

Walker Chandiook & Co LLP

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Independent Auditor's Report

To the Members of DMI Finance Private Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of **DMI Finance Private Limited** ('the Company'), which comprise the Balance Sheet as at **31 March 2021**, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and 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 standalone 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 2021, 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 – COVID 19

4. We draw attention to Note 38 of to the accompanying financial statements, which describes the uncertainty relating to the effects of Covid-19 pandemic on the Company's operations as at 31 March 2021. Our opinion is not modified in respect of this matter.



Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Use of information processing system for accounting and financial reporting	
<p>The Company relies upon information processing systems for recording, processing, classifying, and presenting the large volume of transactions entered into by the Company. The Company has put in place IT General Controls and automated IT Controls to ensure that the information produced by the Company is reliable. Also, during the current year, the management carried out changes to the IT infrastructure and accounting system to implement moratorium relief extended during the year to the customers. Among other things, the management also uses the information produced by the entity's information processing systems for accounting and the preparation and presentation of the financial statements.</p> <p>The Company's accounting and financial reporting processes being dependent on automated controls enabled by IT systems impacts key financial accounting and reporting items such as loans, interest income, impairment on loans amongst others. The controls implemented by the Company in its IT environment determine the integrity, accuracy, completeness and validity of data that is processed by the applications and is ultimately used for financial reporting.</p> <p>Since our audit strategy included focus on entity's information processing systems relevant to our audit due to their pervasive impact on the financial statements, we have determined the use of information processing system for accounting and financial reporting as a key audit matter for the current year audit.</p>	<p>Our key audit procedures on this matter included, but were not limited, to the following:</p> <ol style="list-style-type: none"> a) Obtained an understanding of the Company's information processing systems, IT General Controls and automated IT controls for applications, databases and operating systems relevant to our audit; b) Obtained an understanding of the changes that were made to the IT applications during the audit period on account of moratorium relief extended to its customers; c) Involved IT specialists (auditor's expert) for performance of the following procedures: <ol style="list-style-type: none"> i) tested the IT General Controls around user access management, changes to IT environment and segregation of duties around program maintenance, security administration and over key financial accounting and reporting processes; and ii) tested the Company's periodic review of access rights. We also tested requests of changes to systems for approval and authorization iii) tested the automated controls like interfaces, configurations and information generated by the entity's information processing systems for loans, interest income and other significant financial statement items. d) Obtained written representations from management and those charged with governance on whether IT general controls and automated IT controls are designed and were operating effectively during the period covered by our audit.



Key audit matter	How our audit addressed the key audit matter
<p>Expected Credit Losses on loans (ECL) and implementation of COVID-19 relief measures (Refer Note 3(m) for the accounting policy and Note 7.1 for the related disclosures)</p> <p>As at 31 March 2021, the Company has financial assets (loans) amounting to Rs. 31,413.61 millions. As per Ind AS 109- Financial Instruments, the Company is required to recognise allowance for expected credit losses on financial assets.</p> <p>Expected credit loss cannot be measured precisely but can only be estimated through use of statistics. The calculation of expected credit losses is complex and requires exercise of judgement around both the timing of recognition of impairment provisions and estimation of the amount of provisions required in relation to loss events.</p> <p>The Company has developed customized models to derive key inputs used to determine the amount of ECL such as probability of default (PD) and loss given default (LGD). The result from these models is then applied to the exposure at default (EAD) to arrive at the amount of ECL. In the process of developing the ECL models, a significant degree of judgement has been applied by the management in respect of following matters:</p> <ul style="list-style-type: none"> a) Staging of loans and estimation of behavioral life and thereby determining the criteria for a significant increase in credit risk. b) Estimation of expected loss from historical observations. c) Estimation of losses in respect of those loans which had no/ minimal defaults in the past. d) Selection of macro-economic factors and estimating their impact on ECL model; and e) Estimation of the expected realizable values of underlying collaterals. 	<p>Our audit procedures in relation to expected credit losses were focused on obtaining sufficient appropriate audit evidence as to whether the expected credit losses recognised in the financial statements were reasonable and the related disclosures in the financial statements made by the management were adequate. These procedures included, but were not limited, to the following:</p> <ul style="list-style-type: none"> a) obtained an understanding of the model adopted by the Company including key inputs and assumptions for calculation of expected credit losses including the impact of COVID 19 on the assumptions and how management calculates the expected credit losses and the appropriateness data on which the calculation is based; b) tested the design and operating effectiveness of the key controls over completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized; c) obtained the policy on moratorium and restructuring of loans approved by the Board of Directors pursuant to the RBI circulars and ensured such policy is in compliant with the requirements of the RBI circular; d) evaluated the appropriateness of the Company's determination of significant increase in credit risk in accordance with the applicable accounting standard considering the impact of COVID-19 on account of benefit extended by the Company to select borrowers and the basis for classification of various exposures into various stages. e) As modelling assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment losses incurred within the portfolios. f) tested the accuracy of inputs through substantive procedures and assessed the reasonableness of the assumptions used;



