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TENACITY

AAVAS AT 10: ENHANCING SUSTAINABILITY THROUGH TRUST AND TECHNOLOGY

SAPNE AAPKE. SAATH HAMAARA

AAVAS FINANCIERS LIMITED I ANNUAL REPORT 2020-21

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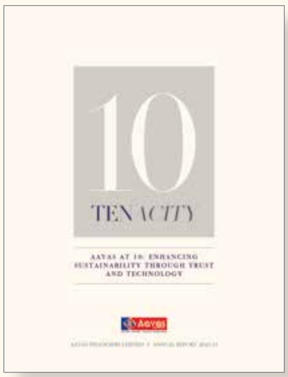

The theme of this report

This is the third annual report of Aavas Financiers Limited following its initial public offer in 2018.

The company has selected to focus on how the various shock absorbers that it invested in across the ten years of its existence helped resist sectorial headwinds and grow in a sustainable manner.

Aavas' forward-looking investments in customer engagement and technology helped to create a platform that should translate into sustainable growth across the coming years.

Forward-looking statement

This document contains statements about expected future events and financial and operating results of Aavas Financiers Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis of the annual report.

‘Despite the challenges in the sector during the last decade, the company was able to survive in a dynamic environment and now possesses a foundation to sustain its fast-paced growth journey across the foreseeable future.’

Sushil Kumar Agarwal
Managing Director and Chief Executive Officer

CORPORATE SNAPSHOT

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Aavas Financiers has completed a decade in serving customers.

The decade has been marked by a complement of customer obsession, customer service, customer delight and customer retention.

Vision

Enriching lives of people by enabling them to achieve their dream of owning a home: SAPNE AAPKE, SAATH HAMAARA

Mission

To empower and upgrade lives of low and middle income customers by providing them accessible home loans and setting pioneering benchmarks in unserved and underserved markets.

Values

- Create customer delight with focus on ease and speed.
- Blend traditional ethics with modern outlook to create an environment of trust and transparency.
- Be responsive, professional and ethical in our approach towards customers.
- Nurture employees to perform passionately with a sense of ownership.

Journey

Incorporated as AU Housing Finance Private Limited on 23rd February, 2011, the Company was registered with National Housing Bank as a housing finance company. It was converted into a public limited company in 2013 and was renamed as Aavas Financiers Limited in 2017. Aavas Financiers Limited has been listed on Bombay Stock Exchange Limited and National Stock Exchange since October 2018.

Professional leadership

The management team is led by qualified and experienced visionaries, who are supported by competent professionals. Aavas is chaired by Mr. Sandeep Tandon, an industry expert with more than 21 years of experience in the technology industry; Mr. Sushil Kumar Agarwal is Managing Director and Chief Executive Officer possessing more than 20 years of experience in retail financial services, business development, financial management; Mr. Ghanshyam Rawat is Co-Founder and Chief Financial Officer with more than 25 years of experience in the retail financial services and other sectors.

Human capital

Aavas comprises of dedicated and qualified professionals like Chartered Accountants, Civil engineers, Lawyers, IT professionals, Company Secretaries and MBAs qualified from reputed business schools, enhancing a culture of knowledge-driven outperformance. The Company comprised 5679 employees as on March 31, 2021.

Geographic footprint

Aavas launched its first branch at Jaipur in 2012. Across the decade thereafter, Aavas has grown to 280 branches in the States of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Chhattisgarh, Delhi, Punjab, Uttarakhand and Himachal Pradesh (as on March 31, 2021), adding 30 branches during the year under review.

Differentiated Model

Aavas selected to serve the needs of housing finance customers in the low and middle income segments of sub-urban and rural India, contrary to the industry preference of servicing customers in metro cities and urban clusters.

Aavas could have addressed large, visible and conventionally credit worthy loan seekers instead the company chose to focus on customers excluded from the country's formal banking system on account of their inadequate documents for income validation.

Performance

Aavas reported yet another year of growth in 2020-21. Revenues strengthened 22%, while profit after tax increased 16%. The company's net interest margin was 7.71% and gross non-performing assets of 0.98% as on March 31, 2021.

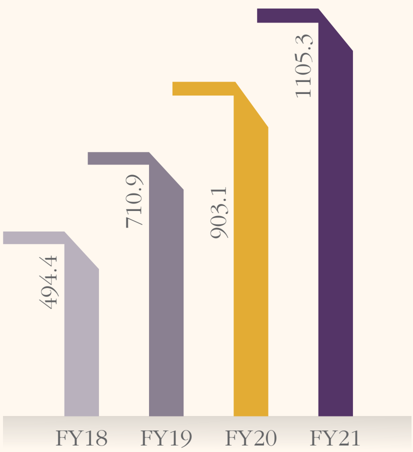
50.08
Promoter and Promoter Group holding, March 31, 2021 (%)

19,000
(Approx.) Market Capitalization, March 31, 2021 (₹ crore)

5,679
Team size, March 31, 2021

Aavas has grown in every year of its existence.

Total revenue (₹ crore)



What it means

This indicates the ability of the Company to leverage its distribution network and grow revenues.

Result

Despite COVID disruptions, aggregate disbursements were ₹2,656.85 crore in FY 2020-21 due to a widening customer base and geographic footprint, strengthening revenues.

Net total income (₹ crore)

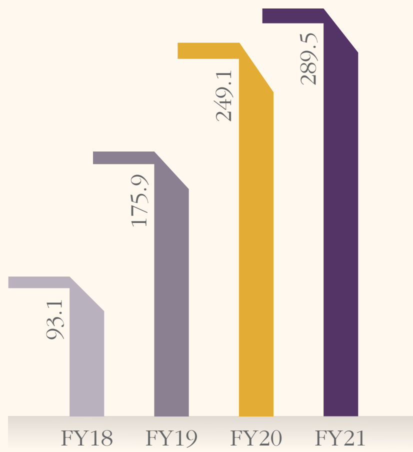
What it means

At Aavas, we strengthen our net total income through superior underwriting and collection capabilities. We able to raise funds from our domestic and international lending partners at competitive rate and focus on providing customers with a risk-adjusted interest rate.

Result

The Company's net total income grew by 18% in 2020-21.

Profit after tax (₹ crore)



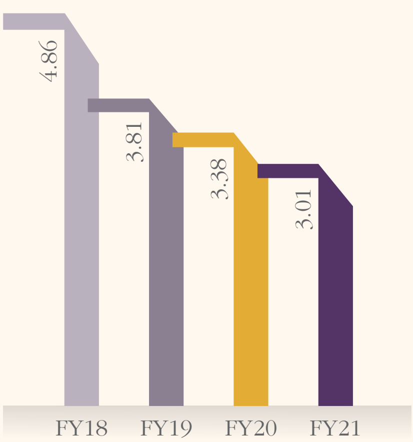
What it means

Ensures that adequate profit is available for reinvestment, sustaining the Company's growth engine.

