



Navi Finserv Private Limited

Annual Report

FY 2019-20

Contents

| Document Title | Page Number |
|--|--------------------|
| Corporate Overview | 01 |
| Statutory Reports | |
| Directors Report | 03 |
| Annexure 1 - Extract of Annual Return | 14 |
| Annexure 2 - Particulars of contracts/arrangements with Related Party | 21 |
| Annexure 3 - Statement containing salient features of the financial statement of Subsidiaries | 22 |
| Financial Statement | |
| Independent Auditor's Report | 23 |
| Standalone Financial Statements | 30 |
| Notice of Annual General Meeting | 106 |

Corporate Overview

Board of Directors

Mr. Sachin Bansal
Non Executive Director

Mr. Ankit Agarwal
Non Executive Director

Mr. K S Ravi
Independent Director

Mr. Nandakumar R
Independent Director

Ms. Usha A Narayanan*
Independent Director

Chief Executive Officer

Samit S Shetty**

Company Secretary

Ms. Dimple J Shah

Registered Office Address

No.145, 2nd Floor, NR Square,
1st Main Road, Sirsi Circle,
Chamrajpet, Bangalore - 560018

Depository

National Securities Depository Limited
Trade World, A Wing 4th Floor,
Kamala Mills Compound, Lower
Parel, Mumbai- 400013

Registrar and Share Transfer Agent

Integrated Enterprises (India) Ltd
No. 30, Ramana Residency, 4th Cross
Sampige Road Malleshwaram,
Bangalore – 560003

Statutory Auditor

Walker Chandiook & Co LLP
L-41, Connaught Circus
New Delhi - 110001

Bankers

HDFC Bank Ltd

RBL Bank Ltd

Axis Bank Ltd

ICICI Bank Ltd

IDFC First Bank Ltd

State Bank of India

Indusind Bank Ltd

Kotak Mahindra Bank Ltd

Yes Bank Ltd

*Appointed on July 6th 2020

**Appointed on May 29th 2020

Committees of the Board

Name of the Committee Members of the Category

| Name of Committee | Name of Committee Members | Category |
|--|----------------------------------|-----------------|
| Audit Committee | Mr. K S Ravi | Chairman |
| | Mr. Ankit Agarwal | Member |
| | Mr. Nandakumar R | Member |
| Risk Management Committee | Mr. Nandakumar R | Chairman |
| | Mr. Sachin Bansal | Member |
| | Mr. Ankit Agarwal | Member |
| IT Strategy Committee | Mr. Nandakumar R | Chairman |
| | Mr. Sachin Bansal | Member |
| | Mr. Samit Shankar Shetty | Member |
| Asset Liability Committee | Mr. Ankit Agarwal | Chairman |
| | Mr. K S Ravi | Member |
| | Mr. L N Gurumoorthy | Member |
| | Mr. Abhik Sarkar | Member |
| Finance Committee | Mr. Sachin Bansal | Member |
| | Mr. Ankit Agarwal | Member |
| Nomination & Remuneration Committee | Mr. K S Ravi | Chairman |
| | Mr. Nandakumar R | Member |
| | Mr. Ankit Agarwal | Member |
| Investment Committee | Mr. Sachin Bansal | Chairman |
| | Mr. Ankit Agarwal | Member |
| | Mr. Shobhit Agarwal | Member |

Directors Report

Dear Members,

It is our immense pleasure to present the Eighth Director's Report along with the Audited Financial Statements of your Company for the Financial Year ended March 31, 2020.

1. COMPANY SPECIFIC INFORMATION

1.1. Financial Summary and Highlights

The Financial Statements of the Company for the year ended 31st March 2020 has been prepared in accordance with Ind AS and Schedule III to the Companies Act 2013.

(Amount in INR. Lakh)

| Particulars | FY 19-20 IND AS | FY 18-19 IND AS |
|--|-----------------|-----------------|
| Operating Income | 7,522.11 | 1,604.46 |
| Other Income | 0.63 | 10.00 |
| Total Income | 7,522.74 | 1,614.46 |
| Less Expenditure | | |
| Finance Cost | 982.14 | 534.78 |
| Impairment of Financial Instruments | 767.63 | 22.87 |
| Employee Benefits Expenses | 322.06 | 262.43 |
| Depreciation, Amortisation and Impairment | 24.37 | 24.86 |
| Other Expenses | 3,882.04 | 661.73 |
| Total Expenses | 5,978.24 | 1,506.67 |
| Profit/(Loss) Before Tax | 1,544.50 | 107.79 |
| Current Tax | 1,243.87 | 29.88 |
| Deferred Tax | (671.00) | (1.43) |
| Profit/(Loss) After Tax | 971.63 | 79.34 |
| Other comprehensive income | 3.21 | (0.42) |
| Total comprehensive income for the year | 974.84 | 78.92 |

The Company has adopted the Indian Accounting Standards notified under section 133 of the Companies Act 2013 and prepared the first set of financial statements under Ind AS framework in the current year and hence previous year numbers have been redrawn accordingly.

During the financial year the Company's

- 1) Revenue grew by 369% to INR 7522.11 lakhs (PY 1604.46 lakhs) and the net income grew by 511% to INR 6,539.97 lakhs (PY 1069.68 lakhs).
- 2) The total operating expenses grew by 297% to INR 5978.24 lakhs (PY 1506.67 lakhs)
- 3) Profit before tax grew by 1333% to INR 1544.50 lakhs (PY 107.79 lakhs)
- 4) Profit after tax grew by 1125% to INR 971.63 lakhs (PY 79.34 lakhs)
- 5) Total comprehensive income grew by 1135% to INR 974.84 lakhs (PY 78.92 lakhs).

During the year, the Company has provided an impairment allowance of INR 767.63 lakhs (PY INR 22.87 lakhs) which includes additional provisions of INR 351.18 lakhs on account of pandemic COVID-19.

Key Operational Highlights:

- Two-wheeler Portfolio grew (Y-o-Y) by 50% from INR 38 Crores to INR 57 Crores along with a reduction in the number of CREs and the number of Branches as the strategy to consolidate the Two-wheeler business in focussed branches showed results.
- The portfolio quality of the Two-Wheeler loans was also steady during the course of the year at around 2% and ended the year at 1.8% in Mar-20 well within the planned 2.5% PAR 90 levels.
- The Growth in the Mortgage Lending Business improved to 60% from INR 6.36 Crores to INR 11.88 Crores. These loans were consolidated to 8 branches.
- The Mortgage Loans Portfolio quality however deteriorated marginally as the PAR 90 moved closer to 4%.

- The run-down of the group housing loans originated before 2017 continues. The Collections of the Older Group Housing Loan performed better than planned as the Assets Under Management has reduced from 5.23 crores to an O/S of Crores to 3.96 Crores. The collections on this portfolio continues to be 75% owing to the thrust on legal recovery processes started last year.
- The Largest change in the business is the significant investment portfolio which has substantially enhanced the profitability and the assets of the company.

1.2. Transfer to Reserves

During the year, the Company transferred 20% of its profits for the year amounting to INR 194.67 lakhs to reserves created as per the norms laid down under Section 45-IC of the Reserve Bank of India Act, 1934.

The Company has created Capital Redemption Reserve in accordance with Section 69 of the Companies Act, 2013 and has transferred INR 440.53 Lakhs to Capital Redemption Reserve, being the nominal value of the shares brought back by the Company during the year ended 31 March 2020.

The Company has not transferred any amount to General Reserve for the year under consideration.

1.3. Dividend

The Directors are of the opinion that retaining profits of the year would enhance the growth of the Company, and hence have not recommended any dividend on Equity shares for the year ended March 31, 2020.

1.4. Major Events Occurred During the Year

a) State of the Company's Affairs

- Segment-wise Position of Business and its Operations: The Company is primarily engaged in the business of lending which is considered to be the only reportable business segment as per Ind AS 108, Operating Segments. The Company operates primarily in India and there is no other geographical segment.
- Change in status of the Company: The Company is registered with the Reserve Bank of India as a Non-Banking Financial Institution (Non-Deposit taking). The company was categorised as Systemically Important Non-Deposit taking Non-Banking Financial Company on a consolidated level in 2018. However, the Company has reached an assets size of more than INR 500 Crore during the year and is categorized as a Systemically Important Non-Deposit taking Non-Banking Financial Company on a standalone basis.

The Reserve Bank of India vide its circular no. DNBR (PD)CC.No.097/03.10.001/2018-19 dated 22 February 2019, harmonised different

categories of NBFCs. The Company is categorised as NBFC- Investment and Credit Company (NBFC-ICC).

- Key business developments: The Company took in substantial equity capital and infused substantial capital to its subsidiary creating possibilities to scale its business substantially.
- Change in the financial year: There was no change in the Financial Year of the Company in the entire year under review.
- Capital expenditure programmes: NIL.
- Details and status of acquisition, merger, expansion, modernization and diversification
 - During the year pursuant to Reserve Bank of India (RBI) approval, controlling stake in the company was initially acquired by Mr. Sachin Bansal w.e.f 24th October 2019 and was subsequently transferred to Navi Technologies Private Limited (formerly known as BAC Acquisitions Private Limited) "the Holding Company" with effect from 30th March 2020.
 - The Company has diversified its business by starting its Treasury operations during the year.
- Developments, Acquisition and Assignment of material Intellectual Property Rights: There was no Developments, Acquisition and Assignment of material Intellectual Property Rights during the entire year under review.
- Any other material event having an impact on the affairs of the Company:

The Novel Corona Virus (COVID-19) pandemic (declared as such by the World Health Organisation on 11 March 2020), has impacted global and Indian business in terms of growth and volatility, leading to a significant decline in economic activity. On 24 March 2020, the Government of India announced a nation-wide lockdown till 14 April 2020, which was further extended till 31 May 2020. This has led to a near standstill situation of business other than essential services.

The pandemic induced lockdown has impacted Company's regular operations due to shutting down of our offices across all locations including Head office. While the Business Continuity Plan ("BCP") was effected immediately on announcement of lock down and all employees have worked from home. However, lending and collection activities were suspended during the lock down period. The BCP of the Company

enabled its employees to perform key obligations of the Company such as repayments to lenders, payment of salaries to employees, payment of administrative expenses, etc.

b) Change in the Nature of Business

By the end of financial year, in line with a change in management and a change in strategy the Company shifted its focus from Rural to a more Urban / Semi Urban focus to carry on the business of lending to individuals and entities including micro, small and medium enterprises and other body corporates. A new line of products focussed on lending to the Urban customer base is being rolled out and also due to the large infusion of equity the company has substantial treasury activities.

c) Change in the Name of the Company

Name of the Company was changed from Chaitanya Rural Intermediation Development Services Private Limited to Navi Finserv Private Limited as approved by Central Government with effect from 22nd April 2020.

d) Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Board's report:

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

e) Details of Revision of Financial Statement or the Report

During the year, the Company has not revised its financial statement or the Report in respect of any of the three preceding financial years either voluntarily or pursuant to the order of a judicial authority.

- i. INR 30 Crores to INR 115 Crores in the Extraordinary General Meeting held on 14th June 2019 and
- ii. INR 115 Crores to INR 175 Crores in the Extraordinary General Meeting held on 27th February 2020.

Issued, Subscribed, Paid-up Share Capital

During the financial year under review, the Company has issued, and allotted equity shares as below:

- i. 2,80,41,415 Equity Shares at Face Value of INR 10 at a premium of INR 59.54 each on October 24, 2019 to Mr. Sachin Bansal through Preferential allotment aggregating to a total of INR 195,00,00,000.
- ii. 5,12,668 Equity shares of Face value of INR 10 at a premium of INR 59.54 each on October 31, 2019 to Mr. Sachin Bansal through Preferential allotment aggregating to a total of INR 356,50,933.
- iii. 577,27,194 Equity shares of Face value of INR 10 at a premium of INR 59.54 each on October 31, 2019 to Mr. Sachin Bansal through Preferential allotment aggregating to a total of INR 401,43,49,071 for consideration other than cash, the value of which was determined by a report issued by the Registered Valuer on 25th October 2019.
- iv. 431,41,631 Equity shares of Face value of INR 10 at a premium of INR 59.54 each on 13th March 2020 to Mr. Sachin Bansal through Rights issue aggregating to a total of INR 300,00,69,020 for consideration other than cash, the value of which was determined by a report issued by the Registered Valuer on March 13, 2020.

Buyback of Equity Shares

The Board of Directors of the Company at its meeting held on 21st March 2020 had approved buyback of 44,05,281 equity shares of INR 10 each, at a price of INR 69.54 per equity share payable in cash for an aggregate consideration not exceeding INR 30,63,43,241.

The value of the Buy Back equals 4.53% of the paid-up equity share capital and free reserves and representing 2.82% of the paid-up capital of the Company. The Company has successfully completed the Buyback and 44,05,281 equity shares were extinguished on 31st March 2020.

Issue of Convertible Securities: NIL

2.2. Issue of equity shares with differential rights

The Company has not issued any equity shares with differential rights

2.3. Issue of Sweat Equity Shares

The Company has not issued any Sweat equity shares during the year.

2. CAPITAL AND DEBT STRUCTURE

2.1. Share Capital

Authorised Share Capital

During the year under review, the Authorised Capital of the Company increased from:

2.4. Details of Employee Stock Options

During the year under review, no Options were granted to Eligible Employees under the Chaitanya Employee Stock Option Scheme 2017 ("Scheme"). The Company does not have any scheme to fund its employees to purchase the shares of the Company.

No employee has been issued stock options during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant. The Scheme of the Company is in compliance with the Section 62 of the Companies Act, 2013 (to be read with Rule 12 of the Company's Share Capital and Debenture) Rules, 2014.

| SL No | Particulars | As on March 31, 2020 | |
|-------|--|--------------------------------------|------------------------------|
| a. | Options Granted | | 6,21,000 |
| b. | Options Vested | | 3,56,000 |
| c. | Options Exercised | | NIL |
| d. | The total number of shares arising as a result of exercise of option | | NIL |
| e. | Options lapsed | | 67,000 |
| f. | The exercise price | | INR 38 |
| g. | Variation of terms of options | | NIL |
| h. | Money realized by exercise of options | | NIL |
| i. | Total number of options in force | | 5,54,000 |
| | | Name and Designation | No of Options Granted |
| j. | (i) Details of Options granted to Key Management Personnel | Dimple J Shah (Company Secretary) | 10,000 |
| k. | (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year. | NIL | |
| l. | (iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant; | NIL | |

2.5. Shares held in trust for the benefit of employees where the voting rights are not exercised directly by the Employees

During the financial year under review, there were no instances of non-exercising of voting rights in respect of shares purchased directly by employees under a scheme pursuant to Section 67(3) of the Act read with Rule 16(4) of Companies (Share Capital and Debentures) Rules 2014.

1,000 each aggregating to INR 7,62,56,45,000 for consideration other than cash, the value of which was determined by a report issued by the Registered Valuer on 26th Nov 2019.

2.6. Issue of Debentures, Bonds or any Non-Convertible securities

During the year, the Company has issued and allotted the following Non-Convertible Debentures to Navi Technologies Private Limited:

- 77,25,645 Unlisted, Unrated and Unsecured Fully Redeemable Non-Convertible Debentures of INR 1,000 each were issued on November 22, 2019 and allotted on November 28, 2019 as below:
 - 100,000 Unlisted, Unrated and Unsecured Fully Redeemable Non-Convertible Debentures of INR 1,000 each on aggregating to INR 10,00,00,000 for cash.
 - 76,25,645 Unlisted, Unrated and Unsecured Fully Redeemable Non-Convertible Debentures of INR

- 1,87,61,049 Unlisted, Unrated & Unsecured Fully Redeemable Non-Convertible Debentures at Face value of INR 1000 each were issued and allotted on March 30, 2020.

- 24,00,000 Unlisted, Unrated & Unsecured Fully Redeemable Non-Convertible Debentures at Face value of INR 1000 each on 30th March 2020 aggregating to INR of 240,00,00,000 and
- 16,361,049 Unlisted, Unrated & Unsecured Fully Redeemable Non-Convertible Debentures at Face value of INR 1000 on 30th March 2020 aggregating to a total INR of 1,636,10,49,000 the value of which was determined by a report issued by the Registered Valuer on March 29, 2020.

Redemption of Non-Convertible Debentures (NCDs)

During the year, the Company has partially redeemed its 17,50,000 Non-Convertible Debentures of face value INR 1,000 each, issued on November 28, 2019.

2.7. Issue of warrant

During the year, the Company has not issued any warrants by way of preferential allotment, private placement or public issue.

3. CREDIT RATING OF SECURITIES

During the year, the Company has not obtained any Credit Ratings.

4. CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio as of March 31, 2020 stood at 20.80% of the aggregate risk weighted assets on balance sheet and risk adjusted value of the off-balance sheet items, which is well above the regulatory minimum of 15%. Out of the above, Tier I capital adequacy ratio stood at 20.57% and Tier II capital adequacy ratio stood at 0.23%.

5. CODE OF CONDUCT, TRANSPARENCY & CLIENT PROTECTION

The Company has fully implemented the Reserve Bank of India's Fair Practice Code.

6. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

The Company is not required to transfer any amounts to the Investor Education and Protection Fund.

7. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

The Financial Services Industry, principally the NBFCs have been going through a period of consolidation since Sep 2018 as on-lending from Banks has reduced and access to Capital Markets grown more difficult. The consolidation Process accelerated after economic uncertainty triggered by the Lockdowns initiated in response to the spread of COVID. The NBFC Industry is now clearly consolidating and the players who will continue to thrive will need to be of a size and risk profile in the A Category of NBFCs.

For smaller NBFCs to thrive, they have to build substantial cost advantages over traditional models by digitising their process of sourcing, processing and collections. The disadvantages that smaller NBFCs have in scale needs to be offset by advantages in innovation, sourcing, processing and credit costs.

Opportunities & Threats for the Company

Opportunities

1. Consolidation of the NBFC Space, and restriction in funding access to the middle size NBFCs and the significant disadvantages that traditional NBFCs with a 'field force' approach have during COVID times, provides Navi Finserv with an opportunity to occupy this space.
2. Growth of digital payment apps like Google Pay, PhonePe and acceptability of E-NACH mechanisms and UPI based banking payment apps provide an opportunity to substantially reduce the cost of operations and cost of collections
3. Account Aggregator license being issued and setting up the mechanism of AAs would help newer generation NBFCs to access Customer Data in a cost-efficient way.
4. Digital Adoption and mobile phone penetration across the country is an opportunity for Navi Finserv.
5. Access to Equity and Debt Funding at a scale comparable to the largest NBFCs at a time when access to funds is scarce for all NBFCs in the country is the biggest opportunity that is available for the organisation in the short term.

Threats

1. Deterioration in Economic environment and income generating opportunities can cause stress in the portfolio quality due to the pandemic.
2. Regulatory changes could threaten the seamless digital mechanisms that the organisation is investing in.
3. Negative Reinforcement of poor credit behaviour due to moratoriums has an impact on the long-term credit quality of retail assets.

Product Wise Performance

A) Two-Wheeler Loans

| Two-wheeler Loans | FY 20 | FY 19 | Change |
|-----------------------------|--------|-------|---------|
| No. of Customers | 19708 | 15692 | 25.6% |
| POS (Cr.) | 57.76 | 38.22 | 51.1% |
| Customers/CRE | 197 | 146 | 34.9% |
| Customers/Branch | 221 | 171 | 29.8% |
| PAR 30 Amt (Cr.) | 5.9 | 1.5 | 293.3% |
| PAR 90 Amt (Cr.) | 1.04 | 0.80 | 29.8% |
| PAR 90% | 1.8% | 2.1% | (14.3%) |
| Interest Income & LPF (Cr.) | 15.78 | 11.4 | 38.4% |
| Yield | 32.20% | 32% | |

Two-wheeler Loans benefitted from reducing the number of operating branches and growing customer numbers by 30% per Branch. Increase in loan ticker sizes also contributed to the overall growth of 50% in the Portfolio Outstanding. The business turned viable during the year on a full cost basis generating a positive contribution to the Profits.

B) Individual Mortgage Loans

| Individual Mortgage Loans | FY 20 | FY 19 | Change |
|---------------------------|-------|-------|--------|
| No. of Customers | 908 | 499 | 82.0% |
| POS (Cr.) | 11.88 | 6.85 | 73.4% |
| Customer/Branch | 48 | 18 | 158.6% |
| PAR 30 Amt. (Cr.) | 1.03 | 0.38 | 171.1% |
| PAR 90 Amt. (Cr.) | 0.47 | 0.19 | 147.4% |
| PAR 90 % of POS | 4.0% | 2.8% | 42.6% |
| Interest Income (Cr.) | 3.2 | 1.4 | 128.6% |
| Yield | 21% | 23% | |

This segment was still in the scale up phase with presence in around 18 Branches. The business demonstrated growth rates of 80%, but the overall Cost of operations of the business continue to be higher than suitable for a Mortgage product as the volume growth is much lower than expected. Further the deterioration of the PAR-90 to 4% albeit on a small base are indicators that choice of the target customer and the Product strategy needs to be further refined. Further the low operational efficiencies achieved by the product over a 3-year period meant that the product would be discontinued this year and the focus will be on collections and recovery.

C) Other Products

| Other Products | POS (In Cr.) | | |
|---------------------|--------------|-------|---------|
| | FY 20 | FY 19 | |
| Digital Loan | 6.58 | 4.13 | 59.3% |
| Group Housing Loans | 4.11 | 6.24 | (34.0%) |

Digital Loans are done in partnership with two other NBFCs. Owing to the company investing and building its Digital personal loan product the partnership model is being discontinued.

The Recoveries in Group Housing Loan have been impressive with the product continuing to show collections of 75% in the last financial year. Given the Provision levels made for the group housing loans and the recoveries there should be no further profit impact from asset quality deterioration of the group housing loan product.

Outlook of Business

The lockdowns introduced by pandemic Covid-19, the distancing requirements caused by the spread of infection and growth in the digital architecture of the financial services industry and India stack have created a storm for the traditional feet on street based NBFCs. The value of collection capabilities and face to face customer assessment have been rendered irrelevant as companies discover newer and better methods to achieve the same outcomes remotely and digitally. In this context Navi Finserv has decided to reduce its dependence on the traditional models by completely stopping disbursements in the traditional two-wheeler loans and Mortgage loans. In parallel the company is growing its digital personal

loans and beginning its operations in housing loans with a significant digital interface in the housing loan product.

The stress in other Peer NBFCs and in the fintech lenders has created a situation where the outlook for growth is extremely positive for Navi Finserv despite the shrinkage in overall credit offtake in the target segment. Disruption in jobs and businesses could however disrupt this growth opportunity and turn it into an asset quality crisis and hence the economic situation has to be closely monitored as we progress on capitalising this opportunity.

Risks and Concerns

- Continued moratorium and postponement of repayment burdens of all customers can alter credit discipline and respect of credit obligations of otherwise good quality borrowers and create a tendency amongst paying borrowers to become wilful defaulters.
- Migration of Delinquent borrower from One Lender to Another during Moratorium periods is a significant risk as reporting of delinquency during moratorium period is compromised.
- Substantial Risk to Income and Businesses is linked to the longevity of the impact of the Corona Virus on the country's economy

- d. Increased Leverage in the customer base as income's stagnate is a concern
- e. Repayment rates of 75% in Two-wheeler loans as on July and around 20% of the customer base opting for moratorium is a major concern area.

Internal Control and their Adequacies

- a) The Financial Controls and risk control metrics for the company is commensurate to the size and scope of the operations.
- b) In existing businesses as the company de-couples from the branch and operating infrastructure of its Wholly owned Subsidiary i.e Chaitanya India Fin Credit Private Limited, there is a need to build operations audit capabilities to ensure that the transaction and documentation fidelity is maintained
- c) In digital personal loans controls on ensuring validity of customer addresses, customer KYC and Banks accounts are mostly automated or in the process of being automated.
- d) In the financial year 2020-21, a number of digital fraud detection mechanism using AI algorithms will be put in place to enhance Internal Controls.
- e) A high-quality Information Systems Audit checking the quality of data stored is proposed to be done periodically.

Discussion on Financial Performance with respect to Operational Performance

The Outsized Equity and Asset Base of the company has contributed to a significant growth in profitability of the company. The contribution of the core businesses and its impact on the Profitability is much smaller. However, the overall Contribution of the Two-Wheeler Loans, Mortgage Loans and the Digital Loans in the year to the Profit Before Tax was above 2 crores.

Material Development in HR

The Company strongly emphasises the values of the Company, which are discipline, meritocracy, respect, fairness, transparency and Learning, with each and every employee. The Company also conducted several soft skills and behavioural training for its employees during last year.

Till the year 2019-20, the Senior management of the company and the executive directors of Chaitanya India Fin Credit (Wholly-owned subsidiary company) assisted the Company in discharging this role at Navi. A significant transition had occurred in the Company's management post acquisition:

- a. Chief Executive officer (CEO) has been appointed in FY 20-21.
- b. A separation of operation structure with its subsidiary and Outsourcing of Operational activities like sourcing and collections has been discontinued.

- c. A senior resource has been appointed to manage the treasury and investment activities of the Company.

The Company is ensuring to provide a work environment to all the employees considering the current pandemic COVID-19 situation which is not only safe and harmonious but also enables employees to in still a sense of positivity and also creating an awareness amongst employees to strictly follow the "Social Distancing."

8. MANAGEMENT

8.1. Directors and Key Managerial Personnel

i). Appointment of Mr. Ravi K S & Mr. Nandakumar R as an Independent Director

Pursuant to the recommendation of the Nomination and Remuneration Committee and on the proposal of the Board of Directors, Mr. Ravi K S & Mr. Nandakumar R were appointed as Independent Directors of the Company for a term of five consecutive years commencing from June 14, 2019 vide an Ordinary Resolution passed by members of the Company at the Extra Ordinary General Meeting on June 14, 2019.

Mr. Ravi is a Fellow Chartered Accountant and is Senior Partner of Ravi & Shrihari, Chartered Accountants and has over 2 decades of experience in Accountancy, Audit, Taxation (Direct and Indirect), Costing, Corporate Law Matters, International Taxation and Business Consultancy.

