with the Company. The Current tenure of the Managing Director is valid till April 18, 2022.

The service contracts, notice period and severance fees are not applicable to Non-Executive and/or Independent Directors.

(v) Stock options, details, if any and whether issued at discount as well as the period over which accrued and over which exercizable

The Company has not issued any stock options to its Directors of the Company.

(vi) Pecuniary relationship or transactions of the Non-Executive Directors with the Company: During the year under review, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors apart from payment of annual fees as disclosed herein above.

C. Corporate Social Responsibility Committee

Composition

The Corporate Social Responsibility ("the CSR") Committee is constituted in accordance with Section 135 of the Act and consists of one (2) Non-executive Non Independent Director, one (2) Non-executive Independent Director and one (1) Executive Director. The Committee is chaired by Mr. Ramachandra Kasargod Kamath, Non-Executive Non-Independent Director. Mr. Sunish Sharma and Mr. Deepak Vaidya being appointed as a member of the CSR committee with effect from February 09, 2021

Terms of Reference

The broad terms of reference of the CSR, inter alia, includes the following:

a. The Board shall ensure that the Company spends, in every financial year, at least two per cent of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

b. The Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

c. The following are regarded as activities relating to Corporate Social Responsibility:

   i. Eradicating extreme hunger and poverty;

   ii. Promotion of education;

   iii. Promoting gender equality and empowering women

   iv. Reducing child mortality and improving maternal health;

   v. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;

   vi. Ensuring environmental sustainability;

   vii. Employment enhancing vocational skills;

   viii. Social business projects;

   ix. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and

   x. Slum Area Development.

Meetings and Attendance

During the FY 2020-21, three (3) CSR Meetings were held on May 30, 2020, August 28, 2020 and February 8, 2021. The required quorum was present for all the CSR meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of Member	Position	No. of Meetings Held	No. of Meetings attended
Mr. Ramachandra Kasargod Kamath	Chairman	3	3
Ms. Abanti Mitra	Member	3	3
Mrs. Padmaja Gangireddy	Member	3	2
Mr. Sunish Sharma*	Member	-	-
Mr. Deepak Vaidya*	Member	-	-

*appointed with effect from February 9, 2021

D. Stakeholders' Relationship Committee

Composition

The Stakeholders' Relationship Committee ("the SRC") Committee is constituted in accordance with Section 178 of the Act and the applicable rules thereto and in accordance with Regulation 20 of the SEBI Listing Regulations. The SRC consists of five (5) members; of which three (3) are Non-Executive Independent Directors and two (2) are Non-Executive Non-Independent Directors. The Committee is chaired by Ms. Abanti Mitra, Independent Director.

Terms of Reference

The broad terms of reference of the SRC, inter alia, includes the following:

a) Various aspects of interest of shareholders, debenture holders and other security holders, including complaints related to the transfer of shares, including non receipt of share certificates and review of cases for refusal of transfer/ transmission of shares and debentures, non-receipt of balance sheet, non-receipt of annual reports, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, or any other documents or information to be sent by the Company to its shareholders, etc. and assisting with quarterly reporting of such complaints;

b) Allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;

c) Dematerialization of shares and re-materialization of shares, issue of duplicate certificates and new certificates on split/consolidation/renewal;

d) Overseeing the performance of the registrars and transfer agents of our Company and to recommend measures for overall improvement in the quality of investor services;

e) Review of measures taken for effective exercise of voting rights by shareholders.

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

g) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company; and

h) Carrying out any other function as prescribed under the Listing Regulations, Companies Act, 2013 and the rules and regulations made thereunder, each as amended or other applicable laws.

Meetings and Attendance

During the FY 2020-21, four (4) SRC Meetings were held June 1, 2020, August 28, 2020, November 12, 2020 and February 8, 2021. The required quorum was present for all the SRC meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of Member	Position	No. of Meetings Held	No. of Meetings attended
Ms. Abanti Mitra	Chairperson	4	4
Mr. Kartikeya Dhruv Kaji	Member	4	4
Mr. Ramachandra Kasargod Kamath	Member	4	4
Mr. Deepak Calian Vaidya	Member	4	4
Mr. Jagdish Capoor	Member	4	4

Details of Investor Grievances

Mr. Ramesh Periasamy, Company Secretary is the Compliance Officer for resolution of Shareholders' / Investors' grievances. During the FY 2020-21, no complaints were received from investors / shareholders of the Company, as on March 31, 2021.

E. Risk Management Committee

Composition

The Risk Management Committee (the "RMC") manages the integrated risk and intimates the Board about the progress made in the risk management system, risk management policy and strategy evaluation of the Policy. The Risk Management Committee of the Board has been constituted as per the requirements of the Act and as per the Regulation 21 of the SEBI Listing Regulations. The RMC consists of four (4) Members; of which two (2) are Non-Executive Independent Directors and two (2) are Non-Executive Non-Independent Director. The Committee is chaired by Mr. Ramachandra Kasargod Kamath, Non-Executive Non-Independent Director. Mr. Darius Pandole resigned w.e.f. September 21, 2021.

The composition of the Committee is in adherence to provisions of the Act, SEBI LODR Regulations and the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. Mrs. Sharmila S. has been appointed as the Chief Risk Officer of the Company w.e.f. December 28, 2020

Terms of Reference

The broad terms of reference of the RMC, inter alia, includes the following:

a) To review company's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risk)

b) To review the risk return profile of the Company, Capital adequacy based on risk profile of the MFI's balance sheet, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures and implementations of enterprise risk management.

c) To hold such risk reviews to ensure adequate monitoring as may be felt necessary by the internal as well as external stakeholders and to apprise the Board of the Company on a periodic basis.

Meetings and Attendance

During the FY 2020-21, three (3) RMC Meetings were held on June 2, 2020, August 28, 2020 and February 8, 2021. The required quorum was present for all the SRC meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of Member	Position	No. of Meetings Held	No. of Meetings attended
Mr. Ramachandra Kasargod Kamath	Chairperson	3	3
Mr. Kartikeya Dhruv Kaji	Member	3	3
Mr. Bharat Dhirajlal Shah	Member	3	3
Mr. Jagdish Capoor	Member	3	3
Mr. Darius Pandole*	Member	3	2

* Mr. Darius Pandole resigned wef. September 21, 2021.

F. IT Strategy Committee

Composition

The IT Strategy Committee has been constituted pursuant to RBI Master Direction - Information Technology Framework for the NBFC Sector. The Committee consists of three (3) Members of which one (1) is Non-Executive Independent Directors and two (2) are Non-Executive Non-Independent Director. The Committee is chaired by Ms. Abanti Mitra, an Independent Director.

Terms of Reference

The broad terms of reference of the IT Strategy Committee, inter alia, includes the following:

a) Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place

b) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business

c) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;

d) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;

e) Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls."

Meetings and Attendance

During the FY 2020-21, three (3) IT Strategy Committee Meetings were held on May 30, 2020, August 28, 2020 and February 8, 2021. The required quorum was present in both the meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of Member	Position	No. of Meetings Held	No. of Meetings attended
Ms. Abanti Mitra	Chairperson	3	3
Mr. Kartikeya Dhruv Kaji	Member	3	3
Mr. Amit Sobti	Member	3	3

G. Management Committee

Composition

The Board of Directors has constituted the Management Committee consisting of three Members viz., Ms. Abanti Mitra (Independent Director), Mr. Kartikeya Dhruv Kaji (Nominee Director) and Mr. Sunish Sharma (Nominee Director). The Committee approves loans, borrowings, and investments within the limits as specified by the Board of Directors, from time to time.

Terms of Reference

The broad terms of reference of the Management Committee, inter alia, includes the following:

a) to apply for loans and to provide security including hypothecation of book debts of the Company at such terms and conditions as may be decided by the Committee from time to time;

b) to borrow moneys from time to time subject to an aggregate amount of ₹ 5,000 Cr from the date of passing of this resolution;

c) to determine the terms of the Issue(s) of Debentures, and finalize the terms and conditions of such Issue(s) including the number of Debentures to be allotted in each Issue, Issue Price, Face Value, Rate of Interest, Redemption Period, the nature of security etc. for the purpose of raising funds in its absolute discretion deem fit and to do all such acts, deeds and things as may be required necessary in this regard

d) to sell loan portfolios of the Company upto a limit of ₹ 1,000 Cr per sanction;

e) to securitize the loan receivables arising from an identified pool of loans ("Receivables") provided to various persons from time to time standing in the books of the Company upto a limit of ₹ 1,000 Cr per sanction.

f) to purchase book debts of other micro-finance/ NBFC Companies upto a limit of ₹ 50 Cr per sanction;

g) to grant loans including inter corporate loans and advances on such terms and conditions as it may deem fit;

h) to authorize Company official/s for execution of agreements, deeds and documents on behalf of the Company, including any loan documents;

i) to invest funds of the Company in Fixed Deposits to the extent necessary to avail credit facilities/ loans from the Banks/ Financial Institutions etc. and to invest surplus funds in liquid funds (i.e. mutual funds etc.) for the benefit of the Company;

j) to decide remuneration including basic salary, allowances, incentives, perquisites, travel allowance and any other welfare measures for the benefit of the employees of the Company other than Directors;

k) to incur capital expenditure outside the annual business plan up to a limit of ₹ 10 lakh between two Board Meetings.

l) to appoint /authorize Company official/s for execution of documents, agreement, deeds and papers as may be required from time to time in relation to day to day operations of the Company;

m) to make applications for obtaining licenses, registrations, connections, clearances, services etc. and to authorize/ appoint directors/employees/officers for signing applications, returns, forms, bonds, agreements, documents, papers etc. and for representing Company before the authorities under various Laws including but not limited to Corporate

Laws, Industrial Laws, Tax Laws, Labour Laws and other Business Laws applicable to the Company in respect of all present and future offices of the Company, for compliance of all provisions, rules, clauses, regulations, directives and other related matters under the said Laws, which may be applicable to the Company.

n) to approve new products as specified in the policy of the Company or by the regulator and rolling out of business in new geographies in which products (new as well as existing) can be rolled out.

o) to review lease, assign, sell, transfer or otherwise dispose of, any fixed assets or investments, whether by one transaction or by a series of transactions (whether related or not).

Meetings and Attendance

During the FY 2020-21, Management Committee met fifty three (53) times which were held on April 24, 2020, May 20, 2020, June 8, 2020, June 13, 2020, June 25, 2020, June 30, 2020, July 22, 2020, July 31, 2020, August 14, 2020, August 20, 2020, August 21, 2020, September 5, 2020, September 8, 2020, September 9, 2020, September 14, 2020, September 17, 2020, 22 September, 2020, September 24, 2020, September 26, 2020, September 29, 2020, October 9, 2020, October 19, 2020, October 21, 2020, October 27, 2020, October 28, 2020, Oct0ber 29, 2020, November 11, 2020, November 17, 2020, November 19, 2020, November 24, 2020, November 25, 2020, November 27, 2020, December 15, 2020, December 16, 2020, December 18, 2020, December 22, 2020, December 24, 2020, December 29, 2020, December 31, 2020, January 7, 2021, January 15, 2021, January 28, 2021, February 2, 2021, February 16, 2021, February 22, 2021, February 24, 2021, February 26, 2021, March 5, 2021, March 12, 2021, March 16, 2021, March 22, 2021, March 25, 2021 and March 31, 2021. The required quorum was present in all the above meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of Member	Position	No. of Meetings Held	No. of Meetings attended
Mrs. Padmaja Gangireddy*	Member	26	1
Mr. Kartikeya Dhruv Kaji	Member	53	51
Mr. Sunish Sharma	Member	53	43
Ms. Abanti Mitra	Member	53	38

* ceased to be a member of Management Committee pursuant to reconstitution of the Committee by the Board of Directors w.e.f. November 13, 2021

H. Asset Liability Management Committee (ALM)

Composition

In terms of Regulation 108 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("Master Direction"), the ALCO was constituted by the Board of Directors at its meeting held on October 31, 2019 by demerging the Management Committee. The Committee consists of five members, viz., Mrs. Padmaja Gangireddy (Managing Director), Mr. Abdul Feroz Khan (Chief Strategy Officer), Mr. Satish Kottakota (Chief Financial Officer), Mr. Madhusudan Kesiraju (Sr. Vice President-Finance) and Mr. Tarun Yarlagadda (Senior Manager – Treasury) and is functioning under the supervision of the Board of Directors.

Terms of Reference

The broad terms of reference of the ALM Committee, inter alia, includes the following:

a. To manage the Balance Sheet of the Company within the risk parameters laid down by the Board of Directors or a Committee thereof, with a view to manage the current income as well as to take steps for enhancing the same.

b. To review the capital & profit planning and growth projections of the Company in line with the business plan and ensure that the same is reported to the Board of the Company

c. To put in place an effective liquidity management policy, including, inter alia, the funding strategies, liquidity planning under alternative crisis scenarios, prudential limits and to review the same periodically.

d. To articulate the interest rate view of the Company and decide the pricing methodology for advances in line with extant regulatory guidelines.

e. To oversee the implementation of the Asset Liability Management (ALM) system and review the functioning periodically and to ensure that the decisions taken on financial strategy are in line with the objectives of the Committee.

f. To consider and recommend any other matter related to liquidity and market risk management to the Board of Directors of the Company for suitable action.

g. To forecast and analyze the 'What if scenario' and preparation of contingency plan.

Meetings and Attendance

During the FY 2020-21, five (5) ALM Committee Meetings were held on April 20, 2020, May 25, 2020, March 30, 2020, July 1, 2020 and August 28, 2020. The required quorum was present in all the above meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

Name of Member	Position	No. of Meetings Held	No. of Meetings attended
Mrs. Padmaja Gangireddy	Member	5	5
Mr. Abdul Feroz Khan	Member	5	5
Mr. Sudhesh Chandrasekar*	Member	3	3
Mr. Madhusudhan Kesiraju	Member	5	5
Mr. Tarun Yarlagadda	Member	5	5
Mr. Satish Kottakota**	Member	2	2

*resigned w.e.f. June 05, 2020

**appointed w.e.f. June 01, 2020

4. General Meetings/Postal Ballot

(i) The details of Annual General Meeting ("AGM") held during the last 3 years and the special resolutions passed thereat are as under.

Meeting	Day/Date/Time	Location	Summary of Special Resolutions passed
15th Annual General Meeting	**Day:** Friday **Date:** August 03, 2018 **Time:** 11.00 A.M.	Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad-500032	Nil
16th Annual General Meeting	**Day:** Thursday **Date:** July 11, 2019 **Time:** 10.00 A.M.	Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad-500032	1. Approval for issue of Non-Convertible Debentures (NCDs) on private placement basis: 2. Approval for granting loan(s)/advance(s) and guarantee to Abhiram Marketing Services Limited, a Group Company 3. Amendment of the existing Articles of Association of the Company 4. Continuation of the directorship of Mr. Jagdish Capoor (DIN: 00002516) as an Independent Director for the remaining period of the term 5. Approval of the payment of Annual Fees to Non-Executive Directors (including the Independent Directors) of the Company
17th Annual General Meeting	**Day:** Wednesday **Date:** September 30, 2020 **Time:** 03.00 P.M.	Through Video Conferencing (VC)/ Other Audio Visual Means(OAVM) facility	Nil

(ii) The details of Business transacted through Postal Ballot during the FY 2020-21:

During the FY 2020-21, the Company has passed the following Special Businesses through Postal Ballot (including e-voting) on Friday, July 17, 2020 and Friday, March 26, 2021 conducted in accordance with the provisions of Sections 108 and 110 and other applicable provisions of the Act read together with Rules 20 and 22 of the Companies (Management and Administration) Rules, 2014 (as amended), Secretarial Standard (SS-2) on General Meetings and the SEBI Listing Regulations:

Postal Ballot No 1: Friday, July 17, 2020

S. No.	Description of the Resolution	Type of the Resolution	Number of votes polled	Votes cast in favor		Votes cast against	
				No. of votes	%	No. of votes	%
1.	to approve the issue of non-convertible debentures incdsl on private placement basis as special resolution	Special Resolution	51507057	51506986	99.99	71	.001

Postal Ballot No 2: Friday, March 26, 2021

S. No	Description of the Resolution	Type of the Resolution	Number of votes polled	Votes cast in favor		Votes cast against	
				No. of votes	%	No. of votes	%
1.	To approve the Spandana Employee Stock Option Scheme, 2021 under the Spandana Employee Stock Option Plan 2018 and grant of Stock Options to the Employees/ Directors of the Company thereunder	Special Resolution	5,16,12,963	4,76,92,122	92.4	39,20,841	7.60
2.	To approve the grant of Stock Options to the Employees/ Directors of Subsidiary Companies of the Company under the Spandana Employee Stock Option Scheme, 2021.	Special Resolution	5,16,12,963	4,76,92,106	92.4	39,20,857	7.60

The Company had provided the facility to its Members to cast their votes electronically through the e-Voting platform of KFin Technologies Private Limited, as an alternate to casting votes by physical ballot. The Company had appointed Mr. Y. Ravi Prasada Reddy, Company Secretary, Proprietor of M/s. RPR& Associates, Company Secretaries, Hyderabad, for Postal Ballot No-1 and Mrs. Monica Sarda (Membership No. ACS 29153), a practicing company secretary (PCS No. 10725), Hyderabad, for Postal Ballot No.2 as Scrutinizer to conduct the Postal Ballot process in a fair and transparent manner. The Company follows the procedure as prescribed under the Companies Act, 2013, the Rules made thereunder, the Secretarial Standard on General Meetings (SS-2) and other applicable statutes, if any, for conducting the postal ballot. Resolutions, if any, to be passed through Postal Ballot during the current financial year will be taken up as and when necessary.

5. Management Discussion and Analysis Report

The Management Discussion and Analysis Report for FY 2020-21, prepared in accordance with the SEBI Listing Regulations, forms part of this Annual Report.

6. Due Dates for Transfer of Unclaimed Dividend to Investor Education and Protection Fund (IEPF)

In terms of Section 125 of the Act, unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. There is no dividend which remained unclaimed pertaining to previous years and year under review and hence, there is no requirement of transferring the same to the Investors Education and Protection Fund for the year under the review.

CORPORATE GOVERNANCE REPORT (Contd.)

7. Means of Communication

Effective communication of information is an essential component of Corporate Governance. It is the process of sharing information, ideas, thoughts, opinions and plans to all stakeholders which promotes relations between the management and shareholders. The Company regularly interacts with its shareholders through multiple channels of communication:

(i) Quarterly/Annual Financial Results

The quarterly/annual financial results are regularly submitted to the Stock Exchanges in accordance with the SEBI Listing Regulations and published in English newspaper (Business Standard) and in Telugu newspaper (Nava Telangana). The quarterly/annual results, press releases and the presentations made to the Institutional Investors/ Analysts are also uploaded on the website at www.spandanaindia.com.

(ii) Website

The Company's website viz., www.spandanaindia.com provides information about the businesses carried on by the Company. It is the primary source of information to all the stakeholders of the Company and to general public at large. It also contains a separate dedicated section on Investor Relations. Financial Results, Annual Reports, Shareholding Pattern, Quarterly Corporate Governance Report, various policies adopted by the Board and other general information about the Company and such other disclosures as required under the Listing Regulations, are made available on the Company's website.

(iii) Annual Report

Annual Report containing, inter alia, the Standalone and Consolidated Financial Statements, Board's Report, Auditors' Report and other important information is circulated to the shareholders of the Company prior to the AGM. The Report on Management Discussion and Analysis forms part of this Annual Report. The Annual Report of the Company is also available on its website and also on the website of BSE and NSE.

(iv) Price Sensitive Information

All price sensitive information and such other matters which in the opinion of the Company are of importance to the shareholders/investors are promptly intimated to the Stock Exchanges in terms of the Company's Policy for Determination of Materiality of Events/Information and the Listing Regulations.

(v) Corporate Filings with Stock Exchanges:

The Company is regular in filing of various reports, certificates, intimations, etc to the BSE Limited and National Stock Exchange of India Limited. This includes filing of audited and unaudited results, shareholding patterns, Corporate Governance Report, intimation of Board Meeting/general meeting and its proceedings.

(vi) Investor Service:

The Company has appointed KFin Technologies Private Limited as Registrar and Transfer Agent and have been authorized to take care of investors' complaints. The secretarial department also assists in resolving various investor complaints. The Company has created a separate e-mail id secretarial@spandanaindia.com exclusively for the investors to communicate their grievances to the Company.

(vii) SEBI Complaints Redress System (SCORES):

The investor complaints are processed in a centralized web-based complaints redressal system through SCORES. The Action Taken Reports are uploaded online by the Company for any complaints received on SCORES platform, thereby making it convenient for the investors to view their status online.

(viii) Press releases/Investor Updates and Investor presentations:

The Company uploads the investor presentation, press release, earning call details periodically on BSE Limited and National Stock Exchange of India Limited and also on the website of the Company for the benefit of all the stakeholders.

8. General Shareholder Information

Pursuant to Schedule V of SEBI Listing Regulations, this section inter alia provides general shareholders' information of the Company, its shareholding pattern, share price movements, top 10 shareholders and such other information as prescribed.

a) **Corporate Identification Number (CIN):** L65929TG2003PLC040648

b) **Registered Office of the Company:** Plot no. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad -500032, Telangana State

c) **18th Annual General Meeting**

Date: Tuesday, September 28, 2021
Time: 11.30 am
Venue: Plot no. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad -500032

d) **FY of the Company:** The Company's financial year begins from April 1 and ends on March 31 each year.

e) **Tentative Schedule for the Meetings for the FY 2021-22:**

Particulars	Period
For consideration of Unaudited/Audited Financial Results	
First quarter ending June 30, 2020 (Unaudited)	On or before August 14, 2021
Second quarter and half year ending September 30, 2020 (Unaudited)	On or before November 14, 2021
Third quarter and nine months ending December 31, 2020 (Unaudited)	On or before February 14, 2022
Fourth quarter and financial year ending March 31, 2021 (Audited)	On or before May 30, 2022

f) The Register of Members of the Company shall not be closed as the Company has opted for the Cut Off date for determining the eligibility of e-Voting at the AGM in accordance with the provisions of the Companies Act, 2013.

g) **Unpaid/Unclaimed Dividend:** The Company has not declared dividend in last 7 years and hence the provisions of section 124 of the Companies Act, 2013, is not applicable to the Company.

h) **Details of Securities Listed on Stock Exchanges**

The Company's Equity Shares are listed on the following Stock Exchanges:

Name and address of the Stock Exchanges	Security Code/Symbol	Payment of Annual Listing Fees (FY 2021-22)
BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001 Tel : 91 22 2272 1233/4 Fax: 91 22 2272 1919 Website: www.bseindia.com	542759	Yes
National Stock Exchange of India Limited Exchange Plaza, C-I, Block G, Bandra Kurla Complex, Bandra East, Mumbai 400 051 Tel : 91 22 26598100 /14 Fax: 91 22 26598120 Website: www.nseindia.com	SPANDANA	Yes

CORPORATE GOVERNANCE REPORT (Contd.)

The Company's also having its various Non-Convertible Debentures listed on the following Stock Exchanges:

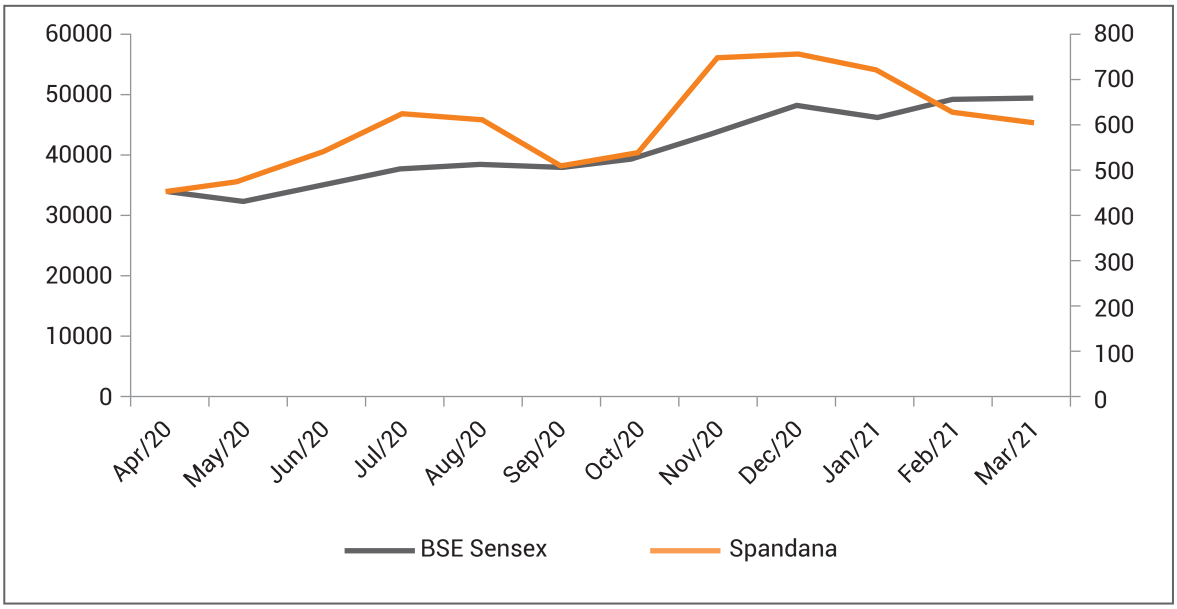
S. No	ISIN	Stock Exchange	Payment of Annual Listing Fees (FY 2021-22)
1.	INE572J07109	BSE Limited	Yes
2.	INE572J07117		
3.	INE572J07125		
4.	INE572J07133		
5.	INE572J07141		
6.	INE572J07158		
7.	INE572J07166		
8.	INE572J07174		
9.	INE572J07182		
10.	INE572J07190		
11.	INE572J07208		
12.	INE572J07224		
13.	INE572J07240		
14.	INE572J07273		
15.	INE572J07299		
16.	INE572J07331		
17.	INE572J07216	National Stock Exchange of India Limited	Yes
18.	INE572J07232		
19.	INE572J07257		
20.	INE572J07265		
21.	INE572J07281		
22.	INE572J07307		
23.	INE572J07315		
24.	INE572J07323		

i) Market Price Data

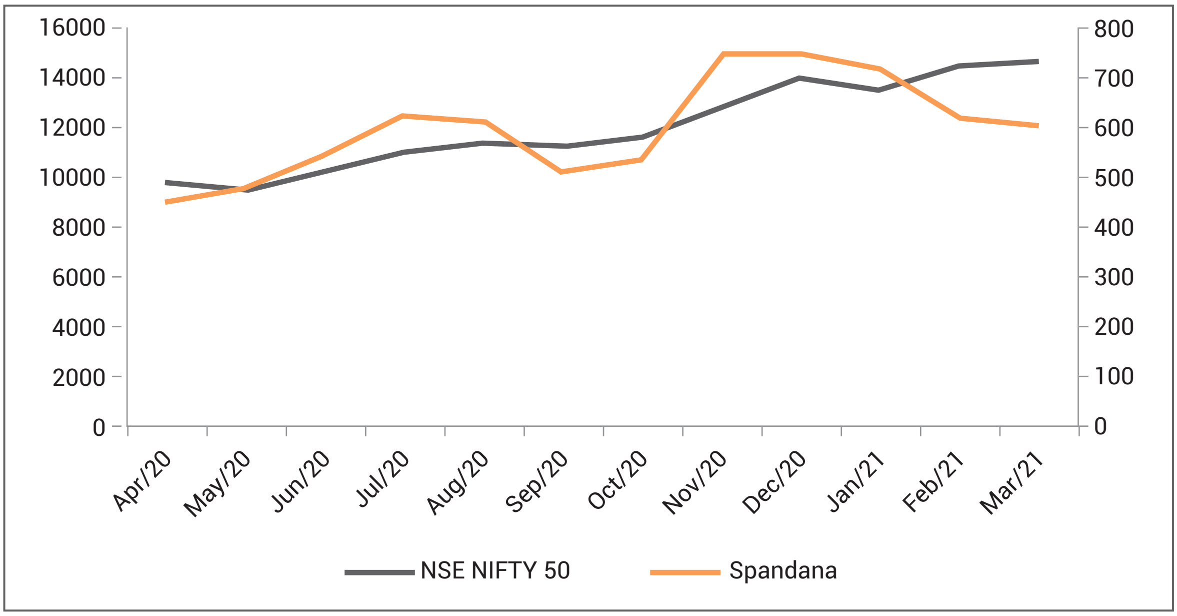
Details of monthly open, high, low and close prices and volume of equity shares of the Company traded on BSE Limited and National Stock Exchange of India Limited from April 01, 2020 to March 31, 2021 are given herein below:

Month	BSE Limited		National Stock Exchange of India Limited	
	High Price	Low Price	High Price	Low Price
Apr-20	644	403.5	646.3	405
May-20	551.85	404.25	551.75	412.6
Jun-20	592.8	462.05	592.8	482
Jul-20	705.35	540	701.85	543.2
Aug-20	673.4	566.9	674.35	572.7
Sep-20	614.05	505	614.55	504.35
Oct-20	624.35	509.2	624.9	510
Nov-20	803.45	535.7	805	535.2
Dec-20	780.2	623	782	625.1
Jan-21	830	710.9	830	711.05
Feb-21	795.15	619	795	625
Mar-21	639	561	635.9	562

Performance of Company's equity shares as compared with S&P BSE SENSEX during Financial Year ended March 31, 2021:



Performance of Company's equity shares as compared with NSE NIFTY 50 during Financial Year ended March 31, 2021:



CORPORATE GOVERNANCE REPORT (Contd.)

j) **Registrar & Share Transfer Agent:** The Company has appointed KFin Technologies Private Limited ("KFintech") as its Registrar and Transfer Agent. All share transfers and related operations are conducted by KFintech, which is registered with the SEBI.

KFin Technologies Private Limited

(Unit: Spandana Sphoorty Financial Limited)

Selenium Tower B, Plot 31 & 32,

Financial District, Nanakramguda, Serilingampally Mandal,

Hyderabad - 500 032, Telangana.

Toll Free No: 1- 800-309-4001

k) **Share transfer system:** SEBI vide Notification dated June 8, 2018 had restricted the transfer of shares in physical form with effect from December 5, 2018. As on March 31, 2020, all the shares of the Company are traded in dematerialized mode and are freely tradable. Further, pursuant to Regulation 40(9) and 61(4) of the SEBI Listing Regulations, a half-yearly certificate of compliance with the share/debt transfer formalities is obtained from the Company Secretary in Practice and a copy of the certificate is filed with BSE and NSE within the prescribed time.

l) **Distribution of Shareholding as on March 31, 2021:**

Category	Shareholders		Equity Shares	
	Number	Percentage (%)	Number	Percentage (%)
1 - 5,000	16,544	94.77	11,23,540	1.75
5,001 - 10,000	446	2.55	3,29,572	0.51
10,001 - 20,000	204	1.17	2,86,398	0.45
20,001 - 30,000	64	0.37	1,59,768	0.25
30,001 - 40,000	30	0.17	1,06,491	0.17
40,001 - 50,000	26	0.15	1,17,950	0.18
50,001 - 100,000	47	0.27	3,33,548	0.52
100,001 & above	96	0.55	6,18,58,216	96.18
Total	**17,457**	**100.00**	**6,43,15,483**	**100.00**

m) **Categories of Shareholders as on March 31, 2021**

Category	No. of shareholders	No. of Equity Shares	Holding in Equity Share Capital (%)
Promoter and Promoter Group	3	40119099	62.38
Mutual Fund	1	68	0.00
Alternative Investment Funds	6	2674708	4.16
Foreign Portfolio Investor	61	7038212	10.94
Financial Institution/Banks	2	283631	0.44
Individuals	16275	2296087	3.57
NBFC	1	276766	0.43
Trust	4	1091267	1.70
Non-Resident Indians	511	174985	0.27
Clearing Members	64	76947	0.12
Overseas corporate Bodies	3	5108568	7.94
HUF	346	67592	0.11
Qualified Institutional Buyer	2	3860673	6.00
Bodies Corporate	178	1246880	1.94
Total	**17457**	**64315483**	**100.00**

n) **List of Top Ten Public Shareholders as on March 31, 2021**

S. No.	Name of the Shareholder	No. of shares	Percentage (%)
1.	Kangchenjunga Limited	2,93,03,172	45.56
2.	Mrs. Padmaja Gangireddy	1,03,00,953	16.02
3.	Valiant Mauritius Partners FDI Limited	38,48,823	5.98
4.	ICICI Prudential Life Insurance Company Limited	30,54,560	4.75
5.	JM Financial India Trust II-JM Financial India Fund	16,12,313	2.51
6.	Valiant Mauritius Partners Offshore Limited	11,48,851	1.79
7.	Bajaj allianz life insurance company ltd.	8,06,113	1.25
8.	Edelweiss Alternative Investment Opportunities Trust	8,04,145	1.25
9.	Goldman Sachs India Limited	7,56,395	1.18
10.	Helion Venture Partners II, LLC	6,52,304	1.01

o) **Plant Locations:** Being a financial services company, Spandana Sphoorty Financial Limited has no plant locations.

p) **Address for correspondence:** Shareholders/ Investors may write to the Company Secretary at the following address:

The Company Secretary
Spandana Sphoorty Financial Limited
Plot No. 31 & 32, Ramky Selenium Towers, Tower A,
Financial District, Nanakramguda,
Hyderabad– 500032
Email: secretarial@spandanaindia.com
Phone no: 040-48126666

q) **Website:** www.spandanaindia.com

r) **Dematerialization of Shares and Liquidity:** All shares of the Company are held in Dematerialized form. The entire Promoter's holdings are in electronic form and the same is in line with the directions issued by SEBI. Further, Equity shares of the Company are available for trading in the dematerialized form under both the Depositories i.e., NSDL and CDSL. The International Securities Identification Number (ISIN) allotted to the Company's equity shares under the Depository System is INE572J01011. The Company's equity shares are regularly traded on BSE and NSE.

Number of Shares held in dematerialized and physical form as on March 31, 2021 is as under:

Particulars	No. of shareholders	No. of shares	Holding in Equity Share capital (%)
Held in dematerialized form with NSDL	7,093	5,20,97,212	81.00
Held in dematerialized form with CDSL	10,364	1,22,18,271	19.00
Physical	-	-	-
Total	**17,457**	**64,315,483**	**100.00**

s) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion and Likely Impact on Equity Capital:** The Company has not issued any of the convertible instruments, hence there is no likelihood of any impact on the Equity Capital of the Company.

t) **Credit Rating of the Company:** The Company has Ratings assigned from ICRA Limited and India Ratings and Research Private Limited for FY 2020-21, the details of the same are as follows:

Rating Agency	Rating
ICRA Limited	A– (minus) /Stable
India Ratings and Research Private Limited	IND A / Stable

9. Other Disclosures:

a) **Policies Determining Material Subsidiaries and Related Party Transactions:** Pursuant to requirements of Regulation 16 and Regulation 23 of the Listing Regulations, the Board of Directors of the Company has adopted the policies for determining material subsidiaries and on related party transactions and the said policies are available on the Company's website at www.spandanaindia.com.

CORPORATE GOVERNANCE REPORT (Contd.)

b) **Disclosure on Material Related Party Transactions:** There were no material significant related party transactions entered by the Company during FY 2020-21 which may have potential conflict with the interest of the Company. The related party transactions constitute contracts or arrangements, made by the Company from time to time, with Companies in which Directors are interested. The Audit Committee reviews periodically the significant related party transactions and the Committee provided omnibus approval for related party transactions which are in ordinary course of business (repetitive in nature) and are on Arm's Length basis. All transactions covered under the related party transactions are regularly ratified and / or approved by the Board.

Related party transactions as per requirements of Indian Accounting Standard (IND-AS 24) "Related Party Disclosures" are disclosed in the Notes to the Financial Statements of the Company for the Financial Year ended March 31, 2021.

c) **Penalty or Strictures:** No instances of material non-compliances by the Company on any matter related to the capital markets has occurred and no penalties and/or strictures have been imposed on it by Stock Exchanges or SEBI or any statutory authority during the last three financial years.

d) **Vigil Mechanism/Whistle Blower Policy:** The Company established Vigil Mechanism/Whistle Blower Policy for the directors and employees to report their genuine concerns about any unethical behaviour, financial irregularities including fraud or suspected fraud, which is against the interest of the Company. Further, the mechanism adopted by the Company encourages the employees to report genuine concerns or grievances and provides for adequate safeguards against victimization of employees who avail such a mechanism, and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases. Furthermore, no employee has been denied access to the Chairman of the Audit Committee.

The Policy provides that no adverse action shall be taken or recommended against a director or an employee in retaliation to his/her disclosure in good faith of any unethical and improper practices or alleged wrongful conduct. This mechanism protects such directors and employees from any unfair or prejudicial treatment by anyone within the Company.

e) **Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:** This is not applicable since the Company does not have any derivatives or liabilities denominated in foreign currency.

f) **Company Secretary in Practice Certification:** In accordance with the Listing Regulations, the Company has obtained the certificate from a practicing company secretary confirming that as on March 31, 2021, none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as directors by Securities and Exchange Board of India/Ministry of Corporate Affairs or any such authority and the same is appended to this Report.

g) **Fees Paid to Statutory Auditors:** Total fees for all services paid by Spandana Sphoorty Financial Limited and its subsidiaries on a consolidated basis to S.R. Batliboi & Co. LLP (statutory auditor of the Company), as included in the consolidated financial statements of the Company for the year ended March 31, 2021 are as follows:

(₹ in Cr)

Particulars	Amount
Fees for audit and related services paid to S.R. Batliboi & Co. LLP	0.88
Other fees paid to S.R. Batliboi & Co. LLP	-
Total	0.88

h) **Disclosures related to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:** The Company has in place a Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace and an Internal Complaint Committee in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder for reporting and conducting inquiry into the complaints made by the victim on the harassments at the workplace. The Company has not received any complaints relating to sexual harassment of women during the FY 2020-21.

i) **Code of Conduct for Prevention of Insider Trading:** The Board of Directors of the Company has adopted the code of conduct for prevention of insider trading with a view to regulate trading in securities by the Directors and employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of the Company's shares by the Directors and employees while in possession of unpublished price sensitive information in relation to the Company or its securities.

The Company has appointed the Company Secretary as the Compliance Officer to ensure compliance of the said Code by all the Directors and employees likely to have access to unpublished price sensitive information.

j) **Compliance with Mandatory/Non-Mandatory Requirements:** The Company has complied with all the mandatory requirements of corporate governance specified in SEBI Listing Regulations. The Board has taken cognizance of the discretionary requirements as specified in Part E of Schedule II to the SEBI Listing Regulations and are being reviewed from time to time.

CEO/CFO CERTIFICATION

To
The Board of Directors
Spandana Sphoorty Financial Limited

We,

1) Padmaja Gangireddy, Managing Director and

2) Satish Kottakota, Chief Financial Officer

certify that:

A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2021 and that to the best of our knowledge and belief:

   1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal control, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

D. We have indicated to the auditors and the Audit Committee that:

   1. no significant changes in internal control over financial reporting during the year;

   2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Spandana Sphoorty Financial Limited

Padmaja Gangireddy
Managing Director
DIN: 00004842

Satish Kottakota
Chief Financial Officer

Date: May 22, 2021
Place: Hyderabad

DECLARATION BY THE MANAGING DIRECTOR

(Pursuant to Regulation 34 (3) and Schedule V Part D of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

I, Padmaja Gangireddy, Managing Director of the Company declares that to the best of my knowledge and belief, all the Members of the Board and the designated personnel in the Senior Management personnel of the Company have affirmed their respective compliance with the applicable Code of Conduct for the financial year ended March 31, 2021.