Key audit matter	How our audit addressed the key audit matter
<p>Implementation of COVID-19 relief measures</p> <p>During the current year, RBI announced various relief measures for the borrowers which were implemented by the Company such as "COVID 19 Regulatory Package- Asset Classification and Provisioning" announced by the RBI on 17 April 2020 and RBI circular on "Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package" dated 7 April 2021 (collectively referred to as "the RBI circulars"), and "Resolution Framework for COVID-19 related Stress" (the 'Resolution Framework') dated 6 August 2020, which have been collectively considered by the management in identification, classification and provisioning of loan assets for impairment.</p> <p>The management has considered the impact of COVID-19 on arriving at the provisions as at the balance sheet date on account of significant increase in credit risk on borrowers given additional support by the Company which were impacted due to COVID-19. The basis of estimates and assumptions involved in arriving at the provisions during the year were monitored by the Company periodically and significantly depend on future developments in the economy due to COVID-19 including any new relief measures' announcements by the RBI.</p> <p>Considering the significance of the above matter to the standalone financial statements, the degree of management's judgment involved and additional complexities involved in the current year on account of ongoing impact of COVID-19 and since the matter required our significant attention to test the calculation of expected credit losses, we have identified this as a key audit matter for current year audit.</p> <p>We also draw attention to Note 38 of the accompanying standalone financial statements, regarding uncertainties involved on the due to outbreak of COVID-19 pandemic with respect to the measurement of expected credit loss on such loan assets which are significantly dependent on uncertain future developments, as the same is fundamental to the understanding of the users of financial statements.</p>	<p>g) developed a point estimate by making reference to the expected credit losses recognised by entities that carry comparable financial assets;</p> <p>h) tested the arithmetical calculation of the expected credit losses;</p> <p>i) on test check basis, tested the reasonableness of estimates of expected realizable values of underlying collaterals;</p> <p>j) assessed the appropriateness and adequacy of the related presentation and disclosures in the accompanying financial statements in accordance with the applicable accounting standards and related RBI circulars and Resolution Framework; and</p> <p>k) obtained written representations from management and those charged with governance on whether they believe significant assumptions used in calculation of expected credit losses are reasonable.</p>

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

7. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors Report, but does not include the standalone financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.



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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, 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 Standalone Financial Statements

8. The accompanying standalone 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 standalone 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.
9. 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.
10. 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

11. 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.
12. 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;



DMI Finance Private Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

- 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.
13. 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.
14. 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.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

16. The standalone financial statements of the Company for the year ended 31 March 2020 were audited by the predecessor auditor, S.R. Batliboi & Associates LLP, who have expressed an unmodified opinion on those standalone financial statements vide their audit report dated 3 July 2020.

Report on Other Legal and Regulatory Requirements

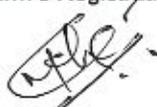
17. Based on our audit, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to the Company since the Company is not a public company as defined under section 2(71) of the Act. Accordingly, reporting under section 197(16) is not applicable.
18. As required by 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 A a statement on the matters specified in paragraphs 3 and 4 of the Order.



DMI Finance Private Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

19. Further to our comments in Annexure A, 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 standalone 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 standalone financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid standalone 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 2021 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 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 21 June 2021 as per Annexure B expressed 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 42 to the standalone financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2021;
 - 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 2021;
 - 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 2021; 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 standalone financial statements. Hence, reporting under this clause is not applicable.

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



Manish Gujral
Partner
Membership No:105117

UDIN:21105117AAAADU3479

Place: Mumbai
Date: 21 June 2021

Annexure A to the Independent Auditor's Report of even date to the members of DMI Finance Private Limited, on the standalone financial statements for the year ended 31 March 2021

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 property, plant and equipment.
- b) The Company has a regular program of physical verification of its property, plant and equipment under which fixed assets are verified in a phased manner over a period of 3 years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- c) The Company does not hold any immovable property (in the nature of 'Property, plant and equipment'). Accordingly, the provisions of clause 3(i) (c) of the Order are not applicable.
- ii) The Company does not have any inventory. Accordingly, the provisions of Clause 3(ii) of the Order are not applicable.
- iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- iv) In our opinion, the Company has complied with the provisions of Section 186 in respect of guarantee. 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 loans, investments 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 cost 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 has been a 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, sales-tax, service-tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues

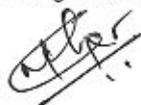
Name of the statute	Nature of dues	Amount (₹ in million)	Amount paid under protest (₹ in million)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Income-tax	2.26	Nil	Assessment year 2017-18	Commissioner of Income Tax-Appeal (CIT(A))



Annexure A (Contd)

- viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or debenture holders during the year. The Company did not have any outstanding loans or borrowings payable to government during the year.
- ix) The Company did not raise moneys by way of initial public offer or further public offer. 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 its officers or employees 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 Sections 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 shares/ 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 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company.

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



Manish Gujral
Partner
Membership No:105117

UDIN: 21105117AAAADU3479

Place: Mumbai
Date: 21 June 2021

Annexure B to the Independent Auditor's Report of even date to the members of DMI Finance Private Limited on the standalone financial statements for the year ended 31 March 2021

Independent Auditor's Report on the Internal financial controls with reference to the standalone financial statements 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 standalone financial statements of DMI Finance Private Limited ('the Company') as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

- 2) The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the Guidance Note) issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of 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 for the Audit of the Internal Financial Controls with Reference to Financial Statements

- 3) Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and 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 internal financial controls with reference to financial statements 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 internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

- 6) A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance



Annexure B (Contd)

that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

Opinion

- 8) In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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



Manish Gujral
Partner
Membership No105117

UDIN:21105117AAAADU3479

Place: Mumbai
Date: 21 June 2021

DMI Finance Private Limited
Standalone Balance Sheet As at March 31, 2021
(All Amount in Rs. in millions, unless otherwise stated)