Mr. Nandakumar is Group CEO of Emvee Group and a Banker by profession with 38 years of unstinted and unblemished banking experience having worked in ING Vysya Bank Ltd in different capacities like Branch Head, Regional Head, Zonal Head, Assistant General Manager, Senior Assistant General Manager, Vice President in different areas of operation and in different locations.

ii). Resignation of Mr. Anand Rao, Mr. Samit S Shetty, Mr. Ramesh Sundaresan and Ms. Lisa G Thomas as Directors

During the year, Mr. Anand Rao, Mr. Samit S Shetty, Mr. Ramesh Sundaresan, Ms. Lisa G Thomas ceased to be the Directors with effect from October 21st, 2019.

iii). Appointment of Mr. Sachin Bansal & Mr. Ankit Agarwal as Directors

Pursuant to the approval received from Reserve Bank of India on 19th September 2019 for Change in Control and Management of the Company, Mr. Sachin Bansal & Mr. Ankit Agarwal were appointed as Non-Executive Directors vide an Ordinary Resolution passed by Members of the Company at the Extra Ordinary General Meeting on 23rd October 2019.

Further Ms. Usha Narayanan is appointed on the Board as Independent Director of the Company for a term of five consecutive years commencing from July 6th, 2020 vide an Ordinary Resolution passed by Members of the Company at the Extra Ordinary General Meeting on July 6th, 2020

8.2. Key Managerial Personnel

Mr. Samit S Shetty was appointed as Chief Executive Officer of the Company by the Board of Directors in their meeting held on 29th May 2020 and Ms. Dimple J Shah, Company Secretary of the Company are designated as the Key Managerial Personnel of the Company (KMP) pursuant to the provisions of Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

8.3. Declaration by Directors

All the Directors of the Company have confirmed that they satisfy the "fit and proper" criteria as prescribed under Chapter XI of RBI Master Direction No. DNBR. PD. 008/03.10.119/2016-17 dated 1st September 2016 and that they are not disqualified from being appointed/ continuing as Directors in terms of section 164(2) of the Companies Act, 2013.

8.4. Declaration by Independent Directors and Statement on Compliance of Code of Conduct

All Independent Directors have submitted the declaration of independence, pursuant to the provisions of Section 149(7) of the Companies Act 2013 stating that they meet the criteria of independence as provided in Section 149(6) of the Act and they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his/her ability to discharge his/her duties with an objective independent judgment and without any external influence.

8.5. Board Meetings

The Board of Directors met 24 (Twenty-Four) times and the requisite quorum was present for all the Meetings. The maximum time gap between any two Meetings was not more than one hundred and twenty days.

| SL No | Date of Board Meeting | No. of Directors Present |
|-------|-----------------------|--------------------------|
| 1. | 26-April-2019 | 3 |
| 2. | 17-May-2019 | 4 |
| 3. | 23-May-2019 | 4 |
| 4. | 1-Jun-2019 | 3 |
| 5. | 24-Jun-2019 | 4 |
| 6. | 29-Jun-2019 | 5 |
| 7. | 7-Sep-2019 | 5 |
| 8. | 20-Sep-2019 | 6 |
| 9. | 14-Oct-2019 | 4 |
| 10. | 17-Oct-2019 | 4 |

| SL No | Date of Board Meeting | No. of Directors Present |
|-------|-----------------------|--------------------------|
| 11. | 21-Oct-2019 | 4 |
| 12. | 24-Oct-2019 | 4 |
| 13. | 31-Oct-2019 | 4 |
| 14. | 5-Nov-2019 | 4 |
| 15. | 22-Nov-2019 | 4 |
| 16. | 28-Nov-2019 | 4 |
| 17. | 2-Dec-2019 | 4 |
| 18. | 7-Feb-2020 | 4 |
| 19. | 25-Feb-2020 | 4 |
| 20. | 2-Mar-2020 | 3 |
| 21. | 13-Mar-2020 | 3 |
| 22. | 21-Mar-2020 | 4 |
| 23. | 30-Mar-2020 | 4 |
| 24. | 30-Mar-2020 | 4 |

8.6. Board Committees

The Company has various Committees which have been constituted in compliance with the requirements of the relevant provisions of applicable laws and statutes.

Audit Committee

The Audit Committee of Company was reconstituted on 24th June 2019 and 5th November 2019 during the year.

During the year under review, five (5) meetings of the Audit Committee were held on 29th June 2019, 14th September 2019, 20th November 2019, 2nd December 2019 and 14th February 2020.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of your Company was reconstituted on 5th November 2019 with Mr. K S Ravi, Mr. Nandakumar and Mr. Ankit Agarwal as its Members.

During the year under review, one (1) meetings of the Nomination and Remuneration Committee were held on 16th May 2019.

Risk Management Committee

The Company has in place the Risk Management Committee in accordance with RBI guidelines on Corporate Governance. The Committee was reconstituted on 5th November 2019 with Mr. Sachin Bansal, Mr. Nandakumar and Mr. Ankit Agarwal as its Members.

During the financial year under review, three (3) meetings of the Risk Management Committee were held on 7th September 2019, 2nd December 2019 and 7th February 2020.

Information Technology Strategy Committee

The IT Strategy Committee of your company was reconstituted on 24th June 2019 and 5th November 2019.

The Committee met 2(Two) times on 14th September 2019 and 14th February 2020 to deliberate upon various matters.

Asset and Liability Committee

The Company has in place the Asset and Liability Committee in accordance with RBI guidelines on Corporate Governance. The Asset and Liability Committee of your Company was reconstituted on 5th November 2019 and 7th February 2020

During the year under review, two (2) meetings of the Asset and Liability Committee were held on September 07, 2019 & February 07, 2020.

Finance Committee

The Finance Committee of your Company was reconstituted on 5th November 2019 with Mr. Sachin Bansal and Mr. Ankit Agarwal as its Members.

During the financial year under review, eight (8) meetings of the Finance Committee were held on 25th April 2019, 08th May 2019, 25th June 2019, 8th August 2019, 24th September 2019, 30th September 2019, 6th November 2019 and 12th December 2019.

8.7. Recommendations of Audit Committee:

There were no instances where the Board of Directors of the Company did not accept the recommendations of the Audit Committee.

8.8. Directors Responsibility Statement

Pursuant to the provisions of Section 134(5) of the Companies Act, 2013, ("the Act") your Directors, based on the representations received from the Operating Management and after due enquiry, confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates 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, 2020 and of the profit of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the Directors had prepared the annual accounts on a going concern basis.
- e) the Directors have laid down internal financial controls to be followed by the Company and that such

internal financial controls are adequate and operating effectively; and

- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws including applicable secretarial standards and that such systems were adequate and operating effectively.

8.9. Particulars of Employees and Related Information

Information required to be furnished of Section 197(12) of the Companies Act, 2013, read with Rule 5(1) and Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not applicable as there are no employees drawing remuneration beyond the amounts prescribed under this section.

8.10. Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company has in place adequate Internal Financial Controls with reference to financial statements. During the year under review, such controls were tested and no reportable material weakness in the design or operation were observed.

8.11. Reporting of Frauds by Auditors

During the period under review, the Statutory Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under Section 143(12) of the Act and therefore, no detail is required to be disclosed under Section 134(3) (ca) of the Act.

9. DISCLOSURES RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As on 31st March 2020, Chaitanya India Fin Credit Private Limited is the Wholly Owned Subsidiary of the Company. A statement containing the salient features of the financial statement of the Wholly Owned Subsidiary Company is provided as Annexure III. The Company does not have any Joint Venture or Associate Companies as on March 31, 2020.

10. CONSOLIDATED FINANCIAL STATEMENTS

The Company being a subsidiary of Navi Technologies Private Limited (Holding Company) is availing the exemption provided under Section 129(3) of Companies Act 2013 read with Rule 6 Companies (Accounts) Rules 2014, wherein the Company is not consolidating its financial statements with its Wholly Owned Subsidiary (i.e. Chaitanya India Fin Credit Private Limited) as the Ultimate Holding Company "Navi Technologies Private Limited" will be presenting Consolidated Financial Statements as required under Companies Act 2013.

11. DETAILS OF DEPOSITS

The Company is a Non-deposit taking Non-Banking Financial Company (NBFC) and has neither accepted nor renewed any deposits deposit as defined by the Companies Act, 2013.

12. PARTICULARS OF LOANS, GUARANTEE OR INVESTMENT

The Company has duly complied with the provisions of Section 186 of the Companies Act, 2013 and rules made thereunder. Details on loans, guarantee or investments made during the financial year are mentioned in the notes to the financial statements.

13. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTY TRANSACTION AS PER SEC 188(1).

During the financial year 2019-20, there is no material significant related party transaction with the Company's Promoters, Directors, Key Managerial Personnel or other designated person which may have potential conflict with the interest of the Company at large.

All the Related Party Transactions are entered on arm's length basis and are in compliance with the applicable provisions of the Act.

In compliance with section 188(1) of the Companies Act, 2013, AOC-2 enclosed as Annexure- II. Further, details of Related Party Transactions as required to be disclosed as per Indian Accounting Standard 24 "Related Party Disclosures" specified under section 133 of the Companies Act, 2013 are given in the Notes to the Financial Statements.

14. CORPORATE SOCIAL RESPONSIBILITY

Pursuant to the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Corporate Social Responsibility (CSR) is not applicable for FY 2019-20.

However, the Company has made net profit of INR 9.72 Crores for the FY 2019-20 and the net worth of the Company is INR 952 Crores in the FY 2019-20 and CSR provisions are applicable from Financial year 2020-21. Accordingly, the Company has constituted CSR Committee and adopted a CSR Policy in the Board meeting held on 30th June 2020.

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

a) Since the Company does not own any manufacturing facility, the particulars relating to conservation of Energy and technology absorption in the above rules are not applicable.

b) Foreign Exchange Earnings and Outgo

| Particulars | (In INR Lakhs) | |
|-----------------------------|---------------------|---------------------|
| | As on 31.03.2020 | As on 31.03.2019 |
| Foreign Exchange inflow | Nil | Nil |
| Foreign Exchange Outflow | 5.01 | 18.42 |

16. RISK MANAGEMENT

The Company has in place a Risk Management Policy which provides for a robust risk management framework to identify and assess risks such as credit risk, market risk, operational risk, liquidity risk, financial risk, regulatory and other risks. There is an adequate risk management infrastructure in place capable of addressing these risks.

17. MATERIAL ORDERS OF JUDICIAL BODIES/ REGULATORS

During the Financial Year 2019-20, there were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company's operations in future. Further, no penalties have been levied by the RBI or any other regulator during the year under review.

18. STATUTORY AUDITORS:

The Company has appointed Walker Chandio & Co LLP, Chartered Accountants (ICAI FRN001076N /N500013), Bangalore as Statutory Auditors of the Company for period of five years from the conclusion of Seventh Annual General Meeting held on September 30, 2019 till conclusion of twelfth Annual General Meeting.

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

Further, the Auditors' Report "with an unmodified opinion", given by the Statutory Auditors on the Financial Statements of the Company for FY 2019-20, is disclosed in the Financial Statements forming part of this Annual Report.

There has been no qualification, reservation, adverse remarks or disclaimer given by the Statutory Auditor in their Report for the year under review.

19. COMPLIANCE WITH SECRETARIAL STANDARDS

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

20. CORPORATE INSOLVENCY RESOLUTION PROCESS INITIATED UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 (IBC)

No application has been filed by the Company for Corporate Insolvency resolution under the IBC before the NCLT.

21. FAILURE TO IMPLEMENT ANY CORPORATE ACTION

The Company has not failed to complete or implement any Corporate Action within the specified time limit for issue of securities.

22. EXTRACT OF ANNUAL RETURN

In Pursuant to Section 134 (3) (a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Report is given in "Annexure I".

A copy of the annual return will be displayed on the website of the Company.

23. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has adopted a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at the 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. The Policy aims to promote a healthy work environment and to provide protection to employees at the

workplace and redress complaints of sexual harassment and related matters thereto. The Company has also constituted an Internal Complaints Committee to enquire into complaints of sexual harassment and recommend appropriate action.

The company has not received any complaint during the year 2019-20.

24. ACKNOWLEDGEMENTS

Your Directors acknowledge the support extended by Reserve Bank of India, Ministry of Corporate Affairs, Registrar of Companies and all other governmental and regulatory authorities for the guidance and support received from them including officials there at from time to time.

Your Directors also place on record their sincere appreciation for the continued support extended by the Company's stakeholders in large including investors, customers, banks, financial institutions, rating agencies, debenture holders, debenture trustees and well-wishers for their continued support during the year. Your Directors place on record their appreciation of the contribution made by the employees of your Company and its subsidiaries at all levels. Your Company's consistent growth was made possible by their hard work, solidarity, cooperation and support

By Order of the Board of Directors

Sd/-

Sd/-

Ankit Agarwal

Sachin Bansal

Director

Director

Place: Bangalore

Date: August 24, 2020

DIN: 08299808

DIN: 02356346

ANNEXURE I

FORM NO. MGT 9

Extract of Annual Return in Form MGT-9

as on the Financial year ended on March 31, 2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

| | | |
|---|--|---|
| 1 | CIN | U65923KA2012PTC062537 |
| 2 | Registration Date | 14.02.2012 |
| 3 | Name of the Company | Navi Finserv Private Limited (Formerly known as Chaitanya Rural Intermediation Development Services Private Limited) |
| 4 | Category/Sub-category of the Company | Company limited by Shares & Non-govt company NBFC Systematically Important Non Deposit Taking |
| 5 | Address of the Registered office & contact details | No - 145, 2 nd Floor NR Square 1 st Main Road Sirsi Circle, Chamrajpet, Bangalore- 560018,Karnataka. TEL: 080-26750016 |
| 6 | Whether listed company | No |
| 7 | Name, Address & contact details of the Registrar & Transfer Agent, if any. | INTEGRATED ENTERPRISES (INDIA) LIMITED # 30,Ramana Residency, 4 th Cross,Sampige Road,Malleswaram,Bangalore-560003 Contact:08023460815 |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

| S. No. | Name and Description of main products / services | NIC Code of the Product/service | % to total turnover of the company |
|--------|--|---------------------------------|------------------------------------|
| 1 | Two Wheeler Loans | K64199 | 19.61% |
| 2 | Treasury Operations | K64199 | 69.18% |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S. No. | Name and address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|--------|---|-----------------------|--------------------------------|------------------|--------------------|
| 1 | Chaitanya India Fin Credit Private Limited Registered office: No - 145, 2 nd Floor NR Square 1 st Main Road Sirsi Circle, Chamrajpet, Bangalore- 560018,Karnataka. | U67190KA2009PTC049494 | Subsidiary | 100% | 2(87)(ii) |
| 2 | Navi Technologies Private Limited Salarpuria Business Centre 5 th Block, Koramangala, Bengaluru, Karnataka 560034 | U72900KA2018PTC119297 | Holding | 99.62% | 2(46) |

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year [As on 31-March-2019] | | | | No. of Shares held at the end of the year [As on 31-March-2020] | | | | % Change during the year |
|---|--|-----------|------------------|-------------------|--|-----------------|---------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/ HUF | 49,25,027 | - | 49,25,027 | 18.32% | - | - | - | 0.00% | 100.00% |
| b) Central Govt | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| c) State Govt(s) | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| d) Bodies Corp. | - | - | - | 0.00% | 15,08,17,871 | 5,11,149 | 15,13,29,020 | 99.62% | 99.62% |
| e) Banks / FI | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| f) Any other | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| Sub Total (A) (1) | 49,25,027 | - | 49,25,027 | 18.32% | 15,08,17,871 | 5,11,149 | 15,13,29,020 | 99.62% | 81.30% |
| (2) Foreign | | | | | | | | | |
| a) NRI Individuals | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| b) Other Individuals | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| c) Bodies Corp. | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| d) Any other | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| Sub Total (A) (2) | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| TOTAL (A) | 49,25,027 | - | 49,25,027 | 18.32% | 15,08,17,871 | 5,11,149 | 15,13,29,020 | 99.62% | 81.30% |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| b) Banks / FI | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| c) Central Govt | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| d) State Govt(s) | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| e) Venture Capital Funds | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| f) Insurance Companies | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| g) FIs | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| h) Foreign Venture Capital Funds | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| i) Others (specify) PE Fund | 89,81,779 | - | 89,81,779 | 33.40% | - | - | - | 0.00% | 100.00% |
| Sub-total (B) (1):- | 89,81,779 | - | 89,81,779 | 33.40% | - | - | - | 0.00% | 100.00% |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | - | - | - | - | - | - | - | - | - |
| i) Indian | - | 48,000 | 48,000 | 0.18% | - | - | - | 0.00% | 100.00% |
| ii) Overseas | - | - | - | 0.00% | - | - | - | 0.00% | 0.00% |
| b) Individuals | - | - | - | - | - | - | - | - | - |
| i) Individual shareholders holding nominal share capital upto ₹ 1 lakh | 19,300 | 10,360 | 29,660 | 0.11% | - | - | - | 0.00% | 100.00% |
| ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | 48,55,259 | 74,71,668 | 1,23,26,927 | 45.84% | - | - | - | 0.00% | 100.00% |
| c) Other (Chaitanya Employee Welfare Trust) | 5,78,000 | - | 5,78,000 | 2.15% | 5,78,000 | - | 5,78,000 | 0.38% | 0.00% |

| Category of Shareholders | No. of Shares held at the beginning of the year [As on 31-March-2019] | | | | No. of Shares held at the end of the year [As on 31-March-2020] | | | | % Change during the year |
|--|--|------------------|--------------------|-------------------|--|-----------------|---------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| Non Resident Indians | | | - | 0.00% | | | - | 0.00% | 0.00% |
| Overseas Corporate Bodies | | | - | 0.00% | | | - | 0.00% | 0.00% |
| Foreign Nationals | | | - | 0.00% | | | - | 0.00% | 0.00% |
| Clearing Members | | | - | 0.00% | | | - | 0.00% | 0.00% |
| Trusts | | | - | 0.00% | | | - | 0.00% | 0.00% |
| Foreign Bodies - D R | | | - | 0.00% | | | - | 0.00% | 0.00% |
| Sub-total (B) (2):- | 54,52,559 | 75,30,028 | 1,29,82,587 | 48.28% | 5,78,000 | - | 5,78,000 | 0.38% | 47.90% |
| Total Public (B) | 1,44,34,338 | 75,30,028 | 2,19,64,366 | 81.68% | 5,78,000 | - | 5,78,000 | 0.38% | 81.30% |
| C. Shares held by Custodian for GDRs & ADRs | | | - | 0.00% | | | - | 0.00% | 0.00% |
| Grand Total (A+B+C) | 1,93,59,365 | 75,30,028 | 2,68,89,393 | 100.00% | 15,13,95,871 | 5,11,149 | 15,19,07,020 | 100.00% | 0.00% |

(ii) Shareholding of Promoter

| SN | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in shareholding during the year |
|----|-----------------------------------|---|----------------------------------|---|-------------------------------------|----------------------------------|--|--|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged/ encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1 | Samit Shankar Shetty | 44,57,714 | 16.58% | | - | 0.00% | | 100.00% |
| 2 | Anand Rao | 4,67,313 | 1.74% | | - | 0.00% | | 100.00% |
| 3 | Navi Technologies Private Limited | - | 0.00% | | 15,13,29,020 | 99.62% | | 99.62% |
| | TOTAL | 49,25,027 | 18.32% | | 15,13,29,020 | 99.62% | | 81.30% |

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

| SN | Particulars | Date | Reason | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----|------------------------------|------------|----------|---|-------------------|---|-------------------|
| | | | | No. of shares | % of total shares | No. of shares | % of total shares |
| 1 | Samit Shankar Shetty | | | | | | |
| | At the beginning of the year | | | 44,57,714 | 16.58% | | |
| | | 17-10-2019 | Sale | (11,14,428) | 4.14% | 33,43,286 | 12.44% |
| | | 26-03-2020 | Buyback | (33,43,286) | 2.14% | - | |
| | At the end of the year | | | - | | | |
| 2 | Anand Rao | | | | | | |
| | At the beginning of the year | | | 4,67,313 | 1.74% | | |
| | Changes during the year | 14-10-2019 | Purchase | 73,604 | 0.27% | 5,40,917 | 2.01% |
| | | 02-03-2020 | Purchase | 24,877 | 0.02% | 5,65,794 | 0.50% |
| | | 26-03-2020 | Buyback | (5,65,794) | 0.36% | - | |
| | At the end of the year | | | - | | | |

| SN | Particulars | Date | Reason | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----|-----------------------------------|------------|----------|---|-------------------|---|-------------------|
| | | | | No. of shares | % of total shares | No. of shares | % of total shares |
| 3 | Navi Technologies Private Limited | | | | | | |
| | At the beginning of the year | | | | | | |
| | Changes during the year | 25-02-2020 | Purchase | 16,84,330 | 1.49% | 16,84,330 | 1.49% |
| | | 02-03-2020 | Purchase | 2,36,466 | 0.21% | 19,20,796 | 1.70% |
| | | 30-03-2020 | Purchase | 14,94,08,224 | 95.58% | 15,13,29,020 | 99.62% |
| | At the end of the year | | | 15,13,29,020 | | | |

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

| SN | For each of the Top 10 shareholders | Date | Reason | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----|---|------|--------|---|-------------------|---|-------------------|
| | | | | No. of shares | % of total shares | No. of shares | % of total shares |
| 1 | Chaitanya Employee Welfare Trust | | | | | | |
| | At the beginning of the year | | | 5,78,000 | 2.15% | - | 0.00% |
| | Changes during the year | | | | 0.00% | | 0.00% |
| | At the end of the year | | | 5,78,000 | 0.38% | | |

(v) Shareholding of Directors and Key Managerial Personnel:

| SN | Shareholding of each Directors and each Key Managerial Personnel | Date | Reason | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----|--|------------|-----------|---|-------------------|---|-------------------|
| | | | | No. of shares | % of total shares | No. of shares | % of total shares |
| 1 | Sachin Bansal | | | | | | |
| | At the beginning of the year | | | | 0.00% | | 0.00% |
| | | 17-10-2019 | Purchase | 1,06,03,537 | 39.43% | 1,06,03,537 | 39.43% |
| | | 21-10-2019 | Purchase | 89,81,779 | 33.40% | 1,95,85,316 | 72.83% |
| | | 24-10-2019 | Allotment | 2,80,41,415 | 51.05% | 4,76,26,731 | 86.70% |
| | Changes during the year | 31-10-2019 | Purchase | 4,00,000 | 0.73% | 4,80,26,731 | 87.43% |
| | | 31-10-2019 | Allotment | 5,82,39,862 | 51.46% | 10,62,66,593 | 93.90% |
| | | 13-03-2020 | Allotment | 4,31,41,631 | 27.60% | 14,94,08,224 | 95.58% |
| | | 30-03-2020 | Sale | 14,94,08,224 | 98.36% | - | 0.00% |
| | At the end of the year | | | - | | - | 0.00% |
| 2 | Ankit Agarwal | | | | | | |
| | At the beginning of the year | | | - | 0.00% | - | 0.00% |
| | Changes during the year | | | - | 0.00% | - | 0.00% |
| | At the end of the year | | | - | 0.00% | - | 0.00% |

V. INDEBTEDNESS

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

(Amt. in Lacs)

| Particulars | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|--|--------------------|----------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 2,999.63 | 991.43 | | 3,991.05 |
| ii) Interest due but not paid | | | | - |
| iii) Interest accrued but not due | 14.89 | 12.74 | | 27.63 |
| Total (i+ii+iii) | 3,014.51 | 1,004.17 | - | 4,018.68 |
| Change in Indebtedness during the financial year | | | | |
| * Addition | 26,900.48 | 2,64,868.00 | | 2,91,768.48 |
| * Reduction | (5,892.71) | (17,500.00) | | (23,392.71) |
| Net Change | 21,007.78 | 2,47,368.00 | - | 2,68,375.78 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 23,722.71 | 2,48,359.43 | | 2,72,082.14 |
| ii) Interest due but not paid | | | | - |
| iii) Interest accrued but not due | 298.53 | 12.74 | | 311.27 |
| Total (i+ii+iii) | 24,021.24 | 2,48,372.17 | - | 2,72,393.41 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

| SN | Particulars of Remuneration | Name of MD/WTD/ Manager | Total Amount |
|----|---|-------------------------|--------------|
| | Name | | (₹/Lac) |
| | Designation | | |
| 1 | Gross salary | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | | - |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | | - |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | | - |
| 2 | Stock Option | | - |
| 3 | Sweat Equity | | - |
| 4 | Commission | | - |
| | - as % of profit | | - |
| | - others, specify | | - |
| 5 | Others, please specify | | - |
| | Total (A) | - | - |
| | Ceiling as per the Act | | - |

B. Remuneration to other Directors

| SN | Particulars of Remuneration | Name of Directors | | Total Amount (INR) |
|----|--|-------------------|--------------|-----------------------|
| | | Ravi K S | Nandakumar R | |
| 1 | Independent Directors | | | |
| | Fee for attending board committee meetings | 5.05 | 5.05 | 10.10 |
| | Commission | | | - |
| | Others, please specify | | | - |
| | Total (1) | 5.05 | 5.05 | - |
| 2 | Other Non-Executive Directors | | | - |
| | Fee for attending board committee meetings | | | - |
| | Commission | | | - |
| | Others, please specify | | | - |
| | Total (2) | - | - | - |
| | Total (B)=(1+2) | 5.05 | 5.05 | - |
| | Total Managerial Remuneration | | | 10.10 |
| | Overall Ceiling as per the Act | | | |

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

| SN | Particulars of Remuneration | Name of KMP other than MD/Manager/WTD | Total Amount (₹/Lac) |
|----|---|---------------------------------------|-------------------------|
| | | Dimple J Shah CS | |
| 1 | Gross salary | - | - |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | - | - |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | - | - |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | - | - |
| 2 | Stock Option | - | - |
| 3 | Sweat Equity | - | - |
| 4 | Commission | - | - |
| | - as % of profit | - | - |
| | - others, specify | - | - |
| 5 | Others, please specify | - | - |
| | Total | - | - |

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|------------------------------|------------------------------------|
| A. COMPANY | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| B. DIRECTORS | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**By Order of the Board of Directors
For and on behalf of Navi Finserv Private Limited**

Sd/-

Ankit Agarwal
Director
DIN: 08299808

Sd/-

Sachin Bansal
Director
DIN: 02356346

Place: Bangalore
Date: August 24, 2020

ANNEXURE II

AOC-2

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

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

1. Details of Contracts or Arrangement or Transaction not at Arm's Length Basis:

There were no contracts / arrangements entered into by the company with the related parties referred to in section (1) of Section 188 of the Companies Act, 2013 which were not at arm's length basis during the year ended 31st March, 2020.