For Spandana Sphoorty Financial Limited

Padmaja Gangireddy
Managing Director
DIN: 00004842

Date: May 22, 2021
Place: Hyderabad

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
Spandana Sphoorty Financial Limited
Plot No: 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial Dist,
Nanakramguda, Hyderabad TG 500032

We have examined the compliance of conditions of Corporate Governance of Spandana Sphoorty Financial Limited ("the Company") for the year ended on March 31, 2021 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and Part C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 collectively referred as ("SEBI Listing Regulations").

Managements' Responsibility

The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in SEBI Listing Regulations.

Auditors' Responsibility

1. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
2. We have examined the relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
3. We conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India ("ICSI").

Opinion

1. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned SEBI Listing Regulations.
2. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **RPR & Associates, Company Secretaries**

Y Ravi Prasada Reddy
Proprietor
FCS: 5783, CP. No.: 5360
UDIN: F005783C000357178

Date: May 22, 2021
Place: Hyderabad

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Part C Clause (10) (i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To
The Members
Spandana Sphoorty Financial Limited
Plot No: 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial Dist,
Nanakramguda, Hyderabad TG 500032

We have examined all the relevant registers, records, forms, returns and disclosures received from the Directors of **Spandana Sphoorty Financial Limited** having **CIN:L65929TG2003PLC040648** (hereinafter referred to as **"the Company"**), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Part C Clause (10) Sub Clause (i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as further amended.

In our opinion and to the best of our information and according to the verification (including Director Identification Number (DIN) status on the portal of MCA (www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and its officials, We certify that none of the Directors on the Board of the Company as stated below in Table A for the financial year ended on March 31, 2021, have been debarred or disqualified, from being appointed or continuing as Directors of Companies, by the Securities and Exchange Board of India, Ministry of Corporate Affairs and Reserve Bank of India or any other Statutory Authority:

Table A

S. No.	Name of the Director	Director Identification Number	Date of appointment in Company
1	Mrs. Padmaja Gangireddy	00004842	April 19, 2003
2	Mr. Sunish Sharma	00274432	March 31, 2017
3	Mr. Kartikeya Dhruv Kaji	07641723	March 31, 2017
4	Mr. Ramchandra Kasargod Kamath	01715073	May 4, 2017
5	Ms. Abanti Mitra	02305893	May 4, 2017
6	Mr. Amit Sobti	07795874	May 29, 2017
7	Mr. Bharat Dhirajlal Shah	00136969	April 13, 2018
8	Mr. Jagdish Capoor	00002516	June 06, 2018
9	Mr. Deepak Calian Vaidya	00337276	June 06, 2018

For **RPR & Associates, Company Secretaries**

Y Ravi Prasada Reddy
Proprietor
FCS: 5783, CP. No.: 5360
UDIN: F005783C000357167

Date: May 22, 2021
Place: Hyderabad

INDEPENDENT AUDITOR'S REPORT

To the Members of **Spandana Sphoorty Financial Limited**

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying standalone financial statements of Spandana Sphoorty Financial Limited ("the Company"), which comprise the Balance sheet as at March 31, 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards 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 financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Emphasis of matter

We draw attention to Note 7.4 to the standalone financial statements, which describes the economic and social disruption, continued to be caused by COVID-19 pandemic, of the Company's business and financial metrics including the Company's estimates of impairment of loans to customers, and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

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 for the financial year ended March 31, 2021. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

INDEPENDENT AUDITOR'S REPORT (Contd.)

Key audit matters	How our audit addressed the key audit matter
(a) Impairment of financial assets at balance sheet date (expected credit losses) (as described in notes 7 and 41.1 of the standalone financial statements)	
Ind AS 109 requires the Company to provide for impairment of its financial assets (designated at amortised cost and fair value through other comprehensive income) as at the reporting date using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's financial assets (loan portfolio). In the process, a significant degree of judgement has been applied by the management for: • Staging of financial assets (i.e. classification in 'significant increase in credit risk' ("SICR") and 'default' categories); • Grouping of the loan portfolio under homogenous pools in order to determine probability of default on a collective basis; • Determining effect of less frequent past events on future probability of default; • Estimation of management overlay, if any, for macro-economic factors which could impact the credit quality of the loans. Further, in view of the business disruption continued to be caused by COVID-19 pandemic, the Company has reassessed its ECL estimates post expiry of the loan moratoriums (offered pursuant to Reserve Bank of India's ("RBI") COVID-19 Regulatory Package) to factor among other things the elevated risk of higher delinquencies and deterioration in macro-economic factors. As part of such assessment, the management has also evaluated the staging and ECL estimates for fresh (top-up) loans given to customers against pre-closure of their existing loans in various delinquency buckets. Given the unique nature of the pandemic, the economic impact whereof depends on future developments, including governmental and regulatory measures and the Company's responses thereto, the actual credit loss can be different than that being estimated. In view of such high degree of management's judgement involved in ECL estimation, accentuated by COVID-19 pandemic, it is considered as a key audit matter.	Our audit procedures included but were not limited to: • Read and assessed the Company's accounting policy for impairment of financial assets and its compliance with Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020. • Tested the design and operating effectiveness of the controls for staging of loans based on their past-due status. Tested samples of performing (stage 1) loans to assess whether any SICR or loss indicators were present requiring them to be classified under higher stages as per Ind AS 109. Tested the staging and ECL considerations applied in respect of top-up loans given against pre-closure of existing loans. • Tested the assumptions used by the Company for grouping and staging of loan portfolio into various categories and default buckets for determining the probability of default (PD) and loss given default (LGD) rates. Tested the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Tested the assumptions used by the Company in estimation of PD and LGD rates considered for the loan portfolio impacted by COVID-19. • Tested the arithmetical accuracy of computation of ECL provision performed by the Company in spreadsheets. • Performed inquiries with the management as regards applicability of RBI guidelines on restructuring in respect of top-up loans given against existing loan pre-closures. • Assessed disclosures included in the standalone financial statements in respect of ECL, including disclosures made with regards to uncertainties arising from COVID-19 and its impact on ECL estimation.

Key audit matters	How our audit addressed the key audit matter
(b) IT systems and controls The financial accounting and reporting systems of the Company are fundamentally reliant on IT systems and controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Any gaps in the IT control environment could result in a material misstatement of the financial accounting and reporting records. In view of the pervasive nature and complexity of the IT environment, the assessment of the general IT controls and the application controls specific to the accounting and preparation of the financial information is considered to be a key audit matter.	We performed the following procedures for testing IT general controls and for assessing the reliability of electronic data processing, assisted by specialized IT auditors: ● The aspects covered in the IT General Control audit were (i) User Access Management (ii) Program Change Management (iii) Other related ITGCs – to understand the design and test the operating effectiveness of such controls; ● Assessed the changes that were made to the key systems during the year including changes that have impact on financial reporting; ● Tested the periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. ● Performed tests of controls (including other compensatory controls wherever applicable) on the IT application controls and IT dependent manual controls in the system. ● Tested the design and operating effectiveness of compensating controls, where deficiencies were identified and, where necessary, extended the scope of our substantive audit procedures.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the Directors' Report including the Annexures thereto (but does not include the standalone financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Management Discussion and Analysis Report, which is expected to be made available to us after that date.

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 identified above and, in doing so, consider whether such other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Management Discussion and Analysis Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

Responsibilities of Management and Those Charged with Governance for Standalone Financial Statements

The Company's Board of Directors is 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 financial position, financial performance including other comprehensive income, cash flows and changes in equity 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 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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:

- 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 made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity 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 Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
   (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
   (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 50 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 26 to the standalone financial statements; and

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

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**
Partner
Membership Number: 048749
UDIN: 21048749AAAAIY3513

Mumbai
May 22, 2021

ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

Re: Spandana Sphoorty Financial Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.

(iii) (a) The Company has granted loans to two companies covered in the register maintained under section 189 of the Act. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company's interest.

(b) The Company has granted loans that are re-payable on demand, to companies covered in the register maintained under section 189 of the Act. We are informed that the Company has not demanded repayment of any such loan during the year, and thus, there has been no default on the part of the parties to whom the money has been lent. The payment of interest has been regular.

(c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to the Company have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

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, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

INDEPENDENT AUDITOR'S REPORT (Contd.)

Name of the Statute	Nature of dues	Amount under dispute (₹)*	Amount paid (₹)**	Period to which it relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service Tax	56,852,171	9,926,956	Financial year from 2006-07 to 2014-15	Customs, Excise & Service Tax Appellate Tribunal
Income tax Act, 1961	Income Tax	475,376,736	69,223,626	Financial year 2016-17	CIT (A)

* Excluding interest and penalty, as applicable

** Paid under protest

(viii) According to the information and explanations given by the management, the Company has delayed in repayment of loans or borrowings from financial institutions or banks during the year to the extent of Rs.1,771.65 million (the delay in such repayments being for less than 31 days in each individual case). The lender wise details are tabulated as under:

Bank / Financial Institution ("Lenders")	Repayment delayed (Rs. in mn)*	Period of delay#	Remarks
AU Small Finance Bank Limited	41.66	23 – 30 days	According to the information and explanations provided to us by the management, these repayments were not made by the Company on the respective due dates in view of the discussions with the Lenders for availing repayment moratorium pursuant to COVID-19 Regulatory Package announced by Reserve Bank of India on March 27, 2020, regarding moratorium on borrowings from March 1, 2020. Of these, moratorium requests were approved by the Lenders subsequent to the due date in respect of repayments aggregating Rs.346.46 million. Such delays have been made good by the Company through repayment during the year.
Bandhan Bank Limited	214.29	27 days	
Bank of Baroda	457.87	1 – 7 days	
Clix Capital Services Private Limited	33.33	11 days	
Equitas Small Finance Bank Limited	20.83	16 days	
Hero Fincorp Limited	18.37	20 – 26 days	
IDFC Bank Limited	209.35	1 – 29 days	
InCred Financial Services Limited	11.92	18 days	
IndusInd Bank Limited	173.92	23 days	
JM Financial Products Limited	86.02	27 days	
Kotak Mahindra Bank Limited	62.50	3 – 8 days	
Maanaveeya Development and Finance Private Limited	13.62	4 – 12 days	
MAS Financial Services Limited	111.11	8 – 18 days	
Reliance Commercial Finance Limited	21.02	27 days	
Shriram City Union Finance Limited	36.11	13 – 23 days	
Standard Chartered Bank	125.00	7 days	
Ujjivan Small Finance Bank	11.90	15 days	
Woori Bank	23.33	25 days	
Yes Bank Limited	99.50	7 – 24 days	
Total	**1,771.65**		

** Repayments aggregating Rs.514.80 million, where the loan moratorium requests were approved by the Lenders prior to the due date, are not considered as delayed and accordingly not reported above. Such amounts have also been repaid by the Company during the year. The amounts reported above do not include delayed interest payments.*

INDEPENDENT AUDITOR'S REPORT (Contd.)

 # Represents the range of delay across multiple facilities availed from the bank/ financial institution.

The Company has not defaulted in repayment of dues to debenture holders. The Company did not have any dues of loans or borrowing to government during the year.

(ix) According to the information and explanations given by the management and audit procedures performed by us, the Company has not raised any money way of initial public offer / further public offer / debt instruments.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with the directors as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**
Partner
Membership Number: 048749
UDIN: 21048749AAAAIY3513

Mumbai
May 22, 2021

INDEPENDENT AUDITOR'S REPORT (Contd.)

ANNEXURE 2 REFERRED TO IN PARAGRAPH 2 (F) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

Report on Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

We have audited the internal financial controls with reference to standalone financial statements of Spandana Sphoorty Financial Limited (the "Company") as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. 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 these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls with reference to these Standalone Financial Statements

A company's internal financial controls with reference to standalone 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 standalone 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 Standalone Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on issued by the ICAI.

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**
Partner
Membership Number: 048749
UDIN: 21048749AAAAIY3513

Mumbai
May 22, 2021

STANDALONE BALANCE SHEET
AS AT MARCH 31, 2021

(₹ in million unless otherwise stated)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	4	11,307.83	536.19
Bank balances other than cash and cash equivalents	5	2,453.27	1,970.99
Trade receivables	6	121.06	223.68
Loans	7	66,163.14	49,051.40
Derivative financial instruments		0.45	-
Other financial assets	8	742.67	1,652.89
Investments	9	1,146.24	5,498.55
Subtotal - Financial assets		**81,934.66**	**58,933.70**
Non-financial assets			
Current tax assets (net)	10	149.38	149.38
Deferred tax assets (net)	11	1,045.42	69.03
Property, plant and equipment	12	196.92	151.43
Intangible assets	12	7.74	12.84
Other non-financial assets	13	126.51	101.46
Subtotal - Non-financial assets		**1,525.97**	**484.14**
Total assets		**83,460.63**	**59,417.84**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Debt securities	14	20,347.14	7,776.28
Borrowings (other than debt securities)	14	31,425.34	22,184.11
Subordinated liabilities	14	201.83	201.67
Other financial liabilities	15	2,561.99	2,255.73
Subtotal - Financial liabilities		**54,536.30**	**32,417.79**
Non-financial liabilities			
Current tax liabilities (net)	16	1,338.85	596.69
Provisions	17	16.08	27.58
Other non-financial liabilities	18	410.35	294.40
Subtotal - Non-financial liabilities		**1,765.28**	**918.67**
EQUITY			
Equity share capital	19	643.15	643.15
Other equity	20	26,515.90	25,438.23
Subtotal - Equity		**27,159.05**	**26,081.38**
Total liabilities and equity		**83,460.63**	**59,417.84**
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Membership No. A26247
Place: Erode
Date: May 22, 2021

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED MARCH 31, 2021

(₹ in million unless otherwise stated)

Particulars	Notes	For year ended March 31, 2021	For year ended March 31, 2020
REVENUE FROM OPERATIONS			
Interest income	21	13,258.78	11,454.46
Commission and Incentive Income		89.12	351.12
Net gain on fair value changes	22	751.14	2,184.03
Others	23	330.01	105.25
Total revenue from operations		**14,429.05**	**14,094.86**
Other income	24	218.41	319.28
Total income		**14,647.46**	**14,414.14**
EXPENSES			
Finance cost	25	4,171.62	3,541.11
Net loss on fair value changes	26	27.44	-
Impairment on financial instruments and other provisions	27	6,398.75	2,728.96
Employee benefits expense	28	1,663.57	1,669.70
Depreciation and amortization expense	12	74.86	87.42
Other expenses	29	534.89	405.55
Total expenses		**12,871.12**	**8,432.74**
Profit before tax		**1,776.34**	**5,981.40**
Tax expense:	30		
Current tax		1,362.16	653.54
Deferred tax		(875.64)	1,960.92
Income tax expense		**486.52**	**2,614.46**
Profit for the year		**1,289.82**	**3,366.94**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		20.06	(17.38)
Income tax effect		(5.05)	4.37
Items that will be reclassified subsequently to profit or loss			
Fair value gain/(loss) on loans		(420.38)	12.11
Income tax effect		105.80	(3.05)
Total comprehensive income for the year		**990.25**	**3,362.99**
Earnings per share (equity share, par value of ₹ 10 each)			
Computed on the basis of total profit for the year			
Basic	31	20.05	53.85
Diluted	31	19.98	53.40
Nominal value		10.00	10.00
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
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Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Membership No. A26247
Place: Erode
Date: May 22, 2021

STANDALONE CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2021

(₹ in million unless otherwise stated)

Particulars	For year ended March 31, 2021	For year ended March 31, 2020
Cash flow from operating activities		
Profit before tax	1,776.35	5,981.40
Adjustments for:		
Interest on income tax	157.59	-
Depreciation and amortization	74.85	87.42
Share based payment to employees	88.05	41.07
Provision for gratuity	8.56	10.20
Finance cost on lease liability	14.88	14.37
Gain on business transfer	(9.26)	-
Impairment on financial instruments and other provisions	6,398.75	2,728.96
Net gain on fair value changes	(85.84)	(44.76)
Net loss on financial assets and liabilities designated at fair value through profit or loss	27.44	-
Other provisions and write offs	26.19	29.13
Operating profit before working capital changes	**8,477.56**	**8,847.79**
Movements in working capital :		
Increase / (decrease) in other financial liabilities	266.82	1,707.33
Increase / (decrease) in provisions	-	(3.42)
Increase / (decrease) in other non financial liabilities	115.96	70.97
(Increase) / decrease in bank balances other than cash and cash equivalents	(482.28)	57.11
(Increase) / decrease in trade receivables	102.62	(188.19)
(Increase) / decrease in loans	(24,823.17)	(7,907.82)
(Increase) / decrease in other financial assets	963.35	(3,027.22)
(Increase) / decrease in other non financial assets	(25.05)	25.55
Cash used in operations	**(15,562.58)**	**(417.90)**
Income taxes paid	(777.59)	(118.77)
Net cash used in operating activities (A)	**(16,340.19)**	**(536.67)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(152.44)	(45.00)
Purchase of intangible assets	(0.10)	(0.02)
Proceeds from derecognition of property, plant and equipment	38.24	-
Business transfer	822.21	-
Investment in Subsidiary	(500.00)	-
Purchase of investments	(42,843.00)	(72,390.11)
Sale of investments	47,779.53	67,583.24
Net cash generated/(used) in investing activities (B)	**5,144.44**	**(4,851.89)**
Cash flow from financing activities		
Proceeds from issue of equity shares (including securities premium)	-	3,925.59
Debt securities (net)	12,542.98	(5,943.36)
Principal payment of lease liability	9.69	(29.80)
Interest payment of lease liability	14.88	14.37
Borrowings (other than debt securities) (net)	9,241.28	6,654.22

STANDALONE CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(₹ in million unless otherwise stated)

Particulars	For year ended March 31, 2021	For year ended March 31, 2020
Subordinated liabilities (net)	0.16	0.11
Share issue expenses	-	(150.46)
Net generated from financing activities (C)	**21,808.97**	**4,470.68**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**10,771.64**	**(917.88)**
Cash and cash equivalents at the beginning of the year	536.19	1,454.07
Cash and cash equivalents at the end of the year (refer note 4)	**11,307.83**	**536.19**
Components of cash and cash equivalents as at the end of year		
Cash on hand	20.92	2.82
Balance with banks - on current account	8,765.92	533.37
Deposits with original maturity of less than or equal to 3 months	2,520.99	-
Total cash and cash equivalents	**11,307.83**	**536.19**

For disclosure of investing and financing activities that do not require the use of cash and cash equivalents, refer note 44.

(₹ in million unless otherwise stated)

Cash flow from operating activities	For year ended March 31, 2021	For year ended March 31, 2020
Interest received	12,786.00	12,372.65
Interest paid	3,592.28	3,325.34

Summary of significant accounting policies   Note No. 3

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Membership No. A26247
Place: Erode
Date: May 22, 2021

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED ON MARCH 31, 2021

A. EQUITY SHARES

Equity Share of ₹ 10 each issued, subscribed and fully paid

(₹ in million unless otherwise stated)

Particulars	No. of Shares	Amount
As at April 1, 2019	**59,633,683**	**596.34**
Issue of equity share capital during the year ended March 31, 2020 (refer note 19)	4,681,800	46.82
As at March 31, 2020	**64,315,483**	**643.15**
Issue of equity share capital during the year ended March 31, 2021 (refer note 19)	-	-
As at March 31, 2021	**64,315,483**	**643.15**

B. OTHER EQUITY

(₹ in million unless otherwise stated)

Particulars	Notes	Reserves & Surplus							Other items of comprehensive income (fair valuation on loans)	Grand total
		Securities Premium	Retained Earnings	General Reserve	Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)	Capital Redemption Reserve	Share options outstanding reserve	Total		
Balance as at April 01, 2019	**20**	15,414.96	**(1,753.29)**	**23.28**	**2,566.17**	**1,526.92**	**41.25**	**17,819.29**	**448.11**	**18,267.40**
Profit for the year ended March 31, 2020		-	3,366.94	-	-	-	-	3,366.94	-	3,366.94
Impairment allowance on other provisions reclassified to profit and loss		-	-	-	-	-	-	-	(2,584.47)	(2,584.47)
Fair value change during the year		-	-	-	-	-	-	-	2,593.53	2,593.53
Remeasurement gain or loss on actuarial valuation		-	(13.01)	-	-	-	-	(13.01)	-	(13.01)
Total comprehensive income		**-**	**3,353.94**	**-**	**-**	**-**	**-**	**3,353.94**	**9.06**	**3,363.00**
Transfer to Statutory Reserve	20	-	(673.38)	-	673.38	-	-	-	-	-
Fair value of stock option - charge for the year	20						43.80	43.80	-	43.80
Issue of share capital during year ended March 31, 2020	20	3,897.49	-	-	-	-	-	3,897.49	-	3,897.49
Share Issue Expenses	20	(150.46)	-	-	-	-	-	(150.46)	-	(150.46)
Add: Share based payment to employees	20	37.87	-	-	-	-		37.87	-	37.87
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	20	-	-	-	-	-	(18.72)	(18.72)	-	(18.72)
Less: Transfer on cancellation of stock options	20	-	-	-	-	-	(2.16)	(2.16)	-	(2.16)
Balance as at March 31, 2020	**20**	**19,199.86**	**927.27**	**23.28**	**3,239.55**	**1,526.92**	**64.17**	**24,981.05**	**457.17**	**25,438.23**
Profit for the year ended March 31, 2021		-	**1,289.82**	-	-	-	-	1,289.82	-	1,289.82
Impairment allowance on other provisions reclassified to profit and loss		-	-	-	-	-	-	-	(6,713.33)	(6,713.33)
Fair value change during the year		-	-	-	-	-	-	-	6,398.75	6,398.75
Remeasurement gain or loss on actuarial valuation		-	15.01	-	-	-	-	15.01	-	15.01
Total comprehensive income		**-**	**1,304.83**	**-**	**-**	**-**	**-**	**1,304.83**	**(314.58)**	**990.26**

STANDALONE STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED ON MARCH 31,2021 (Contd.)

Particulars	Notes	Reserves & Surplus							Other items of comprehensive income (fair valuation on loans)	Grand total
		Securities Premium	Retained Earnings	General Reserve	Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)	Capital Redemption Reserve	Share options outstanding reserve	Total		
Transfer to Statutory Reserve	20	-	(257.96)	-	257.96	-	-	-	-	-
Share Issue Expenses	20	0.05	-	-	-	-	-	0.05		0.05
Add: Share based payment to employees	20	-	-	-	-	-	87.38	87.38	-	87.38
Balance as at March 31, 2021	**20**	**19,199.91**	**1,974.14**	**23.28**	**3,497.51**	**1,526.92**	**151.54**	**26,373.30**	**142.59**	**26,515.91**

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Mem. No: A26247
Place: Erode
Date: May 22, 2021

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

1. CORPORATE INFORMATION

Spandana Sphoorty Financial Limited ('SSFL' or the 'Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003.The Company was registered as a non-deposit accepting non-banking financial company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as non-banking financial company – micro finance institution (NBFC – MFI) effective April 13, 2015.

The shares of the Company were listed on the stock exchanges in India in August 2019 pursuant to the Initial Public Offer of equity shares. The registered office of the Company is located at Plot no 31 & 32, Ramky Selenium Towers, Ground floor, Nanakramguda, Gachibowli, Telangana, India

The Company is primarily engaged in the business of micro finance providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

2. BASIS OF PREPARATION

a) Statement of compliance in preparation of standalone financial statements

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The standalone financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments, and other financial assets held for trading all of which have been measured at fair value. Further, the carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The functional currency of the Company is the Indian rupee. These standalone financial statements are presented in Indian rupees (rounded off to millions).

b) Presentation of financial statements

The Company presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

a. The normal course of business

b. The event of default

c. The event of insolvency or bankruptcy of the Group and/or its counterparties

c) Going concern assessment

The Company has assessed the impact of the COVID-19 pandemic on its liquidity and ability to fulfil its obligations as and when they are due and has evaluated the asset-liability maturity (ALM) pattern in various time buckets as prescribed under the guidelines issued by the RBI. The loan collections for the second half year have reached the pre-COVID levels. Further, the Company has considered its current liquidity position, expected inflows from various sources of borrowings and stimulus packages announced by the Government of India, which will directly or indirectly benefit NBFC-MFIs and various other financial support from other banks and financial institutions in determining the Company's liquidity position over the next 12 months from the end of reporting period. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Company will be able to fulfill its obligations as and when these become due in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates, judgments and assumptions

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. 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.

ii) Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iii) Impairment of loan portfolio

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Company makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

iv) Provisions other than impairment on loan portfolio

Provisions are held in respect of a range of future obligations. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

v) Other estimates

These include contingent liabilities, useful lives of tangible and intangible assets etc.

b) Recognition of income and expense

The Company earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest income and expense

Interest revenue is recognized using the effective interest method (EIR). The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.

(ii) Dividend income

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iii) Other income and expense

All Other income and expense are recognized in the period they occur.

c) Property, plant and equipment(PPE) and intangible asset

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 included in the statement of profit and loss when the asset is derecognized.

Intangible Asset

Intangible assets represent software expenditure which is stated at cost less accumulated amortization and any accumulated impairment losses.

d) Depreciation and amortization

Depreciation

i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived based on useful life of the assets, prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.

ii. Property, plant and equipment costing up to ₹5,000 individually are fully depreciated in the year of purchase.

The Company has used the following useful lives to provide depreciation on its Property, plant and equipment:

Asset Category	Useful Life (in years)
Furniture & Fixtures	10
Computers & Printers	3
Office Equipment	5
Leasehold Improvements	3
Vehicles	8
Land & Buildings	60

Amortization

Intangible assets are amortized at a rate of 40% per annum on a "Written Down Value" method, from the date that they are available for use.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

e) Impairment

i) Overview of principles for measuring expected credit loss ('ECL') on financial assets.

In accordance with Ind AS 109, the Company is required to measure expected credit losses on its financial instruments designated at amortized cost and fair value through other comprehensive income. Accordingly, the Company is required to determine lifetime losses on financial instruments where credit risk has increased significantly since its origination. For other instruments, the Company is required to recognize credit losses over next 12 month period. The Company has an option to determine such losses on individual basis or collectively depending upon the nature of underlying portfolio. The Company has a process to assess credit risk of all exposures at each year end as follows:

Stage I

These represent exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date. The Company has assessed that all standard exposures (i.e. exposures with no overdues) and exposure upto 30 day overdues fall under this category. In accordance with Ind AS 109, the Company measures ECL on such assets over next 12 months.

Stage II

Financial instruments that have had a significant increase in credit risk ("SICR") since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Company classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. The Company measures lifetime ECL on stage II loans.

Stage III

All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Company measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount.

In addition to the abovementioned classification, if any indicators of increased credit risk are identified by the Company based on a qualitative assessment of borrowers' profile or any modifications in contractual terms, such loans are classified in higher stages (SICR or default category), irrespective of the overdue status as at reporting date.

Methodology for calculating ECL

The Company determines ECL based on a probability weighted outcome of factors indicated below to measure the shortfalls in collecting contractual cash flows. The Company does not discount such shortfalls considering relatively shorter tenure of loan contracts.

Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset).

Exposure at default (EAD) – It represents an estimate of the exposure of the Company at a future date after considering repayments by the counterparty before the default event occurs.

Loss given default (LGD) – It represents an estimate of the loss expected to be incurred when the event of default occurs.

Forward looking information

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

generate sufficient cash flows to repay the amounts subjected to write-offs. All such write-offs are charged to the Profit and Loss Statement. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

ii) Non financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Revenue from Contracts with Customers

The Company recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue From Contracts with Customers'. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

(a) Commission and is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognized on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.

(b) The Company recognizes revenue from advertisement activities upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers

g) Leases

i. Short term leases not covered under Ind AS 116 are classified as operating lease. Lease payments during the year are charged to statement of profit and loss. Further minimum rentals payable under non - cancellable operating leases.

ii. Ind AS 116 Leases was notified by MCA on March 30, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 1, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

iii. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

iv. The Company has adopted Ind AS 116 - Leases with effect from April 1, 2019 and applied to all lease contracts existing on April 1, 2019 using the Modified Retrospective Approach. In accordance with the transitional provisions, the Company has not restated the comparative figures. The adoption of new standard resulted in recognition of right-of-use asset and a corresponding lease liability of ₹114.27 million on April 1, 2019. The effect of this adoption is not material to the profit for the period and earnings per share.

a) Foreign currency transactions

- **Functional and presentation currency**

  The Standalone financial statements are presented in Indian Rupees (₹), which are the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

- **Transaction and balance**

  Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

b) Retirement and Employee benefits

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

The Company operates following employee benefit plans:

i) Employee 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 recognizes contribution payable to the provident fund scheme as expenditure when an employee renders the related service.

ii) Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. 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, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

iii) Leaves

The service rules of the Company do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

iv) Employee Stock Option Plan

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments in form of employee stock options, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in Stock Option Outstanding reserves in Other equity, over the period in

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant datefair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

c) Income taxes

Current Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with The Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

Deferred Taxes

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 recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets are 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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the FVOCI instruments. The Company also recognizes the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Company only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Company's intention to settle on a net basis.

Minimum Alternate Tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognized for MAT credit available only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

d) Earnings per share (EPS)

The Company reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

e) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The increase in the provision due to un-winding of discount over passage of time is recognized within finance costs.

f) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Company does not have any contingent assets in the financial statements.

g) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

Financial Assets - All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Loan Portfolio at amortized cost
- Loan Portfolio at fair value through other comprehensive income (FVOCI)
- Investment in equity instruments and mutual funds at fair value through profit or loss
- Other financial assets amortized cost

Loan Portfolio at amortized cost:

Loan Portfolio is measured at amortized cost where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI)on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Loan Portfolio at FVOCI:

Loan Portfolio is measured at FVOCI where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model where objective is achieved by both collecting contractual cash flows and selling financial assets.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, where the Company's objective is solely to collect the contractual cash flows from the assets, the same is measured at amortized cost or where the Company's objective is to collect both the contractual cash flows and cash flows arising from the sale of assets, the same is measured at fair value through other comprehensive income (FVOCI). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost) or to collect contractual cash flows and sell (i.e. measured at fair value through other comprehensive income), the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model described in Note: Impairment of financial assets (refer note 3(e)).

Effective interest method - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The amortized cost of the financial asset is adjusted if the Company revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets. Income is recognized on an effective interest basis for loan portfolio other than those financial assets classified as at FVTPL

Equity instruments and Mutual Funds

Equity instruments and mutual funds included within the FVTPL category are measured at fair value with all changes recognized in the Profit and Loss Statement.

Financial liabilities

Initial Measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

De-recognition

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

In respect of financial assets (loans) de-recognized by way of direct assignment, where the Company continues to act as a servicing agent on behalf of the assignee, any contracts pre-closed by the Company at borrowers' request against issuance of fresh loans does not result in retention of incremental risk on the loans assigned. Accordingly, such pre-closures are not considered to impact the de-recognition of other off-balance sheet transactions as at reporting date.

A financial liability is derecognized from the balance sheet when the Company has discharged its obligation or the contract is cancelled or expires.

h) Derivate financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

i) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date using various valuation techniques.

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Company's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements.

The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement).

Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows:

- *Level 1 financial instruments* - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- *Level 2 financial instruments* - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.
- *Level 3 financial instruments* – include one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

k) Share issue expenses

Incremental costs that are directly attributable to the issue of an equity instrument (i.e. they would have been avoided if the instrument had not been issued) are deducted from equity.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

4. CASH AND CASH EQUIVALENTS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Cash on hand	20.92	2.82
Balances with banks		
On current accounts	8,765.92	533.37
Deposit with original maturity of less than three months	2,520.99	-
	11,307.83	**536.19**

Balances with banks earns interest with floating rates based on daily bank deposit rates. Short term Deposits are made for varying periods of between 1 day and 3 months, depending on the immediate cash requirements of the Company, and earn interest at the respective short term deposit rates.

5. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Deposit with remaining maturity of less than 12 months	-	24.99
Deposit with remaining maturity of more than 12 months	133.82	-
Margin money deposits (refer note below)	2,319.45	1,946.00
	2,453.27	**1,970.99**

Note: Represent margin money deposits placed to avail term loans from banks and placed as cash collateral in connection with securitization transactions.

Fixed Deposits with banks earns interest with fixed/floating rates based on daily bank deposit rates.

6. TRADE RECEIVABLES

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	121.06	223.68
	121.06	**223.68**
Provision for impairment :		
Unsecured, considered good	-	-
	121.06	**223.68**

Trade receivables include ₹ 88.36 million (Previous year ₹ 108.62 million) receivable from entities in which Directors or key Managerial Persons are interested.

Trade receivables are generally non interest bearing and are on terms of 30 to 60 days.

7. LOANS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
(a) Loans (at fair value through OCI)	69,352.44	48,497.07
(b) Inter Corporate Advances to related parties (Unsecured, non-Public Sector in India) (repayable on demand) (at amortized cost) *	927.80	2,206.54
*Please refer note 33 for further details		
Total - Gross	**70,280.24**	**50,703.61**
Less: Impairment and other provisions	(4,117.10)	(1,652.21)
Total - Net	**66,163.14**	**49,051.40**
(a) Secured by tangible assets (Gold, Property including land and building)	119.57	846.00
(b) Unsecured	70,160.67	49,857.60

NOTES TO THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Less: Impairment and other provisions	(4,117.10)	(1,652.21)
Total - Net	**66,163.14**	**49,051.40**
(a) Public sector	-	-
(b) Others	70,280.24	50,703.61
Total - Gross	**70,280.24**	**50,703.61**
Less: Impairment and other provisions	(4,117.10)	(1,652.21)
Total - Net	**66,163.14**	**49,051.40**
(a) Within India	70,280.24	50,703.61
(b) Outside India	-	-
Total - Gross	**70,280.24**	**50,703.61**
Less: Impairment and other provisions	(4,117.10)	(1,652.21)
Total - Net	**66,163.14**	**49,051.40**

7.1 Overview of the loans of the Company

The Company is primarily in the business of providing micro loans towards income generating activities with its operations spread out in different parts of India.

On October 15, 2010, the then Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" which was subsequently enacted as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011" ('AP MFI Act'). The AP MFI Act, inter alia, imposed several restrictions on the operations of the MFIs operating in the then state of Andhra Pradesh, including a change in repayment frequency for loan repayments from a 'weekly' to a 'monthly' basis.

As a result recoveries from the loans in the states of Andhra Pradesh and Telangana were adversely affected resulting in significant defaults. Such loans is hereinafter referred as the 'old AP portfolio'. Accordingly, all such loans have been categorized under Stage III on March 31, 2020 considering significant uncertainty with respect to their recoveries. However, the same loans as been entirely written off during the previous year ended March 31, 2020. All other exposures have been referred as 'new portfolio'.

7.2 The table below discloses credit quality of the Company's exposures as at reporting date:

7.2.1 Portfolio classification

As at March 31, 2021 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount	58,874.85	6,427.70	4,049.90	69,352.44
Total	**58,874.85**	**6,427.70**	**4,049.90**	**69,352.44**

As at March 31, 2020 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount	48,211.14	106.57	179.36	48,497.07
Total	**48,211.14**	**106.57**	**179.36**	**48,497.07**

7.2.2 Gross Portfolio Movement

For the year ended March 31, 2021 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2020	48,211.14	106.57	179.36	48,497.07
Total (A)	48,211.14	106.57	179.36	48,497.07
Inter-stage movements				
Stage I	8.16	(6.49)	(1.68)	-

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Stage II	(2,912.47)	2,913.28	(0.81)	-
Stage III	(2,512.06)	(15.04)	2,527.11	-
Total (B)	(5,416.37)	2,891.75	2,524.62	-
Write offs**	(0.01)	(0.08)	(3,583.78)	(3,583.87)
Total (C)	(0.01)	(0.08)	(3,583.78)	(3,583.87)
New assets originated, repaid and derecognized during the year	15,799.57	3,429.45	4,929.70	24,158.71
Total (D)	15,799.57	3,429.45	4,929.70	24,158.71
Fair value on loans	280.53	-	-	280.53
Total (E)	280.53	-	-	280.53
Gross carrying amount as at March 31, 2021	58,874.85	6,427.70	4,049.90	69,352.44
Total (A+B+C+D)	58,874.85	6,427.70	4,049.90	69,352.44

** The contractual amount of loans written-off during the period are not subject to enforcement activity / legal proceedings.

For the year ended March 31, 2020 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2019				
- New Portfolio	41,751.88	150.17	43.11	41,945.16
- Old AP Portfolio	-	-	3,584.70	3,584.70
Total (A)	41,751.88	150.17	3,627.81	45,529.86
Inter-stage movements				
- New Portfolio				
Stage I	0.99	(0.97)	(0.02)	(0.00)
Stage II	(213.87)	213.91	(0.04)	0.00
Stage III	(615.60)	(0.21)	615.82	-
- Old AP Portfolio	-	-	-	-
Total (B)	(828.48)	212.73	615.76	0.00
Write offs**				
- New Portfolio	(106.14)	(74.48)	(1,070.76)	(1,251.38)
- Old AP Portfolio	-	-	(3,576.05)	(3,576.05)
Total (C')	(106.14)	(74.48)	(4,646.80)	(4,827.43)
New assets originated, repaid and derecognized during the year				
- New Portfolio	6,692.98	(181.85)	591.25	7,102.38
- Old AP Portfolio	-	-	(8.65)	(8.65)
Total (D)	6,692.98	(181.85)	582.60	7,093.73
Fair Value on loans	700.91	-	-	700.91
Gross carrying amount as at March 31, 2020				
- New Portfolio	48,211.14	106.57	179.36	48,497.07
- Old AP Portfolio	-	-	-	-
Total (A+B+C+D+E)	48,211.14	106.57	179.36	48,497.07

** The contractual amount of loans written-off during the period are not subject to enforcement activity / legal proceedings.

7.2.3 Movement of impairment allowance(ECL) and other provisions

For the year ended March 31, 2021 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	741.12	64.26	145.21	950.59
Provision made/ (reversed) during the year	1,378.63	408.77	4,237.93	6,025.34
Inter-stage movements				
Stage I	(33.74)	12.04	21.70	-
Stage II	(431.48)	430.72	0.76	0.00
Stage III	(1,118.08)	46.57	1,071.51	-
Write off	(0.01)	(0.08)	(3,583.78)	(3,583.87)
Other Provisions				725.04
Closing Balance	**536.45**	**962.28**	**1,893.33**	**4,117.10**

For the year ended March 31, 2020 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	168.68	84.92	3,622.37	3,875.97
Provision made/ (reversed) during the year	678.59	53.81	1,169.65	1,902.05
Inter-stage movements				
Stage I	(72.42)	69.06	3.36	-
Stage II	(29.67)	29.50	0.17	-
Stage III	(112.27)	11.58	100.69	-
Write off	(106.14)	(74.48)	(4,646.80)	(4,827.43)
Other Provisions				701.62
Closing Balance	**741.12**	**64.26**	**145.21**	**1,652.21**

7.3 During the year, the Company has pre-closed loan accounts and provided fresh (top-up) loans to certain borrowers for restarting their businesses after a temporary suspension of economic activities due to COVID-19 pandemic. In determining whether this resulted in a significant increase in credit risk or impairment of these loans and potential future loss estimate, the Company takes into consideration the borrowers' vintage, past repayment behaviour and viability of their businesses, as a separate cohort.