Result

The Company's net profit grew 16% in FY 2020-21.

Operating cost to average total assets (%)



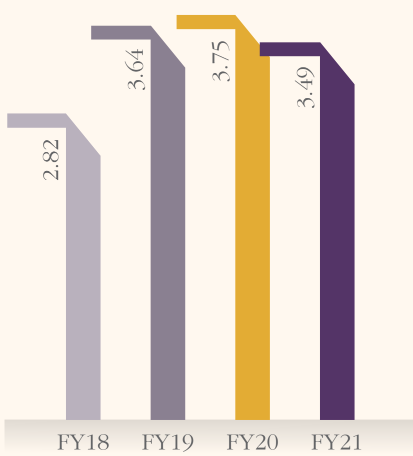
What it means

At Aavas, we focus on the moderation of our cost-to-income ratio by leveraging economies-of-scale, increasing productivity and enhancing the use of technology.

Result

The Company's operating cost to average total assets stood at 3.01% in 2020-21, strengthening competitiveness against market cycles.

Return on Assets (RoA) (%)



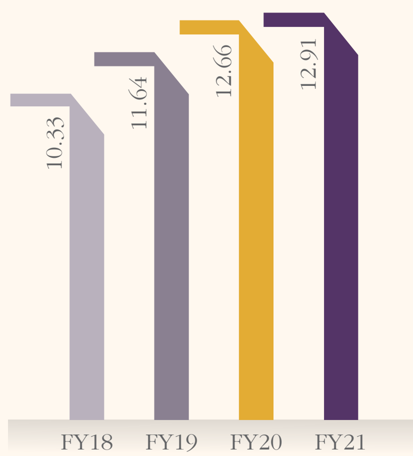
What it means

This indicates the profitability of the Company proportionate to its total assets. A higher RoA reflects on a higher asset efficiency.

Result

The Company's maintained RoA at 3.49%.

Return on Equity (RoE) (%)



What it means

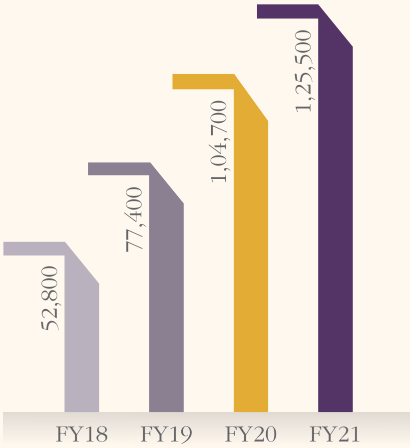
The Company's growing RoE validates its ability to reward stakeholders. On the back of sustained growth, improved spread and consistent profitability, the Company's return on equity is likely to grow sustainably.

Result

The Company's RoE increased by 25 bps in 2020-21.

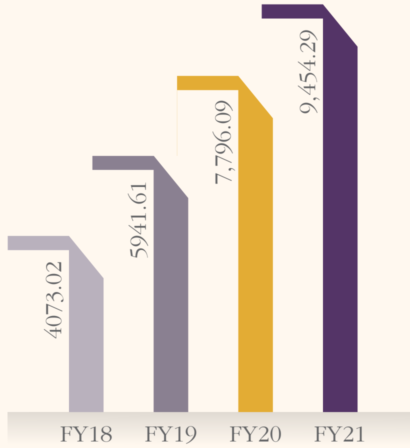
At Aavas, when you aggregate satisfaction across every customer, what you get are credible indicators of the health of the company's business.

Active number of loan accounts



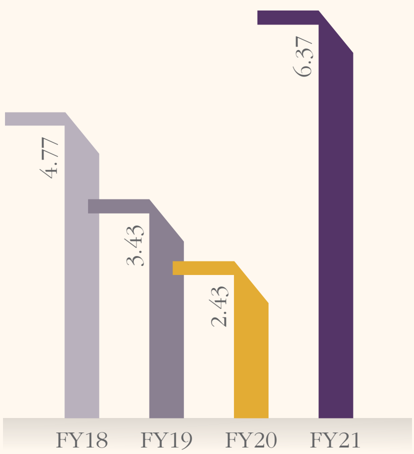
Achievement: The Company significantly diversified its customer base, making it possible for them to access diverse funding avenues through unique and customized products at progressively better terms and risk-adjusted rates at the locations where formal funding is limited.

Assets Under Management (AUM) (₹ crore)



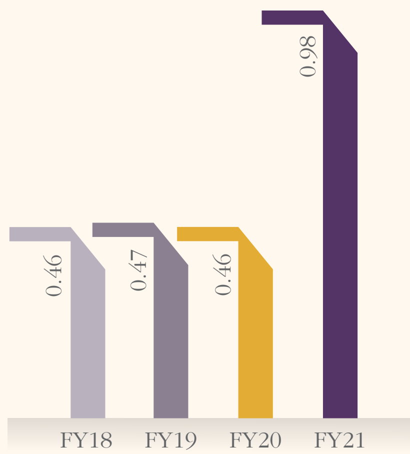
Achievement: Despite a challenging past, the Company consistently grew its AUM without compromising its loan book and at a risk-adjusted price.

Delinquency – One-day pass due (%)



Achievement: The Company maintained a lower delinquency percentage with a higher seasoning of the loan book. Besides, FY 2020-21 needs to be viewed in the context of disruptions caused by COVID-19.

Gross non-performing assets (%)

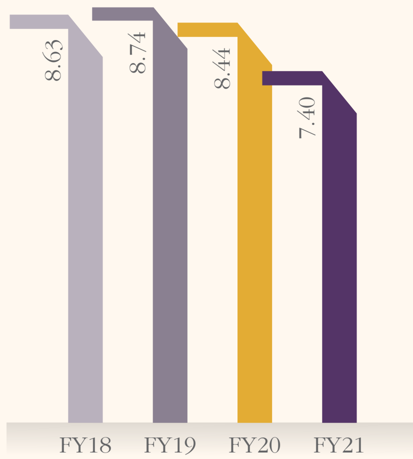


Achievement: This low percentage validates the company's underwriting skills, customer selectivity (majorly single unit self-occupied homes), low construction tenure (often less than a year) and in-house teams (underwriting/collection/valuation/mortgage risk). The industry average, more particularly in the affordable segment, is higher than the Company's average.

Average lending rate (%)

Achievement: The handsome return reported by the Company is the result of the company's competence in being able to price the loans as per the risk-adjusted rate while operating in a growing niche segment.

Average cost of borrowings (%)



Achievement: Over the years, the company leveraged the strength of its Balance Sheet and credit rating to mobilize progressively lower cost long-term funds from banks and financial institutions.

Spread (%)

Achievement: Aavas strengthened its position across the mortgage finance sector by maintaining its spread across increasing scale. There are two things that need to be pointed out: One, a risk-adjusted price due to our reach, understanding of niche customers, continuous efforts and negotiations helping bring down the cost of borrowing. Two, the company's credit rating improved, which helped to reduce costs.