	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	4	2,476.26	1,190.89
Bank balance other than cash and cash equivalents	5	267.21	15.20
Trade receivables	6	54.64	33.65
Loans	7	31,413.61	33,353.51
Investments	8	18,488.52	15,294.08
Other financial assets	9	2,035.85	566.23
Non-financial assets			
Current tax assets	10	214.39	154.51
Deferred tax assets (net)	11	573.29	319.78
Property, plant and equipment	12	326.86	387.53
Intangible assets	13	22.80	7.55
Other non-financial assets	14	94.66	104.32
Assets held for sale	15	189.85	189.85
TOTAL ASSETS		56,157.94	51,617.10
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables	16		
(i) total outstanding dues of micro enterprises and small enterprises		110.75	78.68
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		194.95	161.37
Debt securities	17	18,551.69	22,797.57
Borrowings (other than debt securities)	18	1,423.48	3,091.28
Other financial liabilities	19	629.87	475.38
Non-financial liabilities			
Provisions	20	56.73	37.95
Other non-financial liabilities	21	336.57	214.62
EQUITY			
Equity share capital	22	6,436.58	5,592.94
Other equity	23	28,417.32	19,167.31
TOTAL LIABILITIES AND EQUITY		56,157.94	51,617.10

Summary of significant accounting policies and accompanying notes are an integral part of the financial statements

This is the Balance Sheet referred to in our report of even date

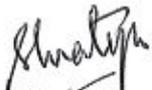
For Walker Chandlok & Co LLP
 Firm Registration No. 001076N/NS00013
 Chartered Accountants


 Manish Gujral
 Partner
 Membership No. 105117



Place: Mumbai
 Date: June 21, 2021

For and on behalf of the Board of Directors of
 DMI Finance Private Limited


 Shivashish Chatterjee
 (Jt. Managing Director)
 DIN: 02623460

Place: **NEW DELHI**
 Date: June 21, 2021


 Krishan Gopal
 (Chief Financial Officer)

Place: **GURUGRAM**
 Date: June 21, 2021


 Yuvraja Chaturky Singh
 (Jt. Managing Director)
 DIN: 02601179

Place: **LONDON**
 Date: June 21, 2021


 Sahib Palwa
 (Company Secretary)
 M. No. A24789
 Place: **GURUGRAM**
 Date: June 21, 2021

DMI Finance Private Limited
Standalone Statement of profit and loss for the year ended March 31, 2021
(All Amount in Rs. in millions, unless otherwise stated)

	Notes	For the year March 31, 2021	For the year March 31, 2020
Revenue from operations			
Interest income	24	6,910.64	6,078.05
Fees and commission income	25	38.79	52.03
Net gain on fair value changes	26	591.04	225.77
Total revenue from operations		7,540.47	6,355.85
Other income	27	104.04	90.29
Total income		7,644.51	6,446.14
Expenses			
Finance costs	28	1,929.94	1,455.00
Fees and commission expense	29	903.63	843.03
Impairment on financial instruments	30	2,848.74	1,533.14
Employee benefits expense	31	698.99	573.35
Depreciation and amortization	32	79.07	76.40
Other expenses	33	872.12	621.53
Total expenses		7,332.49	5,102.45
Profit before tax		312.02	1,343.69
Tax expense:			
(1) Current tax	16	344.13	548.07
(2) Deferred tax credit	16	(755.19)	(195.27)
Profit for the year		223.08	990.89
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit plan		2.44	(2.00)
Income tax relating to above item		(0.61)	0.50
b) Items that will be reclassified to profit or loss			
Changes in fair value		4.21	(95.37)
Actuarial Gain			
Leave Encashment			
Income tax relating to above item		(1.06)	24.00
Other comprehensive income		4.98	(72.87)
Total comprehensive income for the year		228.06	918.02
Earnings per equity share (face value of Rs. 10 per share)			
Basic (Rs.)	34	0.35	1.78
Diluted (Rs.)		0.32	1.77

Summary of significant accounting policies and accompanying notes are an integral part of the financial statements

This is the Statement of Profit and Loss referred to in our report of even date

For Walker Chandniok & Co LLP
 Firm Registration No. 001076N/N500013
 Chartered Accountants


 Manish Gujral
 Partner
 Membership No. 105117



Place: Mumbai
 Date: June 21, 2021

For and on behalf of the Board of Directors of
 DMI Finance Private Limited


 Shivashish Chatterjee
 (Jt. Managing Director)
 DIN: 02623460

Place: NEW DELHI
 Date: June 21, 2021


 Krishan Gopal
 (Chief Financial Officer)

Place: GURUGRAM
 Date: June 21, 2021


 Yuvraja Chanakya Singh
 (Jt. Managing Director)
 DIN: 02601179

Place: LONDON
 Date: June 21, 2021


 Sahil Pathwa
 (Company Secretary)
 M. No. A24789
 Place: GURUGRAM
 Date: June 21, 2021

DMI Finance Private Limited
Standalone Cash flow statement for the Year ended March 31, 2021
(All Amount in Rs. in millions, unless otherwise stated)