2. Details of Contracts or Arrangement or Transaction at Arm's Length Basis:

| | |
|--|---|
| Name of the related party and nature of relationship | Chaitanya India Fin Credit Private Limited |
| Nature of contracts/ arrangements/ Transactions | Origination & Service Fee Agreement |
| Duration of the contracts/ arrangements/ Transactions | 1 Year |
| Salient terms of the contracts/ arrangements/ Transactions including the value, if any | Processing fee on loan Disbursal amount at 2% and Service fees at 10% on Average outstanding portfolio of Two-wheeler products. |
| | b. Processing fee on loan Disbursal amount at 1% and Service fees at 4% on Average outstanding portfolio of Housing loans products. |
| | c. Processing fee on loan Disbursal amount at 1% and Service fees of 8.5% on Average outstanding portfolio of Small Business loans products |
| | d. Processing fee on loan Disbursal amount at 1% and Service fees at 8% on Average outstanding portfolio of 8% on Educational Loan or any other loan products |
| Date of approval by the Board/ committee, if any | May 23, 2019 |
| Amount paid as advance, if any | NA |

For and on behalf of Navi Finserv Private Limited

(Formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

Sd/-

Ankit Agarwal

Director

DIN: 08299808

Sd/-

Sachin Bansal

Director

DIN: 02356346

Place: Bangalore

Date: August 24, 2020

ANNEXURE III

STATEMENT PURSUANT TO SEC 129 (3) OF COMPANIES ACT 2013, RELATING TO SUBSIDIARY COMPANY

As on Financial Year ended on 31.03.2020

Name of Subsidiary Company: CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

Date of becoming Subsidiary Company: 12.11.2014

| | (INR in Lakhs) |
|--|----------------|
| Reporting period for the subsidiary concerned, if different from the holding company's reporting period | No |
| Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries. | NA |
| Share capital | 7,500 |
| Reserves & surplus | 24,189.74 |
| Total assets | 91,440.22 |
| Total Liabilities | 59,750.48 |
| Investments | 4,912.82 |
| Turnover | 17,538.02 |
| Profit before taxation | 713.33 |
| Provision for taxation | 206.48 |
| Profit after taxation | 506.85 |
| Proposed Dividend | 0 |
| % of shareholding | 100% |

Notes:

- Names of subsidiaries which are yet to commence operations: None
- Names of subsidiaries which have been liquidated or sold during the year: None

For and on behalf of Navi Finserv Private Limited
(Formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

Place: Bangalore
Date: August 24, 2020

Sd/-

Ankit Agarwal
Director
DIN: 08299808

Sd/-

Sachin Bansal
Director
DIN: 02356346

Independent Auditor's Report

To the Members of Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited) ('the Company'), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing 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 Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

4. We draw attention to Note 3 of the accompanying financial statements, which describes the uncertainty relating to the effects of Covid-19 pandemic on the Company's operations and the impact on the impairment provision recognized towards the loan assets and unquoted investments outstanding as at 31 March 2020. Our opinion is not modified in respect of this matter.

Information other than the Financial Statements and Auditor's Report thereon

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's Report ('Other information') but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.
6. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
7. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
8. When we read the Other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

9. The accompanying financial statements have been approved by the Company's Board of Directors. 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 financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true

and fair view and are free from material misstatement, whether due to fraud or error.

10. In preparing the 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.
11. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
14. 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.
 15. 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.

Other Matter

16. The comparative financial information for the year ended 31 March 2019 and the transition date opening balance sheet as at 1 April 2018 prepared in accordance with Ind AS included in these financial statements, are based on the previously issued statutory financial statements for the year ended 31 March 2019 and 31 March 2018 respectively prepared in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) which were audited by the predecessor auditor whose reports dated 24 May 2018 and 29 June 2019 respectively expressed unmodified opinion on those financial statements for the year ended 31 March 2018 and 31 March 2019, and have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

17. Based on our audit, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to the Company since the Company is not a public company as defined under section 2(71) of the Act. Accordingly, reporting under section 197(16) is not applicable.

18. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
19. Further to our comments in Annexure II, as required by section 143(3) of the Act, based on our audit, 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 purpose of our audit of the accompanying financial statements;
 - 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 financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid financial statements comply with Ind AS specified under section 133 of the Act;
 - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;
 - f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 30 June 2020 as per Annexure II expressed an unmodified opinion; and
 - g) 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, as detailed in note 44 to the financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2020;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2020;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020; and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner

Place: Mumbai
Date: 30 June 2020

Membership No.: 105117
UDIN: 20105117AAAADA8249

Annexure I to the Independent Auditor's Report of even date to the members of Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited), on the financial statements for the year ended 31 March 2020

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.
- (ii) The Company is a Non-Banking Financial Company (NBFC), primarily engaged in the business of investing and lending and does not hold any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) The Company has granted one interest free unsecured loan and another interest-bearing unsecured loan to companies covered in the register maintained under Section 189 of the Act; and with respect to the same:
- (a) in our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the Company's interest;
- (b) the schedule of repayment of principal and payment of interest has been stipulated and the repayment/ receipts of the principal amount and the interest where applicable, are regular; and
- (c) there is no overdue amount in respect of loans granted to such companies
- (iv) In our opinion, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans and investments. Further, in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of guarantees and security.
- (v) In our opinion, 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) The Central Government has not specified maintenance of costs records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there have been slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

- (b) The dues outstanding in respect of income-tax on account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amount (₹) | Amount paid under Protest (₹) | Period to which the amount relates | Forum where dispute is pending |
|----------------------|----------------|------------|-------------------------------|------------------------------------|--|
| Income tax Act, 1961 | Income tax | 10,318,960 | 2,059,208 | FY 2014-15 | Commissioner of Income Tax - Bangalore |

- (viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or any dues to debenture-holders during the year. The Company did not have any outstanding loans or borrowings from a bank or government during the year.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained, though idle/surplus funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand.
- (x) No fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the period covered by our audit.
- (xi) The provisions of Section 197 of the Act read with Schedule V to the Act are not applicable to the Company since the Company is not a public company as defined under Section 2(71) of the Act. Accordingly, provisions of clause 3(xi) of the Order are not applicable.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Section 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the Company has made preferential allotment/ private placement of shares. In respect of the same, in our opinion, the Company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised have been used for the purposes for which the funds were raised. During the year, the Company did not make preferential allotment/ private placement of fully/partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the Directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is required to be registered under Section 45I-A of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Manish Gujral

Partner

Place: Mumbai

Membership No.: 105117

Date: 30 June 2020

UDIN: 20105117AAAADA8249

Annexure II to the Independent Auditor's Report of even date to the members of Navi Finserv Private Limited (Chaitanya Rural Intermediation Development Services Private Limited) on the financial statements for the year ended 31 March 2020

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited) ('the Company') as at and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors 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. 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 the Company's 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 Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over

Financial Reporting ('the Guidance Note') 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 IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, 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.
5. 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 IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively

as at 31 March 2020, 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.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner

Place: Mumbai
Date: 30 June 2020

Membership No.: 105117
UDIN: 20105117AAAADA8249

Balance sheet

as at 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

| Particulars | Notes | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|-------|------------------------|------------------------|------------------------|
| I ASSETS | | | | |
| 1 Financial assets | | | | |
| Cash and cash equivalents | 7 | 1,944.54 | 329.40 | 81.91 |
| Bank balances other than cash and cash equivalents | 8 | 26.73 | 135.25 | 79.48 |
| Trade receivables | 9 | 451.15 | - | 245.36 |
| Loans | 10 | 10,894.06 | 5,154.08 | 5,399.25 |
| Investments | 11 | 3,54,293.18 | 6,413.31 | 5,585.93 |
| Other financial assets | 12 | 33.95 | 31.78 | 16.02 |
| 2 Non-financial assets | | | | |
| Deferred tax asset (net) | 13 | 721.80 | 51.88 | 50.31 |
| Property, plant and equipment | 14 | 36.29 | 43.90 | 38.80 |
| Right to use asset | | 3.16 | 10.74 | 18.33 |
| Other intangible assets | 15 | 1.67 | 1.21 | 0.43 |
| Other non-financial assets | 16 | 117.01 | 77.07 | 68.12 |
| Total Assets | | 3,68,523.54 | 12,248.62 | 11,583.94 |
| II LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| 1 Financial liabilities | | | | |
| Payables | | | | |
| I Trade payables | | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | | - | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | | - | - | - |
| II Other payables | | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | 17 | - | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 17 | 47.47 | 284.79 | 198.45 |
| Debt securities | 18 | 2,47,366.95 | - | - |
| Borrowings (other than debt securities) | 19 | 23,722.71 | 2,999.63 | 2,645.55 |
| Subordinated liabilities | 20 | 992.48 | 991.43 | 990.20 |
| Other financial liabilities | 21 | 531.68 | 124.69 | 20.30 |
| 2 Non Financial liabilities | | | | |
| Current tax liabilities (net) | 22 | 529.42 | 14.19 | 5.68 |
| Provisions | 23 | 56.52 | 45.05 | 46.20 |
| Other non financial liabilities | 24 | 71.28 | 21.26 | 16.27 |
| Total liabilities | | 2,73,318.51 | 4,481.04 | 3,922.65 |
| 3 Equity | | | | |
| Equity share capital | 25 | 15,132.90 | 2,631.14 | 2,631.14 |
| Other equity | 26 | 80,072.13 | 5,136.44 | 5,030.15 |
| Total Equity | | 95,205.03 | 7,767.58 | 7,661.29 |
| Total liabilities and equity | | 3,68,523.54 | 12,248.62 | 11,583.94 |

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandio & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

Manish Gujral
Partner
Membership No. 105117

Samit Shetty
Chief Executive Officer
DIN: 02573018

Sachin Bansal
Director
DIN: 02356346

Ankit Agarwal
Director
DIN: 08299808

Dimple J Shah
Company Secretary
Membership no.: ACS A36349

Mumbai
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Statement of Profit and Loss

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

| Particulars | Notes | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------|-------------------------------------|-------------------------------------|
| Revenue from operations | | | |
| (i) Interest income | 27 | 7,433.41 | 1,574.22 |
| (ii) Fees and commission income | 28 | 80.82 | 3.83 |
| (iii) Net gain on fair value changes | 29 | - | 14.58 |
| (iv) Net gain on derecognition of financial instruments under amortised cost category | 30 | 7.88 | 11.83 |
| (I) Total revenue from operations | | 7,522.11 | 1,604.46 |
| (II) Other income | 31 | 0.63 | 10.00 |
| (III) Total income (I+II) | | 7,522.74 | 1,614.46 |
| Expenses | | | |
| (i) Finance costs | 32 | 982.14 | 534.78 |
| (ii) Fees and commission expenses | 33 | 859.41 | 434.84 |
| (iii) Net loss on fair value changes | 34 | 2,323.11 | - |
| (iv) Impairment on financial instruments | 35 | 767.63 | 22.87 |
| (v) Employee benefits expenses | 36 | 322.06 | 262.43 |
| (vi) Depreciation and amortisation expense | 37 | 24.37 | 24.86 |
| (vii) Other expenses | 38 | 699.52 | 226.89 |
| (IV) Total expenses | | 5,978.24 | 1,506.67 |
| (V) Profit before tax (III - IV) | | 1,544.50 | 107.79 |
| (VI) Tax expense | | | |
| (1) Current tax | 39 | 1,243.87 | 29.88 |
| (2) Deferred tax credit | 39 | (671.00) | (1.43) |
| Total tax expense | | 572.87 | 28.45 |
| (VII) Profit for the year (V - VI) | | 971.63 | 79.34 |
| (VIII) Other comprehensive income | | | |
| (i) Items that will not be reclassified to profit and loss | | | |
| Remeasurement of the net defined benefit (liability)/asset | | 4.29 | (0.56) |
| (ii) Income tax relating to the above | | (1.08) | 0.14 |
| (VIII) Other comprehensive income | | 3.21 | (0.42) |
| (IX) Total comprehensive income for the year (VII + VIII) | | 974.84 | 78.92 |
| (X) Earnings per equity share | | | |
| Basic (₹) | 40 | 1.49 | 0.30 |
| Diluted (₹) | | 1.48 | 0.30 |

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandiook & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

Manish Gujral
Partner
Membership No. 105117
Mumbai
30 June 2020

Samit Shetty
Chief Executive Officer
DIN: 02573018
Bengaluru
30 June 2020

Sachin Bansal
Director
DIN: 02356346
Bengaluru
30 June 2020

Ankit Agarwal
Director
DIN: 08299808
Bengaluru
30 June 2020

Dimple J Shah
Company Secretary
Membership no.: ACS A36349
Bengaluru
30 June 2020

Cash Flow Statement

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| A. Cash flow from Operating activities | | |
| Profit before tax | 1,544.50 | 107.79 |
| Depreciation, amortisation and impairment | 16.78 | 17.27 |
| Depreciation on right of use asset | 7.59 | 7.59 |
| Interest expense on lease liability | 0.58 | 1.11 |
| Impairment allowance on loans | 479.65 | (18.08) |
| Impairment allowance on investments | 264.00 | - |
| Loss/(gain) on sale of mutual funds and securities | 74.57 | (14.58) |
| Effective interest rate adjustment for financial instruments | 85.81 | 36.80 |
| Net loss on fair value changes on investment | 2,178.78 | - |
| Operating profit before working capital changes | 4,652.26 | 137.90 |
| Movements in Working capital: | | |
| (Decrease)/increase in loans | (6,285.17) | 231.00 |
| (Decrease)/increase in receivables | (451.15) | 245.36 |
| Decrease/(increase) in bank deposits | 108.52 | (55.77) |
| Decrease in interest accrued on investments | 891.19 | - |
| (Increase) in other financial assets | (2.17) | (15.76) |
| (Increase) in other non-financial assets | (39.94) | (8.95) |
| (Decrease)/increase in payables | (237.32) | 86.34 |
| Increase in other financial liabilities | 406.99 | 104.39 |
| Increase in non-financial liabilities | 50.02 | 4.99 |
| Increase/(decrease) in provisions | 15.76 | (1.71) |
| Cash generated from operations | (891.01) | 727.79 |
| Direct taxes paid (net of refunds) | 1,236.59 | 21.37 |
| Net cash flows (used in)/from operating activities (A) | (2,127.60) | 706.42 |
| B. Cash flow from Investing activities | | |
| Purchase of securities | (1,42,983.21) | (4,853.00) |
| Sale of securities | 95,964.79 | 4,867.58 |
| Repayment of principle towards investment in debt instruments | 20,459.94 | - |
| Investment in subsidiary company | (14,685.44) | (800.00) |
| Purchase of property, plant and equipment and intangible assets | (9.63) | (23.15) |
| Net cash flows (used in) investing activities (B) | (41,253.55) | (808.57) |
| C. Cash flow from Financing activities* | | |
| Increase in equity shares | 19,856.44 | - |
| Buy back of equity shares | (3,063.43) | - |
| Proceeds from issue of debentures | 25,000.00 | - |
| Repayment of debentures | (17,500.00) | - |
| Proceeds from term loans availed | 26,575.00 | 1,800.00 |
| Repayment of term loans | (5,863.32) | (1,442.32) |
| Lease payments | (8.40) | (8.04) |
| Net cash flows from financing activities (C) | 44,996.29 | 349.64 |
| Net increase in cash and cash equivalents (A+B+C) | 1,615.14 | 247.49 |
| Cash and cash equivalents at the beginning of the year | 329.40 | 81.91 |
| Cash and cash equivalents at the end of the year | 1,944.54 | 329.40 |

* Refer note 20.1 for reconciliation of liabilities arising from financing activities

Cash Flow Statement

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Components of cash and cash equivalents

| Cash and cash equivalents at the end of the year | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| i) Cash on hand | 0.14 | 0.18 |
| ii) Balances with banks (of the nature of cash and cash equivalents) | 1,944.40 | 329.22 |
| Total | 1,944.54 | 329.40 |

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

Manish Gujral
Partner
Membership No. 105117

Samit Shetty
Chief Executive Officer
DIN: 02573018

Sachin Bansal
Director
DIN: 02356346

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DIN: 08299808

Dimple J Shah
Company Secretary
Membership no.: ACS A36349

Mumbai
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Statement of Changes in Equity

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

A Equity share capital

| Particulars | Number of shares | Amount |
|--|---------------------|------------------|
| As at 01 April 2018 | 2,63,11,393 | 2,631.14 |
| Change in equity share capital during the year | - | - |
| As at 31 March 2019 | 2,63,11,393 | 2,631.14 |
| Change in equity share capital during the year | 12,50,17,627 | 12,501.76 |
| As at 31 March 2020 | 15,13,29,020 | 15,132.90 |

B Other equity

| Particulars | Reserves and surplus | | | | | | Total |
|--|----------------------|--|----------------------------|------------------------------------|-------------------|--|-----------------|
| | Securities premium | Reserve fund u/s 45-IC of RBI Act 1934 | Capital Redemption Reserve | Employee stock options outstanding | Retained earnings | Other comprehensive income - retirement benefits | |
| Balance as at 01 April 2018 | 4,750.74 | 75.18 | - | 13.23 | 191.00 | - | 5,030.15 |
| Profit for the year | - | - | - | - | 78.92 | - | 78.92 |
| Transferred from retained earnings to reserve fund u/s 45-IC of RBI Act 1934 | - | 15.78 | - | - | (15.78) | - | - |
| Employee stock option reserve created | - | - | - | 27.37 | - | - | 27.37 |
| Transfer to other comprehensive income (net of deferred tax) | - | - | - | - | 0.42 | (0.42) | - |
| Balance as at 31 March 2019 | 4,750.74 | 90.96 | - | 40.60 | 254.56 | (0.42) | 5,136.44 |

Statement of Changes in Equity

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

B Other equity (Contd..)

| Particulars | Reserves and surplus | | | | | | Total |
|--|----------------------|--|----------------------------|------------------------------------|-------------------|--|------------------|
| | Securities premium | Reserve fund u/s 45-IC of RBI Act 1934 | Capital Redemption Reserve | Employee stock options outstanding | Retained earnings | Other comprehensive income - retirement benefits | |
| Profit for the year | - | - | - | - | 974.84 | - | 974.84 |
| Issue of equity shares | 77,058.40 | - | - | - | - | - | 77,058.40 |
| Transferred from retained earnings to reserve fund u/s 45-IC of RBI Act 1934 | - | 194.67 | - | - | (194.67) | - | - |
| Employee stock option reserve created | - | - | - | 33.27 | - | - | 33.27 |
| Transfer to other comprehensive income (net of deferred tax) | - | - | - | - | (3.21) | 3.21 | - |
| Buy back of equity shares | (2,622.90) | - | - | - | - | - | (2,622.90) |
| Transfer to Capital Redemption Reserve created upon buy back | (440.53) | - | 440.53 | - | - | - | - |
| Dividend Distribution Tax on buy back | - | - | - | - | (507.92) | - | (507.92) |
| Balance as at 31 March 2020 | 78,745.71 | 285.63 | 440.53 | 73.87 | 523.60 | 2.79 | 80,072.13 |

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

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Mumbai
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Bengaluru
30 June 2020

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

1. Corporate Information

Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited) ('the Company') was formed on 14 February 2012 to carry on the business of sourcing, underwriting and carrying on the business of lending to individuals and entities including micro, small and medium enterprises, rural credit and other body corporates across India and provide credit related services as an NBFC, including, inter alia, (i) intermediation services for financial services agents and money transfer agents; (ii) credit linkage services; (iii) acting as a banking correspondent and (iv) generally carrying out all activities permissible to be carried out as an NBFC. The Company also carries on corporate treasury activities including: (i) investments in equity, mutual funds, alternative investment funds (AIFs), bonds, debentures, pass through certificates, receivables, sovereign funds and to extend to other persons and body corporates, loans and other instruments of similar nature for such consideration as the Company may deem fit; and (ii) the activity of trading in the equity, debt, gold, oil, currency, interest rates and commodities in and across futures, options and other derivatives and to carry on repo and reverse repo transactions.

During the year ended 31 March 2020, controlling stake in the Company was initially acquired by Mr. Sachin Bansal w.e.f. 24 October 2019 and was subsequently transferred to Navi Technologies Private Limited (formerly known as BAC Acquisitions Private Limited) ('the Holding Company') w.e.f. 30 March 2020.

The Company is a holding company of Chaitanya India Fin Credit Private Limited ('the Subsidiary Company') since 12 November 2014.

The Company has received Certificate of registration from Reserve Bank of India dated 11 March 2016, to carry on the business of Non-Banking Financial Institution without accepting deposits.

The Company is treated as a Systemically Important Non-Deposit taking Non-Banking Financial Company as the assets size of the group (consolidated assets size of the Company and its Subsidiary Company together) exceeded ₹ 500 crores in the month of September 2018 (by virtue of RBI Master direction RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01 September 2016).

2. Statement of Compliance

The 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) and presentation requirements of Division III of Schedule III to the Companies Act, 2013, applicable to NBFCs, as notified by the Ministry of Corporate Affairs (MCA) (Ind AS compliant Schedule III), and applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines.

The financial statements for the year ended 31 March 2020 are the first financial statements which has been prepared in accordance with Ind AS and other applicable guidelines issued by the Reserve Bank of India ('RBI').

The financial statements upto and for the year ended 31 March 2019 were prepared in accordance with the accounting standard notified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 ('Previous GAAP') and other applicable guidelines issued by the RBI, which have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS.

As these are the Company's first financial statements prepared in accordance with Ind AS, the Company has applied, First Time Adoption Standard (Ind AS 101) of Indian Accounting Standards. An explanation of how the transition to Ind AS has effected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 48.

The financial statements for the year ended 31 March 2020 were authorized and approved for issue by the Board of Directors on 30 June 2020.

The financial statements have been prepared on a going concern basis in accordance with the accounting principles generally accepted in India. Further, the financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values, and employee benefit plans which are measured using actuarial valuation, as explained in relevant accounting policies.

3. NOVEL CORONA VIRUS

COVID-19, a global pandemic has affected the world economy including India, leading to significant decline and volatility in financial markets and decline in economic activities. The national lockdown announced on 23 March 2020 affected activities of organizations across the economic ecosystem, impacting earning prospects and valuations of companies and creating huge volatility in the stock markets. As a result, the Company's business is likely to be impacted by lower lending opportunities. The impact

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

of COVID-19 on Company's result remain uncertain and dependent on extent of spread of the pandemic, steps taken by the Government and central bank to mitigate the economic impact, steps taken by the Company and the time it takes for economic activities to resume at normal levels as a result of which, actual results may differ.

In accordance with the Reserve Bank of India guidelines relating to COVID-19 Regulatory Package dated 27 March 2020, 17 April 2020 and 23 May 2020, the Company granted moratorium of up to 3 months on repayment of all installments and/ or interest, as applicable, falling due between 1 March 2020 and 31 May 2020 to all the eligible borrowers as per the Company's policy. The Company owing to the second announcement on moratorium made by the RBI on 23 May 2020 allowing lending institutions to extend moratorium to borrowers for a further period up to 31 August 2020, has extended such moratorium on a case to case basis based on its assessment of the customer.

The Company's capital and liquidity position remains strong and would continue to be the focus area for the Management. There have been no significant changes to the Company's internal financial control other than providing remote access to some of its key employees during the lockdown.

Based on the current assessment of the potential impact of the COVID-19 on the Company, management is of the view that the Company is well capitalised and has adequate liquidity to service its obligations, sustain its operations and also look at any appropriate investment/ lending opportunities.

The Company has maintained adequate provisions on loan assets based on the information available at this point of time including economic forecasts. The extent to which the current pandemic will impact the carrying value of investments and loan receivables is dependent on the future developments, which are highly uncertain at this point in time. The Company believes that it has considered all the possible impact of known events arising out of COVID 19 pandemic in the preparation of these financial results. The impact assessment of COVID 19 is a continuing process given its nature and duration. The Company will continue to monitor for any material changes to future economic conditions.

4. Significant accounting policies

4.1. Basis of preparation and measurement

(i) Going concern and basis of measurement

The financial statements have been prepared on a going concern basis under the historical cost convention on

accrual basis except for certain financial assets and financial liabilities are measured at fair values at the end of each reporting period. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use.

(ii) Presentation of financial statements

The Company presents its balance sheet in the order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 43.

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 recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business.
- The event of default.
- The event of insolvency or bankruptcy of the Company and/or its counterparties.

(iii) Use of estimates and judgements

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods. An overview of the areas that involve a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed have been disclosed below. Detailed information about each of these estimates and judgments is included in the relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

Estimate and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under circumstances.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

- Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payments of Principle and Interest ('SPPI') and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- Fair value of financial instruments

The fair value of financial instruments 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 another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

- Provisions and other contingent liabilities

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future

outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

- 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.

- Impairment of loans and investment portfolio

The measurement of impairment losses across all categories of financial assets requires judgement the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different levels of allowances.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

- Effective Interest Rate (EIR) method

The Company's EIR methodology, recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

- **Income Taxes** - Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.
- **Recognition of deferred tax assets/ liability** - The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

4.2. Revenue recognition

i. Recognition of interest income

Interest income is recognised by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial assets other than credit-impaired assets and financial assets classified as measured at FVTPL.

The EIR in case of a financial asset is computed

- a. As the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.
- b. By considering all the contractual terms of the financial instrument in estimating the cash flows.
- c. Including all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any subsequent changes in the estimation of the future cash flows is recognised in interest income with the corresponding adjustment to the carrying amount of the assets.

Interest income on credit impaired assets is recognised by applying the effective interest rate to the net amortised cost (net of provision) of the financial asset.

ii. Income from assignment transactions

Income from assignment transactions i.e. present value of excess interest spread is recognised when the related loan assets are de-recognised. Interest income is also recognised on carrying value of assets over the remaining period of such assets.

iii. Recoveries of financial assets written off

The Company recognises income on recoveries of financial assets written off on realisation or when the right to

receive the same without any uncertainties of recovery is established

iv. Dividend income

Dividend income is recognised when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

v. Other income

All other income is recognized on accrual basis when no significant uncertainty exists on their receipt.

4.3. Finance costs

Finance costs represents interest expense recognised by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial liabilities.

The EIR in case of a financial liability is computed

- a. As the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of the amortised cost of a financial liability.
- b. By considering all the contractual terms of the financial instrument in estimating the cash flows.
- c. Including all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

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 advisers and other expenses such as external legal costs, rating fee etc, provided these are incremental costs that are directly related to the issue of a financial liability.

4.4. Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all expenses, direct and indirect, specifically attributable to its acquisition and bringing it to its working condition for its intended use. Incidental expenditure pending allocation and attributable to the acquisition of fixed assets is allocated/ capitalised with the related assets. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Depreciation

Depreciation on property, plant and equipment has been provided on the written down value method as prescribed in Schedule II of Companies Act 2013 or the rates determined by the management as per estimated useful life of the assets, whichever is higher. All individual assets (other than furniture and fixtures and office equipments) valued less than ₹ 5000/- are depreciated in full in the year of acquisition. The useful life of the assets is as follows:

| Asset class | Useful life adopted by the Company |
|--|------------------------------------|
| Electrical Installations and Equipment | 5 years |
| Computers and accessories | 3 years |
| Office equipment | 5 years |
| Furniture and fixtures | 10 years |
| Vehicle - Motor car | 8 years |
| UPS | 10 |

Depreciation is calculated on a pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed off.