Credit rating

2017-18	2020-21
For long term credit	**For long term credit:**
A+/Positive from CARE	AA-/Stable from CARE
A+/Positive from ICRA	AA-/Stable from ICRA
A+/Stable from CRISIL	
For Short-term credit	**For Short-term credit**
A1+ from ICRA and CARE	A1+ from ICRA, CARE and India Ratings

Achievement: The company's improved fundamentals translated into an improved rating for long-term credit: from A+/Positive from CARE and ICRA in 2017-18 to AA-/Stable from CARE and ICRA in 2020-21. This provided the company with a platform to diversify and negotiate progressively lower costs from fund providers.

Aavas Financiers sustained its outperformance even in a pandemic year.

There was a consensus that in a year when India's economy de-grew, housing finance companies would bear the brunt.

Aavas reported an aggregate disbursement of ₹2,656.85 crore and AUM grew by 21% in 2020-21.

There was a widespread anticipation that borrowers would default on their loan obligations.

Aavas reported net non-performing assets of 0.71%.

There was an apprehension that Aavas' Balance Sheet would be impaired during this challenging year.

Aavas finished the year with a record profit after tax of ₹289.50 cr.

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AAVAS AT TEN

OUR REPORT CARD

How we consistently outperformed in the most challenging decade for housing finance companies in India

OUR STRATEGIC PRIORITIES

Niche
In a sector marked by diverse influences, Aavas selected to be present in a niche, addressing a distinctive customer profile and deepening its specialization

Customer obsession
At Aavas, we are obsessed by customer needs where every internal engagement begins and ends with 'How can we serve customers better?'

Discipline
Aavas has taken conservative bets well within the perimeter of its Balance Sheet, emphasizing the point that within our business, safety comes first

Patience
At Aavas, we are convinced that if we grow revenues at a reasonable growth rate, the compounded impact could create substantial value across the long-term

OUR BUSINESS OUTCOMES

Scalability
At Aavas, we have cumulatively disbursed loans worth ₹13,754.76 crore since inception as at March 31, 2021

Sustainability
At Aavas, we have grown our loan book and our profit after tax every single year of our existence

Delinquency
At Aavas, we have created a safe loan book, marked by a delinquency (one-day past due) of 6.37% as on March 31, 2021

OUR SECTORIAL CONTRIBUTION

Formalization
We created a full-fledged segment to lend to the under-banked and limited income documents seeker of housing finance at reasonable terms

FMCG-ization
We infused FMCG approach in the service of under-banked and non-mainstreamed customers of India's mortgage sector

Enhanced confidence
We gave this segment prominence by enhancing the confidence of Global and Indian institutional lenders

Quality business
We established the credibility of the under-banked and limited income documents housing finance seekers through one of the lowest delinquencies

Eco-system
We inspired players to enter this space, enhancing the visibility of this eco-system to service a larger number of housing finance-seeking customers

Practices
We introduced a practical approach – tools and techniques – in the credit worthiness appraisal of this segment

Inclusion
We strengthened financial inclusion by making it possible for thousands to own their first home

Lifestyle
We facilitated thousands of our housing finance seekers upgrade the quality of their lives, transforming the outlook of their families, friends and relatives

Wealth
We contributed enhance wealth for our shareholders

We will invest every resource in ensuring that each one who associates with us uses the word 'safe' to describe our relationship

16%

Profit after tax growth, 2020-21

21%

AUM growth, 2020-21

22%

Revenue growth, 2020-21

Dear shareholders,

Overview

Each year my communication to shareholders focuses on the strategic direction of the company to enhance stakeholder value.

This year I intend to focus on how we intend to protect stakeholders' interest in the medium-term with the objective to enhance value across the future.

At Aavas Financiers, we believe that to finish first, one must first finish.

This statement has acquired a deeper connotation in today's environment marked by the sweeping resurgence of the second pandemic wave in India.

Any discussion about our business must begin and end with what needs to be done to protect our most precious capital – our people.

These are challenging times for people-intensive and knowledge-driven businesses; there is a premium on the ability to protect talent from the effects of the pandemic.

In view of this, no achievement can be considered more important than the fact that we ended FY 2020-21 with most of our talent capital safe and most of their family members protected.

Responsive

As a responsive organization, Aavas Financiers had foreseen the impending lockdown in March 2020; immediately following the imposition of the lockdown, the company empowered employees to work from their homes; the company created an operating architecture that could be shifted from our offices to homes across cities.

This cautious and sensitive approach helped the company protect most of its talent capital from the risk of infection. I must add here that we were not completely successful; despite making no compromises with safety, we lost 11 Aavas professionals to the pandemic and I consider this to be our biggest loss.

No financial number and no profit margin that we reported last year can compensate for this loss. On the other hand, we are grateful that we finished the year under review with most of our talent and their family members safe. We believe that this 'internal customer' focus will continue to empower our company to address the needs of our external customers.

Preparedness

At Aavas Financiers, we believe that there has never been a moment when our business model has been more relevant than it is now.

During the last decade, the company deepened its brand around 'home ownership'. The company positioned itself as a home ownership facilitator for individuals (generally from the low income segment) seeking to graduate from rented dwellings. We believe that the pandemic has proved to be a watershed moment for our business. As individuals will seek to stay safe and live well, there will be a greater priority to buy or construct their own homes. In view of this, we believe that the size of our market has widened considerably during the last year; it is only a matter of time when the need for customers to enhance their home ownership becomes even more pronounced, bringing housing financing companies like ours into sharper focus.

Aavas Financiers is attractively placed to capitalize on the emerging opportunity for another reason. Over the years, the company overcame a number of challenges, each time emerging safer and stronger. Our lenders patronize us because we possess a multi-year domain expertise; our customers turn to us because we service their needs with speed and sensitivity; our employees continue to associate because we provide them career growth and holistic protection.

By the virtue of protecting the interests of all our stakeholders, we are empowered to provide a clarity that we will invest every resource in ensuring that each one who associates with us uses the word 'safe' to describe our relationship.

In today's unprecedented environment, there can be no bigger achievement.

Sandeep Tandon
Chairperson and Independent Director

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AAVAS AT TEN

A STORY OF TRUST AND TECHNOLOGY

Overview

It has been ten years in business addressing the home financing needs of aspiring marginalized Indians in the second most populous country.

These ten years have also been among the most challenging, marked by the hangover of a global meltdown, a temporary flux when our parent company needed to divest its ownership in our company, the 2016 demonetization that affected the sectorial mood, the liquidity crisis of 2018 that started within India's non-banking finance sector and finally the COVID-19 pandemic.

Each time during the last decade when we felt we had overcome a hump, we encountered yet another challenge. It would be fair to state that our story of the last ten years has been one of extracting victory from the jaws of challenges and probable failure.

As I look back across the decade, the one positive I draw is that we learned to live with one challenge after another. The result has been a perpetual paranoia about what can possibly go wrong, complemented by a need to mitigate probable impact.