	Year ended March 31, 2021	Year ended March 31, 2020
A Cash flow from operating activities:		
Profit before tax	312.02	1,343.69
Adjustments for		
Depreciation and amortisation	79.07	76.40
Net gain on fair value changes	(591.04)	(225.77)
Impairment on financial instruments	2,848.74	1,533.14
Interest expense for leasing arrangements	31.02	27.34
Effective interest rate adjustment for financial instruments	15.81	32.80
Employee stock option expense	75.78	40.90
Operating profit before working capital changes	2,771.40	2,828.50
Changes in working capital		
(Increase) in financial and other assets	(2,005.28)	(13,630.68)
Increase in financial and other liabilities	220.14	475.62
Decrease in non financial assets	6.65	134.61
Increase in non financial liabilities	141.76	329.70
Total of changes in working capital	(1,636.73)	(12,691.75)
Direct taxes paid (net of refunds)	(404.09)	(592.78)
Net cash flow generated from / (used in) operating activities (A)	730.67	(10,455.53)
B Cash flow from investing activities:		
Inflow (outflow) on account of :		
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	(30.64)	(306.44)
Sale of Property, plant and equipment	-	1.06
Purchase of investment (net)	(2,993.36)	(5,454.66)
Movement of fixed deposits (net)	(252.01)	-
Net cash flow used in investing activities (B)	(3,276.01)	(5,850.04)
C Cash flow from financing activities:		
Proceed from issue of equity shares (including share premium)	9,791.22	1,786.08
Proceeds from debt securities	500.00	21,303.00
Proceeds from bank borrowings	700.00	980.00
Repayment of cash credit	-	(332.86)
Repayment of debt securities	(4,750.00)	(4,300.00)
Repayment of bank borrowings	(2,355.33)	(2,314.54)
Lease payments	(55.18)	(54.80)
Net cash flow generated from financing activities (C)	3,830.71	17,066.88
Net increase in cash and cash equivalents (A+B+C)	1,285.37	761.31
Cash and cash equivalents as at the beginning of the year	1,190.89	429.58
Cash and cash equivalents at the end of the year	2,476.26	1,190.89

Notes:

	As at March 31, 2021	As at March 31, 2020
1) Components of cash and cash equivalents		
Cash on hand	0.08	0.12
Balance with banks		
In current accounts	2,106.38	965.47
In cash credit	369.80	225.30
Total cash and cash equivalents	2,476.26	1,190.89

2) Cash flow statement has been prepared under indirect method as set out in the IND AS 7 "Cash Flow Statement".

3) For disclosure of investing and financing activities that do not require the use of cash and cash equivalents, refer note 43

Summary of significant accounting policies and accompanying notes are an integral part of the financial statements

This is the Cash Flow Statement referred to in our report of even date

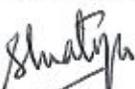
For Walker Chandlok & Co LLP
Firm Registration No. 001076N/NS00013
Chartered Accountants


Manish Gujral
Partner
Membership No. 105117

Place: Mumbai
Date: June 21, 2021



For and on behalf of the Board of Directors of
DMI Finance Private Limited


Shilvashish Chatterjee
(Jt. Managing Director)
DIN: 02623460

Place: **NEW DELHI**
Date: June 21, 2021


Krishan Gopal
(Chief Financial Officer)

Place: **GURUGRAM**
Date: June 21, 2021


Yuvraja Chankiya Singh
(Jt. Managing Director)
DIN: 02601179

Place: **LONDON**
Date: June 21, 2021


Sahib Pathwa
(Company Secretary)

M. No. 024289
Place: **GURUGRAM**
Date: June 21, 2021

DMI Finance Private Limited
Statement of Changes in Equity for the Year ended March 31, 2021
(All Amount in Rs. In millions, unless otherwise stated)

A. Equity share capital (refer note 22)

Particulars	As at April 1, 2019	Change during the year	As at March 31, 2020	Change during the year	As at March 31, 2021
Equity share capital	5,209.58	383.36	5,592.94	843.64	6,436.58

b. Other equity (refer note 23)

Particulars	Reserves and surplus					Total
	Statutory reserve u/s 45-IC of RBI Act	Share option outstanding account	Securities premium	Capital redemption reserve	Retained earnings	
Balance as on April 1, 2019	731.31	28.04	12,905.76	81.21	2,768.05	16,514.37
Profit for the year	-	-	-	-	990.89	990.89
Other Comprehensive Income for the year	-	-	-	-	(72.87)	(72.87)
Share options exercised during the year	-	38.54	-	-	-	38.54
Premium on conversion of CCPSs	-	-	77.26	-	-	77.26
Premium on issue of equity shares	-	-	1,564.75	-	-	1,564.75
Deferred tax liability reversed on CCDs/CCPSs	-	-	-	-	54.37	54.37
Transfer to statutory reserve	201.53	-	-	-	(201.53)	-
Balance as on March 31, 2020	932.84	66.58	14,547.77	81.21	3,538.91	19,167.31
Profit for the year	-	-	-	-	223.08	223.08
Other Comprehensive Income for the year	-	-	-	-	4.98	4.98
Transfer to special reserve	44.62	-	-	-	(44.62)	-
Share options exercised during the year	-	74.37	-	-	-	74.37
Premium on issue of equity shares	-	-	8,947.58	-	-	8,947.58
Balance as on March 31 2021	977.46	140.95	23,495.35	81.21	3,722.35	28,417.32

Summary of significant accounting policies and accompanying notes are an integral part of the financial statements

This is the Statement of Change in Equity referred to in our report of even date

For Walker Chandlok & Co LLP
Firm Registration No. 001076N/N500013
Chartered Accountants