Based on such assessment at March 31, 2021 in accordance with Ind AS 109 principles, including those relating to modified loans, and in terms of the ECL policy approved by the Board of Directors ("ECL Policy"), the Company has classified loans amounting to ₹ 3,680 million as Stage 2 and ₹ 1,079 million as Stage 3, although there were nil overdues as per the latest repayment schedule for these loans at March 31, 2021. While the staging movement has been carried out taking cognizance of the overdues in previous loan, the Company has applied relatively lower probability of default (PD) and loss given default (LGD) factors as per its ECL Policy considering the borrowers' repayment behaviour in earlier loan cycles. Accordingly, the Company has recognized a total impairment allowance of ₹ 848 million on such loans.

Further, as the loans are provided to borrowers having running businesses with steady cash flows and not as a concession to overcome financial difficulties faced by borrowers other than the temporary suspension due to lockdown, these cases are not considered as restructured accounts in terms of extant RBI Master Directions.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

7.4 The COVID-19 pandemic has continued to cause a significant disruption of the economic activities across the globe including India throughout the year, with second wave of the pandemic emerging towards the later part of the financial year in India. The Government of India announced a nation-wide lockdown to contain the spread of the virus which continued till May 31, 2020. Subsequently, various state governments and local statutory authorities imposed restrictions on economic activities in different parts of the country which continued to impact Company's operations including lending and collection activities. Further, pursuant to the Reserve Bank of India ('RBI') COVID-19 Regulatory package issued vide circulars dated March 27, 2020 and May 23, 2020 which allowed lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020, the Company had offered a moratorium to its borrowers until May 31, 2020 which was further extended up to August 31, 2020 based on borrowers' requests.

In assessing the impairment allowance for loan portfolio, the Company has considered internal and external sources of information available including indicators of deterioration in the macro-economic factors. Further, the management has estimated the impact of the ongoing second wave of the pandemic on its loan portfolio, based on reasonable and supportable information available till date and considering performance after the first wave, and has noted that the existing provisioning levels are adequate to cover any further delinquencies. Given the unique nature and scale of this pandemic, its full extent of impact on the Company's operations and financial metrics, more specifically on the borrower's ability to service their obligations on a timely basis, will depend on the severity and duration of the pandemic as well as on highly uncertain future developments including governmental and regulatory measures and the Company's responses thereto. Accordingly, the management's estimate of impairment losses based on various variables and assumptions could result in actual credit loss being different than that being estimated.

8. OTHER FINANCIAL ASSETS (AT AMORTIZED COST)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
A. Security deposits		
Unsecured , Considered good	28.30	53.07
(A)	**28.30**	**53.07**
B. Other assets		
Amount receivable from banks and non banking financial companies	0.07	0.04
Term deposits placed with non banking financial companies #	13.02	51.07
Retained interest on asset assigned	620.66	1,426.47
Other assets	80.62	122.24
(B)	**714.37**	**1,599.82**
Total (A+B)	**742.67**	**1,652.89**

Represent margin money deposits placed to avail term loans from non banking financial companies.

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
At Fair value through Profit and Loss		
Investments in Liquid / Debt Mutual Funds	-	4,852
At Cost		
Investment in subsidiary		
2,000,000 (March 31, 2020: 2,000,000) equity shares of ₹10 each fully paid up in Caspian Financial Services Limited	20.00	20.00
75,52,210 (March 31, 2020: 47,27,352) equity shares of ₹10 each fully paid up in Criss Financial Holdings Limited	1,125.24	625.93
At Fair value through Profit and Loss		

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
100,000 (March 31, 2020: 100,000) equity shares of ₹10 each fully paid up in Alpha Micro Finance Consultants Private Limited	1.00	1.00
	1,146.24	**5,498.55**
Less: Impairment loss allowance	-	-
Total	**1,146.24**	**5,498.55**
Above amount includes		
Investment in India	1,146.24	5,498.55
Investment outside India	-	-
Total	**1,146.24**	**5,498.55**

10. CURRENT TAX ASSETS (NET)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Advance income tax (net of provision)	149.38	149.38
	149.38	**149.38**

11. DEFERRED TAX ASSETS (NET)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Effects of deferred tax assets/ liabilities :		
Deferred Tax Assets		
Impairment of financials instruments and other provisions	1,099.26	449.91
Provisions allowable on payment basis	50.78	76.59
Differences of written down value of Property, plant and equipment	38.37	36.48
Expenditure incurred for Initial Public Offering	24.61	30.29
Lease liability	38.42	28.49
Others	53.99	5.13
	1,305.43	**626.89**
Deferred Tax Liabilities		
Fair value gain on loans	70.60	176.40
Income from direct assignments (taxable in future)	156.88	359.01
Right of Use Asset	32.53	22.04
Others	-	0.41
	260.01	**557.86**
Net deferred tax assets/(liabilities)	**1,045.42**	**69.03**

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority

11.1: DEFERRED TAX ASSETS (NET)

Movement in deferred tax balances for the year ended March 31, 2021

(₹ in million unless otherwise stated)

Particulars	Net Balance April 1, 2020	(Charge)/ Credit in Profit & Loss	Recognised in OCI	Recognised in Other Equity	Net Balance March 31, 2021	Deferred Tax Assets/(Deferred Tax Liabilities)
Deferred tax assets/ (liabilities)						
Impact of difference between accounting and tax base of property, plant and equipment and intangible assets	36.48	1.89	-	-	38.37	38.37
Remeasurement gain / (loss) on defined benefit plan	5.15	(0.10)	(5.05)	-	-	-
Impairment allowance for loans	449.91	649.35	-	-	1,099.26	1,099.26
Expenses incurred on Initial Public Offering	30.29	(5.68)	-	-	24.61	24.61
Income from direct assignments (taxable in future)	(359.01)	202.14	-	-	(156.88)	(156.88)
Other items	265.23	(330.97)	105.80	-	40.06	40.06
Net Deferred tax assets / (liabilities)	**428.05**	**516.63**	**100.75**	**-**	**1,045.43**	**1,045.43**

Movement in deferred tax balances for the year ended March 31, 2020

(₹ in million unless otherwise stated)

Particulars	Net Balance April 1, 2019	(Charge)/ Credit in Profit & Loss	Recognised in OCI	Recognised in Other Equity	Net Balance March 31, 2020	Deferred Tax Assets/(Deferred Tax Liabilities)
Deferred tax assets/ (liabilities)						
Impact of difference between accounting and tax base of property, plant and equipment and intangible assets	46.02	(9.54)	-	-	36.48	36.48
Remeasurement gain / (loss) on defined benefit plan	1.07	(0.30)	4.37	-	5.14	5.15
Impairment allowance for loans	1,401.69	(951.77)	-	-	449.92	449.91
Expenses incurred on Initial Public Offering	-	-	-	30.29	30.29	30.29
MAT Credit Entitlement	774.35	(774.35)	-	-	-	-
Income from direct assignments (taxable in future)	(73.25)	(285.76)	-	-	(359.01)	(359.01)
Other items	(151.53)	60.80	(3.05)	-	(93.78)	(93.79)
Net Deferred tax assets / (liabilities)	**1,998.36**	**(1,960.92)**	**1.32**	**30.29**	**69.03**	**69.03**

12. PROPERTY, PLANT AND EQUIPMENT

(₹ in million unless otherwise stated)

Particulars	Land & Building*	Leasehold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Right of use asset	Total
Gross block (at cost)								
At April 01, 2019	2.01	95.40	69.09	28.73	5.59	158.96	-	359.77
Addition	-	-	10.63	3.60	9.59	21.18	114.27	159.26
Disposals	-	-	-	-	-	0.43	-	0.43
At March 31, 2020	**2.01**	**95.40**	**79.73**	**32.33**	**15.17**	**179.71**	**114.27**	**518.62**
Addition	-	-	11.44	6.37	19.41	13.38	101.84	152.44
Disposals	-	-	0.59	0.24	-	0.51	36.90	38.24
At March 31 2021	**2.01**	**95.40**	**90.58**	**38.46**	**34.58**	**192.58**	**179.21**	**632.82**
Depreciation								
At April 01, 2019	0.15	90.97	52.89	16.34	3.24	125.33	-	288.92
Charge for the year	0.09	2.81	11.86	6.74	2.96	27.55	26.69	78.70
Disposals	-	-	-	-	-	0.42	-	0.42
At March 31, 2020	**0.24**	**93.77**	**64.75**	**23.09**	**6.20**	**152.46**	**26.69**	**367.20**
Charge for the year	0.08	1.03	12.05	5.35	6.37	21.53	23.26	69.67
Disposals	-	-	0.45	0.14	-	0.38	-	0.97
At March 31 2021	**0.32**	**94.80**	**76.35**	**28.30**	**12.57**	**173.61**	**49.95**	**435.90**
Net carrying amount								
At April 01, 2019	1.86	4.43	16.20	12.38	2.36	33.63	-	70.86
At March 31, 2020	**1.77**	**1.62**	**14.97**	**9.24**	**8.99**	**27.25**	**87.58**	**151.43**
At March 31 2021	**1.69**	**0.60**	**14.23**	**10.17**	**22.01**	**18.97**	**129.25**	**196.92**

* Mortgaged as security against non-convertible debentures.

Intangible assets

Particulars	Computer Software	Total
Gross block (at cost)		
At April 1, 2019	103.86	103.86
Addition	0.02	0.02
At March 31, 2020	**103.88**	**103.88**
Addition	0.10	0.10
At March 31 2021	**103.98**	**103.98**
Amortization		
At April 1, 2019	82.33	82.33
Charge for the year	8.71	8.71
At March 31, 2020	**91.04**	**91.04**
Charge for the year	5.19	5.19
At March 31 2021	**96.23**	**96.23**
Net carrying amount		
At April 1, 2019	21.53	21.53
At March 31, 2020	12.84	12.84
At March 31 2021	**7.75**	**7.75**

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

13. OTHER NON-FINANCIAL ASSETS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Prepaid expenses	12.38	5.51
Capital advances	3.85	1.65
Advance against sum assured	89.47	68.73
Other advances	20.81	25.57
Unsecured, considered doubtful		
Others	-	1.70
Amounts deposited with courts	6.24	6.24
Advance against sum assured	16.68	12.89
Less: Provision for doubtful debts	(22.92)	(20.83)
	126.51	**101.46**

14. (A) DEBT SECURITIES (AT AMORTISED COST)

(₹ in million unless otherwise stated)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
(i) Debentures				
Secured				
Nil (March 31, 2020: 825), 12.90% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Thirty six months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of Twelve or Twenty four months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	Nil	10,00,000	-	178.26
410 (March 31, 2020: 820), 13.12% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 7, 2018 .	410	10,00,000	426.58	853.16
400 (March 31, 2020: Nil), 13.25% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Thirteen months from the date of allotment i.e. September 24, 2020.	400	10,00,000	423.42	-
800 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Fifteen months from the date of allotment i.e. October 20, 2020.	800	1,00,000	85.23	-
7,500 (March 31, 2020: Nil), 11% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Fifteen months from the date of allotment i.e. November 17, 2020.	7,500	1,00,000	766.45	-

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
800 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Eighteen months from the date of allotment i.e. October 20, 2020.	800	1,00,000	84.70	-
1,000 (March 31, 2020: Nil), 10.00% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Eighteen months from the date of allotment i.e. October 29, 2020.	1,000	10,00,000	1,040.89	-
1,400 (March 31, 2020: Nil), 10.80% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Eighteen months from the date of allotment i.e. November 19, 2020.	1,400	10,00,000	1,383.22	-
215 (March 31, 2020: Nil), 11.49% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 24, 2020 (subject to exercise of put option by the lender at the end of Eighteen months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	215	10,00,000	221.47	-
800 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Twenty One months from the date of allotment i.e. October 20, 2020.	800	1,00,000	84.94	-
250 (March 31, 2020: Nil), 14.00% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Twenty Four months from the date of allotment i.e. September 08, 2020 (subject to exercise of put option by the lender at the end of Six months from the date of allotment). Redeemable on maturity if option not exercised by the investor	250	10,00,000	251.02	-
1,740 (March 31, 2020: Nil), 14.8% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Twenty Three months from the date of allotment i.e. October 28, 2020.	1,740	1,00,000	191.02	-
250 (March 31, 2020: Nil), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable in twenty four equal monthly instalments from the date of allotment i.e. September 29, 2020.	250	10,00,000	184.74	-
500 (March 31, 2020: Nil), 12.20% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Twenty Four months from the date of allotment i.e. December 19, 2020.	500	10,00,000	498.78	-
6,360 (March 31, 2020: Nil), 11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Twenty Four months from the date of allotment i.e. December 16, 2020.	6,360	1,00,000	644.56	-

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
8,275 (March 31, 2020: Nil), 11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 29, 2020. (subject to exercise of put option by the lender at the end of Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised from the investor	8,275	1,00,000	818.94	-
4,000 (March 31, 2020: Nil), 11.50% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at quarterly intervals	4,000	1,00,000	405.12	-
1,000 (March 31, 2020: Nil), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at half yearly intervals	1,000	10,00,000	832.05	-
5,000 (March 31, 2020: Nil) 11.25% Secured, Senior, Redeemable, Transferable, Listed, Principal protected, Market Linked, Rated Non Convertible Debentures Denominated in ₹ having a face value of ₹ 0.1 million each redeemable at par at the end of Twenty Six months from the date of allotment i.e. March 16, 2021 (subject to exercise of put option by the lender at the end of Eighteen months from the date of allotment). Redeemable on maturity if option not exercised from the investor	5,000	1,00,000	483.28	-
325 (March 31, 2020: 325), 13.15% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Seventy Two months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	325	10,00,000	339.93	342.53
850 (March 31, 2020: 1,000), (11.34% net of With-holding tax (March 31, 2020 - 14%)), Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each, 50% of which is redeemable at par at the end of 60th month (September 18, 2022) from September 18, 2017 i.e. the date of allotment and balance 50% to be redeemable on maturity i.e. June 30, 2023 (subject to exercise of put option by the lender at March 18, 2022 i.e. at the end of Fifty Four months from date of allotment).	850	10,00,000	853.62	1,004.16
10,000 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. November 24, 2020. (subject to exercise of put option by the lender at the end of Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised by the investor	10,000	1,00,000	1,008.92	-

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
1,200 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at quarterly intervals	1,200	10,00,000	1,190.45	-
350 (March 31, 2020: Nil) 12% Secured, Rated, Listed, Redeemable, Transferable, Non Convertible Debentures of face value of ₹1 million each	350	10,00,000	351.75	-
2,000 (March 31, 2020: Nil), 14.80% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹0.1 million each redeemable at par at the end of Forty Four months from the date of allotment i.e. October 28, 2020. (subject to exercise of put option by the lender at the end of Thirty months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	2,000	1,00,000	225.80	-
4,500 (March 31, 2020: Nil) 12.5% Rated, unlisted, senior, secured, redeemable, taxable, non convertible Debentures of face value ₹ 0.1 million each	4,500	1,00,000	447.98	-
Sub - Total			**13,244.86**	**2,378.11**
(ii) Borrowing under securitisation arrangement				
Secured				
From Banks			6,225.00	5,398.17
From non-banking financial companies			877.28	-
Total Debt Securities			**20,347.14**	**7,776.28**
Secured borrowings*			20,347.14	7,776.28
Unsecured borrowings #			-	-
Net amount			**20,347.14**	**7,776.28**
Borrowings in India			20,347.14	7,776.28
Borrowings outside India			-	-
Total			**20,347.14**	**7,776.28**
(b) Borrowings (Other than Debt Securities)				
Secured				
Indian rupee loan from banks			27,273.13	18,921.46
Indian rupee loan from non-banking financial companies			4,152.21	3,212.44
Cash credit from bank			-	50.21
Total Borrowings (Other than Debt Securities)			**31,425.34**	**22,184.11**
Secured borrowings*			31,425.34	22,184.11
Unsecured borrowings			-	-
Net amount			**31,425.34**	**22,184.11**
Borrowings in India			31,425.34	22,184.11
Borrowings outside India			-	-

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
Total			**31,425.34**	**22,184.11**
(c) Subordinated Liabilities (at amortized cost)				
Unsecured Term Loan				
Indian rupee loan from Bank			201.83	201.67
Total Subordinated Liabilities			**201.83**	**201.67**
Secured borrowings*			-	-
Unsecured borrowings #			201.83	201.67
Net amount			**201.83**	**201.67**
Borrowings in India			201.83	201.67
Borrowings outside India			-	-
Total			**201.83**	**201.67**

* The secured borrowings are secured by hypothecation of book debts and margin money deposits.

The unsecured borrowings are in the nature of subordinated debt. Subordinate debt has interest rate @15% and maturity date is June 08, 2024.

14. (A) TERMS OF PRINCIPAL REPAYMENT OF BORROWINGS AS AT MARCH 31, 2021

(₹ in million unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installments	Amount (in million)	No. of installments	Amount (in million)	No. of installments	Amount (in million)	No. of installments	Amount (in million)	
Debt Securities										
Monthly										
1-3 years	8.5%-9.00%	19	1,860.92	5	467.39					2,328.31
	9.01%-9.50%	36	3,104.14	7	484.57					3,588.71
	9.51%-10.00%	33	1,166.73		-					1,166.73
	12.50%-13.00%	12	125.00	6	62.50	-	-	-	-	187.50
Quarterly										
1-3 years	10.50%-13.00%	12	1,730.00	11	1,110.00	4	400.00	-	-	3,240.00
Half Yearly										
1-3 years	12.50%-13.50%	4	743.33	2	333.33	1	166.67	-	-	1,243.33
Yearly										
1-3 years	12.50%-13.00%		-	1	83.33	1	83.33	2	283.33	450.00
Bullet										
Above 3 years	10.00%-12.00%		-	8	4,103.50	4	1,350.00	-	-	5,453.50
	12.01%-12.50%		-	1	500.00	1	1,000.00	-	-	1,500.00
	13.00%-13.50%	1	400.00	-	-	-	-	-	-	400.00
	14.00%-15.00%		-	2	424.00	-	-	1	200.00	624.00
Borrowings (Other than Debt Securities)										
Monthly										

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

	8.50%-9.50%	29	1,150.41	24	1,090.91	12	545.45	-	-	2,786.77
	9.51%-10.00%	112	3,280.71	32	912.08	-	-	-	-	4,192.79
	10.01%-10.50%	60	1,708.33	51	1,520.83	9	250.00	-	-	3,479.16
	10.51%-11.00%	80	2,792.70	51	2,187.54	-	-	-	-	4,980.24
1-3 years	11.01%-11.50%	48	1,403.21	6	214.29	-	-	-	-	1,617.50
	11.51%-12.00%	71	1,672.78	31	521.47	6	38.50	-	-	2,232.75
	12.01%-12.50%	62	964.51	34	583.75	1	12.50	-	-	1,560.76
	12.51%-13.00%	47	556.21	15	162.37	-	-	-	-	718.58
	13.01%-13.50%	29	281.24	12	100.01	8	66.65	-	-	447.90
	13.51%-14.00%	16	305.02	6	139.59	-	-	-	-	444.61
Quarterly										
	9.51%-10.00%	17	1,437.07	-	-	-	-	-	-	1,437.07
1-3 years	10.51%-11.00%	7	857.14	-	-	-	-	-	-	857.14
	11.01%-12.00%	14	820.24	11	354.17	4	116.67	-	-	1,291.08
Half Yearly										
1 - 3 years	7.00%-10.00%	2	1,000.00	1	500.00	-	-	-	-	1,500.00
	10.01%-11.00%	2	1,200.00	2	600.00	-	-	-	-	1,800.00
Annually										
1-3 years	7.00%-8.00%	1	700.00	1	300.00	-	-	-	-	1,000.00
Bullet										
1-3 years	9.50%-10.00%	3	875.00	-	-	-	-	-	-	875.00
	10.01%-10.50%	1	125.00	-	-	-	-	-	-	125.00
Subordinated Liabilities										
Bullet										
Above 3 years	14.50%-15.00%		-	-	-	-	-	1	200.00	200.00
Grand Total		718	**30,259.69**	**320**	**16,755.63**	**51**	**4,029.77**	**4**	**683.33**	**51,728.42**
Impact of EIR										245.70
Grand Total										**51,974.12**

14. (A) TERMS OF PRINCIPAL REPAYMENT OF BORROWINGS AS AT MARCH 31, 2020**

(₹ in million unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installments	Amount (in million)	No. of installments	Amount (in million)	No. of installments	Amount (in million)	No. of installments	Amount (in million)	
Debt Securities										
Monthly										
	8.50%-9.00%	24	2,237.50	3	97.68	-	-	-	-	2,335.18
1-3 years	9.01%-9.50%	18	896.47	-	-	-	-	-	-	896.47
	9.51%-10.00%	25	1,873.01	-	-	-	-	-	-	1,873.01
	10.01%-10.50%	10	284.62	-	-	-	-	-	-	284.62
Quarterly										
1-3 years	13.50%-14.00%	8	178.75	-	-	-	-	-	-	178.75
Half Yearly										
1-3 years	13.00%-13.50%	2	410.00	2	410.00	-	-	-	-	820.00
Bullet										
1-3 years	13.00%-13.50%	1	325.00	-	-	-	-	-	-	325.00
	13.51%-14.00%	1	1,000.00	-	-	-	-	-	-	1,000.00
Borrowings (Other than Debt Securities)										
Monthly										
	9.50%-10.00%	76	2,349.57	79	2,410.71	5	177.08	-	-	4,937.37
	10.01%-10.50%	21	351.19	5	59.52	-	-	-	-	410.71
	10.51%-11.00%	70	1,503.76	10	118.73	-	-	-	-	1,622.49
	11.01%-11.50%	135	3,281.40	23	546.04	-	-	-	-	3,827.44
1-3 years	11.51%-12.00%	61	2,721.74	12	562.96	-	-	-	-	3,284.70
	12.01%-12.50%	44	480.05	4	55.94	-	-	-	-	535.99
	12.51%-13.00%	21	283.34	12	83.34	5	34.71	-	-	401.39
	13.01%-13.50%	30	464.97	17	181.23	-	-	-	-	646.20
	13.51%-14.00%	19	445.33	4	55.99	-	-	-	-	501.32
Quarterly										
1-3 years	9.51%-10.00%	23	1,147.50	13	639.38	-	-	-	-	1,786.88
	10.51%-11.00%	12	955.36	7	857.14	-	-	-	-	1,812.50
	11.01%-11.50%	4	125.00	-	-	-	-	-	-	125.00

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(₹ in million unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installments	Amount (in million)	No. of installments	Amount (in million)	No. of installments	Amount (in million)	No. of installments	Amount (in million)	
	12.51% - 13%	2	125.00	-	-	-	-	-	-	125.00
	13.01%-13.50%	1	27.27	-	-	-	-	-	-	27.27
Above 3 years	12.50%-13.00%	4	83.33	-	-	-	-	-	-	83.33
Bullet										
1 - 3 years	9.51%-10.00%	4	500.00	-	-	-	-	-	-	500.00
	10.50%-11.00%	1	125.00	-	-	-	-	-	-	125.00
Subordinated Liabilities										
Bullet										
Above 3 years	14.50%-15.00%	0	-	-	-	-	-	1	200	200.00
Grand Total		**621**	**23,032.29**	**193**	**6,507.24**	**10**	**211.79**	**1**	**200.00**	**29,951.32**
Impact of EIR										**160.52**
Grand Total										**30,111.85**

**The above schedule does not include Cash Credit of ₹ 50.2 millions

14. (B) The higher delinquencies caused due to COVID-19 pandemic have resulted in breach of some of the covenants related to borrowings such as portfolio at risk (PAR) ratios, NPA ratios, etc. The Company has been servicing all its borrowings, albeit with certain delays (on account of discussions with lenders seeking loan moratoriums pursuant to the RBI's COVID-19 Regulatory Package) and has sought forbearance/ waiver from the lenders with respect to non-compliance of these covenants, wherever applicable.

In most of the cases, the consequence of covenant breach is either an increase in interest rate or a right to recall of the facility. While a formal approval of the waiver is awaited, based on our discussions with the lenders, sanction of fresh facilities received in most cases and considering the long track record with lenders, the Company is confident of securing the forbearance and has no reason to believe that any adverse action will be invoked by the lenders.

Further, the Company believes that its contingency refinance or funding plan and current capital adequacy status would enable it to tide over any impact of covenant breaches. Accordingly, no adjustments are required in the maturity profile of the borrowings.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

15. OTHER FINANCIAL LIABILITIES

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Expenses payable	34.17	25.29
Lease liability	152.66	113.22
Employee benefits payable	204.68	303.45
Assignment and other payables	2,170.48	1,813.77
	2,561.99	**2,255.73**

16. CURRENT TAX LIABILITIES (NET)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Provision for tax (net of advance tax)	1,338.85	596.69
	1,338.85	**596.69**

17. PROVISIONS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Gratuity (net of contribution)	16.08	27.58
	16.08	**27.58**

18. OTHER NON-FINANCIAL LIABILITIES

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Other payables	190.48	71.28
Unfructified service tax liability [net of amount paid under protest ₹ 9.93 millions (March 31, 2020: ₹ 9.93 millions,)]	158.51	149.89
Statutory dues payable	61.46	73.23
	410.35	**294.40**

19. SHARE CAPITAL

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Authorized		
900,000,000 (March 31, 2020: 900,000,000) equity shares of ₹ 10 each	9,000.00	9,000.00
Authorized		
1,250,000,000 (March 31, 2020: 1,250,000,000) preference shares of ₹ 10 each	12,500.00	12,500.00
	21,500.00	**21,500.00**
Issued, subscribed and paid-up		
64,315,483 (March 31, 2020: 64,315,483) equity shares of ₹ 10 each fully paid up	643.15	643.15
Total	**643.15**	**643.15**

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(a) Terms / rights attached to equity shares

The Company has only one class of equity shares of par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees. During the current financial year no dividend has been proposed by the Company.

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.

(b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:

(₹ in million unless otherwise stated)

Particulars	March 31, 2021		March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	6,43,15,483	643.15	5,96,33,683	596.33
Issued during the year - IPO*	-	-	45,43,385	45.43
Issued during the year - ESOP*	-	-	91,752	0.92
Issued during the year - ESOP*	-	-	46,663	0.47
Outstanding at the end of the year	**64,315,483**	**643.15**	**64,315,483**	**643.15**

*The Company during the previous year issued and allotted 4,543,385 equity shares having face value ₹ 10/- each in its Public Issue (IPO). Further, the Company issued and allotted Nil (March 31, 2020: 138,415) equity shares having face value of ₹ 10/- each to the eligible employees of the Company towards exercise of ESOPs.

During the previous year, the Company has completed the Initial Public Offer (IPO) of its equity shares, comprising a fresh issue of 4,543,385 equity shares having a face value of ₹ 10 each at an offer price of ₹ 856 per share aggregating ₹ 3,889 million by the Company and an offer for sale of 9,356,725 equity shares by existing shareholders aggregating ₹ 8,009 million. Pursuant to the IPO, the equity shares of the Company got listed on BSE Limited and NSE Limited on August 19, 2019. The Company has fully utilized the IPO proceeds, in line with the objectives mentioned in the prospectus.

(c) Details of shareholders holding more than 5% in the Company:

As per the records of the Company, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the shareholding given below represents both legal and beneficial ownership of shares.

Name of the shareholder	March 31, 2021		March 31, 2020	
	Number of shares	% of holding	Number of shares	% of holding
Equity shares				
Kangchenjunga Limited	29,303,172	45.56%	29,303,172	45.56%
Padmaja Gangireddy	10,300,953	16.02%	10,250,953	15.94%
Valiant Mauritius Partners FDI Limited	3,848,823	5.98%	3,848,823	5.98%

(d) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company refer Note 43.

(e) Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash during the period of five years immediately preceding the reporting date:

Nature of instrument/ convertible security	Number of convertible securities	Number of equity shares issued upon conversion
Class B 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each	79,10,07,721	89,48,425

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(f) Other instances of conversion of convertible securities into equity shares during the period of five years immediately preceding the reporting date:

(₹ in million unless otherwise stated)

Nature of instrument/ convertible security	Number of convertible securities	Number of equity shares issued upon conversion
Class A 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each	23,49,99,997	99,79,615
Class A1 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each	11,92,12,760	50,62,542
Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	11,35,085	11,35,085
FY 2017-18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	2,83,771	2,83,771
FY 2017-18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	2,83,771	2,83,771
FY 2018-19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	2,83,771	2,83,771
FY 2018-19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	2,83,771	2,83,771
Share warrants	14,88,544	14,88,544

20. OTHER EQUITY

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Securities premium account		
Balance as per the last financial statements	19,199.86	15,414.96
Add: Premium on issue of equity shares	-	3,897.49
Less: Share Issue Expenses	0.05	(150.46)
Add: Tax on Share Issue Expense	-	37.87
Closing balance	**19,199.91**	**19,199.86**
General reserve*	**23.28**	**23.28**
Share options outstanding reserve		
Balance as per the last financial statements	64.17	41.25
Add: Share based payment to employees	87.38	43.80
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	-	(18.72)
Less: Transfer on cancellation of stock options	-	(2.16)
Closing balance	**151.55**	**64.17**
Capital redemption reserve*	**1,526.93**	**1,526.92**

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Statutory reserve [as required by Section 45-IC of Reserve Bank of India Act, 1934]		
Balance as per the last financial statements	3,239.55	2,566.17
Add: Amount transferred from surplus of profit and loss	257.96	673.38
Closing balance	**3,497.51**	**3,239.55**
Retained earnings		

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Balance as per the last financial statements	927.27	(1,753.29)
Add: Profit for the year	1,289.82	3,366.94
Add: Other comprehensive income (Re-measurement gains/(losses) on defined benefit plans)	15.01	(13.01)
Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934]	(257.96)	(673.38)
Net surplus in the statement of profit and loss	**1,974.13**	**927.27**
Other items of other comprehensive income (Fair valuation of loans- to be subsequently classified to profit or loss)		
Opening balance	457.17	448.11
Add/(Less): Fair value change during the year	(6,713.33)	(2,584.47)
Add: Impairment allowance/ other provisions reclassified to profit and loss	6,398.75	2,593.53
Closing balance	**142.59**	**457.17**
Total other equity	**26,515.90**	**25,438.23**

*For detailed movement of reserves refer statement of changes in equity for the year ended March 31, 2021.

Nature and purpose of other equity

Securities premium

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilized only for limited purposes in accordance with the provisions of the Companies Act, 2013.

General Reserve

Amounts set aside from retained profits as a reserve to be utilized for permissible general purpose as per Law.

Share options outstanding reserve

The stock option outstanding account is used to recognize the grant date fair value of option issued to employees under employee stock option scheme.

Capital redemption reserve

In accordance with Section 55 of the Companies Act, 2013, the Company has transferred an amount equivalent of the nominal value of OCCRPS redeemed during previous years, to the Capital Redemption Reserve. The reserve can be utilized only for limited purposes in accordance with the provisions of the Companies Act, 2013.

Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934

Statutory reserve represents the accumulation of amount transferred from surplus year on year based on the fixed percentage of profit for the year, as per section 451C of Reserve Bank of India Act 1934.

Retained earnings

Retained earnings represents the surplus in profit and loss account and appropriations.

Other Comprehensive income

Re-measurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest income) and net fair valuation gain/(loss) on financial assets measured at fair value through other comprehensive income.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

21. INTEREST INCOME

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Measured at fair value through OCI		
Interest on loans*	12,783.34	11,101.05
Measured at amortized cost		
Interest on portfolio loans		
Interest on fixed deposits	62.95	37.79
Interest on inter corporate advances	301.60	176.81
Interest on margin money deposits**	**110.89**	**138.81**
	13,258.78	**11,454.46**

*Refer note 54.

**Represent margin money deposits placed to avail term loans from banks, non banking financial companies and placed as cash collateral in connection with securitization transactions.

22. NET GAIN ON FAIR VALUE CHANGES

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
(A) Net gain on fair value instruments at fair value through profit or loss		
(i) On trading portfolio		
Investments (P&L)	85.84	44.76
(B) Others		
(i) Gain on derecognition of loans designated at FVTOCI	665.30	2,139.27
Total Net gain / (loss) on fairvalue changes	**751.14**	**2,184.03**
Fair value changes		
Realized	751.14	2,182.41
Unrealized	-	1.62
Total Net gain on fair value changes	**751.14**	**2,184.03**

23. OTHERS

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Recovery against loans written off	330.01	105.25
	330.01	**105.25**

24. OTHER INCOME

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Advertisement income	205.61	316.52
Gain on business transfer (refer note 49)	9.26	-
Miscellaneous income	3.54	2.76
	218.41	**319.28**

25. FINANCE COST

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Interest		
Measured at amortized cost		
On Debt Securities	1,125.28	1,152.54
On Borrowings (Other than Debt Securities)	2,823.32	2,335.89
On Subordinated liabilities	15.22	30.18
On lease liabilities	14.88	14.37

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Measured at fair value through profit or loss		
On income tax	157.59	-
Other finance cost	35.33	8.13
	4,171.62	**3,541.11**

26. NET LOSS ON FAIR VALUE CHANGES

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Derivative assets designated at fair value through Profit and loss	54.85	-
Derivative liabilities designated at fair value through Profit and loss	(27.41)	-
	27.44	**-**

27. IMPAIRMENT ON FINANCIAL INSTRUMENTS AND OTHER PROVISIONS

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Measured at fair value through OCI		
Impairment and other provision including management overlay for COVID-19	2,814.88	(2,098.47)
Loans written off	3,583.87	4,827.43
	6,398.75	**2,728.96**

28. EMPLOYEE BENEFITS EXPENSE

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Salaries, wages and bonus	1,447.39	1,528.29
Contribution to provident fund and other funds	94.33	74.51
Expenses on Employee Stock Option Plan	88.05	41.07
Staff welfare expenses	33.80	25.83
	1,663.57	**1,669.69**

29. OTHER EXPENSES

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Rent	68.25	18.11
Rates and taxes	2.96	1.78
Bank charges	20.94	33.39
Office maintenance	41.52	37.86
Computers and network maintenance	7.11	3.93
Electricity charges	16.59	14.48
Field allowance	179.82	141.51
Communication expenses	6.96	8.21
Credit Bureau Expenses	7.91	12.79
Printing and stationery	10.32	12.32
Legal and professional charges	13.99	11.06
Directors sitting fees	10.90	9.81
Auditors remuneration (refer details below)	8.78	8.34

Recruitment and training	14.33	4.87
Subscription fees	8.84	7.23
Other provisions and write off	26.19	29.13
Security charges	1.34	1.22
CSR Expenses	88.14	49.51
	534.89	405.54
Payment to auditors		
As auditor:		
Audit fee	8.50	7.19
Certification fee	0.22	0.22
Out of pocket expenses	0.06	0.93
	8.78	**8.34**

30. TAX EXPENSE

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
	1,362.16	653.54
Deferred tax relating to origination and reversal of temporary differences total tax charge	(976.39)	1,959.59
Total Tax Charge	**385.76**	**2,613.13**
Current tax	1,362.16	653.54
Deferred tax	(976.39)	1,959.59

30.1 RECONCILIATION OF THE TOTAL TAX EXPENSE

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the Accounting profit multiplied by India's domestic tax rate for the years ended March 31, 2021 and 2020 is, as follows :

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Accounting profit before Tax	1,376.02	5,976.12
At India's statutory income tax rate (2021: 25.168%)	346.32	1,504.07
Non-deductible expenses		
Interest on income tax	39.66	-
CSR expenses	22.18	12.46
Additional tax allowances		
Deduction under Chapter VIA-80JJAA-Additional manpower cost exemption	(23.32)	(20.15)
Difference on account of change in tax rate	-	1,116.77
Others	0.92	(0.01)
Income tax expense reported in the statement of profit and loss	**385.76**	**2,613.13**

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

The effective income tax rate for March 31, 2021 is 25.168% (March 31, 2020 is 25.168%).

Pursuant to the Taxation Laws (Amendment) Ordinance 2019, promulgated on September 20, 2019, the Company has opted to exercise the option permitted u/s 115BAA of the Income Tax Act, 1961 to compute income tax at the revised rate (i.e. 25.17%) from the previous financial year. As a result, the change on account of remeasurement of deferred tax assets and reversal of MAT credit entitlement during the previous year ended March 31, 2020 aggregates to ₹ 1,116.77 million..

31. EARNING PER SHARE

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Net profit after tax as per Statement of Profit and Loss	1,289.82	3,366.94
Net profit for calculation of basic earnings per share	**1,289.82**	**3,366.94**
Net profit as above	1,289.82	3,366.94
Net profit for calculation of diluted earnings per share	**1,289.82**	**3,366.94**
Calculation of weighted average number of equity shares for basic EPS		
Equity shares		
Opening No. of shares (in millions)	64.32	59.63
Add: Issued during the year (in millions)	-	2.89
	64.32	**62.52**
Effect of dilution		
Employee stock option (in millions)	0.25	0.54
Weighted average number of equity shares for diluted EPS	**0.25**	**0.54**
Basic earnings per share (In ₹)	**20.05**	**53.85**
Diluted earnings per share (In ₹)	**19.98**	**53.40**
Nominal value per share (in ₹)	**10.00**	**10.00**

32. SEGMENT REPORTING

The Company operates in a single business segment i.e. financing, since the nature of the loans are exposed to similar risk and return profiles hence they are collectively operating under a single segment for the purpose of Ind AS 108 on 'Operating Segments' notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

33. DISCLOSURE OF RELATED PARTIES IN ACCORDANCE WITH IND AS 24.

I. Holding Company

Kangchenjunga Limited (upto.August 14, 2019)

II. SUBSIDIARY COMPANY

a) Caspian Financial Services Limited (w.e.f October 13, 2017)

b) Criss Financial Holdings Limited (w.e.f December 27 , 2018)

III. Entities in which Key Management Personnel and their relatives have significant influence.

a) Spandana Rural and Urban Development Organization

b) Abhiram Marketing Services Limited

c) Spandana Employee Welfare Trust.