Our biggest competitor was not any housing finance company; it was the customer's impatience. The moment our customers en masse felt that the turnaround time of our company in responding to their request was too long, we would be out of business the following morning.

The result is that Aavas had graduated to become a company that can be best compared with the Everest mountaineer who keeps testing his/her endurance and preparedness by getting to Base Camp and making a number of sorties on the world's highest mountain – a quarter of the climb, then a half of the climb and then three-fourth of the climb before returning to the Base Camp each time, validating stamina, weather-familiarity, breath acclimatization and route-preparedness.

I find this analogy fitting; it is the only way one can derive an explanation from the challenges of the last decade, convinced each time that it represented preparedness for a longer mission ahead.

A challenging 2020-21

The year 2020-21 was among the most challenging that we encountered in our existence or experience.

The COVID-19 pandemic of 2019 widened in 2020 and 2021. What made this viral outbreak different from the variants of the past was that it combined speed of spread with absence of remedy with extent of debilitation (even death).

As an extension of this social crisis and economic meltdown, stock markets declined the world over. Oil prices traded in the negative territory for the first time. In this environment, there was an unprecedented premium on the Four C's associated with successful management - courage, clarity, conviction and calm.

What made 2020 even more challenging was difficulty in estimating when the trend would turn. Even as the lockdown was progressively lifted, there was a challenge in being able to estimate when consumer sentiment would decisively return and economic growth materialize.

Overcoming

This uncertainty tested our management experience and bandwidth. On the one hand, we were required to protect the well-being of our employee (and their families); on the other hand, we were required to engage with our customers with the objective to listen to their fears and offer solutions and comfort.

As the nationwide lockdown was lifted, consumer sentiment began to return, economic activity velocity began to improve and our business began to return to the pre-Covid levels by the end of the second quarter.

> Each time during the last decade when we felt we had overcome a hump, we were faced with yet another challenge; it would be fair to state that our story of the last ten years has been one of extracting victory of from the jaws trying challenges and probable failure.

That Aavas was able to regain its erstwhile momentum is not just a commentary on our efficiency or the underlying strength of our sector; it is also in some measure the result of our decision to enhance customer confidence.

The role of trust

When we went into business, we recognized that our success would be derived from the sense of trust we would be able to evoke among our customers. At that time, the role of trust was on account of the customer's need to engage with a home financing company that would treat the loan

As the nationwide lockdown was lifted, consumer sentiment began to return, economic activity velocity began to improve and our business began to return to the pre-Covid levels by the end of the second quarter.

13.1

Turnaround time (days), 2020-21

75.90

%, Business within 15-day TAT, March 31, 2021

application with respect, protect ownership of the property in the event of a small repayment delay and confidentiality of information.

During the year under review, the word 'trust' acquired a different connotation. For our customers who would owe us timely repayment and interest payment for the next couple of decades, there was a need to sit and hear their stories – not as a financier would engage with its customers but as a partner would engage with another at a time of difficulty.

At Aavas, we did not just engage to facilitate a catharsis; we engaged to advise, to support and to put at ease. The result is that a number of our customers – thousands – thanked us for engaging three or four times during those stressful months. It was their only release at a time of uncertainty; it was a decisive *'Hum hain na'* moment that helped turn a number of them around to face the future with renewed energy.

I believe that these engagements during a time of unprecedented pain have done for us what a number of 'business as usual' years could not. They have helped deepen relationships with our customers; they have helped generate a positive recall; they have helped strengthen our brand; they have helped send out a message that *'Aavas hua sukh-dukh ka saathi.'* Of all the things that we have done across the last ten years, I believe that this deepening of an existing relationship was probably most enriching.

When I look back on this empathy, I can collect a few learnings. During those challenging months it was not as if our customers did not have the funds to service their home loans; they did not wish to part with the funds for the fear that if incomes weakened thereafter, they would be cash-strapped. However, after our periodic engagements, they came to a conclusion that any excess cash they possessed would be better deployed with Aavas because they could always call upon it in the event of an emergency.

The other learning was that during the life cycle of a customer's loan across 25-odd years, there will be half-a-dozen such challenges. On the basis of how we conducted ourselves during the pandemic, a large number of customers came to the conclusion that we could be trusted across upheavals. Interestingly, during the pandemic, the customer was not on trial; we, as a company, were on test for how we would conduct ourselves. Would we come breathing down the necks of our customers and demand money on the due date or would we empathize and co-explore means of protecting the repayment cycle? I am confident that by virtue of how we conducted ourselves, the customer will not only stay with us during the entire length of the loan cycle, but will also come back for any future funding requirement and recommend us to others.

The bottom line is that we did not just strengthen our business during a challenging year; we strengthened our brand.

Technology

In the first ten years of our existence, the trust of our stakeholders got us here. From this point onwards, all other factors remaining equal, technology will emerge as the Aavas game-changer.

There are a number of reasons for this.

Every business is increasingly a technology business. Earlier, technology was a part of business. Now, the time has come for business to become a part of technology. The message: Digitize or die.

Many successful companies have disrupted once and a few have disrupted several times. Aavas needs to be a company that builds a robust engine of consistent disruption. In view of this, our commitment to data needs to be ultra-detailed, cross-silo, cross-layered, real-time, input-oriented and AI-empowered.

Our digital management system represents this revolution. It delivers solutions (internal and external) that are responsive; it enhances cash flows that make it possible to reinvest in technology to accelerate that flywheel; it enhances shareholder value.

Our digital management system does more than mine data; it stabilizes service delivery across the various locations of our presence independent of our growing scale; it protects our responsiveness even as we get larger; it enhances our granular understanding even as we spread wider; it helps retain the passion of a small company spirit even as we develop a larger organizational body.

We feel that in this lies the key to our endurance and sustainability. Most housing finance companies plateau out at 300-350 pan-India branches (only banks extend in excess of 1500) following which they encounter the proverbial glass ceiling and service standards begin to vary from branch to branch.

At Aavas, we recognize that investment in a distribution network at the right time is not just required to sustain the growth momentum but also to reach and serve a large customer base in those locations. We worked on the same strategy during the year under review; we opened 30 new branches. We will continue to explore branch expansion in new geographies to address untapped and underserved customers.

This target is unprecedented; it has never been attempted by housing finance companies of our size. There is only one way it can be done: invest in technology, strengthen controls and enhance credit quality even as we keep growing, keep monitoring the dashboard and validating all the things we believe in.

At Aavas, the bottom line is that the key to becoming larger is not necessarily through a license from the government; it is through the technology gateway that empowers us to become masters of our own destiny.

Optimism

At Aavas, we continue to be optimistic of what lies ahead. We believe that there will be periods of uncertainty and staggered growth in a growing idea; however, the power of aspirational living is an idea whose time has come. The marginalized will seek to live in their own homes; they will also seek to live in better homes, irrespective of intervening pandemics or economic slowdowns.