Manish Gujral
Partner

Membership No. 105117



Place: Mumbai
Date: June 21, 2021

For and on behalf of the Board of Directors of
DMI Finance Private Limited


Shivashish Chatterjee
(Jt. Managing Director)
DIN: 02623460

Place: NEW DELHI
Date: June 21, 2021


Vrishan Gopal
(Chief Financial Officer)

Place: GURUGRAM
Date: June 21, 2021


Yuvraja Chanakya Singh
(Jt. Managing Director)
DIN: 02601179

Place: LONDON
Date: June 21, 2021


Sahib Puriya
(Company Secretary)
M. No. A24780

Place: GURUGRAM
Date: June 21, 2021

DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

1. Corporate information

DMI Finance Private Limited (the "Company") is a Company domiciled in India as a Private Limited Company. The Company is registered with the Reserve Bank of India ("RBI") as a non-deposit accepting non-banking financial company or NBFC-ND under the Reserve Bank of India Act, 1934.

The Company is engaged in the business of providing loans to corporate and unsecured personal loans.

2. Basis of preparation

(a) Statement of compliance in preparation of financial statements

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The standalone financial statements for the year ended March 31, 2021 were authorized and approved for issue by the Board of Directors on June 21, 2021.

The standalone financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, other financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value.

(b) Presentation of financial statements

The Company presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when Ind AS specifically permits the same or it has an unconditionally legally enforceable rights to offset the recognized amounts without being contingent on future events. Similarly, the Company offsets the income and expenses and reports the same on a net basis when permitted by Ind AS specifically.

3. Significant accounting policies

(a) Use of estimates, judgements and assumptions

The preparation of Standalone financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and accompanying disclosures and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and future periods are affected. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcome requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Impairment loss on financial assets

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Company makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance. Refer note 6.1 for further details of the increased uncertainty relating to the estimation of impairment of loan portfolio due to the impact of the pandemic as at March 31, 2021.

ii) Business Model Assumption

Classification and measurement of financial assets depends on the results of the SPPI and the business model tests. 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 that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

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.

iii) Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and other post-employment benefits 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.

iv) Share Based Payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

v) Fair value measurement

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 principle (or most advantageous) market at the measurement date under current market conditions (i.e. the 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 measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(b) Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, demand deposits and time deposits with original maturity of less than three months held with bank, debit balance in cash credit account.

(c) Recognition of Income and expense

i) Interest income

The Company earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest revenue is recognized using the effective interest method (EIR). The effective interest method calculates the amortized cost of a financial instrument and allocates the interest income. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates the interest to the extent recoverable. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income.

ii) Interest expense

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to arrangers and other expenses, provided these are incremental costs that are directly related to the issue of a financial liability.



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

iii) Other charges and other interest

Overdue charges including penal interest is recognized on realization basis.

iv) Dividend income

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(d) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Where the Company is lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section m (ii) Impairment of non-financial assets.

ii) Lease Liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

iii) Short Term Lease

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as and when due.

(e) Property, plant and equipment (PPE) and Intangible assets

PPE

PPE are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebate are deducted in arriving at the purchase price.

Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the Statement of Profit and Loss when the assets is derecognized.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(f) Depreciation and amortization

Depreciation

Depreciation on PPE is calculated on a written down value (WDV) basis using the rates arrived at based on the useful lives of the assets, prescribed under Schedule II to the Companies Act, 2013 which also represents the estimate of the useful life of the assets by the management.

PPE costing upto Rs.5,000 individually are fully depreciated in the year of purchase.

The company has used the following rates to provide depreciation on its fixed assets.

	Useful lives estimated by the management (years)	Rate of Depreciation
Furniture and fixtures	10	25.89%
Computers	3	63.16%
Vehicles	8	31.23%
Office equipment	5	45.07%

Leasehold improvements and allied office equipment's are amortized on a straight-line basis over useful life estimated by management.

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

Amortization

Intangible assets are amortized on a WDV basis a period of five years from date when the assets are available for use. The amortization period and the amortization method for intangible assets are reviewed at the end of each financial year.

(g) Provisions, Contingent Liability and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date.

Contingent liability is disclosed for (1) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (2) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent Assets are not recognised in the financial statements.

(h) Retirement and other employee benefits

Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

The Company operates following employee benefit plans:

i) Employee Provident Fund

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

ii) Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Re-measurement, comprising of actuarial gains and losses, are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

iii) Leaves

Entitlements to annual leave are recognized when they accrue to the employees. Leave entitlements can be availed while in service of employment subject to restriction on the maximum number of accumulations. The Company determines the liability for such accumulated leave entitlements on the basis of actuarial valuation carried out by an independent actuary at the Year end.

(i) Taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with Income tax Act, 1961, Income Computation and Disclosure Standards and other applicable tax laws. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date. 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.

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

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

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

(j) Earning per share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting year.

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

(k) Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share option outstanding account.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(l) 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

Financial assets, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are disbursed to the customers. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. 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.

Classification and Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments/Loan portfolio at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity Instruments measured at fair value through other comprehensive income (FVTOCI)



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

Debt Instruments/Loan portfolio at amortised costs

A 'debt instrument' is measured at the amortised 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.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, where the Company's objective is solely to collect the contractual cash flows from the assets, the same is measured at amortized cost or where the Company's objective is to collect both the contractual cash flows and cash flows arising from the sale of assets, the same is measured at fair value through other comprehensive income (FVTOCI). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows (i.e. measured at amortized cost), the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The amortized cost, as mentioned above, is computed using the effective interest rate method.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment. 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 or loss. The losses arising from impairment are recognised in the statement of profit and loss.