IV. Key Management Personnel

a) Mrs. Padmaja Gangireddy - Managing Director

b) Mr. Sudhesh Chandrasekar – Chief Financial Officer (w.e.f. May 17, 2019 upto June 5, 2020)

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

c) Mr. Rakesh Jhinjharia – Company Secretary (upto June 5, 2020)
d) Mr. Abdul Feroz Khan – Chief Strategy Officer
e) Mr. Bharat Shah (Independent Director)
f) Mr. Deepak Vaidya (Independent Director)
g) Mr. Jagdish Capoor (Independent Director)
h) Ms. Abanti Mitra (Independent Director)
i) Mr. Sunish Sharma (Nominee Director)
j) Mr.Kartikeya Dhruv Kaji (Nominee Director)
k) Mr. Darius Dinshaw Pandole (Nominee Director) (upto September 21, 2020)
l) Mr. Amit Sobti (Nominee Director)
m) Mr. Ramachandra Kasargod Kamath (Nominee Director)
n) Mr. Satish Kottakota - Chief Financial Officer (w.e.f June 1, 2020)
o) Mr. Ramesh Periasamy - Company Secretary (w.e.f August 29, 2020)
p) Mrs. Sharmila Kunguma - Chief Risk Officer (w.e.f December 28, 2020)

V. Relative of Key Management Personnel

a) Mr. Revan Saahith
b) Mr. Vijaya Sivarami Reddy Vendidandi

VI. Related parties in accordance with RBI Master directions

a) Spandana Mutual Benefit Trust
b) Spandana Sphoorty Chit Funds Private Limited

Related party transactions during the year. (₹ in million unless otherwise stated)

S. No	Related Party	Nature of Transactions	Transactions during year ended March 31, 2021	Transactions during year ended March 31, 2020	(Payable)/Receivable	
					March 31, 2021	March 31, 2020
1	Spandana Rural and Urban Development Organization	Interest expense on lease	7.56	6.60	-	-
		Lease liability payable	50.93	51.86	(102.05)	(51.86)
		Repayment of lease liability	0.74	0.00	-	-
		Rent deposit	3.83	-	6.92	3.09
		Expense reimbursement	0.06	0.13	-	0.01
2	Criss Financial Holdings Limited	Expense reimbursement (net)	5.84	0.67	(0.72)	0.50
		Inter-corporate advances (net) *	(305)	760.07	728	1,033.00
		Interest income	148.94	67.10	12.49	11.34
		Business transfer **	902.77	-	80.57	-
		Subscription to equity shares	500.00	-	-	-
3	Abhiram Marketing Services Limited	Commission income	-	268.62	-	97.91
		Incentive income	89.12	82.50	87.78	80.85
		Expenses reimbursement	11.63	40.73	0.12	10.21
		Inter-corporate advances (net) *	(970.16)	755.00	179.84	1,150.00
		Other advances	-	122.19	-	122.19
		Interest income	152.65	109.70	7.47	12.19
		Purchase of fixed assets & goods	6.39	53.19	-	(0.03)
4	Mr. Deepak Goswami	Remuneration#	-	0.32	-	-
5	Mr. Sudhesh Chandrasekar	Remuneration#	1.82	8.24	-	(3.45)

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Related party transactions during the year: (₹ in million unless otherwise stated)

S. No	Related Party	Nature of Transactions	Transactions during year ended March 31, 2021	Transactions during year ended March 31, 2020	(Payable)/Receivable March 31, 2021	(Payable)/Receivable March 31, 2020
		Equity shares issued pursuant to stock option scheme	-	1.32	-	-
6	Mr. Rakesh Jhinjharia	Remuneration#	0.40	2.34	-	(0.31)
		Equity shares issued pursuant to stock option scheme	-	0.79	-	-
7	Mr. Nitin Prakash Agrawal	Remuneration#	-	0.09	-	-
8	Mr. Bharat Shah	Sitting fee	2.00	2.00	(0.46)	(0.50)
9	Mr. Deepak Vaidya	Sitting fee	2.00	2.00	(0.46)	(0.50)
10	Mr. Jagdish Capoor	Sitting fee	2.00	2.00	(0.46)	(0.50)
11	Mr. K. R. Kamath	Sitting fee	2.00	2.00	(0.46)	(0.50)
12	Ms. Abanti Mitra	Sitting fee	2.00	1.00	(0.46)	(0.25)
13	Mr. Abdul Feroz Khan	Remuneration#	7.45	6.81	(2.60)	(1.27)
		Equity shares issued pursuant to stock option scheme	-	4.74	-	-
14	Mrs. Padmaja Gangireddy	Remuneration#	53.75	53.75	(25.00)	(27.68)
15	Mr. Revan Saahith	Remuneration#	3.10	2.38	(0.72)	(0.65)
16	Mr. Vijaya Sivarami Reddy Vendidandi	Interest expense on lease	0.97	-	-	-
		Lease liability payable	50.93	-	(50.61)	-
		Repayment of lease liability	0.31	-	-	-
		Rent deposit	3.83	-	3.83	-
17	Mr. Ramesh Periasamy	Remuneration#	4.28	-	(1.54)	-
18	Mr. Satish Kottakota	Remuneration#	12.39	-	(3.82)	-
19	Mrs. Sharmila Kunguma	Remuneration#	0.98	-	(0.40)	-

* Of the Inter-corporate advances (ICA) given aggregating ₹ 1,080 million, the Company received repayment of ₹ 1,385 million including previous year outstanding from Criss Financial Holdings Limited (During year ended March 31, 2020, ICA aggregating ₹1,209 million were given out of which the Company received ₹448.93 million).

Of the ICA given aggregating ₹ 210 million, the Company has received repayment of ₹ 1,180.16 million including previous year outstanding (March 31, 2021: ICA given aggregating ₹789.65 million the Company has received repayment of ₹ 34.65 million) from Abhiram Marketing Services Limited.

** Refer note 49 to the financial statements.

*** Refer note 34(b) for guarantee given.

All above transactions are in the ordinary course of business and on arms length basis. All outstanding balances are to be settled in cash and are unsecured.

#As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Transactions during the year are shown net of GST and inclusive of TDS.

34. CONTINGENT LIABILITIES

a. Claims against the Company not acknowledged as debt: (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Service tax open assessments	48.66	48.66
Income tax open assessments	645.51	539.42
Total	**694.17**	**588.08**

i) The Company is of the opinion that the above demands are not tenable and expects to succeed in its appeals / defence.

ii) The Commissioner, Service Tax Commissionerate, Hyderabad ("CST"), through two orders dated August 7, 2012 and October 9, 2013, levied service tax, interest and penalty on pre-closure interest charged by the Company on loans pre-closed during FY 2006-07 to FY 2011-12. The CST also issued an order dated March 27, 2015, levying service tax, interest and penalty on a part of profit on portfolio sale during FY 2007-08 to FY 2010-11, deeming it to be consideration for collection and remittance of loan instalments. The Company filed an appeal against these orders before the Custom, Excise and Service Tax Appellate Tribunal (CESTAT) which is pending for hearing on March 31, 2021. The service tax and interest thereon in respect of these matters have been provided for in earlier years based on Company's assessment. However, given the facts of these cases, legal precedents, and general opinion, the penalty indicated in these orders aggregating ₹48.66 million is considered as a contingent liability as at March 31, 2021.

iii) The Company received an income tax assessment-cum-demand order for FY 2016-17, inter alia, raising a demand of ₹ 539.42 million (including interest) under section 69A read with section 115BBE of the Income Tax Act, 1961. The Company has filed an appeal against this order before the Commissioner of Income Tax (Appeals) that will be heard in due course. However, based on the expert opinions obtained, the Company confident that the matter will be decided in its favour. Accordingly, the aforesaid amount has been considered as a contingent liability as at March 31, 2021. The Company has deposited ₹ 69.22 million against such demand in the process of filling the aforesaid appeal.

iv) It is not practicable for the Company to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

b. Guarantees excluding financial guarantees

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Bank Guarantee towards Initial Public Offer (Deposit with the National Stock Exchange of India Limited)	-	90.09
Corporate Guarantee for the term loans availed by Criss Financial Holdings Limited, a subsidiary of the Company	1,830.00	50.00
Total	**1,830.00**	**140.09**

35. FAIR VALUE

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.

This note describes the fair value measurement .

Valuation framework

The Company will assess the fair values for assets qualifying for fair valuation.

The Company's valuation framework includes:

1. Benchmarking prices against observable market prices or other independent sources;
2. Development and validation of fair valuation models using model logic, inputs, outputs and adjustments.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions.

Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortised cost, have been arrived at as under:

1. Fair values of investments held under FVTPL have been determined under level 1 using quoted Net Asset Value of the underlying instruments;
2. Fair value of loans held under a business model that is achieved by both collecting contractual cash flows and selling the loans are measured at FVOCI. The fair value of these loans has been determined under level 2.

   Refer Note 35 for further details

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

36. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

Fair value measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximize the use of observable market data (either directly as prices or indirectly derived from prices) and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The financial instruments included in Level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market.

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

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosure is required):-

I. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31, 2021:

Assets measured at fair value on a recurring basis

(₹ in million unless otherwise stated)

Financial Assets (Assets measured at fair value)	Fair value			
	Level -1	Level - 2	Level-3	Total
Loans (measured at FVOCI)	-	65,235.34	-	65,235.34
Derivative financial instruments (measured at FVTPL)	-	-	0.45	0.45
Investments in equity shares (measured at FVTPL)	-	-	1.00	1.00
Total	**-**	**65,235.34**	**1.45**	**65,236.79**

Assets not measured at fair value

Fair value of financial assets measured at cost	At cost	Fair Value			
		Level -1	Level - 2	Level-3	Total
Investments in equity shares	1,145.24	-	-	1,356.74	1,356.74
Total	**1,145.24**	**-**	**-**	**1,356.74**	**1,356.74**

II. The following table shows an analysis of financial instruments that are not carried at fair value by level of the fair value hierarchy as at March 31, 2021:

Fair value of financial liabilities measured at amortized cost	Amortized cost	Fair value			
		Level -1	Level - 2	Level-3	Total
Debt securities	20,347.14	-	20,564.41	-	20,564.41
Borrowings (other than debt securities)	31,425.34	-	31,515.68	-	31,515.68
Subordinated liabilities	201.83	-	230.88	-	230.88
Total	**51,974.29**	**-**	**52,310.97**	**-**	**52,310.97**

III. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31, 2020:

Assets measured at fair value on a recurring basis

Financial Assets (Assets measured at fair value)	Fair value			
	Level -1	Level - 2	Level-3	Total
Loans (measured at FVOCI)	-	46,844.86	-	46,844.86
Investments in equity shares (measured at FVTPL)	-	-	1.00	1.00
Investments in liquid / debt mutual funds (measured at FVTPL)	4,851.62	-	-	4,851.62
Total	**4,851.62**	**46,844.86**	**1.00**	**51,697.48**

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

IV. TThe following table shows an analysis of financial instruments that are not carried at fair value by level of the fair value hierarchy as at March 31, 2020:

Fair value of financial liabilities measured at amortized cost	Amortized cost	Fair value			
		Level -1	Level - 2	Level-3	Total
Financial Liabilities					
Debt securities	7,776.28	-	7,822.56	-	7,822.56
Borrowings (other than debt securities)	22,184.11	-	22,270.61	-	22,270.61
Subordinated liabilities	201.67	-	238.10	-	238.10
Total	**30,162.07**	**-**	**30,331.27**	**-**	**30,331.27**

The financial asset above does not include inter-corporate deposits, which are measured at amortized cost and approximates fair value. Further, it does not include securitization portfolio which is not de-recognized in accordance with Ind AS 109.

The management assessed that carrying value of financial assets (except loan and investments) and financial liabilities (except debt securities, borrowings (other than debt securities) and subordinated liabilities) approximate their fair value largely due to short term maturities of these instruments.

Assets categorized under Level 3 as on March 31, 2021 are ₹ 1 million (As on March 31, 2020 ₹1 million)

Valuation technique used

Assets measured at fair value on a recurring basis

For Loans

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the Balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further, the overdue cash flows are discounted assuming they will be received in the third month. Fair value of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

For Derivative financial instruments

For derivative financial instruments, the Company has assessed the fair value under Monte Carlo Simulation model which involves input parameters like, discount rate, volatility, expected tenure, risk-free rates, coupon payment date, time steps and iterations.

For Investment in equity instruments

For Investment in equity instruments, the Company has assessed the fair value on the basis of recent investment made in the Criss Financial Holdings Limited. For investment in equity instruments of Caspian Financial Services Limited, the carrying amount approximates fair value.

Financial liabilities measured at amortized cost

For Borrowing

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2021 and March 31, 2020.

37. CAPITAL MANAGEMENT

The Company's objective for capital management is to maximize shareholders' value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flows generated.

As an NBFC-MFI, the RBI requires us to maintain a minimum capital to risk weighted assets ratio (""CRAR"") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Company ensures to maintain a healthy CRAR at all the times.

The Company has a board approved policy on resource planning which states that the resource planning of the Company shall be based on its Asset Liability Management (ALM) requirement. The policy of the Company on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure, manner of raising the funds etc.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Regulatory Capital

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Tier I Capital	24,887.33	24,265.62
Tier II Capital	(335.45)	90.44
Total Capital	24,551.88	24,356.06
Risk weighted assets	62,624.58	51.338.58
Tier I CRAR	39.74%	47.27%
Tier II CRAR	(0.54)%	0.18%
Total CRAR	**39.20%**	**47.44%**

CRAR is computed in line with RBI notification dated 13 March 2020 w.r.t implementation of Indian Accounting Standards.

38. EMPLOYEE BENEFIT PLANS

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of ₹ 2,000,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarized the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

Movement in defined benefit obligations

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Defined benefit obligation as at the beginning of the year	50.07	27.62
Current service cost	6.99	9.96
Interest on defined benefit obligation	2.83	1.95
"Remeasurements- Actuarial (gain)/ Loss on total liabilities"	(14.21)	13.94
Benefits paid	(4.94)	(3.41)
Defined benefit obligation as at the end of the year	**40.74**	**50.06**

Movement in plan assets

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Fair value of plan assets as at the beginning of the year	22.48	24.21
Actual return on plan assets	7.12	(1.73)
Actuarial gains	-	-
Employer contributions	-	3.42
Benefits paid	(4.94)	(3.41)
Fair value of plan assets as at the end of the year	**24.66**	**22.48**

The Company expects to contribute Nil (March 31, 2020 ₹ Nil) to gratuity in the next financial year.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Reconciliation of net liability/ asset (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Net defined benefit liability/ (asset) as at the beginning of the year	**27.58**	**3.42**
Expense charged to statement of profit & loss	8.56	10.20
Amount recognized in other comprehensive income	(20.06)	17.38
Employer contributions	0.0	(3.42)
Net defined benefit liability/ (asset) as at the end of the year	**16.08**	**27.58**

Balance Sheet

Amount recognised in balance sheet (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Present value of obligations	40.74	50.06
Fair value on plan assets	24.66	22.48
Net defined benefit liability recognized in balance sheet	**16.08**	**27.58**

Expenses charged to the statement of profit and loss (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Current service cost	6.99	9.96
Interest Cost	1.56	0.24
Total	**8.55**	**10.20**

Remeasurement gains/(losses) in the other comprehensive income (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Actuarial Gain / (Loss) on Liabilities		
-due to change in financial assumptions	5.64	(1.93)
-due to change in demographic assumptions	-	-
-due to experience variance	8.57	(12.01)
Total -A	**14.21**	**(13.94)**
Actuarial Gain / (Loss) on assets		
-Expected Interest Income	1.27	1.71
-Actual Income on Plan Asset	7.12	(1.73)
Total -B	**5.85**	**(3.44)**
Amount recognized under Other Comprehensive Income (A+B)	**20.06**	**(17.38)**

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

(₹ in million unless otherwise stated)

Category of Assets	March 31, 2021	March 31, 2020
Fund managed by Insurer	**100%**	**100%**
Total	**100%**	**100%**

Summary of Actuarial Assumptions

Particulars	March 31, 2021	March 31, 2020
Discount rate	5.79%	5.66%
Expected return on plan assets	5.66%	7.05%
Rate of Increase in compensation levels	5.00%	10.00%
Retirement age (years)	58	58
Weighted average duration of defined benefit obligation	5 Years	5 Years

A quantitative sensitivity analysis for significant assumptions as at the balance sheet date are as shown below:

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Discount rate (+0.5%)	(0.50)	(0.72)
Discount rate (-0.5%)	0.52	0.74

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Salary Inflation (+1%)	1.01	1.39
Salary Inflation (-1%)	(0.97)	(1.32)
Withdrawal Rate (+5%)	(1.59)	(3.20)
Withdrawal Rate (-5%)	1.74	4.04

Projected plan cash flow (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Year 1	9.66	10.73
Year 2	7.98	8.91
Year 3	7.06	7.81
Year 4	6.15	7.28
Year 5	5.23	6.52
After year 5	11.82	18.99

Discount rate: The discount rate is based on the 5 years government bond yields as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

39. LEASES

Company as a lessee

The Company's significant leasing arrangements are in respect of leases of office premises (Head office and branch offices). The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreements carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval. There are no sub-leases. Lease rentals of ₹ 68.25 million (March 31, 2020: ₹ 18.11 million) pertaining to short-term leases and low value assets has been directly debited to statement of profit and loss.

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Operating lease payments recognized in the Statement of Profit and Loss	68.25	18.11

Minimum lease obligations (₹ in million unless otherwise stated)

Particulars	As at March 31, 2021	As at March 31, 2020
Not later than one year	32.06	3.85
Later than one year and not later than five years	1.17	-
Later than five years	-	-

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

(₹ in million unless otherwise stated)

Particulars	ROU assets
As at April 1, 2019	**-**
Addition	114.27
Depreciation	(26.69)
As at March 31, 2020	**87.58**
Addition	101.84
Deletion	(36.90)
Depreciation	(23.26)
As at March 31, 2021	**129.26**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(₹ in million unless otherwise stated)

Particulars	Amount
As at April 1, 2019	**-**
Addition	114.27
Accretion of interest	14.37
Payments	(15.42)
As at March 31, 2020	**113.22**
Addition	101.84
Accretion of interest	14.88
Deletion	(59.70)
Payments	(17.57)
As at March 31, 2021	**152.67**

The Maturity analysis of lease liabilities:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Lease Liabilities - March 31, 2021	0.40	0.41	0.41	1.26	2.76	15.59	25.56	06.26	**152.65**
Lease Liabilities - March 31, 2020	0.09	0.09	0.09	0.51	1.73	8.48	15.46	86.75	**113.22**

The following amounts are recognized in the statement of profit or loss: (₹ in million unless otherwise stated)

Particulars	As at March 31, 2021	As at March 31, 2020
Depreciation expense of right-of-use assets	23.26	26.69
Interest expense on lease liabilities	14.88	14.37
Expense relating to short-term leases	68.25	18.11
Expense relating to leases of low-value assets	-	-
Variable lease payments	-	-
Total amount recognized in profit or loss	**106.39**	**59.17**

The Company had total cash outflows for leases of ₹ 17.58 million in FY 2020-21 (March 31, 2020: ₹ 15.41 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of ₹ 101.85 million in FY 2020-21 (March 31, 2020: ₹ 114.27 million).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Lease Liabilities - March 31, 2021	1.91	1.91	1.91	5.73	11.59	48.95	54.16	139.85	**266.01**
Lease Liabilities - March 31, 2020	1.29	1.29	1.29	4.08	8.79	35.47	39.62	122.85	**214.66**

40. AMOUNT PAYABLE TO MICRO SMALL AND MEDIUM ENTERPRISES

As per information available with the Company, there are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

As at March 31, 2021 and March 31, 2020, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

41. RISK MANAGEMENT AND FINANCIAL OBJECTIVES

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to lending and the environment within which it operates and primarily include credit, liquidity and market risks. The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

The Company has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

41.1 CREDIT RISK

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Company is a rural focused NBFC-MFI with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in rural areas. Further, as we focus on providing micro-loans in rural areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

In order to mitigate the impact of credit risk in the future profitability, the Company creates impairment loss allowance basis the expected credit loss (ECL) model for the outstanding loans as at balance sheet date.

The criteria of default, significant increase in credit risk and stage assessment is mentioned in note 3(e) of the significant accounting policies. The below discussion describes the Company's approach for assessing impairment.

A) Probability of default (PD)

The Company determines PD on a collective basis by stratifying the entire portfolio into meaningful categories as discussed below.

The Company uses historical vintage information of its loan portfolio to estimate PD. Based on uncertainties and risks arising from its operations in different geographical states in the country, the Company bifurcates the entire portfolio into different states. Further the Company performs analysis of its defaults in various states over different observation periods. Such observation time frame varies depending upon the type of underlying assets analysed by the Company i.e. for Stage II, the timeframe used is more than 1 year.

In determining the above PD's, an effort is made to eliminate outliers for a particular observation period which are not likely to happen in future. Accordingly, the Company determines PD for each state depending upon the underlying classification of asset (i.e. Stage I or Stage II).

Re-calibration of PDs for FY 2020-21 on account COVID-19 pandemic:

During the year, the Company has reassessed its estimates of PD for the loan portfolio impacted by COVID-19 disruption, considering it as a separate cohort. In respect of this cohort, the Company has considered more recent flow rates (i.e. slippages into default category) subsequent to expiry of loan moratorium granted to borrowers pursuant to the RBI's COVID-19 Regulatory Package. Such flow rates are considered to represent the expected defaults more appropriately than the pre-COVID loss experience. The PD rates for Stage I and II have been further bifurcated based on the days-past-due (DPD) status of the loans (i.e. current, 1-30 DPD, 31-60 DPD and 61-90 DPD) to incorporate adequate granularity.

Summary of the range of PD rates determined by the Company for its portfolio (including the cohort impacted by COVID-19) are as follows:

	March 31, 2021		
Key states	**Stage-I (Range for current and 1-30 DPD)**	**Stage-II (31-60 DPD)**	**Stage-II (61-90 DPD)**
Madhya Pradesh	1.33% - 5%*	36.47%* - 87.27%	61.03%* - 87.27%
Orissa	0.73% - 5%*	32.47%* - 91.50%	52.71%* - 91.50%
Karnataka	1.11% - 5%*	27.9%* - 75.88%	53.31%* - 75.88%
Maharashtra	0.79% - 5%*	44.76%* - 85.00%	64.87%* - 85.00%

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Key states	March 31, 2021 Stage-I (Range for current and 1-30 DPD)	Stage-II (31-60 DPD)	Stage-II (61-90 DPD)
Chhattisgarh	0.93% - 5%*	39.54%* - 82.76%	59.44%* - 82.76%
Jharkhand	1.13% - 5%*	33.24%* - 93.11%	55.69%* - 93.11%
Kerala	2.35% - 5%*	41.7%* - 42.20%	63.05%* - 42.20%
Andhra Pradesh	0.13% - 5%*	9.27%* - 56.34%	18.10%* - 56.34%
Gujarat	1.53% - 5%*	30.58%* - 88.00%	61.48%* - 88.00%
Bihar	0.16% - 5%*	22.37%* - 82.76%	47.34%* - 82.76%
Rajasthan	0.1% - 5%*	37.99%* - 88.00%	66.39%* - 88.00%

*Represents PD rates for cohort impacted by COVID-19.

For stage-III portfolio the PD rate is considered as 100%

B) Exposure at default (EAD)

Exposure at default (EAD) is the sum of outstanding principal and the interest amount accrued loans as at reporting date. Such outstanding balances as at the reporting date is considered as EAD by the Company. Considering that the PD determined above factors in amount at default, there is no separate requirement to estimate EAD.

C) Loss given default

The Company determines its expectation of lifetime loss by estimating recoveries towards its entire loan at state level through analysis of historical information. The Company determines its recovery rates by analysing the recovery trends over different periods of time after a loan has defaulted. Based on its analysis of historical trends, the Company has assessed that significant recoveries happen in the year in which default has occurred. Accordingly, it believes no significant difference arise from discounting such recoveries for determining ultimate loss rates. In estimating LGD, the Company reviews macro-economic developments taking place in the economy.

Re-calibration of LGDs for FY 2020-21 on account COVID-19 pandemic:

Similar to PDs, the LGD rates have also been reassessed for COVID-19 affected portfolio by comparing past recovery experience from less frequent/ non-recurring default events. Appropriate adjustments have also been made for recoveries observed during the post-pandemic period which are considered as an appropriate representation of expected post-default recoveries.

Summary of the range of LGD rates determined by the Company for its portfolio (including the cohort impacted by COVID-19) are given below:

Key State	March 31, 2021
Madhya Pradesh	50% - 88.89%
Orissa	50% - 89.24%
Karnataka	50% - 82.89%
Maharashtra	50% - 84.1%
Chhattisgarh	50% - 94.63%
Jharkhand	50% - 83.49%
Kerala	50% - 80.63%
Andhra Pradesh	50% - 90.31%
Gujarat	50% - 84.85%
Bihar	50% - 44.52%
Rajasthan	50% - 44.52%

Analysis of concentration risk is as follows:-

State	March 31, 2021	March 31, 2020
Madhya Pradesh	19.32%	17.48%
Orissa	17.68%	17.69%
Karnataka	13.52%	12.93%
Maharashtra	11.56%	13.26%

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Chhattisgarh	7.66%	8.28%
Jharkhand	4.69%	4.72%
Kerala	3.37%	4.64%
Andhra Pradesh	7.67%	6.95%
Gujarat	3.13%	2.96%
Bihar	4.87%	4.76%
Rajasthan	3.59%	3.71%
Others	2.93%	2.60%
Total	**100.00%**	**100.00%**

Collateral and other credit enhancement

The Company's secured portfolio includes loans against security of Gold and property (including land and building). Although collateral is an important mitigant credit risk, the Company's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of the product and the Company's assessment of the customer's credit risk, a loan may be offered with suitable collateral.

41.1.a Inter-corporate advance given by the Company to related parties are repayable on demand and governed by Company's policy on demand loans approved by the board of directors. Such policy requires credit appraisal of the financial and operational performance of the counter parties, to be performed by the Company before renewing/rolling over of the advance.

41.1.b CREDIT RISK DUE TO COVID-19 PANDEMIC

Refer note 7.4.

41.2 LIQUIDITY RISK

Liquidity risk refers to the risk that the Company may not meet its financial obligations. Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions and capital markets to maintain a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies to ensure the liquidity risk is well addressed. In order to reduce dependence on a single lender, the Company has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Company has a asset liability management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure the compliance with the prescribed regulatory requirement. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk

The tables below provide details regarding the contractual maturities of significant financial assets and liabilities as on:-

Maturity pattern of financial assets and liabilities as on March 31, 2021: (₹ in million unless otherwise stated)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*#	3,616.25	2,729.09	3,000.21	8,429.67	17,004.26	22,092.98	851.52	-	**57,723.98**
Other Financial Liabilities	2,409.74	0.41	0.41	1.26	2.76	15.59	25.56	106.26	**2,561.99**
Loans	4,114.05	4,512.09	4,483.19	13,161.67	24,763.43	28,766.63	332.35	2,843.13	**82,976.54**
Other Financial Assets	179.48	62.30	58.30	140.07	91.32	211.20	-	-	**742.67**

**Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

#Also refer note 14B.

Maturity pattern of financial assets and liabilities as on March 31, 2020:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	2,633.38	1,534.79	2,175.86	7,796.42	10,749.51	7,353.53	238.22	-	**32,481.71**
Other Financial Liabilities	2,007.17	0.09	0.09	0.51	137.16	8.48	15.46	86.75	**2,255.71**
Loans**	-	-	4,535.08	11,042.30	18,040.40	23,694.92	268.27	171.08	**57,752.05**
Other Financial Assets	4,713.64	1,582.06	307.44	501.56	3,330.01	765.88	242.33	645.93	**12,088.85**

*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

** As per the Covid-19 regulatory package announced by RBI to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic vide Circular No.RBI/2019-20/186 & DOR.No.BP.BC.47/21.04.048/2019-20, the Company has extended moratorium to its borrowers whose loans were standard as on March 01, 2020, for the period April 01, 2020 to May 31, 2020 and further extended till August 31, 2020. Hence, the repayment schedule for such loans as also the residual tenor, is shifted across the board by two months for the year ended March 31, 2020. Further, the same moratorium has been availed by the Company towards payments under securitization arrangement.

Maturity Analysis of assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered and settled.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(₹ in million unless otherwise stated)

	March 31, 2021			March 31, 2020		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	11,307.83	-	11,307.83	536.19	-	536.19
Bank balances other than cash and cash equivalents	1,022.68	1,430.59	2,453.27	1,078.60	892.39	1,970.99
Trade receivables	121.06	-	121.06	223.68	-	223.68
Loans	39,945.39	26,217.75	66,163.14	26,128.09	20,716.77	46,844.86
Derivative financial instrument	0.45	-	0.45	-	-	-
Investments	-	1,146.24	1,146.24	4,851.62	646.93	5,498.55
Other financial assets	714.31	28.36	742.67	3,744.21	115.21	3,859.41
Subtotal - Total financial assets	**53,111.72**	**28,822.94**	**81,934.66**	**36,562.39**	**22,371.30**	**58,933.69**
Non-financial assets						
Current tax assets (net)	149.38	-	149.38	149.38	-	149.38
Deferred tax assets (net)	-	1,045.42	1,045.42		69.03	69.03
Property, plant and equipment	-	196.92	196.92	-	151.43	151.43
Intangible assets	-	7.74	7.74	-	12.84	12.84
Other non-financial assets	126.51	-	126.51	101.46	-	101.46
Subtotal - Total non-financial assets	**275.89**	**1,250.08**	**1,525.97**	**250.84**	**233.30**	**484.14**
Total assets	**53,387.61**	**30,073.02**	**83,460.64**	**36,813.23**	**22,604.61**	**59,417.83**
LIABILITIES						
Financial liabilities						
Debt securities	10,018.69	10,328.44	20,347.14	7,268.62	507.66	7,776.28
Borrowings (other than debt securities)	21,213.89	10,211.45	31,425.35	15,975.75	6,208.36	22,184.12
Subordinated liabilities	2.31	199.52	201.83	2.31	199.36	201.67
Other financial liabilities	2,432.39	129.60	2,561.99	2,145.03	110.70	2,255.73
Subtotal - Total financial liabilities	**33,667.28**	**20,869.01**	**54,536.30**	**25,391.71**	**7,026.08**	**32,417.79**
Non-financial liabilities						
Current tax liabilities (net)	1,338.85	-	1,338.85	596.69	-	596.69
Provisions	5.00	11.08	16.08	7.51	20.07	27.58
Other non-financial liabilities	410.35	-	410.35	294.40	-	294.40
Subtotal - Total non-financial liabilities	**1,754.20**	**11.08**	**1,765.28**	**898.60**	**20.07**	**918.67**
Total Liabilities	**35,421.48**	**20,880.09**	**56,301.58**	**26,290.31**	**7,046.15**	**33,336.46**
Net	**17,996.13**	**9,192.93**	**27,159.05**	**10,522.92**	**15,558.46**	**26,081.37**

41.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Company is exposed to two types of market risks as follows:

41.3a Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

	March 31, 2021	March 31, 2020
Finance Cost		
0.50 % Increase	(44.94)	(22.44)
0.50 % Decrease	44.94	22.44

Also refer note no 47 (G).

41.3b Price Risk

Prepayment risk is the risk that the Company will incur a financial loss because customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans when interest rates fall. The Company monitors the impact of varying levels of prepayment on its net interest income and manages its portfolio and borrowings mix accordingly.

42. TRANSFER OF FINANCIAL ASSETS

a. Securitisation Transaction:

During the year, the Company has entered into securitization arrangement with various parties. Under such arrangement, the Company has transferred a pool of loans, which does not fulfil the derecognition criteria specified under Ind AS 109 as the Company has concluded that risk and rewards with respect to these assets are not substantially transferred.

Following such transfer, the Company's involvement in these assets is as follows:

- As a servicer of the transferred assets
- To the extent of credit enhancements provided to such parties

The value of Financial assets and liabilities as on :-

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Carrying amount of assets	6,229.48	4,915.87
Carrying amount of associated liabilities	7,102.28	5,398.17
Fair value of assets	6,256.36	4,987.94
Fair value of associated liabilities	7,144.55	5,415.69

The excess of fair value of associated liabilities over fair value of asset is 888.19 Mn (PY 427.75 Mn)

b. Assignment Transaction:

During the year ended March 31, 2021, the Company has sold some loans and advances measured at FVOCI as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognized. Further, in respect of such de-recognized financial assets, where the Company continues to act as a servicing agent on behalf of the assignee, any contracts pre-closed by the Company at borrowers' request against issuance of fresh loans does not result in retention of incremental risk on the loans assigned. Accordingly, such pre-closures are not considered to impact the de-recognition of other assignment transactions as at reporting date.

The management has performed an assessment of the impact of the assignment transactions done during the year for its business model. Based on such assessment, the Company's business model for the portfolio loans continues with an objective to hold such assets for collecting underlying contractual cash flows and realising cash by selling the portfolio loans wherever appropriate.

The table below summarizes the carrying amount of the derecognized financial assets measured at fair value and the gain/(loss) on derecognition :-

(₹ in million unless otherwise stated)

Particulars	For the year ended 31st Mar 2021	For the year ended 31st Mar 2020
Carrying amount of derecognized financial assets	8,774.47	19,155.84
Gain/(loss) from derecognition	665.30	2,139.27

Since the Company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognized on the date of derecognition itself as interest only strip receivable and correspondingly recognized as profit on derecognition of financial asset.

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43. EMPLOYEE STOCK OPTION PLAN (ESOP)

The Company has provided various equity settled share based payment schemes to its employees. The details are ESOP scheme are as follows.

Particulars	Grant	Number of Options granted	Vesting Period (In years)	Vesting Conditions
ESOP Scheme 2018	Grant I	3,38,854	5	20% vests every year subject to continuance of services
	Grant II	8,17,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant III	13,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant IV	90,500	5	20% vests every year subject to continuance of services
	Grant V	3,36,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant VI	36,500	5	20% vests every year subject to continuance of services
	Grant VII	1,25,000	5	20% vests every year subject to continuance of services
	Grant VIII	40,000	5	20% vests every year subject to continuance of services
	Grant IX	28,000	5	20% vests every year subject to continuance of services
	Grant X	1,35,000	5	20% vests every year subject to continuance of services

Exercise period for all the above schemes is 9 years from the date of grant of the options.

The expense recognized for employee services received during the year is ₹ 88.05 million.

a. The following table lists the input to the black scholes models used for the options granted during the year ended March 31, 2021

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI
Date of Grant	13-Aug-18	13-Aug-18	07-Feb-19	28-Jan-20	28-Jan-20	03-Mar-20
Date of Board / Compensation/ Committee Approval	13-Aug-18	13-Aug-18	07-Feb-19	28-Jan-20	28-Jan-20	03-Mar-20
Number of Options Granted	3,38,854	8,17,500	13,500	90,500	3,36,500	36,500
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity
Graded Vesting Period						
Day following the expiry of 12 months from grant	20%	30%	30%	20%	30%	20%
Day following the expiry of 24 months from grant	20%	30%	30%	20%	30%	20%
Day following the expiry of 36 months from grant	20%	20%	20%	20%	20%	20%
Day following the expiry of 48 months from grant	20%	20%	20%	20%	20%	20%
Day following the expiry of 60 months from grant	20%	NA	NA	20%	NA	20%
Exercise Period	9 Years from the date of grant					
Vesting conditions	Employee must be in service at the time of vesting.					
Weighted average of remaining contractual Life in Years	6.37	6.37	6.86	7.84	7.84	7.93

Particulars	Grant VII	Grant VIII	Grant IX	Grant X
Date of Grant	03-Jun-20	16-Jun-20	31-Aug-20	12-Nov-20
Date of Board / Compensation/ Committee Approval	03-Jun-20	16-Jun-20	31-Aug-20	12-Nov-20
Number of Options Granted	1,25,000	40,000	28,000	1,35,000
Method of settlement	Equity	Equity	Equity	Equity

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Graded Vesting Period				
Day following the expiry of 12 months from grant	20%	20%	20%	20%
Day following the expiry of 24 months from grant	20%	20%	20%	20%
Day following the expiry of 36 months from grant	20%	20%	20%	20%
Day following the expiry of 48 months from grant	20%	20%	20%	20%
Day following the expiry of 60 months from grant	20%	20%	20%	20%
Exercise Period	9 Years from the date of grant			
Vesting conditions	Employee must be in service at the time of vesting.			
Weighted average of remaining contractual Life in Years	8.18	8.22	8.42	8.62

b. **The details of activity under ESOP Scheme 2018 Plan for the year ended March 31, 2021 have been summarized as below:**

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Exercise Price per Share	263.35	263.35	263.35	1,077.37	1,077.37	1,091.58	860.85
Number of options Outstanding at the beginning of the year	91,200	4,21,350	6,000	90,500	3,21,500	36,500	
Number of options Granted during the year	-	-					1,25,000
Number of Options Exercised during the year	-	-	-	-	-	-	-
Number of Options Lapsed during the year	45,600	57,800	6,000	35,000	50,500	-	1,25,000
Outstanding at the end of the year *	**45,600**	**3,63,550**	**-**	**55,500**	**2,71,000**	**36,500**	**-**

Particulars	Grant VIII	Grant IX	Grant X
Exercise Price per Share	809.85	608.74	565.72
Number of options Outstanding at the beginning of the year			
Number of options Granted during the year	40,000	28,000	1,35,000
Number of Options Exercised during the year	-	-	-
Number of Options Lapsed during the year	40,000	-	10,000
Outstanding at the end of the year *	**-**	**28,000**	**1,25,000**

c. **Details of Stock Options granted during the year**

The weighted fair value of stock option granted during the year was ₹ 280.82 for Grant IV, ₹ 429.05 for Grant V and ₹ 477.69 for Grant VI. The Black -Scholes Model has been used for computing the weighted average fair value considering the following:

Grant -IV	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	512.15	512.15	512.15	512.15	512.15
Exercise Price	860.85	860.85	860.85	860.85	860.85
Expected Volatility(%)	64.04%	64.04%	64.04%	64.04%	64.04%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	5.56%	5.69%	5.80%	5.89%	5.98%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	240.21	256.45	271.56	285.61	298.80

Grant -VIII	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	541.75	541.75	541.75	541.75	541.75
Exercise Price	809.85	809.85	809.85	809.85	809.85
Expected Volatility(%)	63.20%	63.20%	63.20%	63.20%	63.20%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	5.52%	5.65%	5.77%	5.87%	5.96%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	265.68	282.19	297.59	311.90	325.26

NOTES TO THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Grant -IX	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	638.9	638.9	638.9	638.9	638.9
Exercise Price	608.74	608.74	608.74	608.74	608.74
Expected Volatility(%)	59.93%	59.93%	59.93%	59.93%	59.93%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	5.69%	5.83%	5.95%	6.06%	6.15%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	370.54	386.63	401.54	415.45	428.33

Grant -X	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	612.4	612.4	612.4	612.4	612.4
Exercise Price	565.72	565.72	565.72	565.72	565.72
Expected Volatility(%)	57.35%	57.35%	57.35%	57.35%	57.35%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	5.32%	5.46%	5.59%	5.71%	5.82%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	347.75	362.77	376.81	389.96	402.27

44. DISCLOSURE OF INVESTING AND FINANCING TRANSACTIONS THAT DO NOT REQUIRE THE USE OF CASH AND CASH EQUIVALENTS

Name of instrument	Opening Balance	Converted into equity share capital*	Premium added on issue of ESOP's	Cash Flows	Closing Balance
Equity Share capital**	15,752.95	-	-	-	15,752.95
Total Borrowings	30,162.07	-	-	21,812.23	51,974.29
Total	**45,915.02**	**-**	**-**	**21,812.23**	**67,727.24**

** Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital and premium amount added on issue of ESOP's.

For the year ended March 31, 2021

Name of instrument	Opening Balance	Converted into equity share capital*	Premium added on issue of ESOP's	Cash Flows	Closing Balance
Equity Share capital**	11,808.64	-	18.72	3,925.59	15,752.95
Total Borrowings	29,451.09	-	-	710.98	30,162.07
Total	**41,259.73**	**-**	**18.72**	**4,636.57**	**45,915.01**

** Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital.

45. REVENUE FROM CONTRACTS WITH CUSTOMERS

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Service fees for management of assigned portfolio of loans	0.71	5.12
Commission and other income	294.73	667.64
Total	**295.44**	**672.76**

Geographical markets (₹ in million unless otherwise stated)

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Particulars	March 31, 2021	March 31, 2020
India	295.44	672.76
Outside India	-	-
Total	**295.44**	**672.76**

Timing of revenue recognition

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Services transferred at a point in time	295.44	672.76
Services transferred over time	-	-
Total	**295.44**	**672.76**

Receivables

Particulars	March 31, 2021	March 31, 2020
Commission and other income	120.47	212.91

Impairment allowance recognized on receivables is Nil (Previous year: Nil)

46. The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

47. ADDITIONAL INFORMATION/ DISCLOSURES AS REQUIRED BY GUIDELINES ISSUED BY RESERVE BANK OF INDIA

A. Capital to risk assets ratio ('CRAR')

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
CRAR (%)	39.20%	47.44%
CRAR-Tier I Capital (%)	39.74%	47.27%
CRAR-Tier II Capital (%)	(0.54)%	0.18%
Amount of subordinated debt raised as Tier-II capital	12.11	16.13
Amount raised by issue of Perpetual Debt Instruments	-	-

CRAR as at March 31, 2021 and March 31, 2020 has been determined in accordance with the RBI Master Directions read with RBI notification RBI/2019-20/170, DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020 on implementation of Indian Accounting Standards.