The upside in our business is so vast that it provides us with the facility to pick and choose the customer segment in which we select to be present. India's housing loan penetration is below 5% in rural and semi-urban areas. The challenge in this extensive under-penetration is not to grow as fast as possible but to grow in a calibrated manner. At Aavas we have created capabilities equipped to service customers and adequate capital.

Besides, the competition is not with external players; it is with the company itself. In a business where customer appraisal of the under-banked and limited income documents seeker of housing finance is not a science driven by algorithms but an art influenced by human judgment, the challenge will be to create a foundation that grows us multifolds from current level. The challenge will be to stop benchmarking with other housing finance companies and to start measuring up to the standards of other customer-facing sectors.

We have done so through the last decade; we expect to do so across the foreseeable future as well.

Sushil Kumar Agarwal
Managing Director & Chief Executive Officer

36.94

Rs, Earnings per share, March 31, 2021

306

Book value of share, March 31, 2021 (₹)

"We continued to outperform in a pandemic-influenced 2020-21"

Q: Were you pleased with the performance of the company in 2020-21?

A: It would be ill-fitting to start a review of the year with an analysis of our disbursements, margins and book quality. For years we have maintained that our biggest asset are our people; during a year when this asset was under threat, our biggest achievement was the way we helped protect them (and their families), how we provided medical advice through tie-ups with a number of hospitals. and how we provided interest-free medical loans and support. Besides, we facilitated work-from-home for employees. Flowing out of this, we were able to achieve a number of things in a challenging year.

Q: What achievements gave the management a sense of satisfaction?

A: Here too, the answer must start with the intangible. We recognized that for a customer-obsessed organization like Aavas, this was one of the most challenging years simply because for more than a quarter, our customers faced the biggest uncertainty of their lives. During this period, our customers possessed a low clarity of their occupations and incomes. We felt that in this environment of flux it would have been awkward and insensitive to turn up at the doorstep of our customers demanding to know 'When will you pay your next installment?' At Aavas, we took a call: we would turn up at the doorsteps of our customers to ask: 'Can we help?' That one line made the difference across most of our customers as they began to perceive us more as a humane organization than one singularly focused on the next quarter's performance. We believe that protection of our employees and prioritization of the interests of our customers were the most decisive things we could have done in the last financial year to strengthen long-term stakeholder retention and sustainability.

Q: What were the operational take-homes from the company's performance of 2020-21?

A: The year under review continued to be one of outperformance at Aavas: Aavas grew assets under management by 21%. We grew revenues and profits without compromising our loan book. Despite the Covid impacted year, our net non-performing assets were a mere 0.71% of our loan book. We reported RoA of 3.49% and a net interest margin of 7.71%. This superior business quality translated into a 22% increase in revenues and 16% growth in profit after tax. The big message to our stakeholders is that despite a social and economic upheaval across the country and the housing finance sector, Aavas sustained its growth journey without Balance Sheet impairment.

Q: How did the company strengthen its business model during this challenging period?

A: We enhanced our visibility in rural and semi-urban India through wall paintings, social media and digital marketing campaign; in addition to the word-of-mouth goodwill that we generated through customer engagement, we strengthened strong customer traction. Besides, we increased the proportion of instances where our turnaround time was 10 days or lower: from 54.6% in FY 2019-20 to 58.4% in FY 2020-21.

We increased the proportion of instances where our turnaround time was 10 days or lower: from 54.6% in FY 2019-20 to 58.4% in FY 2020-21.

Q: How did the company strengthen its fundamentals on the liabilities side of the Balance Sheet?

A: We continued to widen our lender base; we accessed funds from public and private sector banks as well as the development finance institutions (Asian Development Bank, CDC Group and International Finance Corporation). The disbursal by institutions of this pedigree does not represent a one-off transaction but the start of a long-term funding pipeline that should be available to us whenever we need funds for growth.

We possessed strong liquidity of ₹2,836 crore towards the close of the year under review, adequate enough to address repayment obligations and new business for next few quarters. We moderated our weighted average cost of borrowings to 7.40% with an average tenor of 130 months as on March 31, 2021.

Lastly, during the year under review, ICRA enhanced our rating from A+ to AA-, validating the quality of our business.

Q: How does the company expect to take its business ahead?

A: Aavas is attractively placed. The company enjoys a strong brand. It continues to pitch to customers who are under-banked and limited income documents seeker of housing finance. Its cost of funds has declined, widening its ability to strengthen its customer proposition. Its cash and equivalents represent ability to borrow at cost-effective rates, which provide adequate 'raw material' to grow the business.

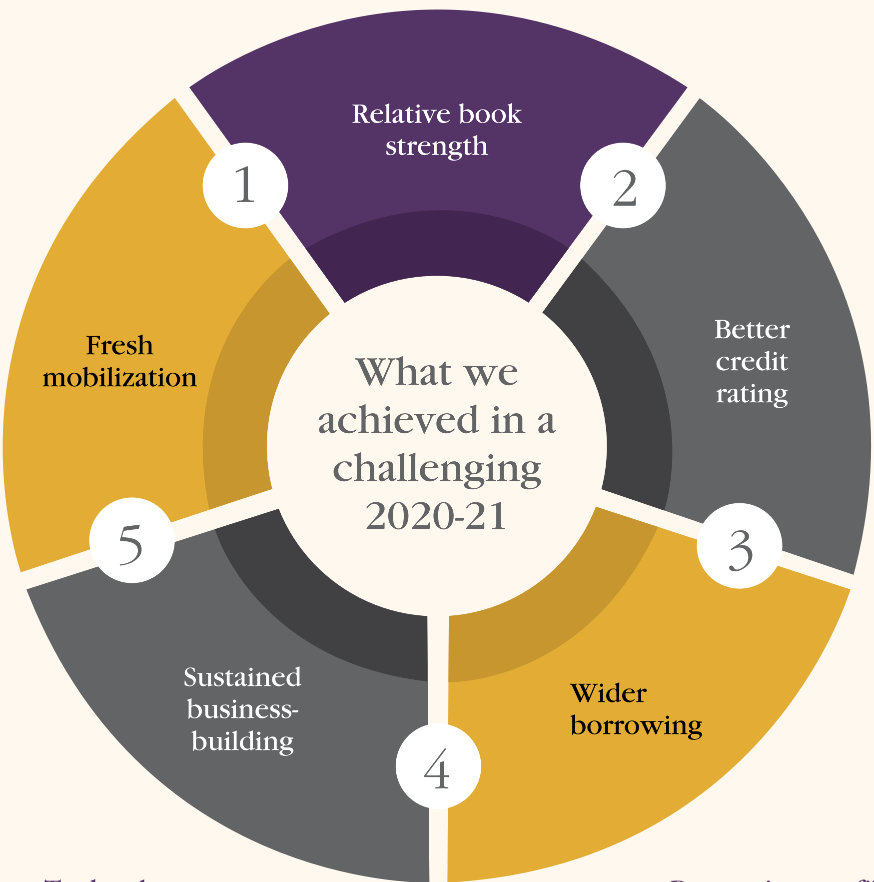
Q: Is the company optimistic of the sector's prospects?