The measurement of credit impairment is based on the three-stage expected credit loss model described in Note: Impairment of financial assets (refer note 3 (m)).

Debt Instruments at FVOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

The objective of the business model is achieved both by collecting contractual cash flows and fair value changes relating to market movements selling the financial assets, and the asset's contractual cash flows represent SPPI.

Debt Instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Equity Investments and Mutual funds

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as held at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on Initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Financial liabilities are subsequently carried at amortized cost using effective interest method.

Reclassification of financial assets and liabilities

The company doesn't reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

De-recognition of financial asset and financial liability

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognises the financial asset if it has transferred the financial asset and the transfer qualifies for de-recognition.

The Company has transferred the financial asset if, and only if, either:

- It has transferred its contractual rights to receive cash flows from the financial asset
or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients. A transfer only qualifies for de-recognition if either:

- The Company has transferred substantially all the risks and rewards of the asset
or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.



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Notes to the Standalone Financial Statements for the year ended March 31, 2021

On derecognition of a financial asset in its entirety, the difference between: (a) the carrying amount (measured at the date of derecognition) and (b) the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit or loss account.

Financial Liabilities

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

(m) Impairment of financial assets

1) Overview of principles for measuring expected credit loss ("ECL") on financial assets

In accordance with Ind AS 109, the Company is required to measure expected credit losses on its financial instruments designated at amortized cost and fair value through other comprehensive income. Accordingly, the Company is required to determine lifetime losses on financial instruments where credit risk has increased significantly since its origination. For other instruments, the Company is required to recognize credit losses over next 12 month period. The Company has an option to determine such losses on individual basis or collectively depending upon the nature of underlying portfolio. The Company has a process to assess credit risk of all exposures at each year end as follows:

Stage I

These represent exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date. The Company has assessed that all standard exposures (i.e. exposures with no overdues) and exposure upto 30 day overdues fall under this category. In accordance with Ind AS 109, the Company measures ECL on such assets over next 12 months.

Stage II

Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure exceed for a period more than 30 days. Accordingly, the Company classifies all exposures with overdues exceeding 30 days at each reporting date under this Stage. The Company measures lifetime ECL on stage II loans.

Stage III

All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Company measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective Interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount. The method is similar to Stage II assets, with the probability of default set at 100%.

When estimating ECL on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Methodology for calculating ECL

The mechanics of the ECL calculation involve the use of following key elements:

Probability of default (PD) - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset). PD estimation is done based on historical internal data available with the Company.

Exposure at default (EAD) - It represents an estimate of the exposure of the Company at a future date after considering repayments by the counterparty before the default event occurs. The outstanding balance as at reporting date is considered as EAS by the Company. Considering the PD determined above factors in amount at default, there is no separate requirement to estimate EAD.

Loss given default (LGD) - It represents an estimate of the loss expected to be incurred when the event of default occurs. The Company uses historical loss data/external agency LGD for identified pools for the purpose of calculating LGD.



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

Forward looking information

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, Unemployment rates, Benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relationships, temporary overlays are embedded in the methodology to reflect such macro-economic trends reasonably.

Definition of default and cure

The Company considers a financial instrument as defaulted and classifies it as Stage III (credit-impaired) for ECL calculations typically when the borrower becomes 90 days past due on contractual payments. The Company may also classify a loan in Stage III if there is significant deterioration in the financial condition of the borrower or an assessment that adverse market conditions may have a disproportionately detrimental effect on the loan repayment. Thus, as a part of the qualitative assessment of whether an instrument is in default, the Company also considers a variety of instances that may indicate delay in or non-repayment of the loan. When such events occur, the Company carefully considers whether the event should result in treating the borrower as defaulted and therefore assessed as Stage III for ECL calculations or whether Stage II is appropriate.

Classification of accounts into Stage II is done when there is a significant increase in credit risk since initial recognition, typically when contractual repayments are more than 30 days past due.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage III or Stage II when none of the default criteria which resulted in their downgrade are present.

Collateral repossessed

The Company's policy is to sell repossessed assets. Non-financial assets repossessed are transferred to asset held for sale at fair value less cost to sell or principal outstanding whichever is lower at repossession date.

Write-offs

Financial-assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit and loss account.

ii) Non-financial asset

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

(n) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date using various valuation techniques.

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Company's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements.



DMI Finance Private Limited

Notes to the Standalone Financial Statements for the year ended March 31, 2021

The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement).

Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows:

- Level 1 financial instruments - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.
- Level 3 financial instruments - include one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

(o) Dividend

The Company recognizes a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

(p) Foreign Currency Translation

Foreign currency transactions and balances

Initial recognition:

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion:

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences:

Exchange differences arising on the settlement of monetary items, or on reporting such monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.