B. Exposure to real estate sector*

(₹ in Cr unless otherwise stated)

Category	March 31, 2021	March 31, 2020
A.Direct exposure		
I. Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	9.01	62.00
II.Commercial Real Estate		
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.	-	-

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

III.Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
Residential	-	-
Commercial Real Estate	-	-
B.Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
Total	**9.01**	**62.00**

* Refer note 49.

C. Outstanding of loans against security of gold as a percentage to total assets is 0.04% (March 31, 2020: 0.38%)

D. The Company has no exposure to capital market.

E. Asset liability management:

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

(₹ in Cr unless otherwise stated)

Particulars	0-7 Days	8-14 Days	15-30/31 Days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	121.78	39.23	177.92	238.20	269.01	737.85	1,539.50	2,004.67	69.28	-	**5,197.44**
Advances (net of provision)	-	-	380.04	316.62	323.79	984.09	1,990.00	2,511.57	2.36	107.85	**6,616.31**
Investments	-	-	-	-	-	-	-	-	-	114.62	**114.62**

*Maturity pattern of assets and liabilities as on March 31, 2020:

(₹ in Cr unless otherwise stated)

Particulars	0-7 Days	8-14 Days	15-30/31 Days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	0.19	13.07	226.79	140.02	196.78	717.48	1,005.00	696.88	19.99	-	**3,016.20**
Advances (net of provision)**	-	-	-	-	351.28	836.68	1,645.50	2,048.87	19.36	3.44	**4,905.13**
Investments	68.83	20.66	254.67	141.00	-	-	-	-	-	64.49	**549.65**

*Also refer note 14B.

** Note for Maturity Pattern of advances as at March 31, 2020: As per the Covid-19 regulatory package announced by RBI to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic vide Circular No.RBI/2019-20/186 & DOR.No.BP.BC.47/21.04.048/2019-20, the Company had extended moratorium to its borrowers whose loans were standard as on March 01, 2020, for the period April 01, 2020 to May 31, 2020. Hence, the repayment schedule for such loans as also the residual tenor, is shifted across the board. Further, the same moratorium had been availed by the Company towards payments under securitization arrangement.

F. Information on instances of fraud

Instances of fraud reported during the year ended March 31, 2021:

(₹ in Cr unless otherwise stated)

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	137	0.95	0.07	0.88
Fake Loans	-	-	-	-

*Includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2020:

(₹ in Cr unless otherwise stated)

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	126	0.78	0.18	0.60
Fake Loans	26	0.99	0.24	0.75

*Includes recoveries in respect of frauds reported in earlier years

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

G. Information on transactions / exposure in interest rate derivatives.

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021
Derivatives (notional principal amount)	-
Market to Market position - Liability	-
Market to Market position - Asset	-
Credit exposure	-
Unhedged exposure	0.04

*The Company has no exposure in derivatives during the previous year.

H. Ratings assigned by credit rating agencies and migration of ratings during the year.

(₹ in Cr unless otherwise stated)

Sr. No.	Instrument	Rating agency	As per final rating letter	Rating assigned	Valid up to	Borrowing limit
1	Long term bank facilities	ICRA	22-Jun-20	[ICRA]A-(Stable)	Jun-2020– Jun-2024	3,500.00
2	Long term bank facilities	India Ratings	31-Dec-20	[INDIA]A(Stable)	Note 1	500.00
3	Non convertible debentures	ICRA	02-Mar-21	[ICRA]A-(Stable)	Note 1	859.46
4	Non convertible debentures	India Ratings	08-Mar-21	[INDIA]A(Stable)	Note 1	250.00
5	Market Linked Debentures	ICRA	20-Nov-20	PP-MLD[ICRA] A-(Stable)	Note 1	400.00
6	Market Linked Debentures	India Ratings	08-Mar-21	IND PP-MLD Aemr/ Stable	Note 1	375.00
7	Securitization	ICRA	08-Jul-20	[ICRA]A(SO)	Oct-21	124.97
8	Securitization	ICRA	16-Jul-20	[ICRA]A+(SO)	Apr-21	12.08
9	Securitization	ICRA	16-Jul-20	[ICRA]A-(SO)	Apr-21	7.21
				[ICRA]A(SO)		0.88
10	Securitization	ICRA	06-Aug-20	[ICRA]AA-(SO)	May-21	21.89
11	Securitization	ICRA	06-Aug-20	[ICRA]AA-(SO)	Apr-21	22.20
12	Securitization	ICRA	06-Aug-20	[ICRA]A(SO)	Dec-21	147.05
13	Securitization	ICRA	20-Aug-20	[ICRA]A(SO)	May-21	31.20
14	Securitization	ICRA	20-Aug-20	[ICRA]A(SO)	Jul-21	97.56
15	Securitization	ICRA	20-Aug-20	[ICRA]A(SO)	Jul-21	45.74
16	Securitization	ICRA	05-Oct-20	Provisional [ICRA] A+(SO)	Jul-22	49.93
17	Securitization	ICRA	09-Oct-20	[ICRA]A(SO)	Jan-22	70.35
18	Securitization	ICRA	09-Oct-20	[ICRA]A(SO)	Feb-22	95.69
19	Securitization	ICRA	03-Nov-20	[ICRA]A+(SO)	Jul-22	49.93
20	Securitization	ICRA	30-Nov-20	Provisional [ICRA] A(SO)	Aug-22	71.92
21	Securitization	ICRA	22-Dec-20	Provisional [ICRA] A+(SO)	Oct-22	49.95
22	Securitization	ICRA	22-Dec-20	Provisional [ICRA] A(SO)	Oct-22	54.80
23	Securitization	ICRA	12-Jan-21	[ICRA]A(SO)	Aug-22	71.92
24	Securitization	ICRA	28-Jan-21	[ICRA]A+(SO)	Oct-22	49.95
25	Securitization	ICRA	28-Jan-21	[ICRA]A(SO)	Oct-22	54.80
26	Securitization	ICRA	12-Mar-21	Provisional [ICRA] A+(SO)	Nov-22	47.42
27	Securitization	ICRA	22-Mar-21	Provisional [ICRA] A+(SO)	Dec-22	199.98
28	Securitization	Care Ratings	16-Feb-21	Provisional Care A+(SO)	Nov-22	293.86

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Note 1: The rating is subject to annual surveillance till final repayment / redemption of rated facilities.

Ratings assigned by credit rating agencies and migration of ratings during the previous year.

(₹ in Cr unless otherwise stated)

Sr. No.	Instrument	Rating agency	As per final rating letter	Rating assigned	Valid up to	Borrowing limit
1	Long term bank facilities	ICRA	07-Jan-20	[ICRA]A- (Stable)	See Note-1	2500.00
2	Non convertible debentures	ICRA	07-Jan-20	[ICRA]A- (Stable)	See Note-1	621.00
3	Securitization	ICRA	17-Mar-20	[ICRA]AA-(SO)	28-Feb-21	120.05
4	Securitization	ICRA	17-Mar-20	[ICRA] AA- (SO)	30-Apr-21	120.29
5	Securitization	ICRA	02-Mar-20	[ICRA] A (SO)	31-Dec-21	147.05
6	Securitization	ICRA	15-Jan-20	[ICRA]A(SO)	31-Jul-21	203.14
7	Securitization	ICRA	14-Jan-20	[ICRA] A(SO)	31-Jul-21	119.96
8	Securitization	ICRA	02-Jan-20	[ICRA] A (SO)	31-Oct-21	124.97
9	Securitization	ICRA	10-Oct-19	[ICRA]A(SO)	31-May-21	99.99
10	Securitization	ICRA	07-Jun-19	[ICRA]AAA(SO)	31-Oct-19	3.19
11	Securitization	ICRA	07-Jun-19	[ICRA] AA- (SO)	31-Oct-19	11.50
12	Securitization	ICRA	07-Jun-19	[ICRA]AA(SO)	31-Dec-19	19.37
13	Securitization	ICRA	07-Jun-19	[ICRA]AA(SO)	31-Jan-20	14.08
14	Securitization	ICRA	07-Jun-19	[ICRA]AA(SO)	31-Mar-20	50.27
15	Securitization	ICRA	07-Jun-19	[ICRA] AA-(SO)	31-Mar-20	24.20
16	Securitization	ICRA	07-Jun-19	[ICRA] A+ (SO)	31-Mar-20	0.98
17	Securitization	ICRA	07-Jun-19	[ICRA]AA(SO)	31-Oct-19	25.91
18	Securitization	ICRA	07-Jun-19	[ICRA] AA- (SO)	30-Sep-20	82.21
19	Securitization	ICRA	07-Jun-19	[ICRA]A(SO)	31-Aug-20	31.61
20	Securitization	ICRA	07-Jun-19	[ICRA] BBB+ (SO)	31-Aug-20	1.10
21	Securitization	ICRA	07-Jun-19	[ICRA]A+(SO)	30-Nov-20	161.41
22	Securitization	ICRA	07-Jun-19	[ICRA]A+(SO)	31-Jan-21	99.30
23	Securitization	ICRA	07-Jun-19	[ICRA]A(SO)	31-Jan-21	74.34
24	Securitization	ICRA	07-Jun-19	[ICRA]A-(SO)	31-Jan-21	0.88

Note 1: The rating is subject to annual surveillance till final repayment / redemption of rated facilities

I. Disclosure of complaints

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
No. of complaints pending at the beginning of the year	42	18
No. of complaints received during the year	1,107	989
No. of complaints redressed during the year	1,108	965
No. of complaints pending at the end of the year	41	42

J. Concentration of Advances, Exposures and NPAs

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Concentration of Advances*		
Total advances to twenty largest borrowers	2.17	4.04
(%) of advances to twenty largest borrowers to total advances	0.03%	0.08%
Concentration of Exposures*		
Total exposure to twenty largest borrowers	2.17	4.04
(%) of exposure to twenty largest borrowers to total exposure	0.03%	0.08%
Concentration of NPAs**		
Total exposure to top four NPA accounts	0.18	0.27

* Represents amount outstanding as per contract with customers

** Represents stage III loans including interest

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

K. Sector wise NPAs*

(₹ in Cr unless otherwise stated)

Sector	Percentage of NPAs to total advances in that sector	
	March 31, 2021	March 31, 2020
Agriculture and allied activities	5.64%	0.35%
MSME	6.53%	0.40%
Corporate borrowers	0.00%	0.00%
Services	6.12%	0.30%
Unsecured personal loans	0.00%	0.00%
Auto loans	4.64%	0.86%
Other personal loans	2.41%	0.71%

* Represents stage III loans.

** The above sector wise classification is based on the Company's determination of the purpose/activity for which the loan was granted.

L: Comparison between provisions required under Income Recognition and Asset Classification and Provision norms as per RBI master directions and impairment allowances made under Ind AS 109 as at March 31, 2021

(₹ in Cr unless otherwise stated)

Asset Classification as per RBI Norms	Asset Classification as per Ind AS 109	Gross carrying Amount as per Ind AS	Loss Allowancess (Provisions) as required as per Ind AS 109	Net Carrying Amount	Provisions as per IRACP norms	Difference between Ind AS 109 Provisions and IRACP norms
1	2	3	4	5= 3-4	6	7 = 4-6
Performing Assets						
Loans	Stage 1	5,887.48	53.64	5,833.84	58.23	-4.59
	Stage 2	642.77	96.23	546.54	6.36	89.86
Subtotal		**6,530.25**	**149.87**	**6,380.38**	**64.60**	**85.28**
Non Performing Assets (NPA)						
Loans	Stage 3	356.15	167.17	188.98	3.49	163.68
Doubtful - up to 1 year	Stage 3	48.83	22.15	26.68	0.45	21.70
1 to 3 years	Stage 3	**0.01**	**0.01**	**-0.01**	**0.01**	**0.00**
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for Doubtful		**404.99**	**189.33**	**215.65**	**3.95**	**185.38**
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA						
Other items such as guarantees, loan commitments, etc which are in the scope of Ind AS 109 but not covered under current income Recognition - Asset Classification and Provisioning (IRACP) Norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	Stage 1	5,887.48	53.64	5,833.84	58.23	-4.59
	Stage 2	642.77	96.23	546.54	6.36	89.86
	Stage 3	404.99	189.33	215.66	3.95	185.38
	Total	**6,935.24**	**339.20**	**6,596.04**	**68.55**	**270.67**

1. Interest on NPA loans is required to be de-recognized under IRACP norms. However, interest on Stage III loans is required to be recognized on the credit impaired (net of ECL) loan balance. Such income de-recognition is not considered as a provision for the purpose of above comparison.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

M: Liquidity coverage ratio

(₹ in Cr unless otherwise stated)

	LCR disclosure	Q1 FY 2020-21		Q2 FY 2020-21		Q3 FY 2020-21		Q4 FY 2020-21	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)
	High Quality Liquid Assets								
1	****Total High Quality Liquid Assets (HQLA)**	291.40	291.40	240.14	240.14	386.27	386.27	378.45	378.45
	Cash outflows								
2	Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
3	Unsecured wholesale funding	-	-	-	-	-	-	-	-
4	Secured wholesale funding	-	-	-	-	-	-	-	-
5	Additional requirements, of which								
i	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
ii	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii	Credit and liquidity facilities	271.14	311.81	453.57	521.60	461.26	530.45	442.04	508.35
6	Other contractual funding obligations	22.11	25.43	32.74	37.65	38.80	44.62	40.09	46.11
7	Other Contingent Funding Obligations	-	-	-	-	-	-	-	-
8	**Total cash outflows**	**293.25**	**337.24**	**486.31**	**559.25**	**500.06**	**575.07**	**482.13**	**554.46**
	Cash inflows								
9	Secured lending	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	286.43	214.82	575.52	431.64	710.14	532.61	626.98	470.23
11	Other cash inflows	249.23	186.92	336.73	252.55	80.02	60.02	320.60	240.45
12	**Total cash inflows**	**535.66**	**401.74**	**912.25**	**684.19**	**790.17**	**592.63**	**947.57**	**710.68**
13	Total HQLA	291.40	291.40	240.14	240.14	386.27	386.27	378.45	378.45
14	Total net cash outflow	73.31	84.31	121.58	139.81	125.02	143.77	120.53	138.61
15	Liquidity coverage ratio (%)	397.46%	345.62%	197.52%	171.75%	308.98%	268.67%	313.98%	273.03%

(₹ in Cr unless otherwise stated)

		Q1 FY 2020-21		Q2 FY 2020-21		Q3 FY 2020-21		Q4 FY 2020-21	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)
	High Quality Liquid Assets (HQLA)								
1	Assets to be included as HQLA without any haircut	291.40	291.40	240.14	240.14	386.27	386.27	378.45	378.45
2	Assets to be considered for HQLA with a minimum haircut of 15%	-	-	-	-	-	-	-	-
3	Assets to be considered for HQLA with a minimum haircut of 50%	-	-	-	-	-	-	-	-
4	Approved securities held as per the provisions of section 45 IB of RBI Act	-	-	-	-	-	-	-	-
	Total cash inflows	**291.40**	**291.40**	**240.14**	**240.14**	**386.27**	**386.27**	**378.45**	**378.45**

The Liquidity Coverage Ratio (LCR) is one of the key parameters monitored by RBI for strengthening the asset-liability management in the financial sector. The objective of LCR is to promote an environment wherein balance sheet carries strong liquidity for short term cash flow requirements which is being done by ensuring that NBFCs have an adequate stock of unencumbered high quality liquid assets (HQLA) which can be easily converted into cash to meet liquidity needs, for at least 30 calendar days, calculated under a stressed scenario. The LCR is expected to improve the ability of financial sector to absorb the shocks arising from financial and/or economic stress, whatever the source, thus reducing the risk of spill over from financial sector to real economy

The Liquidity Risk Management of the Company is performed by the Asset Liability Committee (ALCO) under the governance of Board approved Liquidity Risk Framework and Asset Liability Management policy. The LCR levels for the balance sheet date has been derived by arriving at the stressed expected cash inflow and outflow for the next 30-day period. To determine the stressed cash outflow, all expected and contracted cash outflows have been considered by applying a stress factor of 15%. Similarly, inflows for the Company have been arrived at by considering all expected and contracted inflows at a haircut of 25%.

In determining the outflows, the Company has taken into account all the contractual debt repayments and other expected or contracted cash outflows. Since the Company does not provide any committed credit facilities to its customers, no outflows have been considered in this regard. Inflows mainly comprise of expected receipts from all performing loans and liquid assets (such as short-term deposits maturing over next 30-days) which are unencumbered and not been considered as part of HQLA.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

HQLA for the Company comprises of cash and bank balances.

The LCR is calculated by dividing the monthly average stock of HQLA by the monthly average of total net cash outflows over a 30-day stress period. The guidelines for LCR were effective from December 1, 2020 with a minimum requirement at 30% which would rise in annual steps to reach 100% by December 1, 2024. This graduated approach is designed to ensure that the LCR could be introduced without material disruption to the orderly strengthening of NBFCs. The present requirement, as on March 31, 2021 for NBFCs with assets size of ₹ 5,000 crore and above but less than ₹ 10,000 crore is 30%.

N. Movement of NPAs*

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Net NPAs to net advances (%)	3.27%	0.07%
Movement of NPAs (gross)		
1. Opening balance	17.93	362.89
2. Additions during the year	749.24	120.59
3. Reductions/ write off during the year	362.18	465.55
4. Closing balance	404.99	17.93
Movement of Net NPAs		
1. Opening balance	3.42	0.74
2. Additions during the year	564.00	3.55
3. Reductions/ write off during the year	351.75	0.87
4. Closing balance	215.67	3.42
Movement of provision for NPAs		
1. Opening balance	14.52	362.16
2. Provisions made during the year	533.19	117.04
3. Write off/ write back of excess provisions	358.38	464.68
4. Closing balance	189.33	14.52

* NPA loans and related provision considered in the above table represent loans classified as stage III in accordance with Ind AS 109 and the related ECL provision. Also refer note 7.

(i). Opening balance of NPAs for the year ended March 31, 2020 includes ₹ 358.47 crore representing portfolio in the state of Andhra Pradesh and Telangana originated prior to January 1, 2012 which has been completely written off during the previous year.

O. There has been no drawdown from reserves during the current year and previous year.

P. Investments:

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Particulars		
1.Value of investments		
(i) Gross value of investments		
(a) In India	114.62	549.85
(b) Outside India	-	-
(ii) Provision for depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments		
(a) In India	114.62	549.85
(b) Outside India	-	-
2.Movement of provisions held towards deprecation		
Opening balance	-	-
Add: Provision made during the year	-	-
Less: Write off/ write back	-	-
Closing balance	-	-

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Q. Details relating to securitization:

During the year, the Company has sold loans through securitization. The information on securitization activities is as under:

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
1. No. of SPVs sponsored by the NBFC for securitization transactions during the year	7.00	9.00
2. Total amount of securitized assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet	766.84	621.39
3. Total amount of exposures retained to comply with minimum retention requirement ('MRR') as on the date of balance sheet	-	-
a) Off balance sheet exposures		
- First loss	-	-
- Others	-	-
b) On balance sheet exposures		
- First loss (cash collateral and over collateral)	210.14	141.44
- Others	-	-
4. Amount of exposures to securitization transactions other than MRR:		
a) Off-balance sheet exposures	-	-
i) Exposure to own securitizations		
- First loss	-	-
- Others	-	-
ii) Exposure to third party securitizations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitizations		
- First loss	-	-
- Others	-	-
ii) Exposure to third party securitizations		
- First loss	-	-
- Others	-	-

Note: The above transactions do not fulfil the test of de-recognition under Ind AS-109 and are recorded back on the balance sheet.

R. Details of assignment transactions undertaken

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
No. of accounts	98,168	14,03,373
Aggregate value of accounts sold	343.87	2,840.21
Aggregate consideration	343.87	2,840.21
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	-

S. S. The Company has not sold financial assets to Securitization / Reconstruction companies for asset reconstruction in the current and previous year.

T. The Company has not purchased / sold non-performing financial assets in the current and previous year.

U. The Company does not have any parent company, hence disclosure relating to product financed by parent company is not applicable.

V. Unsecured advances – Refer note 7

W. Registration obtained from other financial sector regulators:

The Company is registered with the 'Ministry of Corporate Affairs' (Financial regulators as described by Ministry of Finance)

X. No penalties imposed by RBI and other regulators during current and previous year.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Y . Provisions and contingencies (shown under expenditure in statement of profit and loss)

(₹ in Cr unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Provision for income tax (net)	48.65	261.45
Provision for non-performing assets*	181.47	(346.45)
Provision for standard assets**	69.33	18.61
Provision for management overlay for COVID-19 and others	37.34	117.99
Provision for unfructified service tax liability	0.85	0.85
Provision for theft & fraud	1.05	1.79
Provision for gratuity	0.86	2.76
Provision for leave benefits	1.03	2.39
Provision for insurance claims	0.38	0.24
Provision for bonus	14.65	16.53
Provision for other assets	-	0.04

* Represents impairment allowance on stage III loans

** Represents impairment allowance on stage I and stage II loans excluding Covid-19 overlay

Z. The Company has unhedged foreign currency exposure in respect of:

(Amounts in ₹)

Particulars	As at March 31, 2021	
	USD	₹
Professional Fee	-	-

Particulars	As at March 31, 2020	
	USD	₹
Professional fee	342.38	26,126.29

AA. Information on Net Interest Margin

Particulars	March 31, 2021 (%)	March 31, 2020 (%)
Average interest charged (A)	20.65%	21.07%
Average effective cost of borrowing (B)	10.88%	12.24%
Net Interest margin (A-B)	9.77%	8.83%

1. Above computation is in accordance with the method accepted by RBI vide its letter no DNBS.PD.NO.4906/03.10.038/2012-13 dated April 4, 2013 to Micro-finance Institutions Network (the "MFIN format") read with the FAQs issued by RBI on October 14, 2016 and RBI circulated dated March 13, 2020 on implementation of Indian Accounting Standards.
2. Average loan outstanding determined for the purpose of calculating NIM is based on carrying value of loans under Ind AS, excluding effect of following:
    a. Fair value changes recognized through other comprehensive income;
    b. Securitized loans qualifying for de-recognition as per RBI's "true sale" criteria and related interest income have not been considered for computation of "average interest charged" in accordance with the MFIN format. Accordingly, the purchase consideration received towards such securitizations and related finance costs have also not been considered for computation of "average effective cost of borrowings".
    c. Impairment allowance adjusted from the carrying value of loans in accordance with Ind AS 109;
3. Interest income considered for computation of "average interest charged" excludes loan processing fee collected from customers in accordance with para 54 (vi) of the RBI Master Directions. As per Ind AS 109, such loan processing fee forms part of interest income in the Ind AS financial statements.
4. The average interest charged and net interest margin excluding the loans originated in the states of Andhra Pradesh/Telangana prior to January 1, 2012 are Nil (PY: 21.58%) and Nil (PY: 9.34%) respectively.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

AB. Public Disclosure on liquidity risk

1. Funding concentration based on significant counterparty *(both deposits and borrowings) - The Company does not accept any public deposits.

As at March 31, 2021

Number of significant counterparties	Amount (₹ In Crores)	% of Total Liabilities
26 (Twenty six)	4,745.80	84.29%

As at March 31, 2020

Number of significant counterparties	Amount (₹ In Crores)	% of Total Liabilities
15 (Fifteen)	2,762.81	82.88%

2. Top 20 Large Deposits : Not Applicable.

3. Top 10 borrowings

Particulars	March 31, 2021	March 31, 2020
Amount of top 10 borrowings Amount (₹ In Cr)	3,238.00	2,616.11
% of Total Borrowings	62.30%	86.74%

4. Funding concentration based on significant instrument/product*

As at March 31, 2021

Name of Instrument/product	Amount (₹ In Crores)	% of Total Liabilities
Term Loans	3,142.53	55.97%
Non convertible Debentures	1,324.49	25.48%
Borrowings under securitization arrangement	622.50	11.06%
Total Liabilities*	**5,630.16**	

As at March 31, 2020

Name of Instrument/product	Amount (₹ In Crores)	% of Total Liabilities
Term Loans	2,213.39	66.40%
Borrowings under securitization arrangement	539.82	16.19%
Non convertible Debentures	237.81	7.13%
Total Liabilities*	**3,333.65**	

5. Stock Ratios

Particulars	March 31, 2021	March 31, 2020
Commercial Papers to Total Public Funds*	Nil	Nil
Commercial Papers to Total Liabilities	Nil	Nil
Commercial Papers to Total Assets	Nil	Nil
NCDs (Original Maturity <1 yrs.) to Total Public Funds	Nil	Nil
NCDs (Original Maturity <1 yrs.) to Total Liabilities	Nil	Nil
NCDs (Original Maturity <1 yrs.) to Total Assets	Nil	Nil
Other Short Term Liabilities to Total Public Funds	68.15%	76.53%
Other Short Term Liabilities to Total Liabilities	62.91%	69.24%
Other Short Term Liabilities to Total Assets	42.44%	38.85%

6. Institutional set-up for liquidity risk management:

The Company has an Asset Liability Management Committee (ALCO), a management level committee to handle liquidity risk management. The ALCO meetings are held at periodic intervals. At the apex level, the Risk Committee (RC), a sub-committee of the Board of Directors of the Company, oversees the liquidity risk management. The RC subsequently updates the Board of Directors on the same.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

*Notes:

1. Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated November 4, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.
2. Significantinstrument/productisasdefinedinRBICircularRBI/2019-20/88DOR.NBFC(PD)CC.No.102/03.10.001/2019-20 dated November 4, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.
3. Total Liabilities has been computed as sum of all liabilities (Balance Sheet figure) less Equities and Reserves/ Surplus.
4. Short term liabilities includes all financial and non-financial liabilities expected to be paid within one year.
5. Public funds is as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Direction, 2016.

AC: As per the policy on moratorium approved by the Board of Directors pursuant to RBI circular no. DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, the Company has not granted moratorium to customers with overdues as at March 1, 2020. Accordingly, no disclosure as per para 10 of RBI circular no. DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 is required.

48. CSR EXPENSES

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
a) Gross amount required to be spent by the Company for the year	86.43	48.57
b) Amount approved by the Board to be spent for the year	86.43	48.57
c) Amount spent during the year on purposes other than construction/ acquisition of any asset	14.18	49.51
d) Details of related party transaction e.g. contribution to a trust/society/ Section 8 company controlled by the Company	-	-
Paid	14.18	49.39
Yet to be paid	-	0.12
Total	**14.18**	**49.51**

Details of unspent amount (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Opening balance	1.23	2.17
Amount to be spent during the year (including opening unspent amount)	87.66	50.74
Amount deposited in specified fund of schedule VII of the Companies Act, 2013 within 6 months*	-	-
Amount spent during the year	14.18	49.51
Closing balance	73.48	1.23

* ₹ 53.96 million was deposited in a designated bank account on April 30, 2021.

49. During the year ended March 31, 2021, the Company has transferred its Loan against Property (LAP) business of 14 branches to its subsidiary, Criss Financial Holdings Limited for a consideration of ₹ 902.15 million. The net assets of the Loan against property business amounts to ₹ 892.88 million.

50. The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability where applicable in the financial statements. Refer note 34(a) for details on tax litigations.

51. The Company is in correspondence with Reserve Bank of India ("RBI") with respect to the pricing of credit guidelines prescribed under paragraph 56 of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 1, 2016, as amended. In respect of the observation made by the RBI in its inspection report for the years ended March 31, 2018 and March 31, 2019, the Company has adequately recognized its impact in these financial statements. Further, as per RBI's

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

directives, the Company has initiated the process to quantify the interest amount in respect of closed loan accounts in order to process the refund and has offered to reduce the interest rate on active loans in respect of which RBI's confirmation is awaited.

52. On March 31, 2021, the Company has invested an amount of ₹ 500 million in Criss Financial Holdings Limited, a subsidiary of the Company, by subscribing to 2,824,858 equity shares of face value of ₹ 10 per share for cash at ₹ 177 per share (including premium of ₹167 per share), offered on preferential basis.

53. Disclosure pursuant to RBI Notification – RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 ("Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances") or RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 ("Resolution Framework for COVID-19 Related Stress") both dated August 6, 2020, is not applicable as the Company has not restructured any loan accounts during the year. Also refer note 7.3 relating to loan pre-closures.

54. In accordance with the instructions in the RBI circular dated April 7, 2021, all lending institutions shall refund/adjust 'interest on interest' to all borrowers including these who had availed working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the Indian Banks Association (IBA) in consultation with other industry participants/bodies published the methodology for calculation of the amount of such 'interest on interest'. Accordingly, the Company has estimated the said amount and made provision for refund/adjustment to the tune of ₹ 104.71 million in these financial statements.

55. There have been no events after the reporting date that require adjustment / disclosure in these financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Membership No. A26247
Place: Hyderabad
Date: May 22, 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of **Spandana Sphoorty Financial Limited**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Spandana Sphoorty Financial Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of 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, as amended ("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 consolidated state of affairs of the Group as at March 31, 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to Note 7.4 to the consolidated financial statements, which describes the economic and social disruption, continued to be caused by COVID-19 pandemic, of the Group's business and financial metrics including the Group's estimates of impairment of loans to customers, and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

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 for the financial year ended March 31, 2021. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
(a) Impairment of financial assets at balance sheet date (expected credit losses) (as described in notes 7 and 41.1 of the consolidated financial statements))	
Ind AS 109 requires impairment of financial assets (designated at amortized cost and fair value through other comprehensive income) as at the reporting date to be provided using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the financial assets (loan portfolio). In the process, a significant degree of judgement has been applied by the Holding Company's management for: • Staging of financial assets (i.e. classification in 'significant increase in credit risk' ("SICR") and 'default' categories); • Grouping of the loan portfolio under homogenous pools in order to determine probability of default on a collective basis; • Determining the effect of less frequent past events on future probability of default; • Estimation of management overlay, if any, for macro-economic factors which could impact the credit quality of the loans. Further, in view of the business disruption continued to be caused by COVID-19 pandemic, the Group has reassessed its ECL estimates post expiry of the loan moratoriums (offered pursuant to Reserve Bank of India's COVID-19 Regulatory Package) to factor among other things the elevated risk of higher delinquencies and deterioration in macro-economic factors. As part of such assessment, the Holding Company's management has also assessed the staging and ECL estimates for fresh (top-up) loan given against pre-closure of an existing loan account to customers in various delinquency buckets. Given the unique nature of the pandemic, the economic impact whereof depends on future developments, including governmental and regulatory measures and the Group's responses thereto, the actual credit loss can be different than that being estimated. In view of such high degree of management's judgement involved in ECL estimation, accentuated by COVID-19 pandemic, it is considered as a key audit matter.	Our audit procedures included but were not limited to: • Read and assessed the Group's accounting policy for impairment of financial assets and its compliance with Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020. • Tested the design and operating effectiveness of the controls for staging of loans based on their past-due status. Tested samples of performing (stage 1) loans to assess whether any SICR or loss indicators were present requiring them to be classified under higher stages as per Ind AS 109. Tested the staging and ECL considerations applied in respect of top-up loans given against pre-closure of existing loans. • Tested the assumptions used by the Holding Company for grouping and staging of loan portfolio into various categories and default buckets for determining the probability of default (PD) and loss given default (LGD) rates. Tested the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Tested the assumptions used by the Holding Company in estimation of PD and LGD rates considered for the loan portfolio impacted by COVID-19. • Tested the arithmetical accuracy of computation of ECL provision performed by the Holding Company in spreadsheets. • Performed inquiries with the Holding Company's management as regards applicability of RBI guidelines on restructuring in respect of top-up loans given against existing loan pre-closures. • Assessed disclosures included in the consolidated financial statements in respect of ECL, including disclosures made with regards to uncertainties arising from COVID-19 and its impact on ECL estimation.

CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

Key audit matters	How our audit addressed the key audit matter
(b) IT systems and controls The financial accounting and reporting systems of the Holding Company are fundamentally reliant on IT systems and controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Any gaps in the IT control environment could result in a material misstatement of the financial accounting and reporting records. Therefore, due to the pervasive nature and complexity of the IT environment, the assessment of the general IT controls and the application controls specific to the accounting and preparation of the financial information is considered to be a key audit matter.	In respect of the Holding Company, we performed the following procedures for testing IT general controls and for assessing the reliability of electronic data processing, assisted by specialized IT auditors: ● The aspects covered in the IT General Control audit were (i) User Access Management (ii) Program Change Management (iii) Other related ITGCs – to understand the design and test the operating effectiveness of such controls; ● Assessed the changes that were made to the key systems during the year including changes that have impact on financial reporting; ● Tested the periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. ● Performed tests of controls (including other compensatory controls wherever applicable) on the IT application controls and IT dependent manual controls in the system. ● Tested the design and operating effectiveness of compensating controls, where deficiencies were identified and, where necessary, extended the scope of our substantive audit procedures.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the Directors' Report including the Annexures thereto (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Management Discussion and Analysis Report, which is expected to be made available to us after that date.

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 identified above and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Management Discussion and Analysis Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to comply with the relevant applicable requirements of the standard on auditing for auditor's responsibility in relation to other information in documents containing audited financial statements.

CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity 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 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for 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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

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

Those charged with governance are also responsible for overseeing the financial reporting process of the Group.

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 Holding 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.

CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group 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 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 the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

We communicate with those charged with governance of the Holding 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 for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

We did not audit the financial statements and other financial information, in respect of two subsidiaries whose Ind AS financial statements include total assets of Rs.4,021.82 million as at March 31, 2021, and total revenues of Rs.562.41 million and net cash inflows of Rs.16.01 million for the year ended on that date. These Ind AS financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the report of such other auditors.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

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

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group's companies, is disqualified as on March 31, 2021 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 the consolidated financial statements of the Holding Company and its subsidiary companies, and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Holding Company and its subsidiaries to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

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

    i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements – Refer Note 49 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 26 to the consolidated financial statements in respect of such items as it relates to the Group; and

    iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company or its subsidiaries incorporated in India during the year ended March 31, 2021.