A: At Aavas we perceive an opportunity in every crisis: we possess a wide footprint across States passing through an increase in incomes and aspirations; our focus continues to be rural and semi-urban where home ownership is under-penetrated and where the priority is to catch up with pent-up demand. We are present in a niche that insulates us from generic and aggressive home financing competitors; besides, our niche, a significant proportion of the individual's funds have been invested in a home construction, which will be ready to use within a year. We extend loans with an average ticket size of less than Rs.10 lakh, where the prospect of default is low. Aavas will do what it has always done in the past: create new markets, providing us with confidence that we will not need to under-price our offerings and will not need to compromise our profitability to stay in business.

Mr. Ghanshyam Rawat
Chief Financial Officer, analyzes the company's 2020-21 performance

Book strength

Aavas' net non-performing assets were a mere 0.71% of the loan book despite growth in disbursements



Mobilization

Aavas mobilized an aggregate ₹2,901 crore through various financial instruments in 2020-21

Rating

Aavas' credit rating for long-term credit from ICRA improved from A+/Positive to AA-/Stable and from CARE, the rating remained intact as AA-/Stable and short-term credit rating from ICRA and CARE remained intact as A1+Positive.

Technology

Aavas provided e-disbursement and e-repayment facility at all branches of the Company

Borrowing profile

We diversified our long-term financing: long-term loans from Banks and Financial Institutions (34.1%), Securitization/Direct assignment (24.3%), NHB Refinance (22.7%), NCDs issued to Multilateral/ Development Financial Institutions (11.0%), NCDs issued to Banks and Domestic Financial Institutions (4.3%) Masala Bonds issued to Multilateral Institutions (2.4%) and Subordinated Debts (1.2%).

'I am Aavas'

HOW EMPLOYEES LIVE THE AAVAS SPIRIT AS THE COMPANY TURNS 10

"At the Jaipur branch, a customer came and dumped his file on our table and said, 'I am trying to own my first property for long but am facing difficulty in getting my home loan approved.' We examined the papers. We (legal, valuation and credit teams) went into a huddle. We cleared his application that day. By the evening, he had his cheque in hand. The word went around; Aavas could be trusted."

Vijay Bhardwaj, Sales

"There is a distinctive Aavas culture: CEO seeing visitors off to the lift, never keeping visitors sitting outside for more than five minutes, sales executives visiting customers and leaving their shoes outside the door, taking toffee for their children and saying namaste to the elders. One would think that these are irrelevant social graces; we believe that these are the building blocks of our culture. Builds respect; builds trust."

Saurabh Jain, Sales

"I moved from the National Capital Region to work in Jaipur, which was seen as a step-down by many. What I discovered at Aavas was a genuine people-centric culture that provided me with an empowered opportunity to add one more function to my responsibilities (sales). It told me that I was trusted."

Inderjit Gumber, Marketing

"When I turned Covid-positive, Aavas stood by me and my family. The Company provided on-call medical help and facilitated tests. I am more thankful for the reassurance and emotional support from my team and supervisors, who stood by me in that hour of difficulty."

Ankit Soni, Credit

"A couple of years ago, Aavas took high performers – Relationships Officers to Senior Vice Presidents - for a vacation to Bali. Those four days will live in my memory for 40 years. We had always worked as if this was our own company; we returned with an even deeper conviction."

Amit Kumar Dass, Technical

"One of the best things about Aavas is its supportive transparent culture. The senior management is approachable and receptive. I enjoy working with my team members in developing creative solutions, while continuing to learn and grow."

Amit Gupta, Internal Audit

"I am proud to be an Aavas employee. The company's management taps the potential of employees that empowers them to grow. What I appreciate about the company is that it has given me the opportunity to balance work and life. Lastly, I met inspiring colleagues who do amazing work with dedication."

Yogesh Kumar Bansal, CISO

"I have been associated with Aavas for six years. I enjoy working in a company with a culture of care towards employees. During the pandemic, we were encouraged to stay protected; we were allowed to work from home. We were paid on time with not even a single day's delay."

Raman Sharma, Human Resources

"Following the sudden lockdown, we were required to continue operations by activating BCP centres and create a work-from-home protocol, which was comparatively new in our industry. The Aavas eco-system swung into action: we got the Central Processing Centre remotely operational; virtually everyone within the team worked from home, which sustained operations and customer delivery."

Sandra Paul, Operations

Sustainability Report 2020-21

At Aavas, we are committed to the fulfillment of the 17 Sustainable Development Goals (SDGs), which have been laid down as global ideals by United Nations, not only for governments and NGOs, but also private actors, in furtherance of a more equitable and viable future for generations to come. SDG 11 on Sustainable Cities and Communities lies at the very core of Aavas. Our business of providing affordable home loans to low-income and middle-income groups is directly aligned with SDG Target 11.1 of ensuring access to adequate, safe and affordable housing for all.

10 years in operation

Targeting unserved and underserved customers

Affordable housing finance for middle and low-income groups

Focus on Tier-2 and Tier-3 cities

Women empowerment through an emphasis on home ownership

Gender diversity through employment

RESPONSIBLE BUSINESS

Corporate governance

At Aavas, we are committed to SDG 16 comprising provisions for peace, justice and strong institutions. Our governance approach is aligned with SDG Target 16.5 that is focused on a substantially reducing corruption and bribery in all forms, and with SDG Target 16.6 that develops effective, accountable and transparent institutions.

The company embraced ethical, transparent and accountable conduct including Code of Conduct for Employees, Prevention of Insider Trading Policy, Whistleblower Policy, Policy on KYC, Fair Disclosure Practices Code etc, creating a culture where the Directors and employees have been empowered to bring any wrongful conduct to notice.

The Company implemented a Customer Grievance Policy for the redressal of customer grievances. The Company employed zero tolerance towards sexual harassment at the workplace; it put in place the Vishakha Policy, keeping in mind the safety of its women employees.

Risk management framework

The company values prudent lending practices and has created a robust framework through the use of technology and analytics for risk mitigation (verification of credit history from credit information bureaus, personal verification of customer's business place or residence, in-house technical and legal verification and conservative loan to value parameters and property insurance cover). The company has set up a Risk Management Committee and a Risk Management Policy to identify, assess and mitigate material risks.

CSR governance

As a socially responsible corporate, the company has put in place a Board-approved CSR Policy to pursue sustained value creation for society. To take CSR programs ahead in a collaborative manner, the company established 'Aavas Foundation'.

Customer care

At Aavas, customer dignity is anchored in our culture. The company set up a Customer Grievance Redressal Mechanism to address customer complaints. It adopted a Customer First approach and Fair Practice Code in true spirit to engage with customers. It maintains security and privacy of customer data with the help of robust database management and data protection system.