DMI Finance Private Limited
Notes to the Standalone Financial Statements for the year ended March 31, 2021
(All Amount in Rs. In millions, unless otherwise stated)

4 Cash and cash equivalents

	As at March 31, 2021	As at March 31, 2020
Cash on hand	0.08	0.12
Balance with banks		
- balance in cash credit accounts	369.80	225.30
- balance in current accounts	2,106.38	965.47
	2,476.26	1,190.89

5 Bank balance other than cash and cash equivalents

Deposit with original maturity of more than 3 months but less than 12 months*	267.21	15.20
	267.21	15.20

* Deposits being lien marked against corporate credit cards and bank guarantee.

6 Trade receivables

Unsecured considered good	54.64	33.65
	54.64	33.65
Less: Impairment loss allowance	-	-
Total	54.64	33.65



DMI Finance Private Limited
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7 Loans

	As at March 31, 2021			As at March 31, 2020		
	Amortised cost	Fair value through other comprehensive income	Total	Amortised cost	Fair value through other comprehensive income	Total
(A) Term loans						
Corporate loans	13,764.95	142.83	13,907.78	12,461.25	120.76	12,582.01
Consumer loans	19,528.30	-	19,528.30	22,141.27	-	22,141.27
Total (A) Gross	33,293.25	142.83	33,436.08	34,602.52	120.76	34,723.28
Less: Impairment loss allowance	2,017.87	4.60	2,022.47	1,365.92	3.85	1,369.77
Total (A) Net	31,275.38	138.23	31,413.61	33,236.60	116.91	33,353.51
(B)						
Secured by tangible assets and intangible assets	13,764.95	142.83	13,907.78	12,461.25	120.76	12,582.01
Unsecured	19,528.30	-	19,528.30	22,141.27	-	22,141.27
Total (B) Gross	33,293.25	142.83	33,436.08	34,602.52	120.76	34,723.28
Less: Impairment loss allowance	2,017.87	4.60	2,022.47	1,365.92	3.85	1,369.77
Total (B) Net	31,275.38	138.23	31,413.61	33,236.60	116.91	33,353.51
(C) Sector						
Public sector	-	-	-	-	-	-
Others	33,293.25	142.83	33,436.08	34,602.52	120.76	34,723.28
Total (C) Gross	33,293.25	142.83	33,436.08	34,602.52	120.76	34,723.28
Less: Impairment loss allowance	2,017.87	4.60	2,022.47	1,365.92	3.85	1,369.77
Total (C) Net	31,275.38	138.23	31,413.61	33,236.60	116.91	33,353.51
(D)						
In India	33,293.25	142.83	33,436.08	34,602.52	120.76	34,723.28
Outside India	-	-	-	-	-	-
Total (D) Gross	33,293.25	142.83	33,436.08	34,602.52	120.76	34,723.28
Less: Impairment loss allowance	2,017.87	4.60	2,022.47	1,365.92	3.85	1,369.77
Total (D) Net	31,275.38	138.23	31,413.61	33,236.60	116.91	33,353.51

- i) Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
- ii) Secured Loans granted by the Company are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security and/or personal guarantees and/or hypothecation of assets and/or receivables and/or pledge of shares/debenture units and other securities.
- iii) The Company has granted certain loans to employees amounting to Rs. 12.14 millions in current year (previous year: Rs. 18.81 millions)
- iv) Corporate loan portfolio includes non-convertible debentures of Rs. 2,385.18 millions (previous year: Rs. 2,426.45 millions)
- v) During the year, the Company invoked the shares pledged as security against the Non-performing loan given to one of the borrower. The management of the Company intended to recover the outstanding dues from the said borrower. The management of the Company, if required to recover, shall sale these shares and after recovering all the overdues on the loan the Company intend to refund the surplus (if any) to the said borrower.



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(All Amount in Rs. In millions, unless otherwise stated)

7.1 Impairment allowance for loans and advances to borrowers

Summary of loans by stage distribution is as follows:

Consumer loans	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	18,184.57	1,343.73	-	19,528.30	20,656.64	1,193.85	290.78	22,141.27
Less: Impairment loss allowance	82.47	321.54	-	404.01	206.57	142.66	290.78	640.01
Net carrying amount	18,102.10	1,022.19	-	19,124.29	20,450.07	1,051.19	-	21,501.26

Corporate loans	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	12,836.22	-	1,071.56	13,907.78	10,282.55	1,218.12	1,081.34	12,582.01
Less: Impairment loss allowance	981.04	-	637.43	1,618.46	152.19	26.24	551.34	729.77
Net carrying amount	11,855.18	-	434.13	12,289.32	10,130.36	1,191.88	530.00	11,852.24

Summary of credit substitutes and compulsory convertible debentures by stage distribution is as follows:

Credit substitutes and compulsory convertible debentures	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	2,265.67	280.64	351.99	2,898.29	2,187.67	-	339.00	2,526.67
Less: Impairment loss allowance	342.26	2.57	250.29	595.12	23.00	-	177.95	200.95
Net carrying amount	1,923.40	278.06	101.70	2,303.17	2,164.67	-	161.05	2,325.72

An analysis of changes in the gross carrying amount in relation to consumer and corporate lending (except credit substitutes and compulsory convertible debentures) is, as follows:

Consumer loans	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	20,656.64	1,193.85	290.78	22,141.27	9,533.88	447.22	161.36	10,142.46
New Assets originated, Netted off for repayments and loans derecognised during the year	(1,839.60)	(483.70)	(289.67)	(2,612.97)	11,074.28	896.40	28.13	11,998.81
Transfers from Stage 1	(678.04)	678.04	-	-	(452.70)	278.16	174.54	-
Transfers from Stage 2	44.80	(44.80)	-	-	378.32	(428.76)	50.44	-
Transfers from Stage 3	0.77	0.34	(1.11)	-	122.86	0.83	(123.69)	-
Gross carrying amount closing balance	18,184.57	1,343.73	-	19,528.30	20,656.64	1,193.85	290.78	22,141.27