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**
Partner
Membership Number: 048749
UDIN: 21048749AAAAIZ4185

Mumbai
May 22, 2021

Annexure 1 referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of Spandana Sphoorty Financial Limited (hereinafter referred to as the "Holding Company") as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to the consolidated financial statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the companies included in the Group, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding 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 ("ICAI"). 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both, issued by ICAI. 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 the consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls with reference to Consolidated Financial Statements

A company's internal financial control 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 the 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 unauthorized 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 the 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 the consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to the consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to the consolidated financial statements and such internal financial controls with reference to the consolidated financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**
Partner
Membership Number: 048749
UDIN: 21048749AAAAIZ4185

Mumbai
May 22, 2021

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2021

(₹ in millions unless otherwise stated)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	4	11,351.95	596.31
Bank balances other than cash and cash equivalents	5	2,458.27	1,975.05
Trade receivables	6	120.61	223.68
Loans	7	69,330.42	49,767.05
Derivative financial instrument		0.45	-
Other financial assets	8	756.72	1,661.86
Investments	9	23.25	4,874.62
Subtotal - Financial assets		**84,041.67**	**59,098.57**
Non-financial assets			
Current tax assets (net)	10	153.13	153.13
Deferred tax assets (net)	11	1,047.49	70.32
Property, plant and equipment	12	198.96	152.28
Intangible assets	12	7.77	13.31
Goodwill		173.74	173.74
Other non-financial assets	13	146.53	112.43
Subtotal - Non-financial assets		**1,727.62**	**675.21**
Total assets		**85,769.29**	**59,773.78**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Debt securities	14	20,347.14	7,776.28
Borrowings (other than debt securities)	14	33,183.69	22,273.34
Subordinated liabilities	14	201.83	203.28
Other financial liabilities	15	2,696.75	2,271.90
Subtotal - Financial liabilities		**56,429.41**	**32,524.80**
Non-financial liabilities			
Current tax liabilities (net)	16	1,398.16	647.07
Provisions	17	16.50	28.00
Other non-financial liabilities	18	414.25	301.45
Subtotal - Non-financial liabilities		**1,828.91**	**976.52**
EQUITY			
Equity share capital	19	643.15	643.15
Other equity	20	26,847.64	25,616.39
Equity attributable to shareholders of the Company		27,490.79	26,259.54
Non controlling interest	20	20.18	12.92
Subtotal Equity		**27,510.97**	**26,272.46**
Total liabilities and equity		**85,769.29**	**59,773.78**
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Membership No. A26247
Place: Erode
Date: May 22, 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS STATEMENT

FOR THE YEAR ENDED MARCH 31, 2021

(₹ in million unless otherwise stated)

	Notes	For year ended March 31, 2021	For year ended March 31, 2020
Revenue from operations			
Interest income	21	13,627.10	11,691.94
Commission and Incentive Income		97.00	370.56
Net gain on fair value changes	22	760.51	2,185.23
Others	23	341.65	105.25
Total revenue from operations		**14,826.26**	**14,352.98**
Other income	24	229.88	342.08
Total income		**15,056.14**	**14,695.06**
Expenses			
Finance cost	25	4,231.70	3,563.35
Net loss on fair value changes	26	27.44	-
Impairment on financial instruments and other provisions	27	6,451.40	2,735.72
Employee benefit expense	28	1,715.36	1,707.47
Depreciation and amortization expense	12	76.23	88.33
Other expenses	29	549.56	415.65
Total expenses		**13,051.69**	**8,510.52**
Profit before tax		**2,004.45**	**6,184.54**
Tax expense:	30		
Current tax		1,425.98	705.16
Deferred tax		(876.13)	1,961.09
Income tax expense		**549.85**	**2,666.25**
Profit for the year		**1,454.60**	**3,518.29**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		20.31	(17.52)
Income tax effect		(5.11)	4.41
Items that will be reclassified subsequently to profit or loss			
Fair Value gain/(loss) on loan portfolio		(420.38)	12.11
Income tax effect		105.80	(3.05)
Total comprehensive income for the year		**1,155.21**	**3,514.24**
Profit for the year attributable to:			
Owners of the Company		1,450.43	3,514.59
Non-controlling interests		4.17	3.70
		1,454.60	**3,518.29**
Total comprehensive income for the year attributable to :			
Owners of the Company		1,151.05	3,510.54
Non-controlling interests		4.17	3.70
Earnings per share (equity share, par value of ₹10 each)			
Computed on the basis of total profit for the year			
Basic	31	22.55	56.21
Diluted	31	22.47	55.74
Nominal Value (in ₹)		10.00	10.00
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Membership No. A26247
Place: Erode
Date: May 22, 2021

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2021

(₹ in millions unless otherwise stated)

Particulars	For year ended March 31, 2021	For year ended March 31, 2020
Cash flow from operating activities		
Profit before tax	2,004.45	6,184.54
Adjustments for:		
Interest on income tax	165.80	0.88
Depreciation and amortization	76.23	88.33
Share based payment to employees	87.85	41.64
Provision for gratuity	8.56	10.41
Finance cost on lease liability	14.88	14.37
Impairment on financial instruments and other provisions	6,451.40	2,735.72
Net gain on fair value changes	(86.46)	(45.96)
Net loss on financial assets and liabilities designated at fair value through profit or loss	27.44	-
Other provisions and write offs	26.19	29.24
Operating profit before working capital changes	**8,776.34**	**9,059.17**
Movements in working capital :		
Increase / (decrease) in other financial liabilities	385.41	1,713.86
Increase / (decrease) in other non financial liabilities	112.80	76.60
Increase / (decrease) in provisions	0.25	(3.53)
(Increase) / decrease in bank balances other than cash and cash equivalents	(483.22)	56.81
(Increase) / decrease in trade receivables	103.07	(188.19)
(Increase) / decrease in other financial assets	878.94	(1,481.63)
(Increase) / decrease in loans	(26,439.33)	(9,418.09)
(Increase) / decrease in other non financial assets	(34.10)	17.28
Cash used in operations	**(16,699.86)**	**(167.73)**
Income taxes paid	(840.69)	(184.00)
Net cash used in operating activities (A)	**(17,540.55)**	**(351.73)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(154.56)	(45.63)
Purchase of intangible assets	(0.10)	(0.02)
Proceeds from derecognition of property, plant and equipment	38.24	-
Purchase of investments	(42,843.36)	(72,432.21)
Proceeds from sale of investments	47,779.53	67,604.54
Net cash generated/ (used) in investing activities (B)	**4,819.75**	**(4,873.31)**
Cash flows from financing activities		
Proceeds from issue of equity shares (including securities premium)	-	3,925.59
Debt securities (net)	12,542.98	(5,943.36)
Principal payment of lease liability	9.69	(29.80)
Interest payment of lease liability	14.88	14.37
Borrowings (other than debt securities) (net)	10,910.35	6,518.52
Subordinated liabilities (net)	(1.45)	0.34
Share issue expenses	-	(150.46)
Net cash generated from financing activities (C)	**23,476.43**	**4,335.22**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**10,755.64**	**(889.82)**
Add: Cash and cash equivalents at the beginning of the year	596.31	1,486.12
Cash and cash equivalents at the end of the year (refer note 4)	**11,351.95**	**596.31**
Components of cash and cash equivalents as at the end of year		
Cash on hand	22.93	2.82
Balance with banks - on current account	8,808.03	593.49
Deposits with original maturity of less than or equal to 3 months	2,520.99	-
Total cash and cash equivalents	**11,351.95**	**596.31**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

For disclosure of investing and financing transactions that do not require the use of cash and cash equivalents, refer note 44.	For year ended March 31, 2021	For year ended March 31, 2020
Cash flow from operating activities		
Interest received	12,935.82	12,594.14
Interest paid	3,636.95	3,343.47
Summary of significant accounting policies	Note No . 3	

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Mem. No: A26247
Place: Erode
Date: May 22, 2021

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED ON MARCH 31, 2021

A. EQUITY SHARES

Equity Share of ₹ 10 each issued, subscribed and fully paid

(₹ in million unless otherwise stated)

Particulars	No. of Shares	Amount
As at April 1, 2019	**59,633,683**	**596.34**
Issue of equity share capital during the year ended March 31, 2020 (refer note 19)	4,681,800	46.82
As at March 31, 2020	**64,315,483**	**643.15**
Issue of equity share capital during the year ended March 31, 2021	-	-
As at March 31, 2021	**64,315,483**	**643.15**

B. OTHER EQUITY

(₹ in million unless otherwise stated)

Particulars	Notes	Reserves & Surplus							Total Equity	Other items of compre hensive income (fair valuation on loans)	Other Equity	Non - Cont rolling interests	Grand total
		Securities Premium	Retained Earnings	General Reserve	Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)	Capital Redem ption Reserve	Share options out standing reserve	Total					
Balance as at April 01, 2019	**20**	**15,414.96**	**(1,722.67)**	**23.28**	**2,566.17**	**1,526.93**	**41.25**	**17,849.92**	**17,849.92**	**448.11**	**18,298.03**	**9.22**	**18,307.25**
Profit for the year ended March 31, 2020		-	3,514.59	-	-	-	-	3,514.59	3,514.59	-	3,514.59	3.70	3,518.29
Impairment allowance on other provisions reclassified to profit and loss		-	-	-	-	-	-	-	-	(2,584.47)	(2,584.47)	-	(2,584.47)
Fair value change during the year		-	-	-	-	-	-	-	-	2,593.53	2,593.53	-	2,593.53
Remeasurement gain or loss on actuarial valuation		-	(13.11)	-	-	-	-	(13.11)	(13.11)	-	(13.11)	-	(13.11)
Total comprehensive income for the year		**-**	**3,501.48**	**-**	**-**	**-**	**-**	**3,501.48**	**3,501.48**	**9.06**	**3,510.54**	**3.70**	**3,514.24**
Transfer to Statutory Reserve	20	-	(673.38)	-	673.38	-	-	-	-	-	-	-	-
Premium on issue of equity shares	20	3,897.49	-	-	-	-	-	3,897.49	3,897.49	-	3,897.49	-	3,897.49
Share Issue Expenses	20	(150.46)	-	-	-	-	-	(150.46)	(150.46)	-	(150.46)	-	(150.46)
Tax on Share Issue Expense	20	37.87	-	-	-	-	-	37.87	37.87	-	37.87	-	37.87
Add: Share based payment to employees	20	-	-	-	-	-	43.80	43.80	43.80	-	43.80	-	43.80
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	20	-	-	-	-	-	(18.72)	(18.72)	(18.72)	-	(18.72)	-	(18.72)
Less: Transfer on cancellation of stock options	20	-	-	-	-	-	(2.16)	(2.16)	(2.16)	-	(2.16)	-	(2.16)
Balance as at March 31, 2020	**20**	**19,199.86**	**1,105.43**	**23.28**	**3,239.55**	**1,526.93**	**64.17**	**25,159.22**	**25,159.22**	**457.17**	**25,616.39**	**12.92**	**25,629.31**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED ON MARCH 31,2021 (Contd.)

Particulars	Notes	Reserves & Surplus							Total Equity	Other items of compre hensive income (fair valuation on loans)	Other Equity	Non - Cont rolling interests	Grand total
		Securities Premium	Retained Earnings	General Reserve	Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)	Capital Redem ption Reserve	Share options out standing reserve	Total					
Profit for the year ended March 31, 2021		-	1,450.43	-	-	-	-	1,450.43	1,450.43	-	1,450.43	4.17	1,454.60
Impairment allowance on other provisions reclassified to profit and loss		-	-	-	-	-	-	-	-	6,451.40	6,451.40	-	6,451.40
Fair value change during the year		-	-	-	-	-	-	-	-	(6,765.98)	(6,765.98)	-	(6,765.98)
Remeasurement gain or loss on actuarial valuation		-	15.20	-	-	-	-	15.20	15.20	-	15.20	-	15.20
Total comprehensive income for the year		**-**	**1,465.63**	**-**	**-**	**-**	**-**	**1,465.63**	**1,465.63**	**(314.58)**	**1,151.05**	**4.17**	**1,155.22**
Transfer to Statutory Reserve	20	-	(257.96)	-	257.96	-	-	-	-	-	-	-	-
Share Issue Expenses	20	0.05	-	-	-	-	-	0.05	0.05	-	0.05	-	0.05
Add: Share based payment to employees	20	-	-	-	-	-	87.38	87.38	87.38	-	87.38	-	87.38
Adjustment to carrying amount of NCI due to change in interest	20	-	(3.09)	-	-	-	-	(3.09)	(3.09)	-	(3.09)	3.09	-
Other adjustment	20	-	(4.14)	-	-	-	-	(4.14)	(4.14)	-	(4.14)	-	(4.14)
Balance as at March 31, 2021	20	19,199.91	2,305.87	23.28	3,497.51	1,526.93	151.55	26,705.05	26,705.05	142.59	26,847.64	20.18	26,867.82

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Mem. No: A26247
Place: Erode
Date: May 22, 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

1. CORPORATE INFORMATION

Spandana Sphoorty Financial Limited ('SSFL' or the Company' or 'Holding Company' or 'Parent Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003. The Company was registered as a non-deposit accepting non-banking financial company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as non-banking financial company – micro finance institution (NBFC – MFI) effective April 13, 2015.

The shares of the Holding Company were listed on the stock exchanges in India in August 2019 pursuant to the Initial Public Offer of equity shares. The registered office of the Holding Company is located at , Plot no 31 & 32, Ramky Selenium Towers, Ground floor, Nanakramguda, Gachibowli, Telangana, India.

The Holding Company together with its subsidiaries listed below hereinafter collectively referred to as the 'the Group'.

The Company is primarily engaged in the business of lending, providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

Caspian Financial Services Limited or ('CFSL') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on October 13, 2017. The main objective of CFSL is yet to commence commercial operations.

Criss Financial Holdings Limited (formerly Keertana Financial Limited) ('CFL') is a public company limited by shares domiciled in India and incorporated under the provision of the Companies Act, 1956 ('the Act') on August 20, 1992. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI'). The Company is engaged in the business of finance by providing Individual Loans, Small Business Loans, Mortgage Loans and Group Loans. On December 27, 2018, the Company acquired 95.97% of the equity shares (2,837,135 shares) of CFL, further on December 28, 2018 and March 31, 2021, the Company subscribed to issue of fresh equity shares of 1,890,217 and 2,824,858 respectively there by holding 98.45% of the total share holding.

CFSL and CFL have been collectively referred to as "the Subsidiaries".

2. BASIS OF PREPARATION

a) Statement of compliance in preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013. The consolidated financial statements have been prepared on a going concern basis.

These consolidated financial statements have been prepared on historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments, and other financial assets held for trading all of which have been measured at fair value. Further, the carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Indian Rupees (₹). The statement of cash flows have been prepared under indirect method.

The functional currency of the Company is the Indian rupee. These consolidated financial statements are presented in Indian rupees (rounded off to millions).

b) Presentation of Financial Statements

The Group presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

a. The normal course of business

b. The event of default

c. The event of insolvency or bankruptcy of the Group and/or its counterparties

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The consolidated financial statements are prepared using the uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, to the extent possible unless otherwise stated.

The standalone financial statements of the Company and the Subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.

Principles of Consolidation

i) The consolidated financial statements incorporate the financial statements of the Parent Company and all its subsidiaries (from the date control is gained), being the entities that it controls. Control is evidenced where the investor 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. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity returns. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies in line with accounting policies of the Parent Company.

The Parent Company holds 100% shareholding in Caspian Financial Services Limited and 98.45% of the Shareholding in Criss Financial Holdings Limited and there are no contractual arrangements which rebute the control of the Parent Company over its subsidiaries.

The financial statements of subsidiaries acquired during the year are included in the consolidated statement of profit and loss from the effective date of acquisition. Intragroup balances and transactions and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

ii) The Consolidated financial statements include results of the subsidiaries of Spandana Sphoorty Financial Limited. (Holding Company), consolidated in accordance with Ind AS 110 'Consolidated Financial Statements'.

Name of the Company	Country of Incorporation	Proportion of ownership as at		Consolidated as
		March 31, 2021	March 31, 2020	
Criss Financial Holdings Limited*	India	98.45%	97.54%	Subsidiary
Caspian Financial Services Limited	India	100.00%	100.00%	Subsidiary

* On December 27, 2018 the Company acquired 95.97% of the equity shares (2,837,135 shares) of CFL, further on December 28, 2018 and March 31, 2021, the Company subscribed to issue of fresh equity shares of 1,890,217 and 2,824,858 respectively there by holding 98.45% of the total share holding

For the preparation of Consolidated Financial Statements for FY 2020-21 the group has consolidated financials of the holding company and its subsidiaries - Caspian Financial Services Limited and Criss Financial Holdings Limited (from December 27, 2018, the date of acquisition).

Figures for preparation of consolidated financial statements have been derived from the audited financial statements of the respective companies in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Disclosure in terms of Schedule III of the Companies Act, 2013

Name of the entities in the Group	Net Assets (i.e. Total Assets minus Total Liabilities)		Share in Profit or (Loss)		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated total comprehensive income	Amount
Holding Company								
Spandana Sphoorty Financial Limited	97.36%	18,863.75	98.99%	3,087.48	99.98%	446.11	99.11%	3,533.59
Subsidiaries								
Criss Financial Holdings Limited	2.53%	490.64	0.98%	30.45	0.02%	0.10	0.86%	30.54
Caspian Financial Services Limited	0.11%	20.84	0.03%	1.07	0.00%	0.00	0.03%	1.07
Total	**100.00%**	**19,375.23**	**100%**	**3,119.00**	**100.00%**	**446.21**	**100.00%**	**3,565.20**
a) Adjustments arising out of consolidation		(471.65)		0.00		0.00		0.00
b) Non-controlling interests in		(9.22)		(0.76)		0.00		(0.76)
Criss Financial Holdings Limited								
Total		**(480.87)**		**(0.76)**		**0.00**		**(0.76)**
Total		**18,894.36**		**3,118.24**		**446.21**		**3,564.44**

d) Assessment of going concern assumption

The Group has assessed the impact of the COVID-19 pandemic on its liquidity and ability to fulfill its obligations as and when they are due and has evaluated the asset-liability maturity (ALM) pattern in various time buckets as prescribed under the guidelines issued by the RBI. The loan collections for the second half year have reached the pre-COVID levels. Further, the Group has considered its current liquidity position, expected inflows from various sources of borrowings and stimulus packages announced by the Government of India, which will directly or indirectly benefit NBFC-MFIs and various other financial support from other banks and financial institutions in determining the Group's liquidity position over the next 12 months from the end of reporting period. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Group will be able to fulfill its obligations as and when these become due in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates, judgments and assumptions

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. 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.

ii) Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iii) Impairment of loan portfolio

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Group makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

iv) Provisions other than impairment on loan portfolio

Provisions are held in respect of a range of future obligations. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

v) Other estimates

These include contingent liabilities, useful lives of tangible and intangible assets etc.

b) Recognition of income and expense

The Group earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest income and expense

Interest revenue is recognized using the effective interest method (EIR). The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(ii) Dividend income

Dividend income is recognized when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iii) Other income and expense

All Other income and expense are recognized in the period they occur.

c) Property, plant and equipment(PPE) and intangible asset

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 included in the statement of profit and loss when the asset is derecognized.

Intangible Asset

Intangible assets represent software expenditure which is stated at cost less accumulated amortization and any accumulated impairment losses.

d) Depreciation and amortization

Depreciation

i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived based on useful life of the assets, prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.

ii. Property, plant and equipment costing up to ₹5,000 individually are fully depreciated in the year of purchase.

The Group has used the following useful lives to provide depreciation on its Property, plant and equipment:

Asset Category	Useful Life (in years)
Furniture & Fixtures	10
Computers & Printers	3
Office Equipment	5
Leasehold Improvements	3
Vehicles	8
Land & Buildings	60

Amortization

Intangible assets are amortized at a rate of 40% per annum on a "Written Down Value" method, from the date that they are available for use.

e) Business combination and Goodwill:

Goodwill is initially recognized at cost and is subsequently measured at cost plus any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that unit's value may be impaired. If the recoverable amount of the cash generating unit is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying value of any goodwill allocated to the unit and then to the other assets of the unit in proportion to carrying value of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in subsequent period. On disposal of the subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

f) Impairment

i) Overview of principles for measuring expected credit loss ('ECL') on financial assets.

In accordance with Ind AS 109, the Group is required to measure expected credit losses on its financial instruments designated at amortized cost and fair value through other comprehensive income. Accordingly, the Group is required to determine lifetime losses on financial instruments where credit risk has increased significantly since its origination. For other instruments, the Group is required to recognize credit losses over next 12 month period. The Group has an option to determine such losses on individual basis or collectively depending upon the nature of underlying portfolio.

The Group has a process to assess credit risk of all exposures at each year end as follows:

Stage I

These represent exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date. The Group has assessed that all standard exposures (i.e. exposures with no overdues) and exposure upto 30 day overdues fall under this category. In accordance with Ind AS 109, the Group measures ECL on such assets over next 12 months.

Stage II

Financial instruments that have had a significant increase in credit risk ("SICR") since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Group classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. The Group measures lifetime ECL on stage II loans.

Stage III

All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Group measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount.

In addition to the abovementioned classification, if any indicators of increased credit risk are identified by the Group based on a qualitative assessment of borrowers' profile or any modifications in contractual terms, such loans are classified in higher stages (SICR or default category), irrespective of the overdue status as at reporting date.

Methodology for calculating ECL

The Group determines ECL based on a probability weighted outcome of factors indicated below to measure the shortfalls in collecting contractual cash flows. The Group does not discount such shortfalls considering relatively shorter tenure of loan contracts.

Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset).

Exposure at default (EAD) – It represents an estimate of the exposure of the Group at a future date after considering repayments by the counterparty before the default event occurs.

Loss given default (LGD) – It represents an estimate of the loss expected to be incurred when the event of default occurs.

Forward looking information

While estimating the expected credit losses, the Group reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyses if there is any relationship between key economic trends like GDP, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Group based on its internal data. While the internal estimates of PD, LGD rates by the Group may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. All such write-offs are charged to the Profit and Loss Statement. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

ii) Non financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

g) Revenue from contracts with customers

The Group recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue From Contracts with Customers'. The Group identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

(a) Commission and incentive income is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognized on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.

(b) Revenue from advertisement activity is recognized upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers.

h) Net Gain/loss on fair value changes

The Group designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI), The Group recognizes gains on fair value changes of financial assets measured at FVTPL , and realized gains on derecognition of financial assets measured at FVTPL and FVOCI on net basis. Further, the Group also recognizes the fair value on investment in mutual funds in the statement of profit and loss in accordance with Ind AS 109

i) Leases

i. Short term leases not covered under Ind AS 116 are classified as operating lease. Lease payments during the year are charged to statement of profit and loss. Further minimum rentals payable under non - cancellable operating leases.

ii. Ind AS 116 Leases was notified by MCA on March 30, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 1, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

iii. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

iv. The Group has adopted Ind AS 116 - Leases with effect from April 1, 2019 and applied to all lease contracts existing on April 1, 2019 using the Modified Retrospective Approach. In accordance with the transitional provisions, the Group has not restated the comparative figures. The adoption of new standard resulted in recognition of right-of-use asset and a corresponding lease liability of ₹114.27 million on April 1, 2019. The effect of this adoption is not material to the profit for the period and earnings per share.

j) Foreign currency transactions

- **Functional and presentation currency**

  The consolidated financial statements are presented in Indian Rupees (₹), which are the functional currency of the Group and the currency of the primary economic environment in which the Group operates.

- **Transaction and balance**

  Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

k) Retirement and Employee benefits

The Group participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Group's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Group's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Group. The present value of the defined benefit obligations is calculated using the projected unit credit method.

The Group operates following employee benefit plans:

i) Employee 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 recognizes contribution payable to the provident fund scheme as expenditure when an employee renders the related service.

ii) Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Group provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Group. The Group's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. 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, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

iii) Leaves

The service rules of the Group do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

iv) Employee Stock Option Plan

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments in form of employee stock options, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in Stock Option Outstanding reserves in Other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

l) Income taxes

Current Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with The Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

Deferred Taxes

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 recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets are 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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the FVOCI instruments. The Group also recognizes the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Group's intention to settle on a net basis.

Minimum Alternate Tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognized for MAT credit available only to the extent that it is probable that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

m) Earnings per share (EPS)

The Group reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

n) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The increase in the provision due to un-winding of discount over passage of time is recognized within finance costs.

o) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not have any contingent assets in the financial statements.

p) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

Financial Assets - All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Loan Portfolio at amortized cost
- Loan Portfolio at fair value through other comprehensive income (FVOCI)
- Investment in equity instruments and mutual funds at fair value through profit or loss
- Other financial assets at amortized cost

Loan Portfolio at amortized cost:

Loan Portfolio is measured at amortized cost where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Loan Portfolio at FVOCI:

Loan Portfolio is measured at FVOCI where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model where objective is achieved by both collecting contractual cash flows and selling financial assets.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, where the Group's objective is solely to collect the contractual cash flows from the assets, the same is measured at amortized cost or where the Group's objective is to collect both the contractual cash flows and cash flows arising from the sale of assets, the same is measured at fair value through other comprehensive income (FVOCI). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost) or to collect contractual cash flows and sell (i.e. measured at fair value through other comprehensive income), the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model described in Note: Impairment of financial assets (refer note 3(e)).

Effective interest method - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The amortized cost of the financial asset is adjusted if the Group revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets. Income is recognized on an effective interest basis for loan portfolio other than those financial assets classified as at FVTPL

Equity instruments and Mutual Funds

Equity instruments and mutual funds included within the FVTPL category are measured at fair value with all changes recognized in the Profit and Loss Statement.

Financial liabilities

Initial Measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

De-recognition

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

In respect of financial assets (loans) de-recognized by way of direct assignment, where the Group continues to act as a servicing agent on behalf of the assignee, any contracts pre-closed by the Group at borrowers' request against issuance of fresh loans does not result in retention of incremental risk on the loans assigned. Accordingly, such pre-closures are not considered to impact the de-recognition of other off-balance sheet transactions as at reporting date.

A financial liability is derecognized from the balance sheet when the Group has discharged its obligation or the contract is cancelled or expires.

q) Derivative financial instrument

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

r) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date using various valuation techniques.

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Group's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements.

The Group is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement).

Accordingly, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows:

- *Level 1 financial instruments* - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- *Level 2 financial instruments* - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.
- *Level 3 financial instruments* – include one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

s) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

t) Share issue expenses

Incremental costs that are directly attributable to the issue of an equity instrument (i.e. they would have been avoided if the instrument had not been issued) are deducted from equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

4. CASH AND CASH EQUIVALENTS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Cash on hand	22.93	2.82
Balances with banks		
On current accounts	8,808.03	593.49
Deposit with original maturity of less than three months	2,520.99	-
	11,351.95	**596.31**

Balances with banks earns interest with floating rates based on daily bank deposit rates. Short term Deposits are made for varying periods of between 1 day and 3 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

5. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Deposit with remaining maturity of less than 12 months	-	24.99
Deposit with remaining maturity of more than 12 months	133.82	-
Margin money deposits (refer note below)	2,324.45	1,950.06
	2,458.27	**1,975.05**

Note: Represent margin money deposits placed to avail term loans from banks and placed as cash collateral in connection with securitization transactions.

Fixed Deposits with banks earns interest with fixed/floating rates based on daily bank deposit rates.

6. TRADE RECEIVABLES

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	120.61	223.68
	120.61	**223.68**
Provision for impairment :		
Unsecured, considered good	-	-
	120.61	**223.68**

Trade receivables include ₹ 87.91 million (Previous year ₹ 108.62 million) receivable from entities in which Directors or Key Managerial Persons are interested.

Trade receivables are generally non interest bearing and are on terms of 30 to 60 days.

7. LOANS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Loans (at fair value through OCI)	69,352.43	48,497.07
Loans (at amortized cost)	3,932.39	1,685.85
Inter Corporate Advances to related parties (Unsecured, non-Public Sector in India) repayable on demand (at amortized cost)*	187.32	1,243.10
*Please refer note 33 for further details		
Total - Gross	**73,472.14**	**51,426.02**
Less: Impairment and other provisions	(4,141.72)	(1,658.97)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Total - Net	**69,330.42**	**49,767.05**
(a) Secured by tangible assets (Gold, Property including land and building)	1,138.66	923.09
(b) Unsecured	72,333.48	50,502.93
Total - Gross	**73,472.14**	**51,426.02**
Less: Impairment and other provisions	(4,141.72)	(1,658.97)
Total - Net	**69,330.42**	**49,767.05**
(a) Public sector	-	-
(b) Others	73,472.14	51,426.02
Total - Gross	**73,472.14**	**51,426.02**
Less: Impairment and other provisions	**(4,141.72)**	**(1,658.97)**
Total - Net	**69,330.42**	**49,767.05**
(a) Within India	73,472.14	51,426.02
(b) Outside India	-	-
Total - Gross	**73,472.14**	**51,426.02**
Less: Impairment and other provisions	(4,141.72)	(1,658.97)
Total - Net	**69,330.42**	**49,767.05**

7.1 OVERVIEW OF THE LOANS OF THE GROUP

The Group is primarily in the business of providing micro loans with its operations spread out in different parts of India.

On October 15, 2010, the then Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" which was subsequently enacted as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011" ('AP MFI Act'). The AP MFI Act, inter alia, imposed several restrictions on the operations of the MFIs operating in the then state of Andhra Pradesh, including a change in repayment frequency for loan repayments from a 'weekly' to a 'monthly' basis.

As a result recoveries from the loans in the states of Andhra Pradesh and Telangana were adversely affected resulting in significant defaults. Such loans are hereinafter referred as the 'old AP portfolio'. Accordingly, all such loans have been categorized under Stage III on March 31, 2020 considering significant uncertainty with respect to their recoveries. All other exposures have been referred as 'new portfolio'. However the same loans as been entirely written-off during previous year. All other exposures have been referred as 'new portfolio'.

7.2 THE TABLE BELOW DISCLOSES CREDIT QUALITY OF THE GROUP'S EXPOSURES AS AT REPORTING DATE:

7.2.1 PORTFOLIO CLASSIFICATION

As at March 31, 2021 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount	62,686.44	6,503.01	4,095.37	73,284.82
Total	**62,686.44**	**6,503.01**	**4,095.37**	**73,284.82**

As at March 31, 2020

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount	49,891.93	111.14	179.84	50,182.91
Total	**49,891.93**	**111.14**	**179.84**	**50,182.91**

7.2.2 GROSS PORTFOLIO MOVEMENT

For the year ended March 31, 2021

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2020				
- New Portfolio	49,891.93	111.14	179.84	50,182.91
Total (A)	**49,891.93**	**111.14**	**179.84**	**50,182.91**
Inter-stage movements				
Stage I	18.44	(16.18)	(2.26)	-
Stage II	(2,985.41)	2,986.58	(1.17)	0.00
Stage III	(2,541.23)	(19.12)	2,560.35	-
Total (B)	**(5,508.20)**	**2,951.28**	**2,556.92**	**0.00**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Write offs**				
- New Portfolio	0.29	0.03	(3,561.10)	(3,560.78)
Total (C)	**0.29**	**0.03**	**(3,561.10)**	**(3,560.78)**
New assets originated, repaid and derecognized during the year*				
- New Portfolio	18,021.89	3,440.57	4,919.71	26,382.17
Total (D)	**18,021.89**	**3,440.57**	**4,919.71**	**26,382.17**
Fair Value on loans	280.53	-	-	280.53
Total (E)	**280.53**	**-**	**-**	**280.53**
Gross carrying amount as at March 31, 2021				
- New Portfolio	62,686.44	6,503.01	4,095.37	73,284.82
Total (A+B+C+D+E)	**62,686.44**	**6,503.01**	**4,095.37**	**73,284.82**

** The contractual amount of loans written-off during the year are not subject to enforcement activity / legal proceedings.

* New assets originated, repaid and derecognized includes portfolio of Subsidiary (Criss Financial Holdings Limited).

For the year ended March 31, 2020 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Gross carrying amount as at April 1, 2019				
- New Portfolio	42,775.64	150.21	43.11	42,968.96
- Old AP Portfolio	-	-	3,584.70	3,584.70
Total (A)	**42,775.64**	**150.21**	**3,627.81**	**46,553.66**
Inter-stage movements				
- New Portfolio				
Stage I	0.99	(0.97)	(0.02)	(0.00)
Stage II	(218.44)	218.48	(0.04)	0.00
Stage III	(616.07)	(0.21)	616.28	-
- Old AP Portfolio	-	-	-	-
Total (B)	**(833.52)**	**217.30**	**616.22**	**0.00**
Write offs**				
- New Portfolio	(106.14)	(74.48)	(1,070.87)	(1,251.49)
- Old AP Portfolio	-	-	(3,576.05)	(3,576.05)
Total (C)	**(106.14)**	**(74.48)**	**(4,646.91)**	**(4,827.54)**
New assets originated, repaid and derecognized during the year*				
- New Portfolio	7,355.04	(181.88)	591.38	7,764.54
- Old AP Portfolio	-	-	(8.65)	(8.65)
Total (D)	**7,355.04**	**(181.88)**	**582.72**	**7,755.89**
Fair Value on loan portfolio (E)	700.91	-	-	700.91
Gross carrying amount as at March 31, 2019				
- New Portfolio	**49,891.93**	**111.15**	**179.84**	**50,182.92**
- Old AP Portfolio				
Total (A+B+C+D+E)	**49,891.93**	**111.15**	**179.84**	**50,182.92**

** The contractual amount of loans written-off during the year are not subject to enforcement activity / legal proceedings.

* New assets originated, repaid and derecognized includes portfolio of Subsidiary (Criss Financial Holdings Limited) on the day of acquisition of control by the Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

7.2.3 MOVEMENT OF IMPAIRMENT ALLOWANCE (ECL) AND OTHER PROVISIONS

For the year ended March 31, 2021 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	747.84	64.27	145.24	957.35
Provision made/ (reversed) during the year	1,376.84	420.21	4,246.16	6,043.21
Inter-stage movements	-	-	-	-
Stage I	**(33.44)**	**11.72**	**21.72**	**-**
Stage II	(442.72)	441.96	0.76	0.00
Stage III	(1,127.88)	46.55	1,081.33	-
Write off	20.73	(10.98)	(3,593.63)	(3,583.88)
Other provisions	-	-	-	725.04
Closing Balance	**541.37**	**973.73**	**1,901.58**	**4,141.72**

For the year ended March 31, 2020 (₹ in million unless otherwise stated)

Particulars	Stage I	Stage II	Stage III	Total
Opening Balance	168.77	84.94	3,622.37	3,876.08
Provision made/ (reversed) during the year	685.20	53.83	1,169.78	1,908.81
Inter-stage movements				
Stage I	(72.40)	69.04	3.36	-
Stage II	**(29.67)**	**29.50**	**0.17**	**-**
Stage III	(112.27)	11.58	100.69	-
Write off	(106.14)	(74.48)	(4,646.91)	(4,827.54)
Other provisions	-	-	-	701.62
Closing Balance	**747.82**	**64.29**	**145.24**	**1,658.97**

7.3 During the year, the Group has pre-closed loan accounts and provided fresh (top-up) loans to certain borrowers for restarting their businesses after a temporary suspension of economic activities due to COVID-19 pandemic. In determining whether this resulted in a significant increase in credit risk or impairment of these loans and potential future loss estimate, the Group takes into consideration the borrowers' vintage, past repayment behaviour and viability of their businesses, as a separate cohort.

Based on such assessment at March 31, 2021 in accordance with Ind AS 109 principles, including those relating to modified loans, and in terms of the ECL policy approved by the Board of Directors ("ECL Policy"), the Group has classified loans amounting to ₹ 3,680 million as Stage 2 and ₹ 1,079 million as Stage 3, although there were nil overdues as per the latest repayment schedule for these loans at March 31, 2021. While the staging movement has been carried out taking cognizance of the overdues in previous loan, the Group has applied relatively lower probability of default (PD) and loss given default (LGD) factors as per its ECL Policy considering the borrowers' repayment behaviour in earlier loan cycles. Accordingly, the Group has recognized a total impairment allowance of ₹ 848 million on such loans.

Further, as the loans are provided to borrowers having running businesses with steady cash flows and not as a concession to overcome financial difficulties faced by borrowers other than the temporary suspension due to lockdown, these cases are not considered as restructured accounts in terms of extant RBI Master Directions.

7.4 The COVID-19 pandemic has continued to cause a significant disruption of the economic activities across the globe including India throughout the year, with second wave of the pandemic emerging towards the later part of the financial year in India. The Government of India announced a nation-wide lockdown to contain the spread of the virus which continued till May 31, 2020. Subsequently, various state governments and local statutory authorities imposed restrictions on economic activities in different parts of the country which continued to impact Group's operations including lending and collection activities. Further, pursuant to the Reserve Bank of India ('RBI') COVID-19 Regulatory package issued vide circulars dated March 27, 2020 and May 23, 2020 which allowed lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020, the Group had offered a moratorium to its borrowers until May 31, 2020 which was further extended up to August 31, 2020 based on borrowers' requests.

In assessing the impairment allowance for loan portfolio, the Group has considered internal and external sources of information available including indicators of deterioration in the macro-economic factors. Further, the management has estimated the impact of the ongoing second wave of the pandemic on its loan portfolio, based on reasonable and supportable information available till date and considering performance after the first wave, and has noted that the existing provisioning levels are adequate to cover any further delinquencies. Given the unique nature and scale of this pandemic, its full extent of impact on the Group's operations and financial metrics, more specifically on the borrower's ability to service their obligations on a timely basis, will depend on the severity and duration of the pandemic as well as on highly uncertain future developments including governmental and regulatory measures and the Group's responses thereto. Accordingly, the management's estimate of impairment losses based on various variables and assumptions could result in actual credit loss being different than that being estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

8. OTHER FINANCIAL ASSETS (AT AMORTIZED COST)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
A. Security deposits		
Unsecured, considered good	30.19	53.84
(A)	**30.19**	**53.84**
B. Other assets		
Amount receivable from banks and non banking financial companies	0.07	0.04
Term deposits placed with non banking financial companies#	**18.02**	**59.27**
Retained interest on asset assigned	620.66	1,426.47
Other assets (unsecured, considered good)	87.78	122.24
(B)	**726.53**	**1,608.01**
Total (A+B)	**756.72**	**1,661.86**

Represent margin money deposits placed to avail term loans from non banking financial companies.

9. INVESTMENTS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
At Fair value through Profit and Loss		
Investments in Liquid / Debt Mutual Funds	22.25	4,873.62
Others (At Fair value through Profit and Loss)		
100,000 (March 31, 2020: 100,000) equity shares of ₹ 10 each fully paid up in Alpha Micro Finance Consultants Private Limited	1.00	1.00
	23.25	**4,874.62**
Less: Impairment allowance	**-**	**-**
Total	**23.25**	**4,874.62**
Above amount includes		
Investment in India	**23.25**	**4,874.62**
Investment Outside India	-	-
Total	**23.25**	**4,874.62**

Represent margin money deposits placed to avail term loans from non banking financial companies.

10. CURRENT TAX ASSETS (NET)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Advance income tax (net of provision)	153.13	153.13
	153.13	**153.13**

11. DEFERRED TAX ASSETS (NET)

Effects of Deferred Tax Assets / Liabilities :

Deferred Tax Assets

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Impairment of financials instruments and other provisions	1,100.46	451.62
Provisions allowable on payment basis	51.15	76.59
Differences of written down value of Property, plant and equipment	39.01	37.02
Expenditure incurred for IPO	24.61	30.29
Lease liability	38.42	28.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Others	54.01	5.18
	1,307.66	**629.19**
Deferred Tax Liabilities		
Fair value gain on Loans	70.60	176.40
Income from direct assignments (taxable in future)	156.88	359.02
Right of use asset	32.53	22.05
Others	0.16	1.40
	260.17	**558.87**
Net deferred tax assets/(liabilities)	**1,047.49**	**70.32**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

11.1: DEFERRED TAX ASSETS (NET)

Movement in deferred tax balances for the year ended March 31, 2021 (₹ in million unless otherwise stated)

Particulars	Net Balance April 1, 2020	(Charge)/ Credit in Profit & Loss	Recognized in OCI	Recognized in Other Equity	Net Balance March 31, 2021	Deferred Tax Assets/ (Deferred Tax Liabilities)
Deferred tax assets/ (liabilities)						
Impact of difference between accounting and tax base of property, plant and equipment and intangible assets	37.02	1.99	-	-	39.01	39.01
Remeasurement gain / (loss) on defined benefit plan	5.18	(0.23)	(5.11)	-	(0.16)	(0.16)
Impairment allowance for loans	451.62	648.84	-	-	1,100.46	1,100.46
Expenses incurred on Initial Public Offering	30.29	(5.68)	-	-	24.61	24.61
Income from direct assignments (taxable in future)	(359.02)	202.14	-	-	(156.88)	(156.88)
Other items	(94.77)	241.02	(105.80)	-	40.45	40.45
Net Deferred tax assets / (liabilities)	**70.32**	**1,088.08**	**(110.91)**	**-**	**1,047.49**	**1,047.49**

Movement in deferred tax balances for the year ended March 31, 2020 (₹ in million unless otherwise stated)

Particulars	Net Balance April 1,2019	(Charge)/ Credit in Profit & Loss	Recognized in OCI	Recognized in Other Equity	Net Balance March 31, 2020	Deferred Tax Assets/ (Deferred Tax Liabilities)
Deferred tax assets/ (liabilities)						
Impact of difference between accounting and tax base of property, plant and equipment and intangible assets	46.63	(9.61)	-	-	37.02	37.02
Remeasurement gain / (loss) on defined benefit plan	1.07	(0.30)	4.41	-	5.18	5.18
Impairment allowance for loans	1,401.72	(950.10)	-	-	451.62	451.62
Expenses incurred on Initial Public Offering	-	-	-	30.29	30.29	30.29
MAT Credit Entitlement	774.35	(774.35)	-	-	-	-
Income from direct assignments (taxable in future)	(73.25)	(285.76)	-	-	(359.01)	(359.02)
Other items	(150.73)	59.04	(3.05)	-	(94.77)	(94.77)
Net Deferred tax assets / (liabilities)	**1,999.79**	**(1,961.09)**	**1.36**	**30.29**	**70.32**	**70.32**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

12. PROPERTY, PLANT & EQUIPMENT

(₹ in million unless otherwise stated)

Particulars	Land & Building#	Leasehold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Right of use asset	Total
Gross block								
At April 1, 2019	**2.01**	**95.40**	**71.07**	**29.17**	**5.59**	**160.90**	**-**	**364.15**
Addition*	-	-	10.88	3.64	9.59	21.52	114.27	159.91
Disposals	-	-	-	-	-	0.43	-	0.43
At March 31, 2020	**2.01**	**95.40**	**81.95**	**32.81**	**15.17**	**181.99**	**114.27**	**523.64**
Addition	-	-	11.97	6.60	19.41	14.73	101.84	154.55
Disposals	-	-	0.59	0.24	-	0.51	36.90	38.24
At March 31 2021	**2.01**	**95.40**	**93.33**	**39.17**	**34.58**	**196.21**	**179.21**	**639.95**
Depreciation								
At April 1, 2019	**0.15**	**90.97**	**54.63**	**16.67**	**3.24**	**126.73**	**-**	**292.39**
Charge for the year**	0.09	2.81	12.09	6.83	2.96	27.92	26.69	79.39
Disposals	-	-	-	-	-	0.42	-	0.42
At March 31, 2020	**0.24**	**93.77**	**66.73**	**23.50**	**6.20**	**154.23**	**26.69**	**371.36**
Charge for the year**	0.08	1.03	12.36	5.44	6.37	22.05	23.26	70.59
Disposals	-	-	0.47	0.14	-	0.38	-	0.99
At March 31 2021	**0.32**	**94.80**	**78.62**	**28.80**	**12.57**	**175.90**	**49.95**	**440.96**
Net carrying amount								
At April 1, 2019	1.86	4.43	16.45	12.49	2.35	34.17	-	71.74
At March 31, 2020	1.77	1.62	15.23	9.31	8.99	27.76	87.58	152.28
At March 31 2021	**1.69**	**0.60**	**14.71**	**10.37**	**22.01**	**20.31**	**129.26**	**198.96**

Mortgaged as security against non-convertible debentures.