The residual values, useful lives and method of depreciation are reviewed at the end of each financial year.

De-recognition

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 recognized in the statement of profit and loss, when the asset is derecognized.

4.5. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Any gain or loss on disposal of an item of intangible assets is recognised in statement of profit or loss.

Amortization For amortization of intangibles, the amortization amount is allocated on a systematic basis over the best estimate of its useful life. Management estimates useful life of intangible assets to be 3 years.

4.6. Fair value measurement

The Company measures financial instruments at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. For assets and liabilities that are recognised in the balance sheet on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

4.7. 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:

Initial recognition and measurement

All financial assets are recognised 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. 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 recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

Financial assets carried at amortized cost – a financial asset is measured at the amortized cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised 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 amortisation is included in interest income in the Statement of Profit and Loss.

De-recognition of financial assets

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognised (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. Further, if the Company has not retained control, it shall also derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Financial liabilities:

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised 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 other payables, borrowings and payables towards assignment transactions.

Subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.8. Impairment of financial assets

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are investments in debt instruments, and are measured at amortised cost along with other financial assets such as e.g., loans, deposits, trade receivables and bank balances.

4.8.1. Overview of the Expected Credit Loss (ECL) Model

The Company records allowance for expected credit losses for all loans and other debt instruments not

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

held at FVTPL in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss).

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of Lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company does the assessment of significant increase in credit risk at a borrower level. If a borrower has various facilities having different past due status, then the highest days past due (DPD) is considered to be applicable for all the facilities of that borrower.

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

Stage 1

All 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 and that are not credit impaired upon origination are classified under this stage. The company classifies all standard advances/investments and advances/investments upto 30 days default under this category. Stage 1 financial instruments also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2

All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. 30 Days Past Due is considered as significant increase in credit risk.

Stage 3

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument. The Company recognizes life time ECL for impairment of financial assets.

4.8.2. Estimation of Expected Credit loss

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **Probability of Default (PD)** - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously de-recognised and is still in the portfolio.

The Company uses historical information where available to determine PD. Considering the different products, the Company has bifurcated its financial instruments into various pools. For certain pools where historical information is available, the PD is calculated considering fresh slippage of past years. For those pools where the historical information is not available, the PD/default rates as stated by external credit rating agencies is considered. For investments, the PD/default rates are considered as reported by external credit rating agencies.

- **Exposure at Default (EAD)** - The Exposure at Default is an estimate of the exposure at a future default date.
- **Loss Given Default (LGD)** - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Forward looking information

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and the 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, if any, are embedded in the methodology to reflect such macro-economic trends reasonably.

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as movable and immovable assets, guarantees, etc. However, the fair value of collateral affects the calculation of ECL and the fair value is based on data provided by third party or management judgements.

Collateral repossessed

In its normal course of business whenever default occurs, the Company may take possession of properties or other assets in its retail portfolio and generally disposes such assets through auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, assets under legal repossession processes are not recorded on the balance sheet.

Write-offs

The Company reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

4.9. Employee benefits:

The Company provides employment benefits through various defined contribution and defined benefit plans.

Employee benefits include Provident Fund, Gratuity and Bonus.

Defined contribution plans

A defined contribution plan is a plan under which the Company pays fixed contributions into an independent fund administered by the government. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution, which are recognised as an expense in the year in which the related employee services are received.

Defined benefit plans

The defined benefit plans sponsored by the Company define the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Company.

Gratuity is a post-employment benefit and is in the nature of a defined benefit plan. The liability recognised in the financial statements in respect of gratuity is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated at or near the reporting date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the year in which such gains or losses are determined.

Short-term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

4.10. Leases

Identification of lease:

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

For arrangements entered into prior to 01 April 2018 the Company has determined whether the arrangement

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

contain lease on the basis of facts and circumstances existing on the date of transition.

Recognition of lease payments:

Rent expenses representing operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on contractual terms.

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.11. Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.12. Share based payments

The fair value of options granted under Employee Stock Option Plan is recognized as a deemed investment in subsidiary company with a corresponding increase in employee stock options outstanding reserve. The total amount to be recognized is determined by reference to the fair value of the options and is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. Upon exercise of share options, the proceeds received are allocated to share capital up to the par value of the shares issued with any excess being recorded as share premium.

4.13. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

To calculate diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

4.14. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets or cash generating units to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

4.15. Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

4.16. Dividend

Proposed dividends and interim dividends payable to the shareholders are recognized as changes in equity in the period in which they are approved by the shareholder's meeting and the Board of Directors respectively.

4.17. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

4.18. Rounding off amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirements of Schedule III of the Act unless otherwise stated.

5. First time adoption

These financial statements, for the year ended 31 March 2020 are the first financial statements the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2019 the Company prepared its financial statements in accordance with Accounting Standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2020 together with the comparative period data as at and for the year ended 31 March 2019 as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 01 April 2018 the Company's date of transition to Ind AS. Refer note 48 of the financial statements for the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as

at 01 April 2018 and the financial statements as at and for the year ended 31 March 2019.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

- Investment in subsidiaries

Ind AS 101 permits a first-time adopter to measure its investment, at the date of transition, at cost determined in accordance with Ind AS 27, or deemed cost. The deemed cost of such investment shall be its fair value at the Company's date of transition to Ind AS, or Previous GAAP carrying amount at that date. The Company has elected to measure its investment in subsidiary at the Previous GAAP carrying amount as its deemed cost on the transition date.

- Property, plant, equipment and intangible assets

On transition to Ind AS, the company has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets as at 31 March 2018 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets as on 01 April 2018.

- Derecognition of previously recognised financial instruments

As per Ind AS 101 – An entity shall apply the exception to the retrospective application in case of “derecognition of financial assets and financial liabilities” wherein a first-time adopter shall apply the derecognition requirements in Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind ASs. For example, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before the date of transition to Ind ASs, it shall not recognise those assets and liabilities in accordance with Ind ASs (unless they qualify for recognition as a result of a later transaction or event). The Company has opted not to re-evaluate financial assets derecognised in the past. However, for loans and advances securitised, the Company has applied the derecognition requirements retrospectively.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

- Fair value measurement of financial assets or financial liabilities at initial recognition

Under Ind AS 109, if an entity measures a financial instrument on initial recognition based on valuation techniques that only use observable market data or current market transactions in the same instrument, and the fair value at initial recognition is different from the transaction price, then it is required to recognise the 'day one' gain or loss at initial recognition of this financial instrument. Ind AS 101 allows an entity to apply the 'day one' gain or loss recognition requirement of Ind AS 109 prospectively to transactions entered into on or after the date of transition to Ind AS. The Company has opted for this exemption to recognise the 'day one' gain or loss on initial recognition arising due to difference in transaction cost and fair value prospectively for transactions entered into on or after the date of transition to Ind AS.

6. Mandatory exceptions

Following mandatory exceptions are applicable to the Company:

Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies).

Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

7 Cash and cash equivalents

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Cash in hand | 0.14 | 0.18 | 0.07 |
| Balances with banks in current account | 1,944.40 | 329.22 | 81.84 |
| Total | 1,944.54 | 329.40 | 81.91 |

- (i) There are no repatriation restrictions with respect to Cash and cash equivalents as at the end of the reporting year and prior years
- (ii) The Company has not taken bank overdraft, therefore the cash and cash equivalents for cash flow statement is same as cash and for cash equivalents.

8 Bank balances other than cash and cash equivalents

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--------------------------|------------------------|------------------------|------------------------|
| Term deposits with bank* | 26.73 | 135.25 | 79.48 |
| Total | 26.73 | 135.25 | 79.48 |

* The term deposits with banks have been placed under lien as security against term loans

9 Trade receivables*

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|----------------------------|------------------------|------------------------|------------------------|
| Unsecured, considered good | 451.15 | - | 245.36 |
| Total | 451.15 | - | 245.36 |

* The Company does not have any receivables which are either credit impaired or where there is significant increase in credit risk.

10 Loans

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| A) Loans (at amortised cost) | | | |
| i) Term loans | 11,568.47 | 5,348.84 | 5,575.93 |
| Total (gross) | 11,568.47 | 5,348.84 | 5,575.93 |
| Less : Impairment loss allowance | (674.41) | (194.76) | (176.68) |
| Total (net) | 10,894.06 | 5,154.08 | 5,399.25 |
| B) i) Secured by tangible assets | 9,665.49 | 4,893.79 | 4,257.71 |
| ii) Unsecured | 1,902.98 | 455.05 | 1,318.22 |
| Total (gross) | 11,568.47 | 5,348.84 | 5,575.93 |
| Less : Impairment loss allowance | (674.41) | (194.76) | (176.68) |
| Total (net) | 10,894.06 | 5,154.08 | 5,399.25 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

10 Loans (Contd..)

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|----------------------------------|------------------------|------------------------|------------------------|
| C) Loans in India | | | |
| i) Public sector | - | - | - |
| ii) Individuals | 7,982.67 | 5,348.84 | 5,575.93 |
| iii) Corporates | 3,585.80 | - | - |
| Total (gross) | 11,568.47 | 5,348.84 | 5,575.93 |
| Less : Impairment loss allowance | (674.41) | (194.76) | (176.68) |
| Total (net) | 10,894.06 | 5,154.08 | 5,399.25 |

11 Investments

| Particulars | Amortised cost | At Fair value | | | As at 31 March 2020 |
|---|--------------------|--|-------------------------------|-------------------|---------------------------|
| | | Through other comprehensive income | Through profit and loss | Sub - total | Total |
| Mutual funds (unquoted) | - | - | 34,418.53 | 34,418.53 | 34,418.53 |
| Investments through Portfolio Management Services ('PMS'): | | | | | |
| - Equity instruments (quoted) | - | - | 7,409.30 | 7,409.30 | 7,409.30 |
| Alternative investment fund (unquoted) | - | - | 3,796.75 | 3,796.75 | 3,796.75 |
| Bonds and debentures (quoted) | - | - | 1,42,655.88 | 1,42,655.88 | 1,42,655.88 |
| Bonds and debentures (unquoted)* | 45,139.77 | - | - | 45,139.77 | 45,139.77 |
| Pass through certificates (unquoted) | 1,00,004.92 | - | - | 100,004.92 | 1,00,004.92 |
| Equity instruments | | | | | |
| - Subsidiaries (unquoted) | 21,045.97 | - | - | 21,045.97 | 21,045.97 |
| - Deemed investment in subsidiary on account of ESOP issued to employees of the Subsidiary Company) | 73.87 | - | - | 73.87 | 73.87 |
| - Others (unquoted) | 12.19 | - | - | 12.19 | 12.19 |
| Total gross (A) | 1,66,276.72 | - | 1,88,280.46 | 354,557.18 | 3,54,557.18 |
| Investments outside India | - | - | - | - | - |
| Investments in India | 1,66,276.72 | - | 1,88,280.46 | 354,557.18 | 3,54,557.18 |
| Total gross (B) | 1,66,276.72 | - | 1,88,280.46 | 354,557.18 | 3,54,557.18 |
| Allowance for impairment loss (C) | (264.00) | - | - | (264.00) | (264.00) |
| Total - net D = A - C | 1,66,012.72 | - | 1,88,280.46 | 354,293.18 | 3,54,293.18 |

* Includes investment in unsecured, unrated, unlisted, irredeemable, compulsorily convertible debentures of the subsidiary company amounting to ₹ 11,400 lakhs as on 31 March 2020

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

11 Investments (Contd..)

| Particulars | Amortised cost | At Fair value | | | As at 31 March 2019 |
|--|-----------------|------------------------------------|-------------------------|-----------------|---------------------|
| | | Through other comprehensive income | Through profit and loss | Sub - total | Total |
| Equity instruments | | | | | |
| - Subsidiaries (unquoted) | 6,360.52 | - | - | 6,360.52 | 6,360.52 |
| - Deemed investment in subsidiary on account of ESOP (issued to employees of the Subsidiary Company) | 40.60 | | | 40.60 | 40.60 |
| - Others (unquoted) | 12.19 | - | - | 12.19 | 12.19 |
| Total gross (A) | 6,413.31 | - | - | 6,413.31 | 6,413.31 |
| Investments outside India | - | - | - | - | - |
| Investments in India | 6,413.31 | - | - | 6,413.31 | 6,413.31 |
| Total gross (B) | 6,413.31 | - | - | 6,413.31 | 6,413.31 |
| Allowance for impairment loss (C) | - | - | - | - | - |
| Total - net D = A - C | 6,413.31 | - | - | 6,413.31 | 6,413.31 |

| Particulars | Amortised cost | At Fair value | | | As at 31 March 2018 |
|---|-----------------|------------------------------------|-------------------------|-----------------|---------------------|
| | | Through other comprehensive income | Through profit and loss | Sub - total | Total |
| Equity instruments | | | | | |
| - Subsidiaries | 5,560.51 | - | - | 5,560.51 | 5,560.51 |
| - Deemed investment in subsidiary on account of ESOP issued to employees of the Subsidiary Company) | 13.23 | - | - | 13.23 | 13.23 |
| - Others | 12.19 | - | - | 12.19 | 12.19 |
| Total gross (A) | 5,585.93 | - | - | 5,585.93 | 5,585.93 |
| Investments outside India | - | - | - | - | - |
| Investments in India | - | - | - | - | - |
| Total gross (B) | - | - | - | - | - |
| Allowance for impairment loss (C) | - | - | - | - | - |
| Total - net D = A - C | 5,585.93 | - | - | 5,585.93 | 5,585.93 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

12 Other financial assets

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Security deposits (unsecured, considered good) | 11.53 | 11.01 | 6.75 |
| EIS receivable on assignment | 3.48 | 8.14 | - |
| Insurance recoverable | 8.19 | 11.86 | 9.27 |
| Other receivable | 10.75 | 0.77 | - |
| Total | 33.95 | 31.78 | 16.02 |

13 Deferred tax asset (net)

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Tax effect of items constituting deferred tax liabilities: | | | |
| Financial liabilities measured at amortised cost | 2.86 | 8.81 | 9.97 |
| Deferment of upfront EIS and servicing obligation recorded for assignment | 0.70 | 1.68 | - |
| Interest on non-performing loans | 29.83 | 32.97 | 12.23 |
| Others | 0.56 | 0.62 | - |
| Deferred tax liabilities (total) A | 33.95 | 44.08 | 22.20 |
| Tax effect of items constituting deferred tax assets: | | | |
| Impairment allowance for loans | 143.57 | 44.30 | 40.45 |
| Provision for employee benefits | 12.37 | 12.53 | 4.38 |
| Difference in written down value as per Companies Act and Income Tax Act | 5.23 | 4.00 | 1.96 |
| Financial assets measured at amortised cost | 48.10 | 34.93 | 25.71 |
| Financial assets measured at fair value through profit and loss | 546.37 | - | - |
| Others | 0.11 | 0.20 | 0.01 |
| Deferred tax assets (total) B | 755.75 | 95.96 | 72.51 |
| Net deferred tax asset (B-A) | 721.80 | 51.88 | 50.31 |

Movement in deferred tax liabilities

| Particulars | As on 01 April 2018 | (Charged)/ credited to statement of profit and loss | (Charged)/ credited to other comprehensive income | As on 31 March 2019 | (Charged)/ credited to statement of profit and loss | (Charged)/ credited to other comprehensive income | As on 31 March 2020 |
|---|---------------------------|---|---|---------------------------|---|---|---------------------------|
| Tax effect of items constituting Deferred Tax Liabilities: | | | | | | | |
| Financial liabilities measured at amortised cost | 9.97 | (1.16) | - | 8.81 | (5.95) | - | 2.86 |
| Deferment of upfront EIS and servicing obligation recorded for assignment | - | 1.68 | - | 1.68 | (0.98) | - | 0.70 |
| Interest on non-performing loans | 12.23 | 20.74 | - | 32.97 | (3.14) | - | 29.83 |
| Others | - | 0.62 | - | 0.62 | (0.06) | - | 0.56 |
| Deferred tax liabilities total | 22.20 | 21.88 | - | 44.08 | (10.13) | - | 33.95 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Movement in deferred tax assets

| Particulars | As on 01 April 2018 | (Charged)/ credited to statement of profit and loss | (Charged)/ credited to other comprehensive income | As on 31 March 2019 | (Charged)/ credited to statement of profit and loss | (Charged)/ credited to other comprehensive income | As on 31 March 2020 |
|--|---------------------------|---|---|---------------------------|---|---|---------------------------|
| Tax effect of items constituting Deferred Tax Assets: | | | | | | | |
| Impairment allowance for loans | 40.45 | 3.85 | - | 44.30 | 99.27 | - | 143.57 |
| Provision for employee benefits | 4.38 | 8.01 | 0.14 | 12.53 | 0.92 | (1.08) | 12.37 |
| Difference in written down value as per Companies Act and Income Tax Act | 1.96 | 2.04 | - | 4.00 | 1.23 | - | 5.23 |
| Financial assets measured at amortised cost | 25.71 | 9.22 | - | 34.93 | 13.17 | - | 48.10 |
| Financial assets measured at fair value through PL | - | - | - | - | 546.37 | - | 546.37 |
| Others | 0.01 | 0.19 | - | 0.20 | (0.09) | - | 0.11 |
| Deferred tax assets Total | 72.51 | 23.31 | 0.14 | 95.96 | 660.87 | (1.08) | 755.75 |
| Total Deferred tax (Asset) (net) | 50.31 | 1.43 | 0.14 | 51.88 | 671.00 | (1.08) | 721.80 |

14 Property, plant and equipment

| Particulars | Computer and accessories | Furniture and fixtures | Office equipments | Vehicles | UPS | Electrical equipment | Total |
|-------------------------------------|--------------------------|------------------------|-------------------|-------------|-------------|----------------------|--------------|
| Gross block | | | | | | | |
| As at 01 April 2018* | 5.68 | 43.81 | 0.42 | - | 2.60 | - | 52.51 |
| Additions | 5.03 | 6.21 | 2.00 | 8.58 | 0.35 | - | 22.17 |
| Reversal on disposal of assets | - | - | - | - | - | - | - |
| Balance as at 31 March 2019 | 10.71 | 50.02 | 2.42 | 8.58 | 2.95 | - | 74.68 |
| Additions | 3.41 | 1.72 | 3.48 | - | - | 0.12 | 8.73 |
| Reversal on disposal of assets | - | - | - | - | - | - | - |
| Balance as at 31 March 2020 | 14.12 | 51.74 | 5.90 | 8.58 | 2.95 | 0.12 | 83.41 |
| Accumulated depreciation | | | | | | | |
| As at 01 April 2018* | 1.75 | 11.18 | 0.16 | - | 0.62 | - | 13.71 |
| Charge for the year | 4.42 | 9.47 | 0.52 | 2.06 | 0.60 | - | 17.07 |
| Reversal on disposal of assets | - | - | - | - | - | - | - |
| Balance as at 31 March 2019 | 6.17 | 20.65 | 0.68 | 2.06 | 1.22 | - | 30.78 |
| Charge for the year | 4.68 | 7.82 | 1.32 | 2.05 | 0.45 | 0.02 | 16.34 |
| Reversal on disposal of assets | - | - | - | - | - | - | - |
| Balance as at 31 March 2020 | 10.85 | 28.47 | 2.00 | 4.11 | 1.67 | 0.02 | 47.12 |
| Net block | | | | | | | |
| Balance as at 01 April 2018* | 3.93 | 32.63 | 0.26 | - | 1.98 | - | 38.80 |
| Balance as at 31 March 2019 | 3.27 | 23.27 | 3.90 | 4.47 | 1.28 | 0.10 | 36.29 |
| Balance as at 31 March 2020 | 4.54 | 29.37 | 1.74 | 6.52 | 1.73 | - | 43.90 |

*Net block represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

15 Intangible assets#

| Particulars | Application software | Trade mark | Computer Software | Total |
|-------------------------------------|----------------------|-------------|-------------------|-------------|
| Gross block | | | | |
| As at 01 April 2018* | - | 0.15 | 0.47 | 0.62 |
| Additions | 0.40 | - | 0.58 | 0.98 |
| Reversal on disposal of assets | - | - | - | - |
| Balance as at 31 March 2019 | 0.40 | 0.15 | 1.05 | 1.60 |
| Additions | 0.90 | - | - | 0.90 |
| Reversal on disposal of assets | - | - | - | - |
| Balance as at 31 March 2020 | 1.30 | 0.15 | 1.05 | 2.50 |
| Accumulated depreciation | | | | |
| As at 01 April 2018* | - | 0.00 | 0.19 | 0.19 |
| Charge for the year | 0.01 | 0.05 | 0.14 | 0.20 |
| Reversal on disposal of assets | - | - | - | - |
| Balance as at 31 March 2019 | 0.01 | 0.05 | 0.33 | 0.39 |
| Charge for the year | 0.17 | 0.03 | 0.24 | 0.44 |
| Reversal on disposal of assets | - | - | - | - |
| Balance as at 31 March 2020 | 0.18 | 0.08 | 0.57 | 0.83 |
| Net block | | | | |
| Balance as at 01 April 2018* | - | 0.15 | 0.28 | 0.43 |
| Balance as at 31 March 2019 | 1.12 | 0.07 | 0.48 | 1.67 |
| Balance as at 31 March 2020 | 0.39 | 0.10 | 0.72 | 1.21 |

*Net block represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

#Other than internally generated

16 Other non-financial assets

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|-------------------------------------|------------------------|------------------------|------------------------|
| Unsecured, considered good | | | |
| Advances to suppliers and others | 7.84 | 3.60 | 1.76 |
| Balance with government authorities | 61.29 | 28.18 | 18.88 |
| Income tax paid under dispute | 20.59 | 20.59 | 20.59 |
| Prepaid expenses | 27.29 | 24.70 | 26.89 |
| Total | 117.01 | 77.07 | 68.12 |

16 Other non-financial assets

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Dues to micro enterprises and small enterprises | - | - | - |
| Dues to creditors other than micro enterprises and small enterprises | 47.47 | 284.79 | 198.45 |
| Total | 47.47 | 284.79 | 198.45 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

17 Other payables

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Dues to micro enterprises and small enterprises | - | - | - |
| Dues to creditors other than micro enterprises and small enterprises | 47.47 | 284.79 | 198.45 |
| Total | 47.47 | 284.79 | 198.45 |

18 Debt securities

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---------------------------------------|------------------------|------------------------|------------------------|
| Secured (at amortised cost) | | | |
| Redeemable non-convertible debentures | 2,47,366.95 | - | - |
| Total | 2,47,366.95 | - | - |
| Borrowings in India | 2,47,366.95 | - | - |
| Borrowings outside India | - | - | - |
| Total | 2,47,366.95 | - | - |

(i) Refer note 20.2 for interest rates, repayment terms and nature of security of debt securities.