Corporate loans	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	10,282.55	1,218.12	1,081.34	12,582.01	10,269.10	813.96	564.37	11,647.43
New Assets originated, Netted off for repayments and loans derecognised during the year	1,335.55	-	(9.78)	1,325.77	1,077.50	51.11	(194.05)	934.58
Transfers from Stage 1	-	-	-	-	(1,273.04)	776.86	496.18	-
Transfers from Stage 2	1,218.12	(1,218.12)	-	-	-	(423.81)	423.81	-
Transfers from Stage 3	-	-	-	-	208.99	-	(208.99)	-
Gross carrying amount closing balance	12,836.22	-	1,071.56	13,907.78	10,282.55	1,218.12	1,081.34	12,582.01

An analysis of changes in the gross carrying amount of Investments in relation to Credit Substitutes and Compulsory Convertible Debentures is, as follows:

Particulars	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	2,187.67	-	339.00	2,526.67	3,025.46	352.13	-	3,377.59
New Assets originated, Netted off for repayments and loans derecognised during the year	358.64	-	12.99	371.63	(498.79)	(352.13)	-	(850.92)
Transfers from Stage 1	(280.64)	280.64	-	-	(339.00)	-	339.00	-
Transfers from Stage 2	-	-	-	-	-	-	-	-
Transfers from Stage 3	-	-	-	-	-	-	-	-
Gross carrying amount closing balance	2,265.67	280.64	351.99	2,898.29	2,187.67	-	339.00	2,526.67



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An analysis of changes in the ECL allowances in relation to consumer and corporate lending (except Credit Substitutes and Compulsory Convertible Debentures) is, as follows:

Consumer loans	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	206.57	142.66	290.78	640.01	29.36	1.26	161.36	191.98
Change in ECL due to change in ECL model rate	(19.25)	102.71	-	83.46	10.36	0.99	-	11.35
New Assets originated, Netted off for repayments and loans derecognised during the year	(101.99)	(75.44)	1,546.80	1,369.37	369.76	161.13	237.21	768.10
Transfers from Stage 1	(3.07)	162.25	-	159.18	(207.92)	33.38	174.54	-
Transfers from Stage 2	0.21	(10.72)	-	(10.51)	3.78	(54.22)	50.44	-
Transfers from Stage 3	-	0.08	-	0.08	1.23	0.12	(1.35)	-
Write Offs	-	-	(1,837.58)	(1,837.58)	-	-	(331.42)	(331.42)
Gross carrying amount closing balance	82.47	321.54	-	404.01	206.57	142.66	290.78	640.01

Corporate loans	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	152.19	26.24	551.34	729.77	110.62	35.62	250.19	396.43
Change in ECL due to change in ECL model rate	395.60	-	88.29	483.89	30.34	5.74	0.03	36.11
New Assets originated, Netted off for repayments and loans derecognised during the year	407.01	-	(2.21)	404.80	347.99	138.20	102.60	588.88
Transfers from Stage 1	-	-	-	-	(339.21)	13.98	325.23	-
Transfers from Stage 2	26.24	(26.24)	-	-	-	(167.30)	167.30	-
Transfers from Stage 3	-	-	-	-	2.45	-	(2.45)	-
Write Offs	-	-	-	-	-	-	(291.65)	(291.65)
Gross carrying amount closing balance	981.04	-	637.43	1,618.46	152.19	26.24	551.34	729.77

An analysis of changes in the ECL allowances of Investment in relation to Credit Substitutes and Compulsory Convertible Debentures is, as follows:

Particulars	March 31, 2021				March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance opening balance	23.00	-	177.95	200.95	35.46	45.29	-	80.75
Change in ECL due to change in ECL model rate	280.99	-	65.52	346.51	(3.25)	-	-	(3.25)
ECL on new assets originated, netted off for repayments and loans derecognised during the year	40.79	0.05	6.82	47.66	168.74	(45.29)	-	123.45
Transfers from Stage 1	(2.52)	2.52	-	-	(177.95)	-	177.95	-
Transfers from Stage 2	-	-	-	-	-	-	-	-
Transfers from Stage 3	-	-	-	-	-	-	-	-
Write Offs	-	-	-	-	-	-	-	-
ECL allowance closing balance	342.26	2.57	250.29	595.12	23.00	-	177.95	200.95

7.2 Collateral

In case of corporate term loans the Company is in the business of extending secured loans mainly backed by mortgage of property (residential or commercial).

In addition to the above mentioned collateral, the Company holds other types of collateral and credit enhancements, such as cross-collateralisation on other assets of the borrower, share pledge, guarantees of parent/holding/group companies, personal guarantees of promoters/partners/proprietors, hypothecation of receivables via escrow account and others.

In its normal course of business, the Company does not physically repossess properties or other assets, but recovery efforts are made on delinquent loans through collection executives, along with legal means to recover due loan repayments.

Once contractual loan repayments are more than 90 days past due, repossession of property may be initiated under the provisions of the SARFAESI Act 2002. Re-possession property is disposed of in the manner prescribed in the SARFAESI act to recover outstanding debt.