Intangible assets

(₹ in million unless otherwise stated)

Particulars	Computer Software	Total
Gross block		
At April 1, 2019	105.31	105.31
Addition	0.02	0.02
Disposals	-	-
At March 31, 2020	**105.33**	**105.33**
Addition	0.10	0.10
At March 31 2021	**105.43**	**105.43**
Amortization		
At April 1, 2019	83.10	83.10
Charge for the year	8.92	8.92
Disposals	-	-
At March 31, 2020	**92.02**	**92.02**
Charge for the year	5.64	5.64
At March 31 2021	**97.65**	**97.65**
Net carrying amount		
At April 1, 2019	22.21	22.21
At March 31, 2020	13.31	13.31
At March 31 2021	**7.77**	**7.77**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

* Addition includes gross block of Subsidiary (Criss Financial Holdings Limited) on the day of acquisition of control by the Parent Company.

** charge for the year includes depreciation charge on gross block of Subsidiary (Criss Financial Holdings Limited).

13. OTHER NON-FINANCIAL ASSETS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Prepaid expenses	12.39	5.51
Capital advances	3.85	1.65
Advance against sum assured	97.74	71.23
Other advances	32.71	34.15
Unsecured, considered doubtful		
Others	-	1.70
Amounts deposited with courts	6.24	6.24
Advance against sum assured	16.68	12.90
Less: Provision for doubtful debts	(23.08)	(20.95)
	146.53	**112.43**

14. (A) TERMS OF PRINCIPAL REPAYMENT OF BORROWINGS AS AT MARCH 31, 2020

(₹ in million unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	Total
Debt Securities										
Monthly										
1-3 years	8.50%-9.00%	24	2,237.50	3	97.68	-	-	-	-	2,335.18
	9.01%-9.50%	18	896.47	-	-	-	-	-	-	896.47
	9.51%-10.00%	25	1,873.01	-	-	-	-	-	-	1,873.01
	10.01%-10.50%	10	284.62	-	-	-	-	-	-	284.62
Quarterly										
1-3 years	13.5%-14.00%	8	178.75	-	-	-	-	-	-	178.75
Half Yearly										
1-3 years	13.01%-13.50%	2	410.00	2	410.00	-	-	-	-	820.00
Bullet										
1-3 years	13.01%-13.50%	1	325.00	-	-	-	-	-	-	325.00
	13.51%-14.00%	1	1,000.00	-	-	-	-	-	-	1,000.00
Borrowings (Other than Debt Securities)										
Monthly										

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	Total
	9.50%-10.00%	76	2,349.57	79	2,410.71	5	177.08	-	-	4,937.37
	10.01%-10.50%	21	351.19	5	59.52	-	-	-	-	410.71
	10.51%-11.00%	70	1,503.76	10	118.73	-	-	-	-	1,622.49
	11.01%-11.50%	135	3,281.40	23	546.04	-	-	-	-	3,827.44
1-3 years	11.51%-12.00%	73	2,771.74	12	562.96	-	-	-	-	3,334.70
	12.01%-12.50%	44	480.05	4	55.94	-	-	-	-	535.99
	12.51%-13.00%	32	322.45	12	83.34	5	34.71	-	-	440.50
	13.01%-13.50%	30	464.97	17	181.23	-	-	-	-	646.20
	13.51%-14.00%	19	445.33	4	55.99	-	-	-	-	501.32
Quarterly										
	9.51%-10.00%	23	1,147.50	13	639.38	-	-	-	-	1,786.88
	10.51%-11.00%	12	955.36	7	857.14	-	-	-	-	1,812.50
1-3 years	11.01%-11.50%	4	125.00	-	-	-	-	-	-	125.00
	11.51%-12.00%	4	857.14	2	428.57					1,285.71
	12.51%-13.00%	2	125.00	-	-	-	-	-	-	125.00
	13.01%-13.50%	1	27.27	-	-	-	-	-	-	27.27
Above 3 years	12.51%-13.00%	4	83.33							83.33
Bullet										
1-3 years	9.51%-10.00%	4	500.00	-	-	-	-	-	-	500.00
	10.51%-11.00%	1	125.00	-	-	-	-	-	-	125.00
Subordinated Liabilities										
Bullet										
Above 3 years	14.51%-15.00%	-	-	-	-	-	-	1	200	200.00
Grand Total		**644**	**23,121.41**	**193**	**6,507.23**	**10**	**211.79**	**1**	**200.00**	**30,040.44**
Impact of EIR										**162.25**
Grand Total										**30,202.69**

**The above schedule does not include Cash Credit of Rs 50.2 millions

14. (A) TERMS OF PRINCIPAL REPAYMENT OF BORROWINGS AS AT MARCH 31, 2021

(₹ in million unless otherwise stated)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	Total
Debt Securities										
Monthly										
	8.5%-9.00%	19	1,860.92	5	467.39					2,328.31
1-3 years	9.01%-9.50%	36	3,104.14	7	484.57					3,588.71
	9.51%-10.00%	33	1,166.73		-					1,166.73
	12.50%-13.00%	12	125.00	6	62.50	-	-	-	-	187.50
Quarterly										
1-3 years	10.50%-13.00%	12	1,730.00	11	1,110.00	4	400.00	-	-	3,240.00
Half Yearly										
1-3 years	12.50%-13.50%	4	743.33	2	333.33	1	166.67	-	-	1,243.33
Yearly										
1-3 years	12.50%-13.00%		-	1	83.33	1	83.33	2	283.33	450.00
Bullet										

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	No. of install ments	Amount (in ₹)	Total
Above 3 years	10.00%-12.00%		-	8	4,103.50	4	1,350.00	-	-	5,453.50
	12.01%-12.50%		-	1	500.00	1	1,000.00	-	-	1,500.00
	13.00%-13.50%	1	400.00	-	-	-	-	-	-	400.00
	14.00%-15.00%		-	2	424.00	-	-	1	200.00	624.00
Borrowings (Other than Debt Securities)										
Monthly										
1-3 years	8.50%-9.50%	29	1,150.41	24	1,090.91	12	545.45	-	-	2,786.78
	9.51%-10.00%	112	3,280.71	32	912.08	-	-	-	-	4,192.80
	10.01%-10.50%	60	1,708.33	51	1,520.83	9	250.00	-	-	3,479.17
	10.51%-11.00%	80	2,792.70	51	2,187.54	-	-	-	-	4,980.24
	11.01%-11.50%	48	1,403.21	6	214.29	-	-	-	-	1,617.49
	11.51%-12.00%	71	1,672.78	31	521.47	6	38.50	-	-	2,232.75
	12.01%-12.50%	62	964.51	34	583.75	1	12.50	-	-	1,560.77
	12.51%-13.00%	70	835.50	23	263.47	-	-	-	-	1,098.98
	13.01%-13.50%	29	281.24	12	100.01	8	66.65	-	-	447.89
	13.51%-14.00%	108	957.39	95	765.90	2	6.53	-	-	1,729.81
Quarterly										
1-3 years	9.51%-10.00%	17	1,437.07	-	-	-	-	-	-	1,437.07
	10.51%-11.00%	7	857.14	-	-	-	-	-	-	857.14
	11.01%-12.00%	14	820.24	11	354.17	4	116.67	-	-	1,291.07
	12.01%-13.00%	4	50.00	4	50.00					100.00
Half Yearly										
1-3 years	7.00%-10.00%	2	1,000.00	1	500.00	-	-	-	-	1,500.00
	10.01%-11.00%	2	1,200.00	2	600.00	-	-	-	-	1,800.00
Annualy										
1-3 years	7.00%-8.00%	1	700.00	1	300.00	-	-	-	-	1,000.00
Bullet										
1-3 years	9.50%-10.00%	3	875.00	-	-	-	-	-	-	875.00
	10.01%-10.50%	1	125.00	-	-	-	-	-	-	125.00
Subordinated Liabilities										
Bullet										
Above 3 years	14.50%-15.00%		-	-	-	-	-	1	200.00	200.00
Grand Total		718	**31,241.35**	**421**	**17,533.05**	**53**	**4,036.29**	**4**	**683.33**	**53,494.03**
Impact of EIR										238.63
Grand Total										53,732.66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

14. (B) The higher delinquencies caused due to COVID-19 pandemic have resulted in breach of some of the covenants related to borrowings such as portfolio at risk (PAR) ratios, NPA ratios, etc. The Group has been servicing all its borrowings, albeit with certain delays (on account of discussions with lenders seeking loan moratoriums pursuant to the RBI's COVID-19 Regulatory Package) and has sought forbearance/ waiver from the lenders with respect to non-compliance of these covenants, wherever applicable.

In most of the cases, the consequence of covenant breach is either an increase in interest rate or a right to recall of the facility. While a formal approval of the waiver is awaited, based on our discussions with the lenders, sanction of fresh facilities received in most cases and considering the long track record with lenders, the Group is confident of securing the forbearance and has no reason to believe that any adverse action will be invoked by the lenders.

Further, the Group believes that its contingency refinance or funding plan and current capital adequacy status would enable it to tide over any impact of covenant breaches. Accordingly, no adjustments are required in the maturity profile of the borrowings.

14. DEBT SECURITIES (AT AMORTIZED COST) :

(₹ in million unless otherwise stated)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
(i) Debentures				
Secured				
Nil (March 31, 2020: 825), 12.90% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Thirty six months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of Twelve or Twenty four months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	Nil	10,00,000	-	178.26
410 (March 31, 2020: 820), 13.12% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 7, 2018 .	410	10,00,000	426.58	853.16
400 (March 31, 2020: Nil), 13.25% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Thirteen months from the date of allotment i.e. September 24, 2020.	400	1 0,00,000	423.42	-
800 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Fifteen months from the date of allotment i.e. October 20, 2020.	800	1,00,000	85.23	-
7,500 (March 31, 2020: Nil), 11% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Fifteen months from the date of allotment i.e. November 17, 2020.	7,500	1,00,000	766.45	-
800 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Eighteen months from the date of allotment i.e. October 20, 2020.	800	1,00,000	84.70	-
1,000 (March 31, 2020: Nil), 10.00% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Eighteen months from the date of allotment i.e. October 29, 2020.	1,000	10,00,000	1,040.89	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(₹ in million unless otherwise stated)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
1,400 (March 31, 2020: Nil), 10.80% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Eighteen months from the date of allotment i.e. November 19, 2020.	1,400	10,00,000	1,383.22	-
215 (March 31, 2020: Nil), 11.49% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 24, 2020 (subject to exercise of put option by the lender at the end of Eighteen months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	215	10,00,000	221.47	-
800 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Twenty One months from the date of allotment i.e. October 20, 2020.	800	1,00,000	84.94	-
250 (March 31, 2020: Nil), 14.00% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Twenty Four months from the date of allotment i.e. September 08, 2020 (subject to exercise of put option by the lender at the end of Six months from the date of allotment). Redeemable on maturity if option not exercised by the investor	250	10,00,000	251.02	-
1,740 (March 31, 2020: Nil), 14.8% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Twenty Three months from the date of allotment i.e. October 28, 2020.	1,740	1,00,000	191.02	-
250 (March 31, 2020: Nil), 12.75% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable in twenty four equal monthly instalments from the date of allotment i.e. September 29, 2020.	250	10,00,000	184.74	-
500 (March 31, 2020: Nil), 12.20% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Twenty Four months from the date of allotment i.e. December 19, 2020.	500	10,00,000	498.78	-
6,360 (March 31, 2020: Nil), 11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Twenty Four months from the date of allotment i.e. December 16, 2020.	6,360	1,00,000	644.56	-
8,275 (March 31, 2020: Nil), 11.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 29, 2020. (subject to exercise of put option by the lender at the end of Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised from the investor	8,275	1,00,000	818.94	-
4,000 (March 31, 2020: Nil), 11.50% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at quarterly intervals	4,000	1,00,000	405.12	-
1,000 (March 31, 2020:Nil), 12.75% Secured, Redeemable,Non -convertible Debentures of face value of ₹ 1 million each redeemable at half yearly intervals.	1,000	10,00,000	832.05	-

(₹ in million unless otherwise stated)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
5,000 (March 31, 2020: Nil) 11.25% Secured, Senior, Redeemable, Transferable, Listed, Principal protected, Market Linked, Rated Non Convertible Debentures Denominated in ₹ having a face value of ₹ 0.1 million each redeemable at par at the end of Twenty Six months from the date of allotment i.e. March 16, 2021 (subject to exercise of put option by the lender at the end of Eighteen months from the date of allotment). Redeemable on maturity if option not exercised from the investor	5,000	1,00,000	483.28	-
325 (March 31, 2020: 325), 13.15% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at par at the end of Seventy Two months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	325	10,00,000	339.93	342.53
850 (March 31, 2020: 1,000), (11.34% net of With-holding tax (March 31, 2020 - 14%)), Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each, 50% of which is redeemable at par at the end of 60th month (September 18, 2022) from September 18, 2017 i.e. the date of allotment and balance 50% to be redeemable on maturity i.e. June 30, 2023 (subject to exercise of put option by the lender at March 18, 2022 i.e. at the end of Fifty Four months from date of allotment).	850	10,00,000	853.62	1,004.16
10,000 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Thirty Six months from the date of allotment i.e. November 24, 2020. (subject to exercise of put option by the lender at the end of Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised by the investor	10,000	1,00,000	1,008.92	-
1,200 (March 31, 2020: Nil), 12.5% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 million each redeemable at quarterly intervals	1,200	10,00,000	1,190.45	-
350 (March 31, 2020: Nil) 12% Secured, Rated, Listed, Redeemable, Transferable, Non Convertible Debentures of face value of ₹ 1 million each	350	10,00,000	351.75	-
2,000 (March 31, 2020: Nil), 14.80% Secured, Redeemable, Principal Protected Market Linked Non-convertible Debentures of face value of ₹ 0.1 million each redeemable at par at the end of Forty Four months from the date of allotment i.e. October 28, 2020. (subject to exercise of put option by the lender at the end of Thirty months from the date of allotment). Redeemable on maturity if option not exercised by the investor.	2,000	1,00,000	225.80	-
4,500 (March 31, 2020: Nil) 12.5% Rated, unlisted, senior, secured, redeemable, taxable, non convertible Debentures of face value ₹ 0.1 million each	4,500	1,00,000	447.98	-
Sub-Total			**13,244.86**	**2,378.11**
(ii) Borrowing under securitisation arrangement				
From Banks			6,225.00	5,398.17
From non-banking financial companies			877.28	-
Total Debt Securities			**7,102.28**	**7,776.28**
Secured borrowings*			20,347.14	7,776.28
Unsecured borrowings #			-	-

(₹ in million unless otherwise stated)

	No of Debenture issued	Face value	As at March 31, 2021	As at March 31, 2020
Net amount			**20,347.14**	**7,776.28**
Borrowings in India			20,347.14	7,776.28
Borrowings outside India			-	-
Total			**20,347.14**	**7,776.28**
(b) Borrowings (Other than Debt Securities)				
Secured				
Indian rupee loan from banks			27,593.01	18,971.53
Indian rupee loan from non-banking financial companies			5,590.68	3,251.60
Cash credit from bank (secured)			-	50.21
Total Borrowings (Other than Debt Securities)			**33,183.69**	**22,273.34**
Secured borrowings*			33,183.69	22,273.34
Unsecured borrowings			-	-
Net amount			**33,183.69**	**22,273.34**
Borrowings in India			33,183.69	22,273.34
Borrowings outside India			-	-
Total			**33,183.69**	**22,273.34**
(c) Subordinated Liabilities (at amortized cost)				
Unsecured Term Loan				
Indian rupee loan from Bank			201.83	201.67
"Loans and advances from related party (unsecured) (Loans from related party carries interest rate @ 15.00% pa with monthly interest repayment)"			-	1.61
Total Subordinated Liabilities			**201.83**	**203.28**
Secured borrowings*			201.83	203.28
Unsecured borrowings #			-	-
Net amount			**201.83**	**203.28**
Borrowings in India			201.83	203.28
Borrowings outside India			-	-
Total			**201.83**	**203.28**

* The secured borrowings are secured by hypothecation of book debts and margin money deposits.

The unsecured borrowings are in the nature of subordinated debt. Subordinate debt has interest rate @15% and maturity date is June 08, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

15. OTHER FINANCIAL LIABILITIES

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Expenses payable	37.73	27.59
Lease liability	152.66	113.22
Employee benefits payable	212.17	310.64
Assignment and other payables	2,294.19	1,820.45
	2,696.75	**2,271.90**

16. CURRENT TAX LIABILITIES (NET)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Provision for Tax (net of advance tax)	1,398.16	647.07
	1,398.16	**647.07**

17. PROVISIONS

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Gratuity (net of contribution)	16.50	28.00
	16.50	**28.00**

18. OTHER NON-FINANCIAL LIABILITIES

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Other payables	190.49	71.27
Unfructified service tax liability [net of amount paid under protest ₹ 9.93 millions (March 31, 2020: ₹ 9.93 millions)]	158.42	149.89
Statutory dues payable	65.34	80.29
	414.25	**301.45**

19. SHARE CAPITAL

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Authorized		
900,000,000 (March 31, 2020: 900,000,000) equity shares of ₹ 10 each	9,000.00	9,000.00
Authorized		
1,250,000,000 (March 31, 2020: 1,250,000,000) preference shares of ₹ 10 each	12,500.00	12,500.00
	21,500.00	**21,500.00**
Issued, subscribed and paid-up		
64,315,483 (March 31, 2020: 64,315,483) equity shares of ₹ 10 each fully paid up	643.15	643.15
Total	**643.15**	**643.15**

(a) Terms / rights attached to equity shares

The parent company has only one class of equity shares of par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The parent company declares and pays dividends in Indian rupees. During the current financial year no dividend has been proposed by the parent Company.

In the event of liquidation of the group, the holders of equity shares will be entitled to receive remaining assets of the group, 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 FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:

(₹ in million unless otherwise stated)

Particulars	March 31, 2021		March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	6,43,15,483	643.14	5,96,33,683	596.33
Issued during the year - IPO*	-	-	45,43,385	45.43
Issued during the year - ESOP*	-	-	91,752	0.92
Issued during the year - ESOP*	-	-	46,663	0.47
Outstanding at the end of the year	**64,315,483**	**643.15**	**64,315,483**	**643.14**

*The Holding Company during the previous year ended March 31, 2020, issued and allotted 4,543,385 equity shares having face value ₹ 10/- each in its Public Issue (IPO). Further, the Parent Company issued and allotted Nil (March 31, 2020: 138,415) equity shares having face value of ₹ 10/- each to the eligible employees of the Group towards exercise of ESOPs.

During the previous year ended March 31, 2020, the Holding Company has completed the Initial Public Offer (IPO) of its equity shares, comprising a fresh issue of 4,543,385 equity shares having a face value of ₹ 10 each at an offer price of ₹ 856 per share aggregating ₹ 3,889 million by the Holding Company and an offer for sale of 9,356,725 equity shares by existing shareholders aggregating ₹ 8,009 million. Pursuant to the IPO, the equity shares of the Holding Company got listed on BSE Limited and NSE Limited on August 19, 2019. The Holding company has fully utilized the IPO proceeds, in line with the objectives mentioned in the prospectus.

(c) Details of shareholders holding more than 5% in the group:

As per the records of the group, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the shareholding given below represents both legal and beneficial ownership of shares.

Name of the Shareholder	March 31, 2021		March 31, 2020	
	Number of shares	% of Holding	Number of shares	% of Holding
Equity shares				
Kangchenjunga Limited	29,303,172	45.56%	29,303,172	45.56%
Padmaja Gangireddy	10,300,953	16.02%	10,250,953	15.94%
Valiant Mauritius Partners FDI Limited	3,848,823	5.98%	3,848,823	5.98%

(d) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company refer Note 42.

(e) Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash during the period of five years immediately preceding the reporting date:

Nature of instrument/ convertible security	Number of convertible securities	Number of equity shares issued upon conversion
Class B 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each	79,10,07,721	89,48,425

(f) Other instances of conversion of convertible securities into equity shares during the period of five years immediately preceding the reporting date:

Nature of instrument/ convertible security	Number of convertible securities	Number of equity shares issued upon conversion
Class A 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each	23,49,99,997	99,79,615
Class A1 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each	11,92,12,760	50,62,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	11,35,085	11,35,085
FY 18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	2,83,771	2,83,771
FY 18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	2,83,771	2,83,771
FY 19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	2,83,771	2,83,771
FY 19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each	2,83,771	2,83,771
Share warrants	14,88,544	14,88,544

20. OTHER EQUITY

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Securities premium account		
Balance as per the last financial statements	19,199.86	15,414.96
Add: Premium on issue of equity shares	-	3,897.49
Less: Share Issue Expenses	0.05	(150.46)
Add: Tax on Share Issue Expenses	-	37.87
Closing balance	**19,199.91**	**19,199.86**
General reserve*	**23.28**	**23.28**
Share options outstanding reserve		
Balance as per the last financial statements	64.17	41.25
Add: Share based payment to employees	87.38	43.80
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	-	(18.72)
Less: Transfer on cancellation of stock options	-	(2.16)
Closing balance	**151.55**	**64.17**
Capital redemption reserve*	**1,526.93**	**1,526.92**
Statutory reserve [as required by Section 45-IC of Reserve Bank of India Act, 1934]		
Balance as per the last financial statements	3,239.55	2,566.17
Add: Amount transferred from surplus of profit and loss	257.96	673.38
Closing balance	**3,497.51**	**3,239.55**
Retained earnings		
Balance as per the audited financial statements	1,105.43	(1,722.67)
Add: Profit for the year	1,450.43	3,514.59
Add: Other Comprehensive Income (Re-measurement gains/(losses) on defined benefit plans)	15.20	(13.11)
Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934]	(257.96)	(673.38)
Less: Adjusting to carrying amount of NCI due to change in interest	(3.09)	-
Less: Other adjustment	(4.14)	-
Net surplus in the statement of profit and loss	**2,305.87**	**1,105.43**
Other items of other comprehensive income (Fair valuation of loans- to be subsequently classified to profit or loss)		
Opening balance	457.17	448.11
Add/(Less): Fair value change during the year	(6,765.98)	(2,584.47)
Add: Impairment allowance/ other provisions reclassified to profit and loss	6,451.40	2,593.53
Closing balance	**142.59**	**457.17**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

(₹ in million unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
Total other equity	**26,847.64**	**25,616.39**
Non Controlling Interest	**20.18**	**12.92**

*For detailed movement of reserves refer statement of changes in equity for the year ended March 31,2021.

Nature and purpose of other equity

Securities premium

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilized only for limited purposes in accordance with the provisions of the Companies Act, 2013.

General Reserve

Amounts set aside from retained profits as a reserve to be utilized for permissible general purpose as per Law.

Share options outstanding reserve

The stock option outstanding account is used to recognize the grant date fair value of option issued to employees under employee stock option scheme.

Capital redemption reserve

In accordance with section 55 of the Companies Act, 2013, the Parent company has transferred an amount equivalent of the nominal value of OCCRPS redeemed during previous years, to the Capital Redemption Reserve. The reserve can be utilized only for limited purposes in accordance with the provisions of the Companies Act, 2013.

Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934

Statutory reserve represents the accumulation of amount transferred from surplus year on year based on the fixed percentage of profit for the year, as per section 451C of Reserve Bank of India Act 1934.

Retained earnings

Retained earnings represents the surplus in profit and loss account and appropriations.

Other Comprehensive income

Re-measurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest income) and net fair valuation gain/(loss) on financial assets measured at fair value through other comprehensive income.

21. INTEREST INCOME

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Measured at fair value through OCI		
Interest on loans*	12,783.34	11,101.05
Measured at amortized cost		
Interest on portfolio loans	513.62	300.55
Interest on fixed deposits	62.95	37.79
Interest on inter corporate advances	155.94	112.62
Interest on margin money deposits**	111.25	139.93
	13,627.10	**11,691.94**

*Refer note 52.

**Represent margin money deposits placed to avail term loans from banks, non banking financial companies and placed as cash collateral in connection with securitization transactions.

22. NET GAIN ON FAIR VALUE CHANGES

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
(A) Net gain on fair value instruments at fair value through profit or loss		
(i) On trading portfolio		
- Investments	86.46	45.96
(B) Others		
(i) Gain on derecognition of loans designated at FVTOCI	674.05	2,139.27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Total Net gain on fair value changes (C)	**760.51**	**2,185.23**
Fair value Changes		
Realized	759.72	756.00
Unrealized	0.79	1,429.23
Total Net gain on fair value changes	**760.51**	**2,185.23**

23. OTHERS

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Recovery against loans written off	341.65	105.25
	341.65	**105.25**

24. OTHER INCOME

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Advertisement income	219.63	339.02
Miscellaneous income	10.25	3.06
	229.88	**342.08**

25. FINANCE COST

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Interest - Measured at amortized cost		
On Debt Securities	1,125.28	1,152.54
On Borrowings (Other than Debt Securities)	2,875.02	2,354.64
On Subordinated Liabilities	15.22	32.58
On Lease liabilities	14.88	14.37
Measured at fair value through profit or loss		
On income tax	165.80	0.88
Other finance cost	35.50	8.34
	4,231.70	**3,563.35**

26. NET LOSS ON FAIR VALUE CHANGES

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Derivative assets designated at fair value through Profit and loss	54.85	-
Derivative liabilities designated at fair value through Profit and loss	(27.41)	-
	27.44	**-**

27. IMPAIRMENT ON FINANCIAL INSTRUMENTS AND OTHER PROVISIONS

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Measured at fair value through OCI		
Impairment and other provisions	2,814.88	(2,098.47)
Loans written off	3,583.87	4,827.43
Measured at amortized cost		
Impairment on loans	17.92	6.65
Loan Portfolio written off	34.73	0.11
	6,451.40	**2,735.72**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

28. EMPLOYEE BENEFITS EXPENSE

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Salaries, wages and bonus	1,495.55	1,563.87
Contribution to provident fund and other funds	97.16	76.06
Expenses on Employee Stock Option Plan	87.85	41.64
Staff welfare expenses	34.80	25.90
	1,715.36	**1,707.47**

29. OTHER EXPENSES

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Rent	73.19	19.49
Rates and taxes	2.97	1.80
Bank charges	23.25	37.08
Office maintenance	42.73	38.54
Computers and network maintenance	7.12	3.96
Electricity charges	17.08	14.93
Field allowance	179.91	141.58
Communication expenses	7.01	8.21
Credit Bureau Expenses	7.93	12.83
Printing and stationery	10.76	12.70
Legal and professional charges	14.75	11.36
Directors sitting fees	10.90	9.81
Auditors remuneration (refer details below)	9.28	8.86
Recruitment and training	14.33	4.87
Subscription fees	8.84	7.23
Other provisions and write off	26.19	29.24
Security charges	1.34	1.22
CSR expenses	91.52	51.83
Miscellaneous expenses	0.46	0.11
	549.56	**415.65**
Payment to auditors		
As auditor:		
Audit fee	8.78	7.67
Certification fee	0.22	0.22
Out of pocket expenses	0.28	0.97
	9.28	**8.86**

30. TAX EXPENSE

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Current Tax	1,425.98	705.16
Deferred tax relating to origination and reversal of temporary differences Total tax charge	(876.13)	1,959.73
Total tax Charge	**549.85**	**2,664.89**
Current tax	1,425.98	705.16
Deferred tax	(876.13)	1,959.73

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

30.1 Reconciliation of the total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the Accounting profit multiplied by India's domestic tax rate for the years ended March 31, 2021 and 2020 is, as follows :

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Accounting profit before Tax	1,604.38	6,179.13
At India's statutory income tax rate (2021: 25.168%)	403.79	1,555.16
Non-deductible expenses		
Interest on income tax	41.73	-
CSR Expenses	23.03	13.27
Additional tax allowances		
Deduction under Chapter VIA-80JJAA-Additional Manpower Cost Exemption	(23.94)	(20.42)
Difference on account of change in tax rate	-	1,116.97
Others	4.55	-0.09
Income tax expense reported in the consolidated statement of profit and loss	**449.16**	**2,664.89**

The effective income tax rate for March 31, 2021 is 25.168% (March 31, 2020: 25.168%).

Pursuant to the Taxation Laws (Amendment) Ordinance 2019, promulgated on September 20, 2019, the group has decided to exercise the option permitted u/s 115BAA of the Income Tax Act, 1961 to compute income tax at the revised rate (i.e. 25.17%) from the previous financial year. As a result, the change on account of remeasurement of deferred tax assets and reversal of MAT credit entitlement during the year ended March 31, 2020 aggregates to ₹ 1,116.97 million.

31. EARNING PER SHARE

(₹ in million unless otherwise stated)

	For year ended March 31, 2021	For year ended March 31, 2020
Net profit after tax as per Statement of Profit and Loss	1,450.43	3,514.59
Net profit for calculation of basic earnings per share	**1,450.43**	**3,514.59**
Net profit as above	1,450.43	3,514.59
Net profit for calculation of diluted earnings per share	**1,450.43**	**3,514.59**
Calculation of weighted average number of equity shares for basic EPS		
Equity shares		
Opening No. of shares (in millions)	64.32	59.63
Add: Issued during the year (in millions)	-	2.89
	64.32	**62.52**
Effect of dilution		
Employee stock option plan	0.25	0.54
Weighted average number of equity shares for diluted EPS	**0.25**	**0.54**
Basic earnings per share (In ₹)	**22.55**	**56.21**
Diluted earnings per share (In ₹)	**22.47**	**55.74**
Nominal value per share (In ₹)	**10.00**	**10.00**

32. SEGMENT REPORTING

The Group operates in a single business segment i.e. lending to customers who have similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments' notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. The Group operates in a single geographical segment i.e. domestic.

33. DISCLOSURE OF RELATED PARTIES IN ACCORDANCE WITH IND AS 24.

I. Holding Company

Kangchenjunga Limited (upto.August 14, 2019)

II. Entities in which Key Management Personnel and their relatives have significant influence.

a) Spandana Rural and Urban Development Organization

b) Abhiram Marketing Services Limited

c) Spandana Employee Welfare Trust

III. Key Management Personnel

a) Mrs. Padmaja Gangireddy - Managing Director

b) Mr. Sudhesh Chandrasekar – Chief Financial Officer (w.e.f. May 17, 2019)

c) Mr. Rakesh Jhinjharia – Company Secretary (upto June 5, 2020)

d) Mr. Abdul Feroz Khan – Chief Strategy Officer

e) Mr. Bharat Shah (Independent Director)

f) Mr. Deepak Vaidya (Independent Director)

g) Mr. Jagdish Capoor (Independent Director)

h) Ms. Abanti Mitra (Independent Director)

i) Mr. Sunish Sharma (Nominee Director)

j) Mr.Kartikeya Dhruv Kaji (Nominee Director)

k) Mr. Darius Dinshaw Pandole (Nominee Director) (upto September 21, 2020)

l) Mr. Amit Sobti (Nominee Director)

m) Mr. Ramachandra Kasargod Kamath (Nominee Director)

n) Mr. Satish Kottakota - Chief Financial Officer (w.e.f June 1, 2020)

o) Mr. Ramesh Periasamy - Company Secretary (w.e.f August 29, 2020)

p) Mrs. Sharmila Kunguma - Chief Risk Officer (w.e.f December 28,2020)

IV. Relative of Key Management Personnel

a) Mr. Revan Saahith

b) Mr. Vijaya Sivarami Reddy Vendidandi

V. Related parties in accordance with RBI Master directions

a) Spandana Mutual Benefit Trust

b) Spandana Sphoorty Chit Funds Private Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Related party transactions during the year.

(₹ in million unless otherwise stated)

S. No	Related Party	Nature of Transactions	Transactions during year ended March 31, 2021	Transactions during year ended March 31, 2020	(Payable)/Receivable March 31, 2021	(Payable)/Receivable March 31, 2020
1	Spandana Rural and Urban Development Organization	Rent deposit	3.83	-	6.92	3.09
		Interest expense on lease	7.56	6.60	-	-
		Lease liability payable	50.93	51.86	(102.05)	(51.86)
		Repayment of lease liability	0.74	-	-	-
		Expense reimbursement	0.06	0.13	-	0.01
		Interest Expense	1.61	1.79	-	(1.61)
2	Abhiram Marketing Services Limited	Commission income	-	288.06	-	106.37
		Incentive income	97.00	82.50	95.54	80.85
		Expense reimbursement (net)	11.63	40.73	0.12	10.21
		Inter-corporate advances (net)*	(890.16)	755.00	179.84	1,150.00
		Other advances	-	122.19	-	122.19
		Interest income	155.12	112.62	7.47	13.10
		Unsecured Loan taken	-	80.00	-	80.00
		Purchase of fixed assets & goods	6.64	53.46	-	(0.03)
		Others	108.30	91.37	(1.31)	(1.49)
3	Mr. Deepak Goswami	Remuneration#	-	0.32	-	-
4	Mr. Sudhesh Chandrasekar	Remuneration#	1.82	8.24	-	(3.45)
		Equity shares issued pursuant to stock option scheme	-	1.32	-	-
5	Mr. Rakesh Jhinjharia	Remuneration#	0.40	2.34	-	(0.31)
		Equity shares issued pursuant to stock option scheme	-	0.79	-	-
6	Mr. Nitin Prakash Agrawal	Remuneration#	-	0.09	-	-
7	Mr. Bharat Shah	Sitting fee	2.00	2.00	(0.46)	(0.50)
8	Mr. Deepak Vaidya	Sitting fee	2.00	2.00	(0.46)	(0.50)
9	Mr. Jagdish Capoor	Sitting fee	2.00	2.00	(0.46)	(0.50)
10	Mr. K. R. Kamath	Sitting fee	2.00	2.00	(0.46)	(0.50)
11	Ms. Abanti Mitra	Sitting fee	2.00	1.00	(0.46)	(0.25)
12	Mr. Abdul Feroz Khan	Equity shares issued pursuant to stock option scheme	-	4.74	-	-
		Remuneration#	7.45	6.81	(2.60)	(1.27)
13	Mrs. Padmaja Gangireddy	Remuneration#	53.75	53.75	(25.00)	(27.68)
		Rent paid	0.56	0.73	-	-
14	Mr. Revan Saahith	Remuneration#	3.10	2.38	(0.72)	(0.65)
15	Mr. Vijaya Sivarami Reddy Vendidandi	Interest expense on lease	0.97	-	-	-
		Lease liability payable	50.93	-	(50.61)	-
		Rent paid	0.21	-	(0.06)	-
		Repayment of lease liability	0.31	-	-	-
		Rent deposit	3.83	-	3.83	-
16	Mr. Ramesh Periasamy	Remuneration#	4.28	-	(1.54)	-
17	Mr. Satish Kottakota	Remuneration#	12.39	-	(3.82)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Related party transactions during the year. (₹ in million unless otherwise stated)

S. No	Related Party	Nature of Transactions	Transactions during year ended March 31, 2021	Transactions during year ended March 31, 2020	(Payable)/Receivable	
					March 31, 2021	March 31, 2020
18	Mrs. Sharmila Kunguma	Remuneration#	0.98	-	(0.40)	-
19	Spandana Employee Welfare Trust	Interest expense	-	0.03	-	-
		Unsecured Loan taken	-	2.30	-	-
20	Spandana Mutual Benefit Trust	Unsecured Loan taken	-	45.50	-	-
		Interest expense	-	0.58	-	-

Transactions with Criss Financial Holdings Limited and Caspian Financial Services Limited are not considered as they are subsidiaries.

"*Of the Inter-corporate advances (ICA) given aggregating ₹ 210 million, the Company has received repayment of ₹ 1,180 million including previous year outstanding (March 31, 2021: ICA given aggregating ₹ 789.65 million the Company has received repayment of ₹ 34.65 million) from Abhiram Marketing Services Limited.

*Unsecured loan taken aggregating ₹ 2.3 million from Spandana Employee Welfare Trust and ₹ 45.5 million from Spandana Mutual Benefit Trust has been repaid during the previous year.

All above transactions are in the ordinary course of business and on arms length basis.All outstanding balances are to be settled in cash and are unsecured.

#As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Transactions during the year are shown net of service tax/GST and inclusive of TDS.

34. CONTINGENT LIABILITIES

Claims against the Company not acknowledged as debt: (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Service tax open assessments	48.66	48.66
Income tax open assessments	664.25	558.16
Total	**712.91**	**606.82**

i) The Group is of the opinion that the above demands are not tenable and expects to succeed in its appeals / defence.

ii) The Commissioner, Service Tax Commissionerate, Hyderabad ("CST"), through two orders dated August 7, 2012 and October 9, 2013, levied service tax, interest and penalty on pre-closure interest charged by the Holding Company on loans pre-closed during FY 2006-07 to FY 2011-12. The CST also issued an order dated March 27, 2015, levying service tax, interest and penalty on a part of profit on portfolio sale during FY 2007-08 to FY 2010-11, deeming it to be consideration for collection and remittance of loan instalments. The Holding Company filed an appeal against these orders before the Custom, Excise and Service Tax Appellate Tribunal (CESTAT) which is pending for hearing on March 31, 2020. The service tax and interest thereon in respect of these matters have been provided for in earlier years based on Holding Company's assessment. However, given the facts of these cases, legal precedents, and general opinion, the penalty indicated in these orders aggregating ₹ 48.66 million is considered as a contingent liability as at March 31, 2021.

iii) The Group received an income tax assessment-cum-demand order for FY 2016-17, inter alia, raising a demand of ₹ 558.16 million (including interest) under section 69A read with section 115BBE of the Income Tax Act, 1961. The Group has filed an appeal against this order before the Commissioner of Income Tax (Appeals) that will be heard in due course. However, based on the expert opinions obtained, the group is confident that the matter will be decided in its favour. Accordingly, the aforesaid amount has been considered as a contingent liability as at March 31, 2021. The Group has deposited ₹ 72.97 million against such demand in the process of filling the aforesaid appeal.

iv) It is not practicable for the Group to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

b. Guarantees given by the Company

Particulars	March 31, 2021	March 31, 2020
Bank Guarantee towards Initial Public Offer (Deposit with the National Stock Exchange of India Limited)	-	90.09

35. FAIR VALUE

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.