19 Borrowings (other than debt securities)

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Borrowings carried at amortised cost | | | |
| Term loans (Secured) | | | |
| - From banks | - | - | - |
| - From financial institutions | 23,719.13 | 2,988.23 | 2,627.22 |
| Lease liability | 3.58 | 11.40 | 18.33 |
| | 23,722.71 | 2,999.63 | 2,645.55 |
| Borrowings in India | 23,722.71 | 2,999.63 | 2,645.55 |
| Borrowings outside India | - | - | - |
| Total | 23,722.71 | 2,999.63 | 2,645.55 |

(i) Refer note 20.2 for interest rates, repayment terms and nature of security of borrowings.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

20 Subordinated liabilities

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| At amortised cost | | | |
| Unsecured term loan | | | |
| - From financial institutions | 992.48 | 991.43 | 990.20 |
| | 992.48 | 991.43 | 990.20 |
| Subordinated liabilities in India | 992.48 | 991.43 | 990.20 |
| Subordinated liabilities outside India | - | - | - |
| Total | 992.48 | 991.43 | 990.20 |

(i) Refer note 20.2 for interest rates, repayment terms and nature of security of subordinated liabilities

20.1 Reconciliation of liabilities from financing activities

| Particulars | As at 01 April 2018 | Cash flow | | | Non-cash | | As at 31 March 2019 |
|--|---------------------------|-----------------|-------------------|-------------------|--------------------|-------------------------------------|---------------------------|
| | | Additions | Payment | Lease payments | Lease liability | Upfront fees and amortisation | |
| Debt securities | - | - | - | - | - | - | - |
| Borrowings (other than debt securities) | 2,645.55 | 1,800.00 | (1,442.32) | (8.04) | 1.11 | 3.33 | 2,999.63 |
| Subordinated liabilities | 990.20 | - | - | - | - | 1.23 | 991.43 |
| Total liabilities from financial activities | 3,635.75 | 1,800.00 | (1,442.32) | (8.04) | 1.11 | 4.56 | 3,991.06 |

| Particulars | As at 31 March 2019 | Cash flow | | | Non-cash | | | As at 31 March 2020 |
|--|---------------------------|------------------|--------------------|-------------------|--------------------|-------------------------------------|--|---------------------------|
| | | Additions | Payment | Lease payments | Lease liability | Upfront fees and amortisation | Consideration received in the form of investments for NCDs issued | |
| Debt securities | - | 25,000.00 | (17,500.00) | - | - | - | 2,39,866.95 | 2,47,366.95 |
| Borrowings (other than debt securities) | 2,999.64 | 26,575.00 | (5,863.32) | (8.40) | 0.58 | 19.21 | - | 23,722.71 |
| Subordinated liabilities | 991.43 | - | - | - | - | 1.05 | - | 992.48 |
| Total liabilities from financial activities | 3,991.07 | 51,575.00 | (23,363.32) | (8.40) | 0.58 | 20.26 | | 2,72,082.14 |

Effective 01 April 2018, the Company adopted the amendment to Ind AS 7 'Statement of Cash Flows' (as amended), which requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

20.2 Debt securities

| Terms of debentures | Number of debentures | | | | Amount | | | |
|--|----------------------|---------------------|---------------------|------------|---------------------|---------------------|---------------------|--|
| | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 | Face value | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 | |
| 0% unsecured, unrated, fully redeemable, Non-Convertible Debentures dated 30 March 2020 with call / put option. Maturity date is 31 December 2024 | 1,87,61,050 | - | - | 1,000 | 1,87,61,050 | - | - | |
| 0% unsecured, unrated, fully redeemable, Non-Convertible Debentures dated 22 November 2019 with call / put option. Maturity date is 31 December 2024 | 59,75,645 | - | - | 1,000 | 59,75,645 | - | - | |

20.3 Details of terms and conditions of Borrowings and Subordinate liabilities#

| S I no. | Repayment terms | No. of instalments | Repayment commencement month | Interest rate terms | Nature of the security | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---------|--|--------------------|------------------------------|---------------------|------------------------|---------------------|---------------------|---------------------|
| 1 | Principal: Bullet Repayment. Interest: Monthly | 84 | Feb-18 | 15.00% | Unsecured | 1,000.00 | 1,000.00 | 1,000.00 |

Borrowings (other than debt securities)

| S I no. | Repayment terms | No. of instalments | Repayment commencement month | Interest rate terms | Nature of the security | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---------|-----------------|--------------------|------------------------------|---------------------|---|---------------------|---------------------|---------------------|
| 1 | Monthly | 36 | Aug-17 | 13.44% | Exclusive first charge (floating) on portfolio of receivables | 26.42 | 98.93 | 162.38 |
| 2 | Monthly | 24 | Apr-14 | 15.75% | Exclusive charge on portfolio created out of this term loan, post dated cheques, personal guarantee from Directors for the value of loans | - | 20.83 | 270.83 |
| 3 | Monthly | 24 | Jul-17 | 15.75% | Exclusive charge on portfolio created out of this term loan, post dated cheques, personal guarantee from Directors for the value of loans | - | 50.00 | 200.00 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

Borrowings (other than debt securities) (Contd..)

| S I no. | Repayment terms | No. of instalments | Repayment commencement month | Interest rate terms | Nature of the security | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---------|-----------------|--------------------|------------------------------|---------------------|---|---------------------|---------------------|---------------------|
| 4 | Monthly | 24 | Oct-07 | 15.75% | Exclusive charge on portfolio created out of this term loan, post dated cheques, personal guarantee from Directors for the value of loans | - | 58.33 | 158.33 |
| 5 | Monthly | 36 | Apr-17 | 15.00% | Secured by receivables | - | 269.11 | 500.58 |
| 6 | Monthly | 36 | Jun-17 | 15.00% | Secured by receivables | - | 88.70 | 153.22 |
| 7 | Monthly | 36 | Oct-17 | 15.00% | Secured by receivables | - | 333.18 | 517.36 |
| 8 | Monthly | 36 | Nov-17 | 15.10% | First and exclusive charge by way of hypothecation over the portfolio (100%) | - | 145.72 | 221.47 |
| 9 | Monthly | 36 | Nov-18 | 15.10% | First and exclusive charge by way of hypothecation over the portfolio (100%) | - | 220.38 | - |
| 10 | Monthly | 36 | Jan-18 | 14.00% | Hypothecation of book debts (105%), postdated cheques/NACH mandate with 3 security cheques for the entire repayment | 75.00 | 175.00 | 275.00 |
| 11 | Monthly | 36 | Jan-18 | 14.00% | Hypothecation of book debts (105%), postdated cheques/NACH mandate with 3 security cheques for the entire repayment | 61.11 | 127.78 | 194.44 |
| 12 | Monthly | 24 | Apr-19 | 15.00% | Hypothecation of book debts (1.10%), postdated cheques/NACH mandate with 3 security cheques for the entire repayment | 100.00 | 200.00 | - |
| 13 | Monthly | 36 | May-19 | 15.00% | First and exclusive charge by way of hypothecation over the portfolio (100%) | - | 200.00 | - |
| 14 | Monthly | 36 | Apr-18 | 13.50% | Exclusive hypothecation charges over receivables/ portfolio/book debts with cover of 110% of outstanding principal amount | 165.04 | 257.99 | - |
| 15 | Monthly | 24 | Jan-19 | 15.50% | Exclusive charges on portfolio of 100%, undertaking of RTGS payment/ security post dated cheques | - | 218.75 | - |
| 16 | Monthly | 24 | Jan-19 | 15.50% | Exclusive charges on portfolio of 100%, undertaking of RTGS payment/ security post dated cheques | - | 218.75 | - |
| 17 | Monthly | 24 | Dec-18 | 14.00% | Loan cover of 110% of the amount financed, security of post dated cheques | 81.57 | 177.86 | - |
| 18 | Monthly | 1 | Nov-18 | 13.50% | Unsecured | - | 150.00 | - |
| 19 | Monthly | 24 | Jun-19 | 14.35% | Demand promissory notes, Letter of Continuity, Deed of Hypothecation | 213.85 | - | - |
| 20 | Semi annually | 1 | Jul-20 | 8.25% | Pass Through Certificates, Units of Mutual Fund, Marketable Securities | 11,500.00 | - | - |
| 21 | Semi annually | 1 | Aug-20 | 8.25% | Pass Through Certificates, Units of Mutual Fund, Marketable Securities | 11,500.00 | - | - |
| | | | | | | 23,722.99 | 3,011.31 | 2,653.61 |

#All the above mentioned repayments disclosed as per the contractual maturities of debt securities, borrowing other than debt securities and subordinate liabilities at gross carrying value.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

21 Other financial liabilities

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Interest accrued on borrowings | 311.27 | 27.63 | 10.22 |
| Payables towards assignment transactions | 211.94 | 91.39 | - |
| Insurance payables | 8.47 | 5.67 | 10.08 |
| Total | 531.68 | 124.69 | 20.30 |

22 Current tax liabilities (net)

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|-----------------------------------|------------------------|------------------------|------------------------|
| Income tax | 21.50 | 14.19 | 5.68 |
| Dividend distribution tax payable | 507.92 | - | - |
| Total | 529.42 | 14.19 | 5.68 |

23 Provisions

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|-------------------------------------|------------------------|------------------------|------------------------|
| Provision for employee benefits | 33.95 | 29.42 | 21.53 |
| Provision for gratuity | 10.69 | 7.44 | 5.82 |
| Provisions for compensated absences | 11.88 | 8.19 | 3.75 |
| Provision for expenses | - | - | 15.10 |
| Total | 56.52 | 45.05 | 46.20 |

24 Other non financial liabilities

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|------------------------|------------------------|------------------------|------------------------|
| Statutory dues payable | 70.12 | 19.14 | 16.27 |
| Deferred revenue | 0.69 | 2.12 | - |
| Other payable | 0.47 | - | - |
| Total | 71.28 | 21.26 | 16.27 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

25 Equity share capital

| Particulars | As at | As at | As at |
|--|------------------|-----------------|-----------------|
| | 31 March 2020 | 31 March 2019 | 01 April 2018 |
| Authorised share capital | | | |
| 175,000,000 Equity shares of ₹ 10 each (31 March 2019: 30,000,000 equity shares of ₹ 10 each) (01 April 2018: 30,000,000 equity shares of ₹ 10 each) | 17,500.00 | 3,000.00 | 3,000.00 |
| Total authorised capital | 17,500.00 | 3,000.00 | 3,000.00 |
| Issued, subscribed and fully paid up share capital | | | |
| 151,907,020 Equity shares of ₹ 10 each (31 March 2019: 26,889,393 equity shares of ₹ 10 each) (01 April 2018: 26,889,393 equity shares of ₹ 10 each) | 15,190.70 | 2,688.94 | 2,688.94 |
| Less: Amount receivable from Chaitanya Employee Welfare Trust (face value of 578,000 shares allotted to the trust) - refer note (e) below | (57.80) | (57.80) | (57.80) |
| Total equity share capital | 15,132.90 | 2,631.14 | 2,631.14 |

(i) Rights, preferences and restrictions attached to equity shares:

The Company has equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors in any financial year is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The equity shares shall be transferable subject to the provisions contained in the Articles of Association and in the agreements entered / to be entered into with the investors / shareholders from time to time.

(ii) Reconciliation of equity shares outstanding at the beginning and at the end of the year

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|--|---------------------|------------------|---------------------|-----------------|---------------------|-----------------|
| | No. of shares | Amount | No. of shares | Amount | No. of shares | Amount |
| Equity share capital of ₹ 10 each fully paid up | | | | | | |
| Balance at the beginning of the year | 2,63,11,393 | 2,631.14 | 2,63,11,393 | 2,631.14 | 2,68,89,393 | 2,688.94 |
| Add: Issued during the year | 12,94,22,908 | 12,942.29 | - | - | - | - |
| Less: Amount receivable from Chaitanya Employee Welfare Trust (face value of 578,000 shares allotted to the trust) - refer note 25 (e) below | - | - | - | - | (5,78,000) | (57.80) |
| Less: Buy back of shares | (44,05,281) | (440.53) | - | - | - | - |
| Balance at the end of the year | 15,13,29,020 | 15,132.90 | 2,63,11,393 | 2,631.14 | 2,63,11,393 | 2,631.14 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

25 Equity share capital (Contd..)

- During the year ended 31 March 2020, the authorised share capital of the Company was increased vide approval of equity shareholders from ₹ 3,000 lakhs divided into 30,000,000 equity shares of ₹ 10 each to ₹17,500 lakhs divided into 175,000,000 equity shares of ₹ 10 each.
- During the year ended 31 March 2020, the Company allotted 129,422,908 equity shares of ₹ 10 each at an issue price of ₹ 69.54 per share including premium of ₹ 59.54 per share to Mr. Sachin Bansal which was subsequently transferred to Navi Technologies Private Limited (formerly known as BAC Acquisitions Private Limited) ("the Holding Company) through a secondary sale.
- During the year ended 31 March 2020, 21,906,112 equity shares of ₹ 10 each were transferred to the Holding Company through a secondary sale.
- During the year ended 31 March 2020, the Company executed a buy back transaction for 4,405,281 equity shares of ₹10 each including a premium of ₹ 59.54 per share.
- The Company has given an interest and collateral free loan to an Employee Stock Option Plan Trust ("Chaitanya Employee Welfare Trust" or "ESOP Trust") to provide financial assistance for purchase of equity shares of the Company under Employee Stock Option Scheme. The Company has established the ESOP Trust to which the stock options issuable (578,000 equity shares) have been transferred. The amount recoverable from the ESOP Trust has been reduced from share capital (to the extent of face value) and from securities premium (to the extent of premium on shares).

(iii) Shares held by the holding company

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|--|---------------------|------------|---------------------|------------|---------------------|------------|
| | No. of shares | % holding* | No. of shares | % holding* | No. of shares | % holding* |
| Navi Technologies Private Limited (formerly known as BAC Acquisitions Private Limited) | 15,13,29,020 | 99.62 | - | - | - | - |

* The shareholding % of the holding company is before considering the adjustment as mentioned in note (e) above and would be at 100% post adjustment.

(iv) Shareholders holding more than 5% of shares of the Company as at balance sheet date:

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|-----------------------------------|---------------------|------------|---------------------|------------|---------------------|------------|
| | No. of shares | % holding* | No. of shares | % holding* | No. of shares | % holding* |
| Shore Cap II Limited | - | - | 89,81,779 | 33.40 | 89,81,779 | 33.40 |
| Samit S Shetty | - | - | 44,57,714 | 16.58 | 44,57,714 | 16.58 |
| Ramesh Sundaresan | - | - | 16,93,665 | 6.30 | 16,93,665 | 6.30 |
| Shekhar A | - | - | 16,34,422 | 6.08 | 16,34,422 | 6.08 |
| Navi Technologies Private Limited | 15,13,29,020 | 99.62 | - | - | - | - |

* The shareholding % of the shareholders holding more than 5% of shares of the Company is calculated before considering the adjustment as mentioned in note 25 (e) above.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

26 Other equity

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Securities premium | | | |
| Opening Balance | 4,750.74 | 4,750.74 | 4,912.58 |
| Add : Securities premium credited on share issue | 77,058.40 | - | - |
| Less: Amount receivable from Chaitanya Employee Welfare Trust (face value of 578,000 shares allotted to the trust at a premium of ₹ 28 per share) - refer note 25 (e) above | - | - | (161.84) |
| Less: Premium utilised | - | - | - |
| a) Buy back of shares | (2,622.90) | - | - |
| b) Transfer to Capital Redemption Reserve | (440.53) | - | - |
| Closing balance | 78,745.71 | 4,750.74 | 4,750.74 |
| Reserve fund u/s 45-IC of RBI Act 1934 | | | |
| Opening balance | 90.96 | 75.18 | 33.87 |
| Add: Transfer from retained earnings | 194.67 | 15.78 | 41.31 |
| Closing balance | 285.63 | 90.96 | 75.18 |
| Employee stock options outstanding reserve | | | |
| Opening balance | 40.60 | 13.23 | - |
| Add: Stock option reserve created | 33.27 | 27.37 | 13.23 |
| Closing balance | 73.87 | 40.60 | 13.23 |
| Other comprehensive income | | | |
| Opening balance | (0.42) | - | - |
| Add: Transfer from retained earnings | 4.29 | (0.56) | - |
| Deferred tax on the above | (1.08) | 0.14 | - |
| Closing balance | 2.79 | (0.42) | - |
| Retained earnings | | | |
| Opening balance | 254.56 | 191.00 | 125.19 |
| Add: Ind AS transition adjustments | - | - | (99.43) |
| Add: Transferred from statement of profit and loss | 974.84 | 78.92 | 206.55 |
| Less: Appropriations/transfers | | | |
| Transfer to statutory reserve as per Section 45-IC of the RBI Act, 1934 | (194.67) | (15.78) | (41.31) |
| Transfer to other comprehensive income (net of deferred tax) | (3.21) | 0.42 | - |
| Dividend distribution tax | (507.92) | - | - |
| Closing Balance | 523.60 | 254.56 | 191.00 |
| Capital Redemption Reserve | | | |
| Opening balance | - | - | - |
| Add: Created on buy back of equity shares | 440.53 | - | - |
| Closing balance | 440.53 | - | - |
| Total | 80,072.13 | 5,136.44 | 5,030.15 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

26 Other equity (Contd..)

Nature and purpose of reserves

Securities premium reserve

Securities premium account: The amount received in excess of face value of the equity shares is recognised in Securities Premium Reserve. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

Statutory reserve

Every year the Company transfers a sum of not less than twenty per cent of net profit of that year as disclosed in the statement of profit and loss to its Statutory Reserve pursuant to Section 45-IC of the RBI Act, 1934.

Other comprehensive income

Re-measurement of the net defined benefit liability/(asset) comprises actuarial gain and losses.

Employee stock options outstanding

The account is used to recognise the grant date value of options issued to employees under Employee stock option plan and adjusted as and when such options are exercised or otherwise expire.

Retained earnings

Retained earnings are the profits that the Company has earned till date, less any transfers to statutory reserve and dividend distributions paid to shareholders.

Capital Redemption Reserve

Capital Redemption Reserve has been created in accordance with Section 69 of the Companies Act, 2013, being the nominal value of the shares brought back by the Company during the year ended 31 March 2020.

27 Interest income

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| On financial assets measured at amortised cost | | |
| Interest on loans | 2,228.63 | 1,566.20 |
| Interest on investments | 2,853.44 | - |
| Interest income - others | 6.27 | 8.02 |
| Sub-total | 5,088.34 | 1,574.22 |
| On financial assets measured classified at fair value through profit or loss | | |
| Interest on investments | 2,345.07 | - |
| Sub-total | 2,345.07 | - |
| Total | 7,433.41 | 1,574.22 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

28 Fees and commission income

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Fee received on collections | 76.50 | 1.67 |
| Service fee on assigned loans | 4.32 | 2.16 |
| Total | 80.82 | 3.83 |

29 Net gain on fair value changes

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|-----------------------------|-------------------------------------|-------------------------------------|
| (i) On trading portfolio | | |
| - Investments | | |
| Gain on sale of investments | - | 14.58 |
| Total | - | 14.58 |
| Fair value changes | | |
| - Realised | - | 14.58 |
| - Unrealised | - | - |
| Total | - | 14.58 |

30 Net gain on derecognition of financial instruments under amortised cost category

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| Gain on sale of loan portfolio through assignment | 7.88 | 11.83 |
| Total | 7.88 | 11.83 |

31 Other income

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| Provision no longer required written back | - | 9.81 |
| Miscellaneous income | 0.63 | 0.19 |
| Total | 0.63 | 10.00 |

32 Finance costs

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| On financial liabilities measured at amortised cost | | |
| Interest on borrowings | 823.66 | 377.19 |
| Interest on subordinated liabilities | 151.20 | 151.23 |
| Interest on security deposits | 2.46 | 3.22 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

32 Finance costs (Contd..)

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|-----------------------------|-------------------------------------|-------------------------------------|
| Interest on lease liability | 0.58 | 1.11 |
| Assignment expense | 2.19 | - |
| Bank charges | 2.05 | 2.03 |
| Total | 982.14 | 534.78 |

33 Fees and commission expenses

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Fee paid to business correspondents | 859.41 | 434.84 |
| Total | 859.41 | 434.84 |

34 Net loss on fair value changes

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| (A) Net loss on financial instruments at fair value through profit or loss | | |
| (i) On trading portfolio | | |
| - Investments | | |
| Debt securities | (1.00) | - |
| Mutual fund | (52.51) | - |
| Future trading | 69.85 | - |
| (ii) on financial instruments designated at FVTPL | | |
| Debt securities | (448.58) | - |
| Equity instruments | 2,738.58 | - |
| (B) Net loss on financial instruments at amortized cost | | |
| Pass through certificate | 16.77 | - |
| Total | 2,323.11 | - |
| Fair value changes | | |
| - Realised | 144.33 | - |
| - Unrealised | 2,178.78 | - |
| Total | 2,323.11 | - |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

35 Impairment on financial instruments

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| Portfolio loans written off | 23.98 | 4.79 |
| Impairment allowance on portfolio loans | 479.65 | 18.08 |
| Impairment allowance on investments | 264.00 | - |
| Total | 767.63 | 22.87 |

36 Employee benefits expenses

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| Salaries and wages | 295.58 | 242.89 |
| Contribution to provident and other funds | 11.02 | 10.57 |
| Gratuity expense | 4.08 | 3.17 |
| Compensated absences | 7.15 | 4.39 |
| Staff welfare expenses | 4.23 | 1.41 |
| Total | 322.06 | 262.43 |

37 Depreciation and amortization

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| Depreciation on tangible assets (refer note 14) | 16.34 | 17.07 |
| Amortisation on intangible assets (refer note 15) | 0.44 | 0.20 |
| Depreciation on Right of Use assets | 7.59 | 7.59 |
| Total | 24.37 | 24.86 |

38 Other expenses

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|----------------------------------|-------------------------------------|-------------------------------------|
| Rent and electricity charges | 12.22 | 8.06 |
| Legal and professional charges | 234.25 | 56.33 |
| Rates and taxes | 345.50 | 41.56 |
| Insurance | 24.22 | 23.72 |
| Auditors' remuneration* | 20.63 | 1.25 |
| Traveling and conveyance | 13.89 | 33.85 |
| Director's sitting fees | 10.10 | - |
| Printing and stationery | 2.14 | 8.66 |
| Communication costs | 2.31 | 1.87 |
| Repairs and maintenance - others | 8.40 | 3.60 |
| Office and general expenses | 4.67 | 3.17 |
| Miscellaneous expenses | 21.19 | 44.82 |
| Total | 699.52 | 226.89 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

38 Other expenses (contd..)

*Auditor fees and expenses comprises of:

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------------------------|-------------------------------------|-------------------------------------|
| As auditor: | | |
| - Statutory audit fees | 14.00 | 1.25 |
| - Tax audit fees | 2.00 | - |
| - Out of pocket | 0.13 | - |
| In any other manner: | | |
| - Certification | 4.50 | - |

39 Tax expense

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--------------|-------------------------------------|-------------------------------------|
| Current tax | 1,243.87 | 29.88 |
| Deferred tax | (671.00) | (1.43) |
| Total | 572.87 | 28.45 |

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

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Profit before tax (III - IV) | 1,544.50 | 107.79 |
| Income tax rate | 25.17% | 27.82% |
| Expected income tax expense | 388.72 | 29.99 |
| Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense | | |
| Tax on expense not eligible for deduction | 178.51 | 18.82 |
| Impact of different tax rate on certain items | 4.95 | - |
| Others | 0.69 | -20.36 |
| Total income tax expense | 572.87 | 28.45 |

40 Earnings per share (basic and diluted)

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Net profit for the year | 971.63 | 79.34 |
| Weighted-average number of equity shares for basic EPS | 650.83 | 263.11 |
| Weighted-average number of potential equity shares for diluted EPS | 656.42 | 268.45 |
| Par value per share | | |
| Earnings per share - Basic | 1.49 | 0.30 |
| Earnings per share - Diluted | 1.48 | 0.30 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

41 Retirement benefit plan

Defined contribution plan

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and other funds which are defined contribution plans. The Company has no obligations other than this to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The Company makes Provident Fund and Employee State Insurance Scheme contributions which are defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹ 8.73 lakhs (31 March 2019: ₹ 7.31 lakhs) for Provident Fund contributions and ₹ 0.87 lakhs (31 March 2019: ₹ 0.93 lakhs) for Employee State Insurance Scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the Schemes.

Employee benefit obligations

Balance recognised in the balance sheet is as under:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|----------------------|------------------------|------------------------|------------------------|
| Gratuity | 10.70 | 7.44 | 5.82 |
| Compensated absences | 11.88 | 8.19 | 3.75 |

Expense recognised in Statement of profit and loss is as under:

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|----------------------|-------------------------------------|-------------------------------------|
| Gratuity | 4.08 | 3.17 |
| Compensated absences | 7.15 | 4.39 |

Expense recognised in Statement of profit and loss is as under:

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|----------------------|-------------------------------------|-------------------------------------|
| Gratuity | (0.83) | 0.51 |
| Compensated absences | (3.46) | 0.05 |

Disclosure for gratuity

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Components of net gratuity cost charged to Statement of profit and loss | | |
| Current service cost | 3.57 | 2.80 |
| Interest expense | 0.51 | 0.37 |
| Total(A) | 4.08 | 3.17 |
| Components of remeasurement gains/losses in other comprehensive income | | |
| Actuarial changes arising from changes in demographic assumptions | - | - |
| Actuarial changes arising from changes in financial assumptions | 1.57 | (0.09) |
| Experience adjustments | (2.40) | 0.60 |
| Total(B) | (0.83) | 0.51 |
| Total(A+B) | 3.25 | 3.68 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

41 Retirement benefit plan (Contd..)

| Changes in the present value of the defined benefit obligation are as follows: | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Present value of defined benefit obligation at the beginning of the year | 7.44 | 5.82 |
| Current service cost | 3.57 | 2.80 |
| Interest cost | 0.51 | 0.37 |
| Past service cost | - | - |
| Benefits paid | - | (2.06) |
| Actuarial (gain)/ loss | (0.83) | 0.51 |
| Defined benefit obligation at the end of the year | 10.69 | 7.44 |
| Changes in fair value of plan assets* | | |
| Fair value of plan assets at the beginning of the year | - | - |
| Interest income | - | - |
| Employer direct benefits payments | - | 2.06 |
| Benefits paid | - | (2.06) |
| Return on plan assets excluding interest income | - | - |
| Fair value of plan assets end of the year | - | - |

* The Company is making provisions for the entire gratuity liability as per actuarial valuation and follows a 'pay as you go' system to meet the liabilities as and when they fall due.

Principal assumptions used in determining gratuity liability are shown below:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Rate of discounting | 6.82% | 7.79% | 7.70% |
| Expected rate of salary increase | 6.00% | 6.00% | 6.00% |
| Rate of employee turnover | 5.00% | 5.00% | 5.00% |
| Retirement age (years) | 60 | 60 | 60 |
| Sensitivity analysis for gratuity liability | | | |
| Impact on defined benefit obligation | | | |
| Discount rate +100 basis points | (1.62) | (1.01) | (0.68) |
| Discount rate -100 basis points | 2.06 | 1.27 | 0.83 |
| Salary growth+ 100 basis points | 2.03 | 1.26 | 0.81 |
| Salary growth- 100 basis points | (1.61) | (1.01) | (0.67) |
| Attrition rate + 100 basis points | (0.05) | 0.07 | 0.07 |
| Attrition rate - 100 basis points | 0.04 | (0.10) | (0.09) |
| Expected future payouts(Discounted) | | | |
| Year I | 0.28 | 0.24 | 0.24 |
| Year II | 0.26 | 0.22 | 0.22 |
| Year III | 0.24 | 0.20 | 0.21 |
| Year IV | 0.23 | 0.19 | 0.19 |
| Year V | 0.18 | 0.17 | 0.18 |
| Year 6-10 | 0.69 | 0.61 | 0.74 |
| Above 10 years | 8.81 | 5.82 | 4.05 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

41 Retirement benefit plan (Contd..)

Plan characteristics and associated risks

1. Salary inflation risk

Higher than expected increases in salary will increase the defined benefit obligation

2. Demographic risks:

This is the risk of volatility of results due to unexpected nature of decrements that include mortality attrition, disability and retirement. The effects of this decrement on the defined benefit obligation depend upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawal rate because the cost of retirement benefit of an employee serving a shorter tenor will be less compared to long service employees.

3. Actuarial risk

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

- a) Adverse salary growth
- b) Variability in mortality rates
- c) Variability in withdrawal rates

4. Market risk

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

5. Legislative/Regulatory risk

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

6. Liquidity risk

The Company is making provisions for the entire gratuity liability as per actuarial valuation and follows a 'pay as you go' system to meet the liabilities as and when they fall due. Therefore, there is a liquidity risk involved that they may run out of cash.