EMPLOYEE WELL-BEING

Covid response

The COVID-19 outbreak resulted in fear and insecurity. Aavas prioritized employee safety, financial security and wellbeing. The company did not retrench any employee during the pandemic. It incorporated social distancing across branches and allowed employees to work from home. It engaged with a number of doctors, who were available on call for employees seeking medical advice. The Company has assisted through various tie-ups in cases where any employee or family member tested positive for Covid, including oxygen concentrators, treatment at home, hospitalization, plasma arrangement and medicines.

The company engaged with employees to inquire about their wellbeing through HR Connect. Under its Covid Support Policy, the company widened the umbrella of emergencies to on-roll and off-roll employees by facilitating interest-free loans for medical treatment, reimbursements for pre-Covid and post-Covid testing.

Work culture

The company supported SDG 8, focused on providing a decent workplace and career growth. Our employee approach is aligned with SDG Target 8.5 to provide a decent work for all, including the young, those with disabilities and equal pay for equal work. The company engendered inclusion and mutual respect at all levels.

The company supported SDG 5 on gender equality and aligned its gender approach with SDG Target 5.c that adopted policies that promoted equality for women. The company professed zero tolerance towards sexual harassment and incorporated stringent Vishakha Guidelines in this respect.

Training and personality development

The Company organized weekly virtual employee learning sessions (Gurukul) through an in-office training studio. Prevention on Sexual Harassment (POSH) training sessions were held round the year. The Company launched SEVA (Socially Engaged Volunteers at Aavas), a volunteering program that engaged employees in CSR activities.

Recreational activities

The company organized virtual activities round the year for employees to keep them engaged and connected through various activities to motivate them to stay fit and healthy.

During the COVID-19 period, we motivated employees through virtual employee engagements like motivational seminars, yoga and meditation sessions, Online Masala Bhangra, Virtual Marathon, Aavas Kitchen Championship and drawing competition.

ENVIRONMENTAL SUSTAINABILITY

At Aavas, we address multiple targets under SDG 12 on Responsible Production and Consumption, SDG 13 on Climate Action and SDG 15 on Life on Land.

Although the business does not warrant an intensive consumption of environmental resources, the company remains vigilant towards energy conservation and environment protection.

In alignment with SDG Target 11.3 on sustainable human settlement planning, the company partnered with International Finance Corporation (IFC), a member of the World Bank Group, to pave way for 'green mortgages' in the Indian housing finance market. The program aims to reduce adverse construction impacts on the environment.

In pursuance of SDG Target 11.6 of reducing per capita environmental impact of cities and SDG Target 12.2 of sustainable managing natural resources, the company is preparing for internationally acclaimed green building certifications for its corporate headquarter in Jaipur. A Building Sustainability Assessment Audit of the office building has already been completed with regards to this initiative.

Environment-friendly way of life	Optimal Energy Efficiency	Waste Management & Pest Control
Employees motivated to use stairs instead of elevators in office	Switching off major systems at 7 pm	Non-chemical pest control
Smoking is prohibited in the office premises	LED lights are installed all over the office building	Water-efficient plumbing fixtures
Employees participate in tree plantation drives	Master AC system installed	Environment friendly e-waste disposal
Reduced paperwork	High-end copier machines were installed	

COMMUNITY WELFARE THROUGH CSR

Quick COVID-19 response

SDG Target 3.3 speaks of ending epidemics of communicable diseases. Our team prepared itself overnight for response to the COVID-19 pandemic and effectively played its part in mitigating hardships during the nationwide public health emergency. Covid awareness campaigns were conducted in Gujarat, Rajasthan and Madhya Pradesh with the help of a van and local artists, who travelled across 300+ villages performing puppetry to educate the community about Covid precautions. Covid awareness posters were installed on 400 local transport vehicles to sensitize and educate rural communities. Livelihood was provided to 70+ rural women by placing orders for masks during the financial crises that followed Covid.

1,20,000
People provided with food support

80,000
Masks distributed

Aavas Foundation

3 States	Education & Holistic Development **1,00,000+ children**
50+ Villages	Employability & Entrepreneurship **50 women from 50 villages**
10,00,000+ Lives	Welfare of construction workers **500+ safety kits distributed**
	Secure & sustainable environment **6,300 trees planted on more than 10 acres**

Aavas Foundation, the CSR arm of Aavas Financiers Limited, works with socially and economically weaker sections through initiatives in skill development, education, healthcare and environment protection. The Foundation's activities address 16 of 17 SDGs of the United Nations.

SDG Mapping of CSR Activities

Under Programme Vishwakarma, we support construction workers, a vulnerable social segment. Under Gram Siddhi, we address women in remote villages who need alternative livelihoods.

We provide fresh food to patients and their families outside government hospitals. During March 2020 lockdown, we provided food to people in night shelters and slum areas.

Under Programme Vishwakarma, we provide basic safety equipment and awareness about preventive measures to minimize construction site accidents. We developed Aavas Khel Stadium for holistic child development in Phagi tehsil.

Aao Ghar Mein Seekhein programme addressed Whatsapp-based virtual learning facilities for children in villages when schools were closed due to COVID-19. Program Cheer supports the holistic education of HIV +ve children by setting up a computer lab, library and beauty parlour training lab.

Program Gram Siddhi provided training to 50 women from vulnerable communities in contributing to family incomes, women empowerment through emphasis on home ownership and gender diversity through employment.

Installed water coolers at 90 public places in Rajasthan, including bus stations, parks, hospitals and police stations.

7 AFFORDABLE AND CLEAN ENERGY

Developing a business case for 'green loans' in partnership with IFC, incentivizing home construction that reduces water and electricity consumption.

8 DECENT WORK AND ECONOMIC GROWTH

Programme Vishwakarma provides a safe working environment for construction workers. The Silai School model prepares women to become entrepreneurs. Employable training for HIV+ve children is likely to help them secure a livelihood.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Built resilient infrastructure in the form of a Whatsapp-based learning model under Aao Ghar Mein Seekho program, skill training laboratories (Program Cheer) and Silai schools cum production-centers (Gram Siddhi).

10 REDUCED INEQUALITIES

Programme Vishwakarma addresses awareness and knowledge gaps. Gram Siddhi boosts the confidence of women, making them financially aware and preparing them for entrepreneurship.

11 SUSTAINABLE CITIES AND COMMUNITIES

We plan to transform cities by bringing a revolution in the way urban homes are constructed or renovated (partnership with IFC). We are developing resilient, affordable and durable sports facilities. Our skill-training labs (Programme Cheer) provide sustainable infrastructure.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We intend to transform the supply and demand sides of the housing construction industry by advocating home construction that moderates water, electricity and material consumption

13 CLIMATE ACTION

Our mass plantation (6,300 trees) is offsetting carbon emissions

15 LIFE ON LAND

We plant trees in bulk, developing forest gardens. Such forest ecosystems also open doors for fresh air, keeping in mind the wellbeing of people dwellings or working urban areas.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Road accidents resulting in deaths are a social threat; we spread awareness of traffic rules and precautions. HIV is a social taboo; affected children are victims of abandonment and alienation from society. We connect, interact and empathize with these children; we provide skill training for their integration into mainstream society.