This note describes the fair value measurement .

Valuation framework

The Group will assess the fair values for assets qualifying for fair valuation.

The Group's valuation framework includes:

1. Benchmarking prices against observable market prices or other independent sources;

2. Development and validation of fair valuation models using model logic, inputs, outputs and adjustments.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions.

Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortized cost, have been arrived at as under:

1. Fair values of investments held under FVTPL have been determined under level 1 using quoted Net Asset Value of the underlying instruments;
2. Fair value of loans held under a business model that is achieved by both collecting contractual cash flows and selling the loans are measured at FVOCI. The fair value of these loans has been determined under level 2.

36. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

Fair value measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximize the use of observable market data (either directly as prices or indirectly derived from prices) and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The financial instruments included in Level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market.

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

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosure is required):-

I. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31, 2021:

Assets measured at fair value on a recurring basis

Financial Assets (Assets measured at fair value)	Fair value			
	Level -1	Level - 2	Level-3	Total

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Loans (measured at FVOCI)	-	69,330.42	-	69,330.42
Derivative financial instruments (measured at FVTPL)	-	-	0.45	0.45
Investments in equity shares (measured at FVTPL)	-	-	1.00	1.00
Investments in liquid / debt mutual funds (measured at FVTPL)	**22.25**	**-**	**-**	**22.25**
Total	**22.25**	**69,330.42**	**1.45**	**69,354.12**

II. The following table shows an analysis of financial instruments that are not carried at fair value by level of the fair value hierarchy as at March 31, 2021:

Fair value of financial assets measured at amortized cost	Amortized cost	Fair value			
		Level -1	Level - 2	Level-3	Total
Loans	3,872.87	-	3,872.41	-	3,872.41
Total	**3,872.87**	**-**	**3,872.41**	**-**	**3,872.41**

Fair value of financial liabilities measured at amortized cost	Amortized cost	Fair value			
		Level -1	Level - 2	Level-3	Total
Debt securities	20,347.14	-	20,564.41	-	20,564.41
Borrowings (other than debt securities)	33,183.69	-	33,282.59	-	33,282.59
Subordinated liabilities	201.83	-	230.88	-	230.88
Total	**53,732.66**	**-**	**54,077.88**	**-**	**54,077.88**

III. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31, 2020:

Assets measured at fair value on a recurring basis

Financial Assets (Assets measured at fair value)	Fair value			
	Level -1	Level - 2	Level-3	Total
Loans (measured at FVOCI)	-	46,844.86	-	46,844.86
Investments in equity shares (measured at FVTPL)	-	-	1.00	1.00
Investments in liquid/debt mutual funds (Measured at FVTPL)	4,873.62	-	-	4,873.62
Total	**4,873.62**	**46,844.86**	**1.00**	**51,719.48**

IV. The following table shows an analysis of financial instruments that are not carried at fair value by level of the fair value hierarchy as at March 31, 2020:

Fair value of financial assets measured at amortized cost	Amortized cost	Fair value			
		Level -1	Level - 2	Level-3	Total
Loans	1,679.09	-	1,686.84	-	1,686.84
Total	**1,679.09**	**-**	**1,686.84**	**-**	**1,686.84**

Fair value of financial liabilities measured at amortized cost	Amortized cost	Fair value			
		Level -1	Level - 2	Level-3	Total
Debt securities	7,776.28	-	7,822.56	-	7,822.56
Borrowings (other than debt securities)	22,273.34	-	22,360.81	-	22,360.81
Subordinated liabilities	203.28	-	239.71	-	239.71
Total	**30,252.90**	**-**	**30,423.08**	**-**	**30,423.08**

The financial asset above does not include inter-corporate deposits, which are measured at amortized cost and approximates fair value. Further, it does not include securitization portfolio which is not de-recognized in accordance with Ind AS 109.

The management assessed that carrying value of financial assets (except loan and investments) and financial liabilities (except debt securities, borrowings (other than debt securities) and subordinated liabilities) approximate their fair value largely due to short term maturities of these instruments.

Assets categorized under Level 3 as on March 31, 2021 are ₹ 1.45 million (As on March 31, 2020 ₹ 1 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Valuation technique used

Assets measured at fair value on a recurring basis

For Loans

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the Balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further the overdue cash flows upto 90 Days (upto stage 2) are discounted assuming they will be received in the third month. Fair value of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

For Derivative financial instruments

For derivative financial instruments, the Company has assessed the fair value under Monte Carlo Simulation model which involves input parameters like, discount rate, volatility, expected tenure, risk-free rates, coupon payment date, time steps and iterations.

For Investment in Equity Instruments

For Investments in equity instruments and liquid/debt mutual funds, the Company has assessed the carrying value as an approximation of the fair value.

Financial liabilities measured at amortized cost

For Borrowing

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2021 and March 31, 2020.

37. CAPITAL MANAGEMENT

The Group's objective for capital management is to maximize shareholders' value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flows generated.

As an NBFC, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Company ensures to maintain a healthy CRAR at all the times.

The Group has a board approved policy on resource planning which states that the resource planning of the Group shall be based on its Asset Liability Matching (ALM) requirement. The policy of the Group on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure, manner of raising the funds etc.

Regulatory Capital

Spandana Sphoorty Financial Limited. (Parent Company)

(₹ in million unless otherwise stated)

Particulars	As at March 31, 2021	As at March 31, 2020
Tier I Capital	24,887.33	24,265.62
Tier II Capital	(335.45)	90.44
Total Capital	**24,551.88**	**24,356.06**
Risk weighted assets	62,624.58	51.338.58
Tier I CRAR	39.74%	47.27%
Tier II CRAR	(0.54)%	0.18%
Total CRAR	**39.20%**	**47.44%**

Criss Financial Holdings Limited. (Subsidiary Company) (₹ in million unless otherwise stated)

Particulars	As at March 31, 2021	As at March 31, 2020
Tier I CRAR	1,299.57	6,226.02
Tier II CRAR	4.93	67.16
Total Capital	**1,304.50**	**6,293.18**
Risk weighted assets	3,958.37	17,970.44
Tier I CRAR	32.83%	34.65%
Tier II CRAR	0.12%	0.37%
Total CRAR	**32.96%**	**35.02%**

38. EMPLOYEE BENEFIT PLANS

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of ₹ 2,000,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarized the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

Movement in defined benefit obligations (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Defined benefit obligation as at the beginning of the year	50.48	27.80
Current service cost	7.22	10.15
Interest on defined benefit obligation	2.86	1.96
Remeasurements- Actuarial (gain)/ Loss on total liabilities	(14.21)	14.07
Benefits paid	(5.19)	(3.51)
Defined benefit obligation as at the end of the year	**41.16**	**50.47**

Movement in plan assets (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Fair value of plan assets as at the beginning of the year	22.48	24.21
Actual return on plan assets	7.12	(1.73)
Actuarial gains	-	-
Employer contributions	-	3.52
Benefits paid	(4.94)	(3.51)
Fair value of plan assets as at the end of the year	**24.66**	**22.49**

The Holding Company expects to contribute Nil (March 31,2020 ₹ Nil) to gratuity in the next financial year.

Reconciliation of net liability/ asset (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Net defined benefit liability/ (asset) as at the beginning of the year	**28.00**	**3.59**
Expense charged to statement of profit & loss	8.81	10.41
Amount recognized in other comprehensive income	(20.31)	17.52
Employer contributions	-	(3.52)
Net defined benefit liability/ (asset) as at the end of the year	**16.50**	**28.00**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Balance Sheet

Amount recognized in balance sheet

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Present value of obligations	41.16	50.48
Fair value on plan assets	24.66	22.48
Net defined benefit liability recognized in balance sheet	**16.50**	**28.00**

Expenses charged to the statement of profit and loss

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Current service cost	7.22	10.15
Interest Cost	1.59	0.25
Total	**8.81**	**10.40**

Remeasurement gains/(losses) in the other comprehensive income

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Actuarial Gain / (Loss) on Liabilities		
-due to change in financial assumptions	5.66	(1.97)
-due to change in demographic assumptions	-	-
-due to experience variance	8.80	(12.10)
Total -A	**14.46**	**(14.07)**
Actuarial Gain / (Loss) on assets		
-Expected Interest Income	1.27	1.71
-Actual Income on Plan Asset	7.12	(1.73)
Total -B	**5.85**	**(3.44)**
Amount recognized under Other Comprehensive Income (A+B)	**20.31**	**(17.51)**

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

(₹ in million unless otherwise stated)

Category of Assets	March 31, 2021	March 31, 2020
Fund managed by Insurer	100%	**100%**
Total	**100%**	**100%**

Summary of Actuarial Assumptions

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Discount rate	5.79%-6.23%	5.66%-6.23%
Expected return on plan assets	5.66%	7.05%
Rate of Increase in compensation levels	5.00%	5%-10%
Retirement age (years)	58	58
Weighted average duration of defined benefit obligation	5-11 years	5-10 years

A quantitative sensitivity analysis for significant assumptions as at the balance sheet date are as shown below:

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Discount rate (+0.5%)	(0.52)	(0.73)
Discount rate (-0.5%)	0.54	0.76
Salary Inflation (+1%)	1.05	1.43
Salary Inflation (-1%)	(1.01)	(1.36)
Withdrawal Rate (+5%)	(1.63)	(3.23)
Withdrawal Rate (-5%)	1.77	4.06

Projected plan cash flow (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Year 1	9.66	10.75
Year 2	7.99	8.93
Year 3	7.08	7.84
Year 4	6.19	7.32
Year 5	5.28	6.56
After year 5	12.60	19.69

Discount rate: The discount rate is based on the 5 years government bond yields as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

39. LEASES

Holding Company as a lessee

The Holding Company's significant leasing arrangements are in respect of operating leases of office premises (Head office and branch offices). The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreements carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval. There are no sub-leases. Lease rentals of ₹ 73.19 million pertaining to short-term leases and low value assets has been directly debited to statement of profit and loss.

Movement in defined benefit obligations (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Operating lease payments recognized in the Statement of Profit and Loss	73.19	18.11

Minimum lease obligations (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Not later than one year	32.06	3.85
Later than one year and not later than five years	1.17	-
Later than five years	-	-

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

Particulars	ROU assets
As at April 1, 2019	-
Addition	114.27
Depreciation	(26.69)
As at March 31, 2020	**87.58**
Addition	101.84
Deletion	(36.90)
Depreciation	(23.26)
As at March 31, 2021	**129.26**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

Projected plan cash flow

Particulars	Amount
As at April 1, 2019	-
Addition	114.27
Accretion of interest	14.37
Payments	(15.42)
As at March 31, 2020	**113.22**
Addition	101.84
Accretion of interest	14.88
Deletion	(59.70)
Payments	(17.58)
As at March 31, 2021	**152.66**

The Maturity analysis of lease liabilities:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Lease Liabilities - March 31, 2021	0.40	0.41	0.41	1.26	2.76	15.59	25.56	106.27	**152.66**
Lease Liabilities - March 31, 2020	0.09	0.09	0.09	0.51	1.73	8.48	15.46	86.75	**113.22**

The following are the amounts recognized in statement of profit or loss: (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Depreciation expense of right-of-use assets	23.26	26.69
Interest expense on lease liabilities	14.88	14.37
Expense relating to short-term leases	73.19	18.11
Expense relating to leases of low-value assets	-	-
Variable lease payments	-	-
Total amount recognized in profit or loss	111.33	59.17

The Holding Company had total cash outflows for leases of ₹17.58 million in FY 2021 (March 31, 2020: ₹ 15.41 Million). The Holding Company also had non-cash additions to right-of-use assets and lease liabilities of ₹ 101.85 million in FY 2021 (March 31, 2020: ₹ 114.27 Million).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Lease Liabilities - March 31, 2021	1.91	1.91	1.91	5.73	11.59	48.95	54.16	139.86	**266.02**
Lease Liabilities - March 31, 2020	1.29	1.29	1.29	4.08	8.79	35.47	39.62	122.85	**214.67**

40. AMOUNT PAYABLE TO MICRO SMALL AND MEDIUM ENTERPRISES

"There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

As at March 31, 2021 and March 31, 2020, no supplier has intimated the Group about its status as micro or small enterprises or its registration with the appropriate authority under MSMED."

41. RISK MANAGEMENT AND FINANCIAL OBJECTIVES

Risk is an integral part of the Group's business and sound risk management is critical to the success. As a financial intermediary, the Group is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Group has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors.

The Group has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

41.1 CREDIT RISK

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Group is a rural focused NBFC with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in rural areas. Further, as we focus on providing micro-loans in rural areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

In order to mitigate the impact of credit risk in the future profitability, the Group creates impairment loss allowance basis the expected credit loss (ECL) model for the outstanding loans as at balance sheet date.

The criteria of default, significant increase in credit risk and stage assessment is mentioned in note 3(e) of the significant accounting policies. The below discussion describes the Company's approach for assessing impairment.

A) Probability of default (PD)

The Group determines PD on a collective basis by stratifying the entire portfolio into meaningful categories as discussed below.

The Group uses historical vintage information of its loan portfolio to estimate PD. Based on uncertainties and risks arising from its operations in different geographical states in the country, the Group bifurcates the entire portfolio into different states. Further the Group performs analysis of its defaults in various states over different observation periods. Such observation time frame varies depending upon the type of underlying assets analysed by the Group i.e., for Stage II, timeframe used is more than 1 year.

In determining the above PD's, an effort is made to eliminate outliers for a particular observation period which are not likely to happen in future. Accordingly, the Group determines PD for each state depending upon the underlying classification of asset (i.e. Stage I or Stage II).

Re-calibration of PDs for FY 2020-21 on account COVID-19 pandemic:

During the year, the Group has reassessed its estimates of PD for the loan portfolio impacted by COVID-19 disruption, considering it as a separate cohort. In respect of this cohort, the Group has considered more recent flow rates (i.e. slippages into default category) subsequent to expiry of loan moratorium granted to borrowers pursuant to the RBI's COVID-19 Regulatory Package. Such flow rates are considered to represent the expected defaults more appropriately than the pre-COVID loss experience. The PD rates for Stage I and II have been further bifurcated based on the days-past-due (DPD) status of the loans (i.e. current, 1-30 DPD, 31-60 DPD and 61-90 DPD) to incorporate adequate granularity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

A. Summary of the range of PD rates determined by the Group for its portfolio (including the cohort impacted by COVID-19) are as follows:

States	Parent Company			Subsidiary Company (Criss Financial Holdings Limited)	
	Stage-I (Range for current and 1-30 DPD)	Stage-II (31-60 DPD)	Stage-II (61-90 DPD)	Stage-I (Range for current and 1-30 DPD)	Stage-II (31-90 DPD)
Madhya Pradesh	1.33% - 5%*	36.47%* - 87.27%	61.03%* - 87.27%	-	-
Orissa	0.73% - 5%*	32.47%* - 91.50%	52.71%* - 91.50%	-	-
Karnataka	1.11% - 5%*	27.9%* - 75.88%	53.31%* - 75.88%	-	-
Maharashtra	0.79% - 5%*	44.76%* - 85.00%	64.87%* - 85.00%	-	-
Chhattisgarh	0.93% - 5%*	39.54%* - 82.76%	59.44%* - 82.76%	-	-
Jharkhand	1.13% - 5%*	33.24%* - 93.11%	55.69%* - 93.11%	-	-
Kerala	2.35% - 5%*	41.7%* - 42.20%	63.05%* - 42.20%	-	-
Andhra Pradesh	0.13% - 5%*	9.27%* - 56.34%	18.10%* - 56.34%	0.03% - 2%*	61.61%
Gujarat	1.53% - 5%*	30.58%* - 88.00%	61.48%* - 88.00%	-	-
Bihar	0.16% - 5%*	22.37%* - 82.76%	47.34%* - 82.76%	-	-
Rajasthan	0.1% - 5%*	37.99%* - 88.00%	66.39%* - 88.00%	-	-
Others	0% - 5%*	0% - 100%*	0% - 100%*	0.03% - 2%*	35.94%

*Represents PD rates for cohort impacted by COVID-19.

For stage-III portfolio the PD rate is considered as 100%

B) Exposure at default (EAD)

Exposure at default (EAD) is the sum of outstanding principal and the interest amount accrued loans as at reporting date. Such outstanding balances as at the reporting date is considered as EAD by the Group. Considering that the PD determined above factors in amount at default, there is no separate requirement to estimate EAD.

C) Loss given default

The Group determines its expectation of lifetime loss by estimating recoveries towards its entire loan portfolio at state level through analysis of historical information. The Group determines its recovery rates by analysing the recovery trends over different periods of time after a loan has defaulted. Based on its analysis of historical trends, the Group has assessed that significant recoveries happen in the year in which default has occurred. Accordingly, it believes no significant difference arise from discounting such recoveries for determining ultimate loss rates. In estimating LGD, the group reviews macro-economic developments taking place in the economy.

Re-calibration of LGDs for FY 2020-21 on account COVID-19 pandemic:

Similar to PDs, the LGD rates have also been reassessed for COVID-19 affected portfolio by comparing past recovery experience from less frequent/ non-recurring default events. Appropriate adjustments have also been made for recoveries observed during the post-pandemic period which are considered as an appropriate representation of expected post-default recoveries.

Summary of the range of LGD rates determined by the Group for its portfolio (including the cohort impacted by COVID-19) are given below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

States	Parent Company	Subsidiary Company (Criss Financial Holdings Limited)
	March 31, 2021	March 31, 2021
Madhya Pradesh	50% - 88.89%	-
Orissa	50% - 89.24%	-
Karnataka	50% - 82.89%	-
Maharashtra	50% - 84.1%	-
Chhattisgarh	50% - 94.63%	-
Jharkhand	50% - 83.49%	-
Kerala	50% - 80.63%	-
Andhra Pradesh	50% - 90.31%	0%-60%*
Gujarat	50% - 84.85%	-
Bihar	50% - 44.52%	-
Rajasthan	50% - 44.52%	-
Others	50% - 94.63%	5.86%-60%*

Analysis of concentration risk of Group is as follows:-

States	Parent Company		Subsidiary Company (Criss Financial Holdings Limited)	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Madhya Pradesh	19.32%	17.48%	-	-
Orissa	17.68%	17.69%	-	-
Karnataka	13.52%	12.93%	-	-
Maharashtra	11.56%	13.26%	-	-
Chhattisgarh	7.66%	8.28%	-	-
Jharkhand	4.69%	4.72%	-	-
Kerala	3.37%	4.64%	-	-
Andhra Pradesh	7.67%	6.95%	87.91%	99.90%
Gujarat	3.13%	2.96%	-	-
Bihar	4.87%	4.76%	-	-
Rajasthan	3.59%	3.71%	-	-
Telangana	0.56%	0.56%	12.09%	0.10%
Others	2.37%	2.04%	-	-
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Collateral and other credit enhancement

The Group's secured portfolio includes loans against security of Gold and property (including land and building). Although collateral is an important mitigant credit risk, the Group's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of the product and the Group's assessment of the customer's credit risk, a loan may be offered with suitable collateral.

41.1.a Inter-corporate advance given by the Company to related parties are repayable on demand and governed by Company's policy on demand loans approved by the board of directors. Such policy requires credit appraisal of the financial and operational performance of the counter parties, to be performed by the Company before renewing/rolling over of the advance.

41.1.B CREDIT RISK DUE TO COVID-19 PANDEMIC

Refer note 7.4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

41.2 LIQUIDITY RISK

Liquidity risk refers to the risk that the Group may not meet its financial obligations. Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions and capital markets to maintain a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies to ensure the liquidity risk is well addressed. In order to reduce dependence on a single lender, the Group has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Group has a asset liability management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure the compliance with the prescribed regulatory requirement. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk.

The tables below provide details regarding the contractual maturities of significant financial assets and liabilities as on:-

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

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*#	3,700.27	2,812.12	3,096.91	8,727.93	17,592.85	22,926.56	851.53	-	**59,708.17**
Other Financial Liabilities	2,460.17	0.41	1.77	2.72	3.91	15.59	25.56	106.26	**2,616.39**
Loans	4,436.81	4,777.36	4,713.07	13,773.63	25,199.38	30,798.34	645.09	2,957.90	**87,301.58**
Other Financial Assets	180.60	63.18	59.09	142.02	93.32	216.60	1.89	-	**756.70**

*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

#Also refer note 14B.

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

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings*	2,658.83	1,547.25	2,188.27	7,823.89	10,778.45	7,353.53	238.22	-	**32,588.44**
Other Financial Liabilities	2,023.34	0.09	0.09	0.51	137.16	8.48	15.46	86.75	**2,271.90**
Loans	-	-	4,733.86	11,503.84	18,663.13	24,390.61	291.28	171.60	**59,754.32**
Other Financial Assets	4,884.84	1,582.06	307.44	505.62	2,285.67	765.88	243.11	-	**10,574.61**

*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

** As per the Covid-19 regulatory package announced by RBI to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic vide Circular No.RBI/2019-20/186 & DOR.No.BP.BC.47/21.04.048/2019-20, the Group has extended moratorium to its borrowers whose loans were standard as on March 01, 2020, for the period April 01, 2020 to May 31, 2020 and further extended till August 31, 2020. Hence, the repayment schedule for such loans as also the residual tenor, is shifted across the board by two months for the year ended March 31, 2020. Further, the same moratorium has been availed by the Group towards payments under securitization arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Maturity Analysis of assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered and settled.

	March 31, 2021			March 31, 2020		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	11,351.95	-	11,351.95	596.31	-	596.31
Bank balances other than cash and cash equivalents	1,027.69	1,430.58	2,458.27	1,082.66	892.39	1,975.05
Trade receivables	120.61	-	120.61	223.68		223.68
Loans	41,136.68	28,193.75	69,330.42	27,179.21	21,344.74	48,523.95
Derivative financial instrument	0.45		0.45			
Investments	-	23.25	23.25	4,873.62	1.00	4,874.62
Other financial assets	721.07	35.65	756.72	2,788.98	115.99	2,904.97
Subtotal - Total financial assets	**54,358.44**	**29,683.23**	**84,041.67**	**36,744.46**	**22,354.12**	**59,098.58**
Non-financial assets						
Current tax assets (net)	149.38	3.75	153.13	153.13		153.13
Deferred tax assets (net)	-	1,047.49	1,047.49		70.32	70.32
Property, plant and equipment	-	198.96	198.96		152.28	152.28
Intangible assets	-	7.77	7.77		13.31	13.31
Goodwill	-	173.74	173.74		173.74	173.74
Other non-financial assets	146.52	0.01	146.53	112.43		112.43
Subtotal - Total non-financial assets	**295.90**	**1,431.71**	**1,727.62**	**265.56**	**409.65**	**675.21**
Total assets	**54,654.34**	**31,114.95**	**85,769.29**	**37,010.01**	**22,763.77**	**59,773.79**
LIABILITIES AND EQUITY						
LIABILITIES						
Financial liabilities						
Debt securities	10,018.69	10,328.45	20,347.14	7,268.62	507.66	7,776.28
Borrowings (other than debt securities)	22,187.21	10,996.48	33,183.69	16,064.98	6,208.36	22,273.34
Subordinated liabilities	2.31	199.52	201.83	3.92	199.36	203.28
Other financial liabilities	2,567.16	129.59	2,696.75	2,161.20	110.70	2,271.90
Subtotal - Total financial liabilities	**34,775.37**	**21,654.04**	**56,429.41**	**25,498.72**	**7,026.08**	**32,524.80**
Non-financial liabilities						
Current tax liabilities (net)	1,398.16	-	1,398.16	647.07		647.07
Provisions	5.15	11.35	16.50	28.00		28.00
Other non-financial liabilities	414.25	-	414.25	301.45		301.45
Subtotal - Total non-financial liabilities	**1,817.56**	**11.35**	**1,828.91**	**976.52**	**-**	**976.52**
Total Liabilities	**36,592.93**	**21,665.39**	**58,258.32**	**26,475.24**	**7,026.08**	**33,501.32**
Net	**18,061.41**	**9,449.56**	**27,510.97**	**10,534.78**	**15,737.68**	**26,272.46**

41.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Group is exposed to two types of market risks as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

41.3A INTEREST RATE RISK

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

The Group has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

The following are the amounts recognized in statement of profit or loss: (₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Finance Cost		
0.50 % Increase	(49.27)	(22.44)
0.50 % Decrease	49.27	22.44

41.3B PRICE RISK

The Parent Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surpluses in the highly liquid debt funds for very short durations. The Parent Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

41.3C PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans when interest rates fall. The Group monitors the impact of varying levels of prepayment on its net interest income and manages its portfolio and borrowings mix accordingly.

42. TRANSFER OF FINANCIAL ASSETS

a. Securitization Transaction:

During the current and previous year, the Parent Company has entered into securitization arrangement with various parties. Under such arrangement, the Parent Company has transferred a pool of loan portfolio, which does not fulfil the derecognition criteria specified under Ind AS 109 as the Parent Company has concluded that risk and rewards with respect to these assets are not substantially transferred. Following such transfer, the Parent Company's involvement in these assets is as follows:

- As a servicer of the transferred assets
- To the extent of credit enhancements provided to such parties

The value of Financial assets and liabilities as on :-

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Carrying amount of assets	6,229.48	4,915.87
Carrying amount of associated liabilities	7,102.28	5,398.17
Fair value of assets	6,256.36	4,987.94
Fair value of associated liabilities	7,144.55	5,415.69

The excess of fair value of associated liabilities over fair value of assets is ₹ 888.19 millions (March 31, 2020: ₹ 427.75 millions)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

b. Assignment Transaction:

During the year ended March 31, 2021, the Group has sold some loans and advances measured at FVOCI as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognized. Further, in respect of such de-recognized financial assets, where the Group continues to act as a servicing agent on behalf of the assignee, any contracts pre-closed by the Group at borrowers' request against issuance of fresh loans does not result in retention of incremental risk on the loans assigned. Accordingly, such pre-closures are not considered to impact the de-recognition of other assignment transactions as at reporting date.

The management has performed an assessment of the impact of the assignment transactions done during the year for its business model. Based on such assessment, the Group's business model for the portfolio loans continues with an objective to hold such assets for collecting underlying contractual cash flows and realising cash by selling the portfolio loans wherever appropriate.

The table below summarizes the carrying amount of the derecognized financial assets measured at amortized cost and the gain/(loss) on derecognition, per type of asset

(₹ in million unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Carrying amount of derecognized financial assets	8,900.55	19,155.84
Gain/(loss) from derecognition	674.05	2,139.27

Since the Parent Company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognized on the date of derecognition itself as interest only strip receivable and correspondingly recognized as profit on derecognition of financial asset.

43. EMPLOYEE STOCK OPTION PLAN (ESOP)

The company has provided various equity settled share based payment schemes to its employees. The details are ESOP scheme are as follows.

Particulars	Grant	Number of Options granted	Vesting Period (In years)	Vesting Conditions
ESOP Scheme 2018	Grant I	3,38,854	5	20% vests every year subject to continuance of services
	Grant II	8,17,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant III	13,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant IV	90,500	5	20% vests every year subject to continuance of services
	Grant V	3,36,500	4	30%, 30%, 20% and 20% vests every year subject to continuance of services
	Grant VI	36,500	5	20% vests every year subject to continuance of services
	Grant VII	1,25,000	5	20% vests every year subject to continuance of services
	Grant VIII	40,000	5	20% vests every year subject to continuance of services
	Grant IX	28,000	5	20% vests every year subject to continuance of services
	Grant X	1,35,000	5	20% vests every year subject to continuance of services

Exercise period for all the above schemes is 9 years from the date of grant of the options. The expense recognized for employee services received during the year is ₹ 87.85 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

a. The following table lists the input to the Black Scholes models used for the options granted during the year ended March 31, 2021

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Date of Grant	13-Aug-18	13-Aug-18	07-Feb-19	28-Jan-2020	28-Jan-2020	03-Mar-2020	03-Jun-20
Date of Board / Compensation/ Committee Approval	13-Aug-18	13-Aug-18	07-Feb-19	28-Jan-2020	28-Jan-2020	03-Mar-2020	03-Jun-20
Number of Options Granted	3,38,854	8,17,500	13,500	90,500	3,36,500	36,500	1,25,000
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded Vesting Period							
Day following the expiry of 12 months from grant	20%	30%	30%	20%	30%	20%	20%
Day following the expiry of 24 months from grant	20%	30%	30%	20%	30%	20%	20%
Day following the expiry of 36 months from grant	20%	20%	20%	20%	20%	20%	20%
Day following the expiry of 48 months from grant	20%	20%	20%	20%	20%	20%	20%
Day following the expiry of 60 months from grant	20%	NA	NA	20%	NA	20%	20%
Exercise Period	9 Years from the date of grant						
Vesting conditions	Employee must be in service at the time of vesting.						
Weighted average of remaining contractual Life in Years	6.37	6.37	6.86	7.84	7.84	7.93	8.18

Particulars	Grant VIII	Grant IX	Grant XI
Date of Grant	16-Jun-2020	31-Aug-20	12-Nov-2020
Date of Board / Compensation/ Committee Approval	16-Jun-2020	31-Aug-20	12-Nov-2020
Number of Options Granted	40,000	28,000	1,35,000
Method of settlement	Equity	Equity	Equity
Graded Vesting Period			
Day following the expiry of 12 months from grant	20%	20%	20%
Day following the expiry of 24 months from grant	20%	20%	20%
Day following the expiry of 36 months from grant	20%	20%	20%
Day following the expiry of 48 months from grant	20%	20%	20%
Day following the expiry of 60 months from grant	20%	20%	20%
Exercise Period	9 Years from the date of grant		
Vesting conditions	Employee must be in service at the time of vesting.		
Weighted average of remaining contractual Life in Years	8.22	8.42	8.62

b. The details of activity under ESOP Scheme 2018 Plan with an exercize price for the year ended March 31, 2021 have been summarized as below:

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Exercise Price per Share	263.35	263.35	263.35	1,077.37	1,077.37	1,091.58	860.85
Number of options Outstanding at the beginning of the year	91,200	4,21,350	6,000	90,500	3,21,500	36,500	
Number of options Granted during the year	-	-					1,25,000
Number of Options Exercised during the year	-	-	-	-	-	-	-
Number of Options Lapsed during the year	45,600	57,800	6,000	35,000	50,500	-	1,25,000
Outstanding at the end of the year *	**45,600**	**3,63,550**	**-**	**55,500**	**2,71,000**	**36,500**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

Particulars	Grant VII	Grant IX	Grant X
Exercise Price per Share	809.85	608.74	565.72
Number of options Outstanding at the beginning of the year			
Number of options Granted during the year	40,000	28,000	1,35,000
Number of Options Exercised during the year	-	-	-
Number of Options Lapsed during the year	40,000	-	10,000
Outstanding at the end of the year *	-	**28,000**	**1,25,000**

c. Details of Stock Options granted during the year

The weighted fair value of stock option granted during the year was ₹ 280.82 for Grant IV, ₹ 429.05 for Grant V, ₹ 477.69 for Grant VI The Black -Scholes Model has been used for computing the weighted average fair value considering the following:

Grant -VII	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	512.15	512.15	512.15	512.15	512.15
Exercise Price	860.85	860.85	860.85	860.85	860.85
Expected Volatility(%)	64.04%	64.04%	64.04%	64.04%	64.04%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	5.56%	5.69%	5.80%	5.89%	5.98%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	240.21	256.45	271.56	285.61	298.80

Grant -VIII	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	541.75	541.75	541.75	541.75	541.75
Exercise Price	809.85	809.85	809.85	809.85	809.85
Expected Volatility(%)	63.20%	63.20%	63.20%	63.20%	63.20%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	5.52%	5.65%	5.77%	5.87%	5.96%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	265.68	282.19	297.59	311.90	325.26

Grant -IX	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	638.9	638.9	638.9	638.9	638.9
Exercise Price	608.74	608.74	608.74	608.74	608.74
Expected Volatility(%)	59.93%	59.93%	59.93%	59.93%	59.93%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	5.69%	5.83%	5.95%	6.06%	6.15%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	370.54	386.63	401.54	415.45	428.33

Grant -X	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
Share price on the date of Grant	612.4	612.4	612.4	612.4	612.4
Exercise Price	565.72	565.72	565.72	565.72	565.72
Expected Volatility(%)	57.35%	57.35%	57.35%	57.35%	57.35%
Life of the options granted in year	5.0	5.5	6.0	6.5	7.0
Risk Free Interest Rate(%)	5.32%	5.46%	5.59%	5.71%	5.82%
Expected dividend rate(%)	0.00%	0.00%	0.00%	0.00%	0.00%
Fair Value of the option	347.75	362.77	376.81	389.96	402.27

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44. DISCLOSURE OF INVESTING AND FINANCING TRANSACTIONS THAT DO NOT REQUIRE THE USE OF CASH AND CASH EQUIVALENTS

For the year ended March 31, 2021

Name of instrument	Opening Balance	Converted into equity share capital*	Premium added on issue of ESOP's	Cash Flows	Closing Balance
Equity Share capital**	15,752.95	-	-	-	15,752.95
Total Borrowings	30,252.91	-	-	23,479.75	53,732.66
Total	**46,005.87**	**-**	**-**	**23,479.75**	**69,485.62**

** Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital and premium amount added on issue of ESOP's.

For the year ended March 31, 2020

Name of instrument	Opening Balance	Converted into equity share capital*	Premium added on issue of ESOP's	Cash Flows	Closing Balance
Equity Share capital**	11,808.64	-	18.72	3,925.59	15,752.95
Total Borrowings	29,677.37	-	-	575.54	30,252.91
Total	**41,486.03**	**-**	**18.72**	**4,501.14**	**46,005.86**

** Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital

45. BUSINESS COMBINATIONS

On December 27, 2018, the Group acquired 95.97% of the voting shares (2,837,135 shares) of Criss Financial Holdings Limited, a non-listed NBFC based in India for a purchase consideration of ₹ 375.24 million. Further, the Group has invested ₹ 250.00 million and `500.00 million on December 28, 2018 and March 31 2021 in lieu for fresh issue of 1,890,217 and 2,824,858 equity shares by Criss Financial Holdings Limited. Thereafter, Group holds 98.45% (March 31, 2020: 97.54%) of the voting shares of Criss Financial Holdings Limited. Goodwill has been recorded since the Group considers equity interest in Criss Financial Holdings Limited as long term strategic business with no intention to liquidate in the near future.

Non Controlling Interest has been calculated based on the proportionate share in Fair value of Net Assets acquired.

Goodwill is tested annually on March 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. An impairment loss on goodwill recognized in the statement of profit and loss is not reversed in the subsequent period. Based upon the assessment performed with respect to Parent Company's investment in Subsidiary, no adjustment on account of impairment is required to be effected to the carrying value of goodwill.

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Cost as at beginning of the year	173.74	173.74
Addition relating to acquisition of subsidary	-	-
Cost as at end of the year	**173.74**	**173.74**
Impairment as at beginning of the year	-	-
Charges for the year	-	-
Impairment as at end of the year	-	-
Net carrying value as at beginning of the year	**173.74**	**173.74**
Net carrying value as at end of the year	173.74	173.74

The Group has considered the entire subsidiary as a cash generarating unit for the purpose of testing impairment of goodwill. The recoverable amounts which exceed the carrying value has been determined based on value in use calculations taking into consideration the operating results, business plans and future cashflows of the subsidiary. Based upon the assessment performed with respect to the parent company's investment in subsidiary, no adjustment on account of impairment is required to be made to the carrying value of goodwill.

Goodwill is not deductable for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

46. REVENUE FROM CONTRACTS WITH CUSTOMERS

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Type of services		
Service fees for management of assigned portfolio of loans	0.71	5.12
Commission & other Income	316.63	667.64
Total	**317.34**	**672.76**

Geographical markets

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
India	317.34	672.76
Outside India	-	-
Total	**317.34**	**672.76**

Timing of revenue recognition

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Services transferred at a point in time	317.34	672.76
Services transferred over time	-	-
Total	**317.34**	**672.76**

Receivables

(₹ in million unless otherwise stated)

Particulars	March 31, 2021	March 31, 2020
Commission & other Income	128.23	212.91

Impairment allowance recognized on receivables is Nil (Previous year: Nil)

47. Previous year figures have been regrouped / rearranged wherever necessary to conform with current year's classification

48. CSR EXPENSES

(₹ in Millions)

Particulars	March 31, 2021	March 31, 2020
a) Gross amount required to be spent by the Group for the year	89.82	50.89
b) Amount approved by the Board to be spent for the year	89.82	50.89
c) Amount spent during the year on purposes other than construction/acquisition of any asset	16.34	51.91
d) Details of related party transaction e.g. contribution to a trust/society/Section 8 company controlled by the Company	-	-
Paid	16.34	51.40
Yet to be paid	-	0.51
Total	**16.34**	**51.91**

Details of unspent amount

(₹ in Millions)

Particulars	March 31, 2021
Opening balance	2.31
Amount need to be spent during the year	92.13
Amount deposited in specified fund of schedule VII of the Companies Act, 2013, within 6 months	-
Amount spent during the year	16.34
Closing balance	75.78

* ₹ 58.56 million was deposited in a separate bank account on April 30, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Contd.)

49. The Group has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Group has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability where applicable in the financial statements. Refer note 34(a) for details on tax litigations.

50. The Holding Company is in correspondence with Reserve Bank of India ("RBI") with respect to the pricing of credit guidelines prescribed under paragraph 56 of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 1, 2016, as amended. In respect of the observation made by the RBI in its inspection report for the years ended March 31, 2018 and March 31, 2019, the Holding Company has adequately recognized its impact in these financial statements. Further, as per RBI's directives, the Holding Company has initiated the process to quantify the interest amount in respect of closed loan accounts in order to process the refund and has offered to reduce the interest rate on active loans in respect of which RBI's confirmation is awaited.

51. The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

52. In accordance with the instructions in the RBI circular dated April 7, 2021, all lending institutions shall refund/adjust 'interest on interest' to all borrowers including these who had availed working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the Indian Banks Association (IBA) in consultation with other industry participants/bodies published the methodology for calculation of the amount of such 'interest on interest'. Accordingly, the Group has estimated the said amount and made provision for refund/adjustment to the tune of ₹ 100.85 million in these financial statements.

53. There have been no events after the reporting date that require adjustment / disclosure in these financial statements.

As per our report of even date
For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**
Partner
Membership No.048749

Place: Mumbai
Date: May 22, 2021

For and on behalf of the Board of Directors of
Spandana Sphoorty Financial Limited

Deepak Calian Vaidya
Chairman
DIN: 00337276
Place: Mumbai
Date: May 22, 2021

Padmaja Gangireddy
Managing Director
DIN: 00004842
Place: Hyderabad
Date: May 22, 2021

Satish Kottakota
Chief Financial Officer
Place: Hyderabad
Date: May 22, 2021

Ramesh Periasamy
Company Secretary
Mem. No: A26247
Place: Erode
Date: May 22, 2021

Notes

SPANDANA

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