42 Related parties disclosures

Names of related parties

| Nature of relationship | Name of the party |
|--|---|
| Holding Company | Navi Technologies Private Limited (formerly known as BAC Acquisitions Private Limited) |
| Subsidiary Company | Chaitanya India Fin Credit Private Limited |
| Entities in which KMP are able to exercise control or have significant influence | Chaitanya Employee Welfare Trust |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

42 Related parties disclosures (contd..)

| Nature of relationship | Name of the party |
|--|--|
| Name of key managerial personnel | Designation |
| Mr. Sachin Bansal | Chairman and Non- Executive Director (appointed w.e.f. 23 October 2019) |
| Mr. Ankit Agarwal | Non- Executive Director (appointed w.e.f. 23 October 2019) |
| Mr. Samit S Shetty | Executive Director (resigned w.e.f. 21 October 2019) Chief Executive Officer (appointed w.e.f. 29 May 2020) |
| Mr. Anand Rao | Executive Director (resigned w.e.f. 21 October 2019) |
| Ms. Dimple J Shah | Company Secretary |
| Name of relatives of key managerial personnel | Mr. U Raghurama Rao Ms. Shashikala Rao Ms. Smitha Rao |
| Name of Directors | Designation |
| Mr. K S Ravi | Independent Director |
| Mr. R Nandakumar | Independent Director |
| Mr. Ramesh Sundaresan | Nominee Director (resigned w.e.f. 21 October 2019) |
| Ms. Lisa Thomas | Nominee Director (resigned w.e.f. 21 October 2019) |

Transactions with related parties

| Name of related party | Nature of transaction | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|--|-----------------------------|-----------------------------|
| Navi Technologies Private Limited | Issue of Non convertible debentures | 2,64,866.96 | - |
| (formerly known as BAC Acquisitions Private Limited) | Redemption of Non convertible debentures | 17,500.00 | - |
| | Face value of equity shares allotted | 12,501.76 | - |
| | Securities premium received | 77,058.40 | - |
| Mr. Samit Shankar Shetty | Buy back of shares | 2,324.92 | - |
| Mr. Anand Rao | Buy back of shares | 393.45 | - |
| Mr. U Raghurama Rao | Buy back of shares | 231.66 | - |
| Ms. Shashikala Rao | Buy back of shares | 104.08 | - |
| Ms. Shashikala Rao | Buy back of shares | 9.32 | - |
| Mr. K S Ravi | Sitting fees | 5.05 | - |
| Mr. R Nandakumar | Sitting fees | 5.05 | - |
| Chaitanya India Fin Credit Private Limited | Investment in equity shares | 14,685.45 | - |
| | Purchase of loan portfolio | - | 806.21 |
| | Service fee paid (excluding GST) | 638.57 | 330.45 |
| | Investment in compulsorily convertible debentures | 11,400.00 | - |
| | Interest received on compulsorily convertible debentures | 171.78 | - |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

42 Related parties disclosures (contd..)

Outstanding balances with related parties in ordinary course of business:

| Name of related party | Nature of balance | As at | As at | As at |
|---|---|---------------|---------------|---------------|
| | | 31 March 2020 | 31 March 2019 | 01 April 2018 |
| Chaitanya India Fin Credit Private Limited | Outstanding (payable)/ receivable - net - Business correspondence activities | 451.15 | (276.11) | (184.28) |
| Chaitanya India Fin Credit Private Limited | Outstanding (payable)/ receivable - net - Financial activities | (79.24) | 42.52 | 245.36 |
| Chaitanya India Fin Credit Private Limited | Compulsorily convertible debentures | 11,400.00 | - | - |
| Navi Technologies Private Limited (formerly known as BAC Acquisitions Private Limited) | Non-convertible debentures | 2,47,366.95 | - | - |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

43 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

| Particulars | As at 31 March 2020 | | | As at 31 March 2019 | | | As at 01 April 2018 | | |
|--|---------------------|--------------------|--------------------|---------------------|-----------------|------------------|---------------------|-----------------|------------------|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| Assets | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Cash and cash equivalents | 1,944.54 | - | 1,944.54 | 329.40 | - | 329.40 | 81.91 | - | 81.91 |
| Bank balances other than cash and cash equivalents | - | 26.73 | 26.73 | 84.88 | 50.37 | 135.25 | - | 79.48 | 79.48 |
| Receivables | | | | | | | | | |
| Other receivables | 451.15 | - | 451.15 | - | - | - | 245.36 | - | 245.36 |
| Loans* | 7,526.03 | 3,368.03 | 10,894.06 | 3,110.14 | 2,043.94 | 5,154.08 | 3,823.40 | 1,575.85 | 5,399.25 |
| Investment | 2,55,334.25 | 98,958.93 | 3,54,293.18 | - | 6,413.31 | 6,413.31 | - | 5,585.93 | 5,585.93 |
| Other financial assets | 22.40 | 11.55 | 33.95 | 20.64 | 11.14 | 31.78 | 9.28 | 6.74 | 16.02 |
| Non-financial assets | | | | | | | | | |
| Deferred tax asset (net) | - | 721.80 | 721.80 | - | 51.88 | 51.88 | - | 50.31 | 50.31 |
| Property, plant and equipment | - | 36.29 | 36.29 | - | 43.90 | 43.90 | - | 38.80 | 38.80 |
| Right to use asset | 3.16 | - | 3.16 | - | 10.74 | 10.74 | - | 18.33 | 18.33 |
| Other intangible assets | - | 1.67 | 1.67 | - | 1.21 | 1.21 | - | 0.43 | 0.43 |
| Other non-financial assets | 82.23 | 34.78 | 117.01 | 50.59 | 26.48 | 77.07 | 39.27 | 28.85 | 68.12 |
| Total | 2,65,363.76 | 1,03,159.78 | 3,68,523.54 | 3,595.65 | 8,652.97 | 12,248.62 | 4,199.22 | 7,384.72 | 11,583.94 |
| Liabilities | | | | | | | | | |
| Financial liabilities | | | | | | | | | |
| Other payables | 47.47 | - | 47.47 | 284.79 | - | 284.79 | 198.45 | - | 198.45 |
| Debt securities | 2,47,366.95 | - | 2,47,366.95 | - | - | - | - | - | - |
| Borrowings (other than debt securities) | 621.91 | 23,100.80 | 23,722.71 | 2,482.44 | 517.19 | 2,999.63 | - | 2,645.55 | 2,645.55 |
| Subordinated liabilities | - | 992.48 | 992.48 | - | 991.43 | 991.43 | - | 990.20 | 990.20 |
| Other financial liabilities | 531.68 | - | 531.68 | 124.69 | - | 124.69 | 20.30 | - | 20.30 |
| Non financial liabilities | | | | | | | | | |
| Current tax liabilities (net) | 529.42 | - | 529.42 | 14.19 | - | 14.19 | 5.68 | - | 5.68 |
| Provisions | 34.81 | 21.71 | 56.52 | 30.11 | 14.94 | 45.05 | 37.08 | 9.12 | 46.20 |
| Other non financial liabilities | 71.28 | - | 71.28 | 21.22 | 0.04 | 21.26 | 16.27 | - | 16.27 |
| Total | 2,49,203.52 | 24,114.99 | 2,73,318.51 | 2,957.44 | 1,523.60 | 4,481.04 | 277.78 | 3,644.87 | 3,922.65 |
| Net | 16,160.24 | 79,044.79 | 95,205.03 | 638.21 | 7,129.37 | 7,767.58 | 3,921.44 | 3,739.85 | 7,661.29 |

*Amounts disclosed as per anticipated repayment pattern as on 31 March 2020 owing to moratorium given to customers on account of COVID-19 pandemic as per RBI guidelines.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

44 Contingent liabilities, commitments and leasing arrangements

(A) Contingent liabilities

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| a. Corporate guarantee [refer note (i) below] | - | - | 500.00 |
| b. In respect of Income tax demands where the Company has filed appeal before the relevant authority [refer note (ii) below] | 103.19 | 103.19 | 103.19 |
| Total | 103.19 | 103.19 | 603.19 |

- i) Corporate guarantee provided by the Company to a bank in relation to the term loan availed by CIFCPL, the Subsidiary Company.
- ii) Future cash outflows in respect of (b) above are determinable only on receipt of judgements /decisions pending with various forums/authorities. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

(B) Commitments not provided for

There are no commitments of the Company that are not provided for as at 31 March 2020, 31 March 2019 and 31 March 2018.

(C) Lease disclosures

Adoption of Indian Accounting standard - 116 "Leases

The Company has adopted Ind AS 116, Leases effective 01 April 2019, as notified by the Ministry of Corporate Affairs (MCA) in the Companies (Indian Accounting Standard) Amendment Rules 2019, using modified retrospective approach from 01 April 2018 and charged depreciation on a straight line method basis on the right of use asset created on the transition date.

Carrying value of lease liability at the end of the reporting period.

| Particulars | Amount |
|---|--------------|
| Lease commitments as at 31 March 2018 | - |
| Add/(less): contracts reassessed as lease contracts | 18.33 |
| Add/(less): adjustments on account of extension/termination | - |
| Lease liabilities as on 1 April 2018 | 18.33 |

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Opening lease liabilities | 11.40 | 18.33 | 18.33 |
| Addition to lease liabilities during the year | - | - | - |
| Interest expense on Lease liabilities | 0.58 | 1.11 | - |
| Cash outflow for leases | (8.40) | (8.04) | - |
| Closing lease liabilities | 3.58 | 11.40 | 18.33 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

44 Contingent liabilities, commitments and leasing arrangements (Contd..)

Carrying value of right of use assets at the end of the reporting period.

| Particulars | Amount |
|--|--------------|
| Balance as at 31 March 2018 | - |
| Addition during the year | 18.33 |
| Less: Depreciation charge for the year | - |
| Balance as on 1 April 2018 | 18.33 |

(C) Lease disclosures

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Opening value of right of use assets | 10.74 | 18.33 | 18.33 |
| Addition to lease assets during the year | - | - | - |
| Less: Depreciation charge for the year | (7.59) | (7.59) | - |
| Closing lease liabilities | 3.15 | 10.74 | 18.33 |

Amounts recognised in statement of profit or loss

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Depreciation charge on right of use assets | 7.59 | 7.59 |
| Interest on lease liabilities | 0.58 | 1.11 |
| Total | 8.17 | 8.70 |

Amounts recognised in the statement of cash flows

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------------------------------------|-------------------------------------|-------------------------------------|
| Interest paid on lease liabilities | 0.58 | 1.11 |
| Payment towards lease liabilities | (8.40) | (8.04) |
| Total | (7.82) | (6.93) |

Maturity analysis of lease liabilities

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| Within one year | 3.58 | - |
| After one year but not more than five years | - | 11.40 |
| More than five years | - | - |
| Total | 3.58 | 11.40 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

44 Contingent liabilities, commitments and leasing arrangements (Contd..)

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Nature of right of use asset | Office premises | Office premises | Office premises |
| No. of right of use assets leased | 1 | 1 | 1 |
| Range of remaining term | 5 months | 17 months | 29 months |
| Average remaining lease term | 5 months | 17 months | 29 months |
| Future cash flows to which lessee is potentially exposed to | | | |
| Variable lease payments | - | - | - |
| Extension and termination options | - | - | - |
| Residual value guarantees | - | - | - |
| Leases not yet commenced to which the lessee is committed | - | - | - |
| Total | - | - | - |
| Restrictions or covenants imposed by leases | None | None | None |
| Sale and leaseback transactions | None | None | None |

45 Share based payments

ESOP Plan 2017

The Company has implemented an Employee Stock Option Plan called as Chaitanya Employee Stock Option Scheme 2017 ("ESOP 2017"). The Chaitanya Employee Stock Option Scheme 2017' (the 'Plan 2017') was approved in the Extraordinary General Meeting of the members held on 24 April 2017. The Company introduced the Plan to reward employees for their association with the Company, their performance as well as to attract, retain and motivate employees to contribute to the growth and profitability of the Company and its subsidiary company. The plan provides for the creation and issue of 739,500 options that would eventually convert into equity shares of ₹ 10 each in the hands of the employees. The options are to be granted to the eligible employees as per the eligibility criteria as recommended by the Board of Directors. The share options vest in a graded manner over a period of three years and are exercisable in one or more tranches within a period of ten years from the date of vesting, failing which the options shall lapse

Pursuant to the Plan, the Company granted 621,000 options till 31 March 2020 (31 March 2019: 621,000). The stock compensation cost is computed under the fair value method and has been recognised as an additional investment in CIFCPL on a proportionate basis over the vesting period upto 31 March 2020. For the year ended 31 March 2020, the Company has recorded an additional investment of ₹ 33.27 lakhs (31 March 2019: ₹ 27.37 lakhs) in the CIFCPL.

Details of ESOP trust and plan:

| Particulars | Grant – 1 of ESOP 2017 | Grant – 2 of ESOP 2017 |
|--|--|---------------------------|
| Date of grant | 13 October 2017 | 26 March 2019 |
| Date of Board Meeting, where ESOP was approved | 12 October 2017 | 25 March 2019 |
| Date of Committee Meeting where grant of options were approved | 13 October 2017 | 26 March 2019 |
| No. of options granted | 5,59,000 | 62,000 |
| Method of settlement | The employees have to pay the exercise price to the Trust for acquiring the shares of the Company. The exercise price is ₹ 38 each | |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

45 Share based payments (contd..)

| Particulars | Grant – 1 of ESOP 2017 | Grant – 2 of ESOP 2017 |
|--------------------|---|------------------------|
| Vesting conditions | The options shall vest over a period of 3 (three) years of continuous completed service from the date of grant of options | |
| Vesting period | The options shall vest at the rate of 33% on each anniversary of the grant, continuously for 3 years | |
| Exercise period | After completion of vesting period within 10 years of vesting of the options | |
| Pricing formula | The Company had issued shares to the Trust at ₹ 38 per share (valuation report was obtained) | |

Details of grant and exercise of such options are as follows:

| Particulars | Grant – 1 of ESOP 2017 | Grant – 2 of ESOP 2017 |
|---|------------------------|------------------------|
| No. of options granted | 5,59,000 | 62,000 |
| Date of grant of options | 13 October 2017 | 26 March 2019 |
| No. of employee to whom such options were granted | 62 | 2 |
| Exercise price* | ₹ 38 | ₹ 38 |
| No. of employees who have exercised the option | NA | NA |
| No. of options exercised | NA | NA |

*Based on the valuation by a registered valuer.

Details of vesting of options Chaitanya Employee Stock Option Scheme 2017:

Grant-1

| Vesting date | Vested options |
|-----------------|----------------|
| 13 October 2018 | 1,75,333 |
| 13 October 2019 | 1,60,000 |

Grant-2

| Vesting date | Vested options |
|---------------|----------------|
| 26 March 2020 | 20,667 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

45 Share based payments (contd..)

Summary of options granted under the plan:

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | |
|---|---------------------|---------------------------------|---------------------|---------------------------------|
| | No. of options | Weighted average exercise price | No. of options | Weighted average exercise price |
| Outstanding options at the beginning of the year | 5,67,333 | ₹ 38 | 5,54,000 | ₹ 38 |
| Granted during the year | - | | 62,000 | |
| Forfeited during the year | - | | - | |
| Exercised during the year | - | | - | |
| Expired/lapsed during the year | 13,333 | ₹ 38 | 48,667 | ₹ 38 |
| Outstanding options at the end of the year | 5,54,000 | ₹ 38 | 5,67,333 | ₹ 38 |
| Exercisable at the end of the year | - | | - | |
| Number of equity shares of ₹ 10 each fully paid up to be issued on exercise of option | 5,54,000 | ₹ 38 | 5,67,333 | ₹ 38 |
| Weighted average remaining contractual life (in years) of the option exercisable | | 10.71 | | 11.71 |
| Weighted average fair value of the options exercisable at grant date | Grant-1 | 16.20 | Grant-1 | 16.20 |
| | Grant-2 | 36.60 | Grant-2 | 36.60 |

Share options outstanding at the end of the year having the following expiry date and exercise price:

| Grant date | Expiry date | Exercise price (₹) | Share options 31 March 2020 | Share options 31 March 2019 | Share options 01 April 2018 |
|-----------------|-----------------|--------------------|-----------------------------|-----------------------------|-----------------------------|
| 13 October 2017 | 13 October 2030 | 38.00 | 4,92,000 | 5,05,333 | 5,54,000 |
| 26 March 2019 | 26 March 2032 | 38.00 | 62,000 | 62,000 | - |
| Total | | | 5,54,000 | 5,67,333 | 5,54,000 |

The fair value of the options was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

| Particulars | 13 October 2017 | 26 March 2019 |
|---|--------------------------------|--------------------------------|
| Vesting period | 10 years from the vesting date | 10 years from the vesting date |
| Exercise price | 38.00 | 38.00 |
| Expected volatility (%) | 21.00% | 19.10% |
| Expected option life (in years) | 7.00 | 7.00 |
| Fair market value of the option on the grant date | 16.20 | 36.60 |
| Risk free interest rate | 6.60% | 7.20% |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

45 Share based payments (contd..)

Employee wise details (name of employee, designation, number of options granted during the year, exercise price) - Nil

There are no identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

Following employees have received a grant in the reporting year of option amounting to 5% or more of options granted during that year:

| Particulars | Designation | No. of options granted during the reporting year | |
|----------------|----------------------------|--|---------------|
| | | 31 March 2020 | 31 March 2019 |
| Srinivasan C V | Chief Financial Officer | Nil | 30,000 |
| Deepak Jha | Operation President- North | Nil | 32,000 |

46 Fair value measurement

46.1 Financial assets and liabilities

The carrying amounts and fair values of financial instruments by category are as follows

| Particulars | Note | As at | As at | As at |
|--|------|--------------------|------------------|------------------|
| | | 31 March 2020 | 31 March 2019 | 01 April 2018 |
| Financial assets measured at fair value | | | | |
| Investments | 11 | 1,88,280.46 | - | - |
| Financial assets measured at amortised cost | | | | |
| Cash and cash equivalents | 7 | 1,944.54 | 329.40 | 81.91 |
| Bank balance other than cash and cash equivalents | 8 | 26.73 | 135.25 | 79.48 |
| Trade receivables | 9 | 451.15 | - | 245.36 |
| Loans | 10 | 10,894.06 | 5,154.08 | 5,399.25 |
| Investments | 11 | 1,66,012.72 | 6,413.31 | 5,585.93 |
| Other financial assets | 12 | 33.95 | 31.78 | 16.02 |
| Total | | 3,67,643.61 | 12,063.82 | 11,407.95 |

| Particulars | Note | As at | As at | As at |
|---|------|--------------------|-----------------|-----------------|
| | | 31 March 2020 | 31 March 2019 | 01 April 2018 |
| Financial liabilities measured at amortised cost | | | | |
| Other payables | 17 | 47.47 | 284.79 | 198.45 |
| Debt securities | 18 | 2,47,366.95 | - | - |
| Borrowings (other than debt securities) | 19 | 23,722.71 | 2,999.63 | 2,645.55 |
| Subordinated liabilities | 20 | 992.48 | 991.43 | 990.20 |
| Other financial liabilities | 21 | 531.68 | 124.69 | 20.30 |
| Total | | 2,72,661.29 | 4,400.54 | 3,854.50 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

46.2 Fair value hierarchy of assets and liabilities

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation sale. Methods and assumptions used to estimate the fair values are consistent in all the years. Fair value of financial instruments referred to in note (a) above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable entity specific inputs.

The categories used are as follows:

Level 1: Quoted prices (unadjusted) for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Level 1 (Quoted prices in active market) | | | |
| Financial assets measured at FVTPL | | | |
| Investments in quoted equity instruments | 3,796.75 | - | - |
| Investments in bonds and debentures | 1,42,655.88 | - | - |
| Financial assets measured at FVTPL | | | |
| Investments in mutual funds | 34,418.53 | - | - |
| Investments in alternative investment funds | 7,409.30 | - | - |
| | 1,88,280.46 | - | - |

46.3 Fair value of financial instruments measured at amortised cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments measured at amortised cost.

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|---|---------------------|--------------------|---------------------|------------------|---------------------|------------------|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets: | | | | | | |
| Cash and cash equivalents | 1,944.54 | 1,944.54 | 329.40 | 329.40 | 81.91 | 81.91 |
| Bank balance other than cash and cash equivalents | 26.73 | 26.73 | 135.25 | 135.25 | 79.48 | 79.48 |
| Trade receivables | 451.15 | 451.15 | - | - | 245.36 | 245.36 |
| Loans | 10,894.06 | 10,894.06 | 5,154.08 | 5,154.08 | 5,399.25 | 5,399.25 |
| Investments | 1,66,012.72 | 1,66,012.72 | 6,413.31 | 6,413.31 | 5,585.93 | 5,585.93 |
| Other financial assets | 33.95 | 33.95 | 31.78 | 31.78 | 16.02 | 16.02 |
| Total financial assets | 1,79,363.15 | 1,79,363.15 | 12,063.82 | 12,063.82 | 11,407.95 | 11,407.95 |
| Financial liabilities: | | | | | | |
| Payables | 47.47 | 47.47 | 284.79 | 284.79 | 198.45 | 198.45 |
| Debt securities | 2,47,366.95 | 2,47,366.95 | - | - | - | - |
| Borrowings (other than debt securities) | 23,722.71 | 23,722.71 | 2,999.63 | 2,999.63 | 2,645.55 | 2,645.55 |
| Subordinated liabilities | 992.48 | 992.48 | 991.43 | 991.43 | 990.20 | 990.20 |
| Other financial liabilities | 531.68 | 531.68 | 124.69 | 124.69 | 20.30 | 20.30 |
| Total financial liabilities | 2,72,661.29 | 2,72,661.29 | 4,400.54 | 4,400.54 | 3,854.50 | 3,854.50 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

46.4 Valuation methodologies of financial instruments measured at amortised cost

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Financial assets at amortised cost

The fair value of loans given to customers are estimated using a discounted

cash flow model based on contractual cash flows using actual or estimated yields

The fair value of investments are estimated using a cash flow model based on contractual cash flows using actual maturities.

Financial liability at amortised cost

The fair value of borrowings, debt securities and subordinate liabilities are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields.

Short term financial assets and liabilities

The fair value of cash and cash equivalents, bank balances, trade receivables, other financial assets and other financial liabilities approximate their carrying amount largely due to the short-term nature of these instruments. The Company's loans have been contracted at market rates of interest. Accordingly, the carrying value of these approximates fair value.

47 Risk management

The Company is a Systemically Important-Non Deposit Taking-Non-Banking Financial Company (NBFC-ND-SI) registered with the Reserve Bank of India. On account of its business activities it is exposed to various financial risks associated with financial products such as credit or default risk, market risk, interest rate risk, liquidity risk and inflationary risk. However, the Company has a robust financial risk management system in place to identify, evaluate, manage and mitigate various risks associated with its financial products to ensure that desired financial objectives are met. The Company's senior management is responsible for establishing and monitoring the risk management framework within its overall risk management objectives and strategies, as approved by the Board of Directors. Such risk management strategies and objectives are established to identify and analyse potential risks faced by the Company, set and monitor appropriate risk limits and controls, periodically review the changes in market conditions and assess risk management performance. Any change in Company's risk management objectives and policies needs prior approval of its Board of Directors. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

| Risk | Exposure arising from | Measurement | Risk management |
|------------------------------|-----------------------|----------------------|---|
| Liquidity risk | Financial liabilities | Cash flow forecasts | Committed borrowing and other credit facilities and sale of loan assets (whenever required) |
| Market risk - interest rate | Investments | Sensitivity analysis | Review of fair valuation of investments |
| Market risk - security price | Investments | Sensitivity analysis | Diversification of portfolio with focus on strategic investments |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

The Company has a risk management policy which covers all the risk associated with its assets and liabilities. The Company has 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 tandem with internal metamorphosis and changing external environment. The process of continuous evaluation of risk also includes taking stock of the risk landscape on an event-driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The Company's treasury is responsible for managing its assets and liabilities, liquidity position, and the overall financial structure. It is also primarily responsible for the funding and interest rate risks of the Company.

47.1 Credit risk

A. Investments

This risk is common to all investors who invest in bonds and debt instruments and it refers to a situation where a particular bond issuer is unable to make the expected principal payments, interest rate payments, or both. Similarly, a lender bears the risk that the borrower may default in the payment of contractual interest or principal on its debt obligations, or both. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

B. Loans

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's substantial income is generated from lending to retail customers and therefore credit risk is the principal risk associated with the business.

The credit risk management policy of the Company seeks to have following controls and key metrics that allows risks to be identified, assessed, monitored and reported in a timely and efficient manner in compliance with regulatory requirements.

- Standardize the process of identifying new risks and designing appropriate controls for these risks
- Minimize losses due to defaults or untimely payments by borrowers
- Maintain an appropriate credit administration and loan review system
- Establish metrics for portfolio monitoring
- Design appropriate credit risk mitigation techniques"

47.1.1 Risk identification

Credit risk may originate in one or multiple of following ways mentioned below:

- Adverse selection of target market for undertaking lending activity (negative villages, migrant occupations, negative communities, etc.)
- Gap in credit assessment of borrower's credit worthiness (Failure to collect KYC documents, verify residential address, assess income source, etc.)
- Undue influence of Animator/Representative on customers (political influence / middlemen influencing decisions of customers)
- Over-borrowing by customers

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

- Upper cap on loan ticket size
- Improper use of loan amount than the designated activity
- Over-concentration in any geography/branch/zone etc.

47.1.2 Risk assessment and measurement

The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

- (i) Low credit risk
- (ii) Moderate credit risk
- (iii) High credit risk

The Company provides for expected credit loss based on the following:

| Nature | Assets covered | Basis of expected credit loss |
|----------------------|---|---|
| Low credit risk | Cash and cash equivalents (excluding cash on hand), other bank balances, investments, loans, trade receivables and other financial assets | 12 month expected credit loss |
| Moderate credit risk | Loans and investments | Life time expected credit loss or 12 month expected credit loss |
| High credit risk | Loans and investments | Life time expected credit loss or fully provided for |

47.1.3 Risk monitoring

Monitoring and follow up is an essential element in the overall risk management framework and is taken up very seriously at all levels within the organization. Monitoring and controlling risks is primarily performed based on limits established by the Company.

Investments - Risk concentration is minimized by investing in highly rated, investment grade bonds and debt instruments which have a very low risk of default. The Company lends to borrowers with a good credit score and generally most of the lending is secured against assets pledged by the borrower in favour of the Company. These investments are reviewed by the Board of Directors on a regular basis.

Loans - Borrower risk categorization is an effective tool to flag potential problems in the loan accounts and identify if any corrective action plan are to be taken. The Company regularly monitors borrower repayments and borrowers are accordingly categorized in low risk and high risk. However, due to retail nature of clients, poor financial literacy and cash-oriented culture, and lack of adequate credit history prevents us from obtaining credit bureau scores at regular intervals. Loans are tracked at a homogeneous pool basis by the Risk Team. Any deterioration in the performance of the pool are immediately pointed out to the Senior Management and detailed analysis are carried out to identify the trends in performance.

The risk monitoring metrics have been defined to track performance at each stage of the loan life cycle:

- Credit Origination - KYC pendency, if any; deviation index from the defined policies and procedures
- Credit sanction - Disbursement to high risk rated borrowers; early delinquency due to fraud

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

- Credit monitoring -
- Portfolio at risk - The metrics provides an indication of potential losses that may arise from overdue accounts. (loans staging more than 90 Days past due);
- Static pool analysis - Provides an indication about the portfolio performance vis-a-vis the vintage of the loans and helps compare performance of loans generated in different time periods
- Collection and recovery - collection efficiency, roll forward rates and roll backward rates.

47.1.4 Risk mitigation

Risk Mitigation or risk reduction is defined as the process of reducing risk exposures and/or minimizing the likelihood of incident occurrence.

Investments

With respect to investments, the Company maintains a well-diversified portfolio of investments in shares and securities which are saleable at any given point of time. A dedicated team of market experts are monitoring the markets on a continuous basis, which advises the management for timely purchase or sale of securities.

Loans

The following risk mitigation measures has been suggested at each stage of loan life cycle:

- Loan origination - site screening, independent visit by manager, adequate training to officers.
- Loan underwriting - Risk rating, independent assessment, etc.
- Loan pre and post disbursement - disbursement at the branch premises and in the bank account only, tracking to avoid misuse of funds,
- Loan collection and recovery - monitor repayments, confirmation of balances etc.
- Appropriate policy-driven loan origination and collection process.

It is the Company's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Company is exposed to that they decide to take on. Continuous training and development emphasises that employees are made aware of the Company's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Company's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

47.1.5 Impairment assessment

Investments

The Company has commenced the treasury operations in investments in the current year ended 31 March 2020 and all investments carried at amortised cost are categorised under Stage 1. The Company has assessed the impairment allowance on the basis of EAD*PD*LGD. The default rates for these investments are considered as reported by external credit rating agencies. Exposure at default (EAD) is the carrying value of the investments (net of credit enhancement).

Loans

The Company is also engaged in the business of providing loans and access to credit to the customers. The tenure of which is ranging from 1 month to 60 months.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

The Company's impairment assessment and measurement approach is set out in this note. It should be read in conjunction with the Summary of significant accounting policies Note 4.8.1 (Overview of the Expected Credit Loss).

Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the due amount have been paid. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Company's internal credit rating grades and staging criteria for loans are as follows:

| Internal rating grade | Internal rating description | Stages |
|-----------------------------|-----------------------------|-----------|
| Performing | | |
| Standard grade - no overdue | No over due | Stage I |
| Standard grade - past due | DPD 1 to 30 | Stage I |
| | DPD 31 to 60 | Stage II |
| | DPD 61 to 89 | Stage II |
| Non-performing | | |
| Sub-standard grade | DPD => 90 | Stage III |

Frequency of recognition

Riskiness of a financial asset is recognized in the following frequency: -

- At the time of initial recognition all financial assets are recognized as low credit risk.
- Assets are evaluated on a monthly frequency till the time it is fully repaid and closed; they are evaluated basis their days past due (DPD) status at every month-end, and risk classification is made accordingly.
- An asset may be re-recognized if there is adverse field information regarding client default.

Forward looking approach

ECL is based on history of financial asset and also includes forward-looking statement. Ind-AS does not mandate to forecast about the future conditions over the entire expected life of a financial asset, and ensures to extrapolate projection from available, detailed information. These includes :-

- Internal historical credit loss experience
- Industry trend of credit loss of homogeneous assets
- Historical credit loss experience of other similar assets to homogeneous set of customers

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

- Changes in underwriting capacity, collection efficiency, and management strength
- Macroeconomic factors such as interest rates, industry policies, GDP growth, inflation, etc.
- Regulatory factors such as systemic risk events, policy changes, and statutory guidelines
- Systemic events such as demonetization, Andhra Pradesh crisis, etc and special situations such as floods, cyclone, earthquake, etc.

Measurement of ECL

Expected Credit Loss or ECL is measured in the following manner. The Company calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

$$\text{ECL} = \text{PD} * \text{LGD} * \text{EAD}$$

Each item is defined as follows: -

ECL - Expected credit loss

Present value of difference between contractual cash flows and actual cash flows expected to be received over a given time horizon

PD - Probability of default

The Probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

LGD - Loss given default

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD
EAD- Exposure at default

Cash flows that are at risk of default over a given time horizon, The Exposure at Default is an estimate of the exposure at a future default date.

Expected credit losses for financial assets other than loans

| As at 31 March 2020 | Estimated gross carrying amount at default | Expected credit losses | Carrying amount net of impairment provision |
|---|--|------------------------|---|
| Cash and cash equivalents | 1,944.54 | - | 1,944.54 |
| Bank balance other than cash and cash equivalents | 26.73 | - | 26.73 |
| Trade receivables | 451.15 | - | 451.15 |
| Investments | 3,54,557.18 | 264.00 | 3,54,293.18 |
| Other financial assets | 33.95 | - | 33.95 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

| As at 31 March 2019 | Estimated gross carrying amount at default | Expected credit losses | Carrying amount net of impairment provision |
|---|--|------------------------|---|
| Cash and cash equivalents | 329.40 | - | 329.40 |
| Bank balance other than cash and cash equivalents | 135.25 | - | 135.25 |
| Trade receivables | - | - | - |
| Investments | 6,413.31 | - | 6,413.31 |
| Other financial assets | 31.78 | - | 31.78 |

| As at 31 March 2018 | Estimated gross carrying amount at default | Expected credit losses | Carrying amount net of impairment provision |
|---|--|------------------------|---|
| Cash and cash equivalents | 81.91 | - | 81.91 |
| Bank balance other than cash and cash equivalents | 79.48 | - | 79.48 |
| Trade receivables | 245.36 | - | 245.36 |
| Investments | 5,585.93 | - | 5,585.93 |
| Other financial assets | 16.02 | - | 16.02 |

47.2 Liquidity risk and funding management

In assessing the Company's liquidity position, consideration shall be given to: (a) present and anticipated asset quality (b) present and future earnings capacity (c) historical funding requirements (d) current liquidity position (e) anticipated future funding needs, and (f) sources of funds. The Company maintains a well-diversified portfolio of investments in shares and securities which are saleable at any given point of time. A dedicated team of market experts are monitoring the markets on a continuous basis, which advises the management for timely purchase or sale of securities. The Company is currently having a mix of both short-term and long-term investments. The Company maintains a portfolio of other marketable assets that are assumed to be easily liquidated and undrawn cash credit limits which can be used in the event of an unforeseen interruption in cash flow. The Company also enters into direct assignment transactions of their loan portfolio, the funding from which can be accessed to meet liquidity needs. In accordance with the Company's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company. Net liquid assets consist of cash, short-term bank deposits and investments in mutual funds and other investments in securities which are categorised as "held for sale" and are available for immediate sale, less issued securities and borrowings due to mature within the next month. Borrowings from banks and financial institutions, issue of debentures and bonds are considered as important sources of funds to finance lending to customers. They are monitored using the advances to borrowings ratio, which compares loans and advances to customers as a percentage of secured and unsecured borrowings.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

47.2.1. Analysis of financial assets and liabilities by remaining contractual maturities

The tables below analyse the Company's financial assets and liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual cash flows:

Maturity pattern of assets and liabilities as on 31 March 2020

| Particulars | Less than 1 year | Over 1 year & upto 3 years | Over 3 years & upto 5 years | Over 5 years | Total |
|---|--------------------|----------------------------|-----------------------------|------------------|--------------------|
| Financial assets | | | | | |
| Cash and cash equivalents | 1,944.54 | - | - | - | 1,944.54 |
| Bank balance other than cash and cash equivalents | - | 26.73 | - | - | 26.73 |
| Trade receivables | 451.15 | - | - | - | 451.15 |
| Loans * | 7,526.03 | 3,238.16 | 129.25 | 0.62 | 10,894.06 |
| Investments | 2,55,334.25 | 70,232.27 | 7,233.38 | 21,493.28 | 3,54,293.18 |
| Other financial assets | 22.40 | 11.55 | - | - | 33.95 |
| Total financial assets | 2,65,278.37 | 73,508.71 | 7,362.63 | 21,493.90 | 3,67,643.61 |
| Financial liabilities | | | | | |
| Trade payables | 47.47 | - | - | - | 47.47 |
| Debt securities | 2,47,366.95 | - | - | - | 2,47,366.95 |
| Borrowings | 621.91 | 23,100.80 | - | - | 23,722.71 |
| Subordinated Liabilities | - | - | 992.48 | - | 992.48 |
| Other financial liabilities | 531.68 | - | - | - | 531.68 |
| Total financial liabilities | 2,48,568.01 | 23,100.80 | 992.48 | - | 2,72,661.29 |
| Net undiscounted financial assets/ (liabilities) | 16,710.36 | 50,407.91 | 6,370.15 | 21,493.90 | 94,982.32 |

*Amounts disclosed as per anticipated repayment pattern owing to moratorium given to customers on account of COVID-19 pandemic as per RBI guidelines.

Maturity pattern of assets and liabilities as on 31 March 2019:

| Particulars | Less than 1 year | Over 1 year & upto 3 years | Over 3 years & upto 5 years | Over 5 years | Total |
|---|------------------|----------------------------|-----------------------------|-----------------|------------------|
| Financial assets | | | | | |
| Cash and cash equivalents | 329.40 | - | - | - | 329.40 |
| Bank balance other than cash and cash equivalents | 84.88 | 25.45 | 24.92 | - | 135.25 |
| Trade receivables | - | - | - | - | - |
| Loans | 3,110.14 | 1,667.63 | 375.85 | 0.46 | 5,154.08 |
| Investments | - | - | - | 6,413.31 | 6,413.31 |
| Other financial assets | 20.64 | 11.14 | - | - | 31.78 |
| Total financial assets | 3,545.06 | 1,704.22 | 400.77 | 6,413.77 | 12,063.82 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

| Particulars | Less than 1 year | Over 1 year & upto 3 years | Over 3 years & upto 5 years | Over 5 years | Total |
|---|------------------|----------------------------|-----------------------------|-----------------|-----------------|
| Financial liabilities | | | | | |
| Trade payables | 284.79 | - | - | - | 284.79 |
| Debt securities | - | - | - | - | - |
| Borrowings | 2,482.44 | 517.19 | - | - | 2,999.63 |
| Subordinated Liabilities | - | - | - | 991.43 | 991.43 |
| Other financial liabilities | 124.69 | - | - | - | 124.69 |
| Total undiscounted financial liabilities | 2,891.92 | 517.19 | - | 991.43 | 4,400.54 |
| Net financial assets/(liabilities) | 653.14 | 1,187.03 | 400.77 | 5,422.34 | 7,663.28 |

Maturity pattern of assets and liabilities as on 1 April 2018

| Particulars | Less than 1 year | Over 1 year & upto 3 years | Over 3 years & upto 5 years | Over 5 years | Total |
|---|------------------|----------------------------|-----------------------------|-----------------|------------------|
| Financial assets | | | | | |
| Cash and cash equivalents | 81.91 | - | - | - | 81.91 |
| Bank balance other than cash and cash equivalents | - | 63.93 | 15.55 | - | 79.48 |
| Trade receivables | 245.36 | - | - | - | 245.36 |
| Loans | 3,823.40 | 1,505.71 | 69.71 | 0.43 | 5,399.25 |
| Investments | - | - | - | 5,585.93 | 5,585.93 |
| Other financial assets | 9.28 | 6.74 | - | - | 16.02 |
| Total financial assets | 4,159.95 | 1,576.38 | 85.26 | 5,586.36 | 11,407.95 |
| Financial liabilities | | | | | |
| Trade payables | 198.45 | - | - | - | 198.45 |
| Debt Securities | - | - | - | - | - |
| Borrowings | - | 2,645.55 | - | - | 2,645.55 |
| Subordinated Liabilities | - | - | - | 990.20 | 990.20 |
| Other financial Liabilities | 20.30 | - | - | - | 20.30 |
| Total undiscounted financial liabilities | 218.75 | 2,645.55 | - | 990.20 | 3,854.50 |
| Net financial assets/(liabilities) | 3,941.20 | (1,069.17) | 85.26 | 4,596.16 | 7,553.45 |

47.3 Market risk

Market Risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market factor. It is a form of systematic risk associated with the day-to-day fluctuation in the market prices of shares and securities and such market risk affects all securities and investors in the same manner. These daily price fluctuations follows its own broad trends and cycles and are more news and transaction driven rather than fundamentals and many a times, it may affect the returns from an investment. Market risks majorly comprises of two types - interest rate risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risks include borrowings and investments.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

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. It is a type of systematic risk that particularly affects fixed rate debt instruments like bonds and debentures. The value of the fixed-rate debt instruments generally decline due to rise in interest rates and vice versa. The rationale is that a bond is a promise of a future stream of payments; an investor will offer less for a bond that pays-out at a rate lower than the rates offered in the current market. A rising interest rate scenario also affects the Company's interest expenditure on borrowed funds.

The Company monitors the interest rate scenarios on a regular basis and accordingly takes investments decisions as whether to invest in fixed rate debt instruments, shares and securities at a particular point of time. Further, the Company's borrowings carry a fixed rate of interest and the Company is in a position to pass on the rise in interest rates to its borrowers. However, the borrowings of the Company are not significant to the financial statements.

The Company's investments in debt instruments and pass through certificates are all fixed interest bearing instruments. Refer the price sensitivity analysis given below.

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 taxes affected through the impact of rate change in borrowings, as follows:

| Particulars | Effect on Statement of Profit and loss for the year 2019-20 | Effect on Statement of Profit and loss for the year 2018-19 |
|----------------|---|---|
| 0.50% increase | 123.58 | 19.96 |
| 0.50% decrease | (123.58) | (19.96) |

Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded price. It arises from financial assets such as investments in equity instruments, bonds, mutual funds etc. The Company is exposed to price risk arising mainly from investments carried at fair value through profit and loss which are valued using quoted prices in active markets (level 1 investments). A sensitivity analysis demonstrating the impact of change in market prices of these instruments from the prices existing as at the reporting date is given below:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Investments carried at FVTPL valued using quoted prices in active market | 1,88,280.46 | - | - |

| Particulars | Effect on Statement of Profit and loss for the year 2019-20 | Effect on Statement of Profit and loss for the year 2018-19 |
|-------------|---|---|
| 1% increase | 1,882.80 | - |
| 1% decrease | (1,882.80) | - |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

| Particulars | As at 31 March 2020 | | | As at 31 March 2019 | | | As at 01 April 2018 | | | | | |
|------------------------------|---------------------|---------------|---------------|---------------------|-----------------|---------------|---------------------|---------------|-----------------|---------------|---------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Internal rating grade | | | | | | | | | | | | |
| Performing | | | | | | | | | | | | |
| Standard grade- No Over Due | 9,124.62 | - | - | 9,124.62 | 3,396.53 | - | - | 3,396.53 | 4,917.05 | - | - | 4,917.05 |
| Standard grade- DPD 1 to 30 | 1,563.40 | - | - | 1,563.40 | 1,305.50 | - | - | 1,305.50 | 132.12 | - | - | 132.12 |
| Standard grade- DPD 31 to 60 | - | 233.51 | - | 233.51 | - | 113.12 | - | 113.12 | - | 117.44 | - | 117.44 |
| Standard grade- DPD 61 to 89 | - | 67.03 | - | 67.03 | - | 58.08 | - | 58.08 | - | 50.92 | - | 50.92 |
| Non- performing | | | | | | | | | | | | |
| Sub-standard grade- DPD > 89 | - | - | 579.91 | 579.91 | - | - | 475.61 | 475.61 | - | - | 358.40 | 358.40 |
| Total | 10,688.02 | 300.54 | 579.91 | 11,568.47 | 4,702.03 | 171.20 | 171.20 | 475.61 | 5,049.17 | 168.36 | 358.40 | 5,575.93 |

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Portfolio loans is, as follows:

| Particulars | FY 2019-20 | | | FY 2018-19 | | | | |
|--|------------------|---------------|---------------|------------------|-----------------|---------------|---------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount - opening balance | 4,702.03 | 171.20 | 475.61 | 5,348.84 | 5,049.17 | 168.36 | 358.40 | 5,575.93 |
| New assets originated | 9,330.67 | 185.06 | 35.99 | 9,551.72 | 3,568.06 | 90.87 | 21.87 | 3,680.80 |
| Movement between stages | | | | | | | | |
| Transferring from Stage 1 | (276.08) | 201.73 | 74.35 | - | (301.69) | 134.95 | 166.74 | - |
| Transferring from Stage 2 | 35.47 | (70.45) | 34.98 | - | 30.46 | (83.60) | 53.14 | - |
| Transferring from Stage 3 | 3.39 | 3.91 | (7.30) | - | 2.54 | 2.83 | (5.37) | - |
| Assets repaid, derecognized and written off | (3,107.46) | (190.91) | (33.72) | (3,332.09) | (3,646.51) | (142.21) | (119.17) | (3,907.89) |
| Gross carrying amount- closing balance | 10,688.02 | 300.54 | 579.91 | 11,568.47 | 4,702.03 | 171.20 | 475.61 | 5,348.84 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Risk management (Contd..)

Reconciliation of ECL balance is given below:

| Particulars | FY 2019-20 | | | | FY 2018-19 | | | |
|--|---------------|--------------|---------------|---------------|--------------|-------------|---------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Impairment allowance - opening balance | 30.78 | 9.62 | 154.36 | 194.76 | 27.80 | 9.69 | 139.19 | 176.68 |
| New assets originated | 359.96 | 5.49 | 5.79 | 371.24 | 21.22 | 3.00 | 3.02 | 27.24 |
| Movement between stages | | | | | | | | |
| Transfers to Stage 1 | (1.99) | 1.41 | 0.58 | - | (1.64) | 0.89 | 0.75 | - |
| Transfers to Stage 2 | 2.04 | (5.36) | 3.32 | - | 1.39 | (5.57) | 4.18 | - |
| Transfers to Stage 3 | 0.91 | 1.26 | (2.17) | - | 0.65 | 1.00 | (1.65) | - |
| Additional provision created during the year/(Assets repaid, derecognized and written off) | 30.55 | 2.90 | 74.96 | 108.41 | (18.64) | 0.61 | 8.87 | (9.16) |
| Impairment allowance - closing balance | 422.25 | 15.32 | 236.84 | 674.41 | 30.78 | 9.62 | 154.36 | 194.76 |

Prepayment risk

Prepayment risk is the risk that the Company will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

47.4 Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access management, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

48 First-time adoption of Ind AS

These financial statements, for the year ended 31 March 2020, are the first financial statements which have been prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). The Company follows directions prescribed by the Reserve Bank of India ('RBI') for Non-Banking Finance Company ('NBFC').

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for year end on 31 March 2020, together with the comparative period data as at and for the year ended 31 March 2019, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 01 April 2018, being the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 01 April 2018 and the financial statements as at and for the year ended 31 March 2019.

Exemptions applied:

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS:

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

48 First-time adoption of Ind AS (Contd..)

A) Optional exemptions

i) Deemed cost for property, plant and equipment and other intangible assets

Ind AS 101 permits a first time adopter to elect to continue the carrying value of all its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost after making necessary adjustments to decommissioning liabilities. This exemption can also be used for intangible assets covered under Ind AS 38.

Accordingly, the Company has elected to measure all its property, plant and equipment and intangible assets at the carrying value under the previous GAAP.

B) Mandatory exceptions

Estimates

The estimates as at 01 April 2018 and as at 31 March 2019 are consistent with those made for the same dates in accordance with previous GAAP (after adjustments to reflect any differences in accounting policies) apart from impairment of financial assets based on expected credit loss model in accordance with Ind AS at the date of transition as these were not required under the previous GAAP.

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as at 01 April 2018, the date of transition to Ind AS and as of 31 March 2019.

De-recognition of financial assets and liabilities

Ind AS 101 requires a first time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However Ind AS 101, allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the derecognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of facts and circumstances that exist at the date of transition to Ind AS. Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

Reconciliation of equity as at 01 April 2018 and 31 March 2019

| Particulars | Note reference | Reconciliation of equity | |
|--|----------------|--------------------------|---------------------|
| | | As at 31 March 2019 | As at 01 April 2018 |
| Total Equity as reported under the previous GAAP | | 7,967.12 | 7,997.43 |
| a) Adjustment resulting in increase/(decrease) in Equity | | | |
| b) Adoption of EIR for amortisation of income - financial assets measured at amortised cost | 1 | (93.31) | (125.56) |
| c) Adoption of EIR for amortisation of expenses - financial liabilities measured at amortised cost | 1 | 36.19 | 31.66 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

48 First-time adoption of Ind AS (Contd..)

| Particulars | Note reference | Reconciliation of equity | |
|--|----------------|--------------------------|---------------------|
| | | As at 31 March 2019 | As at 01 April 2018 |
| d) Impact on application of expected credit loss method for loan loss provisioning | 2 | (110.00) | (65.00) |
| e) Interest income on non performing loans | 3 | 44.38 | 74.14 |
| f) Impact of application of lease accounting under Ind AS 116 | 4 | - | (0.66) |
| g) Net gain on derecognition of loans sold under assignment transactions | 5 | - | 6.02 |
| h) Adoption of fair valuation method for employee stock options | 6 | 13.23 | 40.60 |
| i) Impact of consolidation of Chaitanya Employee Welfare Trust | 7 | (219.64) | (219.64) |
| j) Provision for employee benefits | 8 | (14.47) | (37.55) |
| k) Others | 8 | (0.02) | 46.56 |
| l) Deferred tax impact on above adjustments | 9 | 37.81 | 19.58 |
| Total effect of transition to Ind AS | | (305.83) | (229.85) |
| Equity as per Ind AS | | 7,661.29 | 7,767.58 |

Reconciliation of profit for the year ended 31 March 2019

| Particulars | Note reference | Year ended 31 March 2019 |
|--|----------------|--------------------------|
| Net profit after tax as per previous GAAP | | 30.31 |
| a) Adoption of EIR for amortisation of income - financial assets measured at amortised cost | 1 | (32.25) |
| b) Adoption of EIR for amortisation of expenses - financial liabilities measured at amortised cost | 1 | (4.53) |
| c) Impact on application of expected credit loss method for loan loss provisioning | 2 | 45.00 |
| d) Interest income on non performing loans | 3 | 29.76 |
| e) Impact of application of lease accounting under Ind AS 116 | 4 | (0.66) |
| f) Net gain on derecognition of loans sold under assignment transactions | 5 | 6.02 |
| g) Provision for employee benefits | 8 | (23.08) |
| h) Others | 8 | 47.00 |
| i) Deferred tax impact on Ind AS adjustments | 9 | (18.23) |
| Net profit after tax as per Ind AS | | 79.34 |
| j) Other comprehensive income (net of tax) | 10 | (0.42) |
| Total comprehensive income as per Ind AS | | 78.92 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

48 First-time adoption of Ind AS (Contd..)

Footnotes for reconciliation of equity as at 01 April 2018 and 31 March 2019 and profit for the year ended 31 March 2019

1. EIR and measurement of financial assets and liabilities at amortised cost

a. Under previous GAAP, processing fees charged to customers was recognised upfront while under Ind AS, such costs are included in the initial recognition amount of financial asset and recognised as interest income using the effective interest method. Also under previous GAAP, security deposits were initially recognized at transaction price. Subsequently, finance income was recognized based on contractual terms, if any. Under Ind AS, such financial assets are initially recognized at fair value and subsequently carried at amortised cost determined using the effective interest rate. Any difference between transaction price and fair value is amortised to statement of profit and loss based on the nature of such difference.

b. Under previous GAAP, transaction costs incurred on borrowings was charged to statement of profit and loss upfront while under Ind AS, such costs are included in the initial recognition amount of financial liabilities and recognised as interest expense using the effective interest method.

2. Application of Expected Credit Loss ("ECL") model for loan loss provisioning

Under previous GAAP, the Company created impairment allowance on loan assets basis the provisioning norms prescribed by the Reserve Bank of India ('RBI'). Under Ind AS, impairment allowance has been determined based on expected credit loss ('ECL') model.

3. Interest income on NPA

Under previous GAAP, interest income on NPA was recognised on cash basis. However, under Ind AS interest income is recognised on credit impaired assets by applying the EIR on amortised cost of such assets net off ECL.

4. Lease accounting under Ind AS 116

The Company has adopted Ind AS 116, Leases effective 1 April 2019, as notified by the Ministry of Corporate Affairs (MCA) in the Companies (Indian Accounting Standard) Amendment Rules 2019, using modified retrospective approach. The adoption of this standard did not have a material impact on the profit of the current year.

5. Net gain on derecognition of loans sold under Direct assignment (DA) transactions

Under Ind AS, present value of excess interest spread receivables on derecognised assets has been computed by discounting net cash flows from such assigned pools with respective pool IRR. Under previous GAAP, such spread was being recognised as and when received in cash.

6. Adoption of fair valuation method for employee stock options

Under Ind AS, the compensation cost of employee stock option plan is recognised based on the fair value of the options determined using an appropriate pricing model at the date of grant. This cost has been recognised in the books of the Subsidiary Company, since the Company has granted these options to the employees of the Subsidiary Company. The Company has accounted for the same as a further investment in the subsidiary company with a corresponding reserve being created for the employee stock options outstanding account in the respective periods presented.

7. Impact of consolidation of Chaitanya Employee Welfare Trust

The Company has given an interest and collateral free loan to an Employee Stock Option Plan Trust ("Chaitanya Employee Welfare Trust" or "ESOP Trust") to provide financial assistance for purchase of equity shares of the Company under Employee Stock Option Scheme. The Company has established the ESOP Trust to which the stock options issuable (578,000 equity shares) have been transferred. The amount recoverable from the ESOP Trust has been reduced from share capital (to the extent of face value) and from securities premium (to the extent of premium on shares) in the respective reporting periods.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

48 First-time adoption of Ind AS (Contd..)

8. Others

This represents adjustments made by the Company for certain employee benefit expenses and other items in appropriate accounting periods.

9. Tax impact on adjustments

Retained earnings and statement of profit and loss has been adjusted consequent to the Ind AS transition adjustments with corresponding impact to deferred tax, wherever applicable.

10. Remeasurement of employee benefit obligations

Both under previous GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under previous GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, remeasurements comprising of actuarial gains and losses are recognised in other comprehensive income instead of profit and loss.

Effect of Ind AS adoption on the statement of cash flows for the year ended 31 March 2019

| Particulars | Previous GAAP | Adjustments | Ind AS |
|---|---------------|-------------|---------------|
| Net cash from/(used in) operating activities | 1,056.07 | (349.65) | 706.42 |
| Net cash from/(used in) investing activities | (808.58) | 0.01 | (808.57) |
| Net cash from/(used in) financing activities | - | 349.64 | 349.64 |
| Net increase/(decrease) in cash and cash equivalents | 247.49 | - | 247.49 |
| Cash and cash equivalents at the beginning of the year | 0.18 | - | 0.18 |
| Cash and cash equivalents at the end of the year | 329.22 | - | 329.22 |

Note: The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

49. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company. The Company is in a single business segment (primary segment) of giving loans and making investments. The entire revenues are billable within India and there is only one geographical segment (secondary segment).

50. Transferred financial assets that are not derecognised in their entirety

There are no transferred financial assets that are not derecognized in it's entirety for the year ended 31 March 2020, 31 March 2019 and 31 March 2018.

51. Expenditure in foreign currency

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Travel expenses reimbursement | 5.01 | 18.42 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

52. Additional disclosures as required by the Reserve Bank of India: -

(A) Disclosure as per Master Direction DNBR.PD.008/03.10.119/2016-17 (updated as on 17 February 2020) are as under:-

(i) Capital to Risk Assets Ratio ("CRAR"):-

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| CRAR (%) | 20.80% | 49.77% |
| CRAR – Tier I capital (%) | 20.57% | 33.29% |
| CRAR – Tier II capital (%) | 0.23% | 16.48% |
| Amount of subordinated debt raised during the year included in Tier-II capital | 800.00 | 1,000.00 |
| Amount raised by issue of perpetual debt instruments | - | - |

Discounted value of ₹ 800.00 lakhs (31 March 2019: ₹ 1,000.00 lakhs) considered for Tier II capital against the book value of ₹ 1,000.00 lakhs (31 March 2019: ₹ 1,000.00 lakhs).

53. Investments

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| (1) Value of investments | | |
| (i) Gross value of investments | | |
| (a) In India | 3,54,557.18 | 6,413.31 |
| (b) Outside India | - | - |
| (ii) Impairment provisions on investments | | |
| (a) In India | (264.00) | - |
| (b) Outside India | - | - |
| (iii) Net value of investments | | |
| (a) In India | 3,54,293.18 | 6,413.31 |
| (b) Outside India | - | - |
| (2) Movement of impairment provisions on investments | | |
| (i) Opening balance | - | - |
| (ii) Add : Provisions made during the year | 264.00 | - |
| (iii) Less : Write-off/write-back of excess provisions during the year | - | - |
| (iv) Closing balance | 264.00 | - |

54. Derivatives

The Company has not entered into any derivative transactions during the year ended 31 March 2020 and 31 March 2019.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

55. Disclosure as per RBI circular no.DBOD.No.BP.BC.60/21.04.048/200506 dated February 1, 2006

55.1 Details of financial assets sold to securitisation

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| Disclosures relating to securitisation | Nil | Nil |

55.2 Details of financial assets sold to securitisation/reconstruction company for asset reconstruction:

The Company has not sold any financial assets to Securitisation/Reconstruction company for asset reconstruction during the year ended 31 March 2020 and 31 March 2019.

55.3 Detail of assignment transactions:-

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| No. of accounts | 1,024 | 964 |
| Aggregate Value (net of provisions) of accounts sold | 199.37 | 233.28 |
| Aggregate consideration | 199.37 | 233.28 |
| Additional consideration realized in respect of accounts transferred in earlier years | - | - |
| Aggregate gain/loss over net book value | - | - |

55.4 Details of non-performing financial assets purchased/sold

The Company has not purchased/sold non-performing financial assets during the year ended 31 March 2020 and 31 March 2019.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

56. Asset Liability Management Maturity pattern of certain items of assets and liabilities:-

As at 31 March 2020

| Particulars | Upto 7 days | Over 08 days upto 14 days | Over 15 days upto 1 months | Over 1 month upto 2 months | Over 2 months upto 3 months | Over 3 months upto 6 months | Over 3 months upto 6 months & upto 1 year | Over 1 year & upto 3 years | Over 3 years & upto 5 years | Over 5 years | Total |
|------------------------------|-------------|---------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|---|----------------------------|-----------------------------|--------------|-------------|
| Liabilities | | | | | | | | | | | |
| Borrowings | 14.81 | 8.33 | 35.58 | 59.27 | 59.59 | 2,47,538.40 | 272.88 | 23,103.65 | 989.63 | - | 2,72,082.14 |
| Assets | | | | | | | | | | | |
| Loans (refer note iii below) | 22.77 | 22.77 | 52.30 | 268.64 | 317.20 | 3,992.77 | 2,849.58 | 3,238.16 | 129.25 | 0.62 | 10,894.06 |
| Investments | 1,10,056.80 | 4,678.48 | 5,920.88 | 12,301.68 | 19,784.92 | 47,481.38 | 55,110.11 | 70,232.27 | 7,233.38 | 21,493.28 | 3,54,293.18 |

As at 31 March 2019

| Particulars | Upto 7 days | Over 08 days upto 14 days | Over 15 days upto 1 months | Over 1 month upto 2 months | Over 2 months upto 3 months | Over 3 months upto 6 months | Over 3 months upto 6 months & upto 1 year | Over 1 year & upto 3 years | Over 3 years & upto 5 years | Over 5 years | Total |
|--------------------|-------------|---------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|---|----------------------------|-----------------------------|--------------|----------|
| Liabilities | | | | | | | | | | | |
| Borrowings | 12.84 | 8.27 | 287.14 | 144.52 | 145.44 | 417.63 | 1,466.60 | 517.19 | - | 991.43 | 3,991.06 |
| Assets | | | | | | | | | | | |
| Advances | 85.71 | 85.71 | 195.91 | 359.75 | 345.12 | 776.92 | 1,261.02 | 1,667.63 | 375.85 | 0.46 | 5,154.08 |
| Investments | - | - | - | - | - | - | - | - | - | 6,413.31 | 6,413.31 |

Notes:

- Above mentioned portfolio (own) does not include undrawn facilities, since there are no sanctioned disbursement schedule.
- Amounts disclosed as per anticipated repayment pattern owing to moratorium given to customers on account of COVID-19 pandemic as per RBI guidelines.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

57. Exposures

(i) Exposure to Real Estate Sector:-

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| A. Direct exposure | | |
| i) Residential mortgages | 1,348.88 | 1,183.72 |
| (Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;) | | |
| ii) Commercial real estate: | | |
| (Lending secured by mortgages on commercial real estates office buildings, retails 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) | | |
| iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures - | | |
| a) Residential | Nil | Nil |
| b) Commercial real estate | Nil | Nil |

ii) Exposure to capital market

The Company does not have any exposure to capital market as at 31 March 2020 and 31 March 2019.

58. Details of financing of parent company products

The Company has not financed parent company products during the year ended 31 March 2020 and 31 March 2019.

59. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The Company does not have single or group borrower exceeding the limits during the year ended 31 March 2020 and 31 March 2019

60. Unsecured advances

The Company has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc. The unsecured advances of ₹ 1,902.98 lakhs (31 March 2019: ₹ 455.05 lakhs) disclosed in Note 10 are without any collateral or security.

61 Registration obtained from other financial sector regulators:-

The Company is registered with following other financial sector regulators:

- (a) Ministry of Corporate Affairs (MCA)
- (b) Ministry of Finance (Financial Intelligence Unit)
- (d) Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)

62. Related party transactions

Please refer to note no 42 for related party transactions and related disclosures.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

63. Provisions and contingencies

| Asset Classification as per RBI Norms | Asset classification as per Ind AS 109 | Gross Carrying Amount as per Ind AS | Loss Allowances (Provisions) as required under Ind AS 109 | Net Carrying Amount | Provisions required as per IRACP norms | Difference between Ind AS 109 provisions and IRACP norms |
|---|--|-------------------------------------|---|---------------------|--|--|
| 1 | 2 | 3 | 4 | 5=3-4 | 6 | 7 = 4-6 |
| Performing assets | | | | | | |
| Standard | Stage 1 | 10,688.02 | 422.25 | 10,265.77 | 120.92 | 301.33 |
| | Stage 2 | 300.54 | 15.32 | 285.22 | 16.23 | (0.91) |
| Subtotal | | 10,988.56 | 437.57 | 10,550.99 | 137.15 | 300.42 |
| Non-Performing Assets (NPA) | | | | | | |
| Substandard | Stage 3 | 164.58 | 54.98 | 109.60 | 16.46 | 38.52 |
| Doubtful - up to 1 year | Stage 3 | 121.77 | 50.81 | 70.96 | 24.35 | 26.46 |
| - 1 to 3 years | Stage 3 | 293.56 | 131.05 | 162.51 | 88.07 | 42.98 |
| - More than 3 years | Stage 3 | - | - | - | - | - |
| Subtotal for NPA | | 579.91 | 236.84 | 343.07 | 128.88 | 107.96 |
| 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 | 10,688.02 | 422.25 | 10,265.77 | 120.92 | 301.33 |
| | Stage 2 | 300.54 | 15.32 | 285.22 | 16.23 | (0.91) |
| | Stage 3 | 579.91 | 236.84 | 343.07 | 128.88 | 107.96 |
| | Total | 11,568.47 | 674.41 | 10,894.06 | 266.03 | 408.38 |

| Break up of Provisions shown as expenditure in statement of profit and loss | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|----------------------------------|----------------------------------|
| Provision towards non performing assets | 82.48 | 15.17 |
| Provision towards standard assets | 397.17 | 2.91 |
| Provision made towards income tax | 1,243.87 | 29.88 |
| Provision for gratuity* | 3.25 | 3.68 |
| Provision for compensated absences* | 3.69 | 4.44 |

* Includes actuarial gain/(loss) classified under other comprehensive income.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

64. Draw down from reserves:-

There has been no draw down from reserve during the year ended 31 March 2020 and 31 March 2019.

65. Concentration of advances, exposures and NPAs:-

65.1 Concentration of advances

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| Concentration of advances | | |
| Total advances to twenty largest borrowers | 3,629.95 | 70.22 |
| Percentage of Advances to twenty largest borrowers to total advances of the NBFC | 31.38% | 1.31% |

65.2 Concentration of exposures

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| Concentration of exposures | | |
| Total exposure to twenty largest borrowers / customers | 3,630.42 | 69.82 |
| Percentage of exposures to twenty largest borrowers/customers to total exposure | 31.57% | 1.31% |

65.3 Concentration of NPAs

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| Concentration of NPAs | | |
| Total exposure to top four NPA accounts** | 12.08 | 10.13 |

** NPA accounts refer to stage 3 assets. Stage 3 assets includes financial assets that have objective evidence of impairment at the reporting date as defined under Ind-AS. 90 Days Past Due is considered as default for classifying a financial instrument as credit impaired.

65.3 Concentration of NPAs

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|------------------------------------|---|------------------------|
| Sector | | |
| | Percentage of NPAs to total advance to that sector | |
| 1. Agriculture & allied activities | 2.26% | 12.83% |
| 2. MSME | 0.00% | 0.00% |
| 3. Corporate borrowers | 0.00% | 0.00% |
| 4. Services | 8.57% | 0.00% |
| 5. Unsecured personal loans | 1.68% | 0.00% |
| 6. Auto loans | 1.35% | 0.00% |
| 7. Other personal loans | 27.36% | 6.22% |

NPA accounts refer to stage 3 assets. Stage 3 assets includes financial assets that have objective evidence of impairment at the reporting date as defined under Ind-AS. 90 days past due is considered as default for classifying a financial instrument as credit impaired.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

66. Movement of NPAs

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| i) Net NPAs to net advances (%) | 3.15% | 6.23% |
| ii) Movement of NPAs (Gross) | | |
| Opening balance | 475.61 | 358.40 |
| Additions during the year | 145.32 | 241.75 |
| Reductions during the year | (41.02) | (124.54) |
| Closing balance | 579.91 | 475.61 |
| iii) Movement of Net NPAs | | |
| Opening balance | 321.25 | 219.21 |
| Additions during the year | 60.67 | 224.93 |
| Reductions during the year | (38.85) | (122.89) |
| Closing balance | 343.07 | 321.25 |
| iv) Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| Opening balance | 154.36 | 139.19 |
| Provisions made during the year | 84.65 | 16.82 |
| Write-off/write-back of excess provisions | (2.17) | (1.65) |
| Closing balance | 236.84 | 154.36 |

67. Disclosure as required by para 19 of Non Banking Financial Company - Systemically Important non-deposit taking Company and deposit taking Company (Reserve Bank) Directions, 2016 is as under:

| Particulars | As at 31 March 2020 | |
|--|-----------------------|----------------|
| | Amount outstanding | Amount overdue |
| Liabilities side | | |
| 1 Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | | |
| a) Debentures | | |
| Secured | - | - |
| Unsecured | 2,47,366.95 | - |
| (other than falling within the meaning of public deposits) | | |
| b) Deferred credits | - | - |
| c) Term loans including accrued interest but not paid | 24,033.98 | - |
| d) Inter-corporate loans and borrowings | - | - |
| e) Commercial paper | - | - |
| f) Other loans: | | |
| Other unsecured loans against assets of the Company | 992.48 | - |
| Secured loans against assets of the Company | - | - |
| Overdraft facility | - | - |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

67. Disclosure as required by para 19 of Non Banking Financial Company - Systemically Important non-deposit taking Company and deposit taking Company (Reserve Bank) Directions, 2016 is as under:(Contd..)

| Particulars | As at 31 March 2020 | |
|---|---------------------|----------------------------|
| | Amount outstanding | Amount overdue |
| 2 Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid): | | |
| a) In the form of unsecured debentures | - | - |
| b) "In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security" | - | - |
| c) Other public deposits | - | - |
| Assets side | | As at 31 March 2020 |
| 3 Breakup of loans and advances including bills receivables | | |
| a) Secured | | 9,665.49 |
| b) Unsecured | | 1,902.98 |
| 4 Breakup of leased assets and stock on hire and other assets counting towards AFC activities | | |
| i Lease assets including lease rentals under sundry debtors | | |
| a) Financial lease | | - |
| b) Operating lease | | - |
| ii Stock on hire including hire charges under sundry debtors | | |
| a) Assets on hire | | - |
| b) Repossessed assets | | - |
| iii Other loans counting towards AFC activities | | |
| a) Loans where assets have been repossessed | | - |
| b) Loans other than (a) above | | - |
| 4 Breakup of investments | | |
| Current investments | | |
| I Quoted | | |
| i Shares | | |
| a) Equity | | 7,409.30 |
| b) Preference | | - |
| ii Debentures and bonds | | 125,869.80 |
| iii Units of mutual funds | | - |
| iv Government securities | | - |
| v Others | | - |
| II Unquoted | | |
| i Shares | | |
| a) Equity | | 3,796.75 |
| b) Preference | | - |
| ii Debentures and bonds | | 26,539.96 |
| iii Units of mutual funds | | 34,418.53 |
| iv Government securities | | - |
| v Others | | 57,342.05 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

67. Disclosure as required by para 19 of Non Banking Financial Company - Systemically Important non-deposit taking Company and deposit taking Company (Reserve Bank) Directions, 2016 is as under:(Contd..)

| Particulars | As at 31 March 2020 |
|------------------------------|------------------------|
| | Amount outstanding |
| Long term investments | |
| 1 Quoted | |
| i Shares | |
| a) Equity | - |
| b) Preference | - |
| ii Debentures and bonds | 16,786.08 |
| iii Units of mutual funds | - |
| iv Government securities | - |
| v Others | - |
| 2 Unquoted | |
| i Shares | |
| a) Equity | 21,132.03 |
| b) Preference | - |
| ii Debentures and bonds | 18,533.24 |
| iii Units of mutual funds | - |
| iv Government securities | - |
| v Others | 42,465.42 |

67.1 Borrower group - wise classification of assets financed

| Category | Net of provisions | | | Total |
|-------------------------------------|-------------------|-----------------|-----------------|------------------|
| | Secured | Unsecured | Provisions | |
| 1 Related parties | | | | |
| a) Subsidiaries | - | - | - | - |
| b) Companies in the same group | - | - | - | - |
| c) Other related parties | - | - | - | - |
| 2 Other than related parties | 9,665.49 | 1,902.98 | (674.41) | 10,894.06 |
| Total | 9,665.49 | 1,902.98 | (674.41) | 10,894.06 |

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

| | Market value / break up or fair value or NAV(*) | Book value (Net of provision) |
|-------------------------------------|---|-------------------------------------|
| 1 Related parties | | |
| a) Subsidiaries | 47,659.80 | 47,659.80 |
| b) Companies in the same group | - | - |
| c) Other related parties | - | - |
| 2 Other than related parties | 3,06,633.38 | 3,23,952.12 |
| Total | 3,54,293.18 | 3,71,611.92 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

67. Disclosure as required by para 19 of Non Banking Financial Company - Systemically Important non-deposit taking Company and deposit taking Company (Reserve Bank) Directions, 2016 is as under:(Contd..)

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

| Particulars | As at 31 March 2020 |
|--|------------------------|
| i Gross non-performing assets | |
| a) Related parties | - |
| b) Other than related parties | 579.91 |
| ii Net non-performing assets | |
| a) Related parties | - |
| b) Other than related parties | 343.07 |
| iii Assets acquired in satisfaction of debt | - |

68. Overseas assets

The Company does not have any joint venture or subsidiary abroad as on 31 March 2020 and 31 March 2019.

70. Off-balance sheet SPVs sponsored

The Company has not sponsored any off-balance sheet SPVs which are required to be consolidated as per accounting norms for the year ended 31 March 2020 and 31 March 2019.

71. Customer complaints

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| a) Number of complaints pending at the beginning of the year (Nos) | 4 | - |
| b) Number of complaints received during the year (Nos) | 51 | 44 |
| c) Number of complaints redressed during the year (Nos) | 54 | 40 |
| d) Number of complaints pending at the end of the year (Nos) | 1 | 4 |

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

72. Information on instances of fraud

No instances of fraud have been identified and reported by the Company during the year ended 31 March 2020 and 31 March 2019.

73. Credit rating

The Company has not obtained credit ratings from any agencies during the year ended 31 March 2020 and 31 March 2019.

74. Disclosure of penalties imposed by the RBI and other regulators

No penalty has been imposed by the RBI and other regulators during the year ended 31 March 2020 and 31 March 2019.

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandio & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

Manish Gujral

Partner
Membership No. 105117

Mumbai
30 June 2020

Samit Shetty

Chief Executive Officer
DIN: 02573018

Bengaluru
30 June 2020

Sachin Bansal

Director
DIN: 02356346

Bengaluru
30 June 2020

Ankit Agarwal

Director
DIN: 08299808

Bengaluru
30 June 2020

Dimple J Shah

Company Secretary
Membership no.: ACS A36349

Bengaluru
30 June 2020

Notice of Eighth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE EIGHTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NAVI FINSERV PRIVATE LIMITED (FORMERLY KNOWN AS CHAITANYA RURAL INTERMEDIATION DEVELOPMENT SERVICES PRIVATE LIMITED) WILL BE HELD ON MONDAY, 31ST AUGUST 2020 AT 10:00 AM AT THE REGISTERED OFFICE OF THE COMPANY AT NO. 145, 2ND FLOOR, NR SQUARE, 1ST MAIN ROAD, SIRSI CIRCLE, CHAMRAJPET, BANGALURU - 560 018, KARNATAKA, INDIA TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

ITEM NO 1: TO RECEIVE, CONSIDER AND ADOPT THE STANDALONE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH 2020 TOGETHER WITH THE REPORTS OF THE BOARD OF DIRECTORS AND OF THE AUDITORS THEREON.

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

“RESOLVED THAT the Standalone Audited Financial Statements of the Company for the financial year ended March 31, 2020 including the Audited Balance Sheet as at March 31, 2020, Statement of Profit & Loss account and Cash flow statements for the year ended March 31, 2020 and the Reports of the Board of Directors and Auditors thereon; along with all annexures as laid before this Annual General Meeting be and hereby received, considered and adopted.”

SPECIAL BUSINESS:

ITEM NO: 2. APPOINTMENT OF MR. RANGANATHAN SRIDHARAN (DIN: 00868787) AS AN INDEPENDENT DIRECTOR

To consider and if thought fit, to pass with or without modification/s the following resolution as **ORDINARY RESOLUTION:**

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Articles of Association of the Company, and the applicable Reserve Bank of India rules, guidelines, directions and circulars including the Master Direction - Non-Banking Financial Company - Systemically Important Non-

Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended from time to time), Ms. Mr. Ranganathan Sridharan (DIN: 00868787) who qualifies for being appointed as an Independent Director as recommended by the Board of Directors in their meeting held on 24th August 2020, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a term of 5 (five) consecutive years.”

“RESOLVED FURTHER THAT Mr. Ankit Agarwal, Director (DIN: 08299808) or Ms. Dimple J Shah, Company Secretary of the company be and are hereby severally authorized to file, sign, verify and execute all such e-forms, papers or documents, as may be required and do all such acts, deeds, matters and things as may be necessary and incidental for giving effect to this Resolution.”

ITEM NO: 3. TO AMEND THE ARTICLES OF ASSOCIATION OF THE COMPANY

To consider and if thought fit, to pass with or without modification/s the following resolution as **SPECIAL RESOLUTION:**

“RESOLVED THAT pursuant to the provisions of Section 14 and any other applicable provisions of Companies Act, 2013 read with Rules thereunder (including any statutory modifications or re-enactment thereof, for the time being in force), the consent of the members of the Company be and are hereby accorded to adopt the alteration of Articles of Association of the Company by replacing the existing Articles of Association of the Company with a new set of Articles of Association.”

“RESOLVED FURTHER THAT Mr. Ankit Agarwal, Director (DIN: 08299808) or Ms. Dimple J Shah, Company Secretary of the company, be and are hereby authorized, to make all necessary filings, intimations with or to the concerned regulatory, statutory or governmental authorities or third parties in connection with the amendment of the AOA of the Company, as may be required for and on behalf of the Company pursuant to, or for giving effect to, the foregoing resolution.”

By Order of the Board
For Navi Finserv Private Limited
(Formerly known as Chaitanya Rural Intermediation
Development Services Private Limited)

Ankit Agarwal
Director
DIN: 08299808

Date: 24.08.2020
Place: Bangalore

Notes:

- An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the special businesses to be transacted at the meeting is annexed hereto.
- A Member entitled to attend and vote at the Extra-Ordinary General Meeting is entitled to appoint proxy/ proxies to attend the meeting and vote on poll, if any, instead of himself/herself and such a proxy/ proxies need not be a member of the Company. Proxies, in order to be effective, must be received in the enclosed Proxy Form by the Company at its Registered Office not less than forty-eight hours before the time fixed for the meeting.
- Members are requested to notify immediately any change in their address to the company.
- Relevant documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection by the members at the Registered Office of the Company during normal business hours (09.00 a.m. to 5.30 p.m.) on all working days between Monday to Saturday (except 2nd and 4th Saturday of the month) of every week, up to and including the date of the Extra-Ordinary General Meeting of the Company.

Route Map



EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

ITEM NO 2:

In accordance with the provisions of Section 149 read with Schedule IV to the Act, appointment of an Independent Director requires approval of the Members. Based on the recommendation by the Board of Directors, the Company is proposing to appoint Mr. R. Sridharan as an Independent Director on the Board of the Company.

The appointment of Mr. R. Sridharan, shall be effective upon approval by the Members in the Meeting.

In the opinion of the Board, Mr. R. Sridharan fulfils the conditions for his appointment as an Independent Director as specified in the Act and RBI Regulations. Mr. R. Sridharan is independent of the management and possesses appropriate skills, experience and knowledge.

Copy of draft letter of appointment of Mr. R. Sridharan setting out the terms and conditions of appointment is available for inspection by the Members at the registered office of the Company.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 2 of the Notice.

The Board recommends for the approval by the members as an Ordinary Resolution set out at Item No. 2 of the Notice.

ITEM NO 3:

The AOA of the Company is being altered pursuant to the acquisition of Equity Shares by Navi Technologies Private Limited.

To give effect to the above in a simpler way, it is proposed that the provisions of the Articles be amended by replacing the existing set of Articles with the new set of Articles as set out in the present Notice.

At its meeting held on 24 August 2020, the Board granted its consent to amend the Articles as proposed in this Notice, subject to the approval of the Members at a General Meeting. The Board seeks the approval of the proposed resolutions by way of a special resolution.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the Notice.

The Board recommends for the approval by the members as a Special Resolution set out at Item No. 3 of the Notice.

By Order of the Board
For Navi Finserv Private Limited
(Formerly known as Chaitanya Rural Intermediation
Development Services Private Limited)

Date: 24.08.2020
Place: Bangalore

Ankit Agarwal
Director
DIN: 08299808

ATTENDANCE SLIP

Members or their proxies are requested to present this form for admission, duly signed in accordance with their specimen signatures registered with the Company.

| | |
|----------------------------------|--|
| Regd. Folio. No/DP.Id/ Client id | |
| Name of shareholder: | |
| Address of shareholder: | |
| Proxy Name: | |
| Address of proxy: | |

I/We hereby record my/our presence at the Annual General Meeting of the company to be held on AUGUST 31, 2020, AT 10:00 A.M At the Registered Office of the Company at No. 145, 2nd Floor, NR Square, 1st Main Road, Sirsi Circle, Chamrajpet, Bengaluru, Karnataka 560 018.

Please (✓) in the box

1. Member
2. Proxy

Signature of member/Proxy

MGT 11**Proxy form**

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

Corporate Identification Number : U65923KA2012PTC062537

Name of the company : NAVI FINSERV PRIVATE LIMITED

Registered office : No. 145, 2nd Floor, NR Square, 1st Main Road, Sirsi Circle, Chamrajpet, Bengaluru, 560018. Karnataka

Name of the member :

Registered address :

E-mail Id :

Folio No :

DP ID :

I, being the member of Equity shares of the above-named company, hereby appoint

| | | | |
|----|-----------|---|------------------|
| 1. | Name | : | |
| | Address | : | |
| | E-mail ID | : | |
| | Signature | : | , or failing him |

| | | | |
|----|-----------|---|------------------|
| 2. | Name | : | |
| | Address | : | |
| | E-mail ID | : | |
| | Signature | : | , or failing him |

| | | | |
|----|-----------|---|------------------|
| 3. | Name | : | |
| | Address | : | |
| | E-mail ID | : | |
| | Signature | : | , or failing him |

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the company to be held on **MONDAY, AUGUST 31, 2020 AT 10:00 A.M** at the Registered Office of the company situated at No.145, 2nd Floor, NR Square, 1st Main Road, Sirsi Circle, Chamrajpet, Bengaluru, 560 018. Karnataka to transact the following business and any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No | Particulars | Favor / against |
|---------------|---|-----------------|
| 01 | TO RECEIVE, CONSIDER AND ADOPT THE STANDALONE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH 2020 TOGETHER WITH THE REPORTS OF THE BOARD OF DIRECTORS AND OF THE AUDITORS THEREON. | |
| 02 | APPOINTMENT OF MR. SRIDHARAN RANGANATHAN (DIN: 00868787) AS AN INDEPENDENT DIRECTOR OF THE COMPANY | |
| 03 | TO AMEND THE ARTICLES OF ASSOCIATION OF THE COMPANY | |

Signed this day of..... 20....

Signature of shareholder



Signature of Proxy holder(s)

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

Navi Finserv Private Limited

Regd. Office Address:

No.145, 2nd Floor, NR Square,
1st Main Road, Sirsi Circle, Chamrajpet,
Bangalore - 560018