17 PARTNERSHIPS FOR THE GOALS

We entered into strategic partnerships with IFC, ConveGenius, Usha International and Faith Sansthaan.

Glimpses of Corporate Social Responsibility, 2020-21

How we are enhancing value for all our stakeholders

Our priorities

Growing need to enhance value for all stakeholders

Concurrent priority in explaining how this value was enhanced

Transparent disclosure in the Annual Report

Invest in business to achieve long-term outperformance

Overview

There is a growing recognition that the value created by companies cannot be measured uni-dimensionally by market valuation or Profit after Tax, which explains the growing importance of the Integrated Value-Creation Report as a communication discipline.

This Integrated Value-Creation Report overcomes the shortcomings of the conventional communication approach through a comprehensive reporting framework that reconciles 'hard' and 'soft' initiatives into an integrated format.

The measurement of value creation needs to be holistic, covering every major organizational constituent. This preference has been directed by a premium on long-term business sustainability over one-off profitability (which can often be derived from limited factors across a short period). The result is a commitment to enhance value for all stakeholders (employees, customers, vendors, shareholders, lenders, society and the government).

The primary purpose of Integrated Reporting is to explain to financial capital providers how an organization enhances value. The impact of the integrated report extends beyond financial stakeholders; it enhances understanding across all stakeholders - including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

Interestingly, no Capital exists in isolation; each constituent (Capital) is inter-connected with the other and one cannot have a sustainable value-creation movement without all Capitals being adequately serviced.

- *Financial Capital comprises surpluses driving the financial engine.*
- *Manufactured Capital comprises ongoing investments in efficient processes and technologies,*
- *Intellectual Capital comprises knowledge and experiences that take the business ahead.*
- *Human Capital comprises people skills, experiences and capabilities.*
- *Social & Relationship Capital comprises value derived from vendors, customers and societal uplift.*
- *Natural Capital comprises a responsible consumption of natural resources and efficient production with a declining carbon footprint.*

As a forward-looking organization, we have published an Integrated Report as a part of our reporting discipline.

Compounded growth

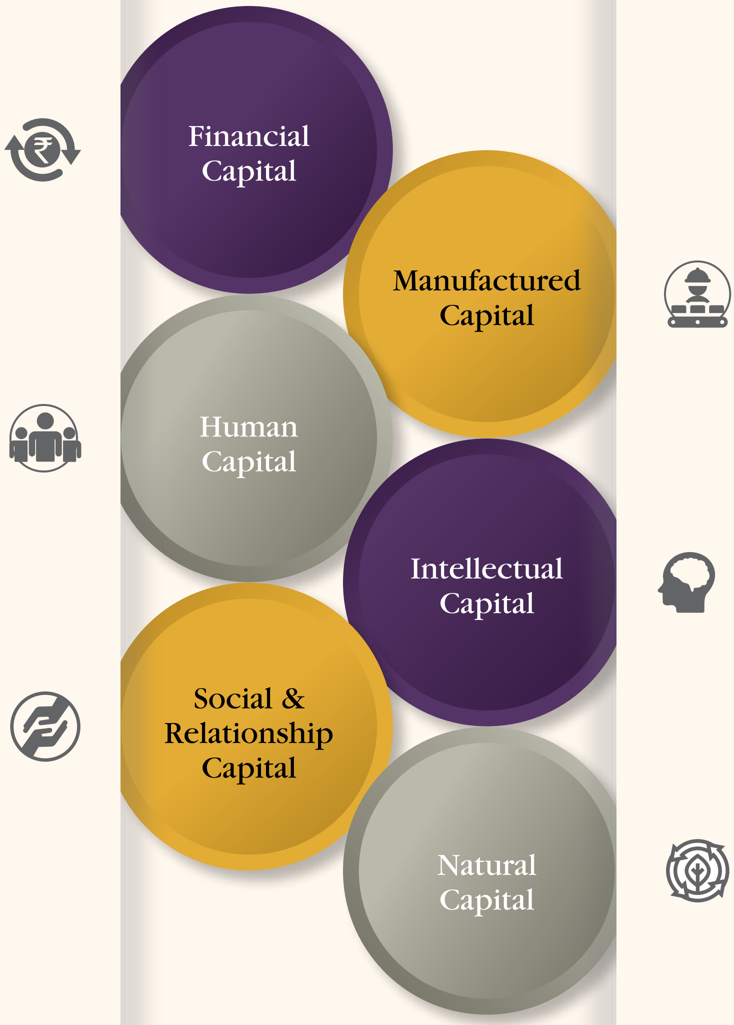
41.2
Five years % CAGR in revenues

55.4
Five years % CAGR in PAT

Assets under management

1,679.87
₹ crore, assets under management, 2015-16

9,454.29
₹ crore, assets under management, 2020-21


Financial Capital
Manufactured Capital
Human Capital
Intellectual Capital
Social & Relationship Capital
Natural Capital

HOW WE ENHANCED VALUE ACROSS OUR CAPITALS IN 2020-21

Drivers of value at Aavas

At Aavas, the interplay of value for our stakeholders has translated into our business sustainability.

Our employees represent the aggregate knowledge of how to grow the business across a range of functions (funds procurement, process management, marketing, branding, treasury management etc.). Our focus is to provide an exciting workplace, generate stable employment and enhance productivity.

Our shareholders provided capital when we went into business. Our focus is to generate sufficient projects, growing RoE (Return on Equity) and in doing so enhance value of their holdings.

Our vendors provide credible and a continuously supply of goods and services. Our focus is to maximize quality procurement at declining average costs with the objective to widen our markets strengthening sustainability.

Our customers keep us in business by seeking housing finance and other loan products, generating the financial resources to sustain operations. Our focus is servicing a larger number of customers around our preferred rate points, retain them and facilitate them with a larger number of our customized products as per their requirements.

Our communities provide the social capital (education, culture education, health, environment etc.). Our focus is to support and grow communities through consistent engagement. The governments in the areas of our presence provide us with a stable structural framework that ensures law, order, policies etc. Our focus is to play the role of a responsible citizen, serving as a role model

At Aavas, we believe that the prudent interplay of the value generated by each stakeholder and our consistent payback ensures business sustainability and the ability to enhance organizational value.

Financial Capital

Financial Capital (shareholders' equity and debt) represents a critical driver of business and in helping leverage the full value of other Capitals. At Aavas, the strength of our Financial Capital helped catalyze business expansion and sectorial leadership.

Outcomes in 2020-21

1,105.34
₹ crore, Revenue

289.50
₹ crore, Profit After Tax

2,401.40
₹ crore, Net worth

Manufactured Capital

Manufactured Capital is the Company's infrastructure (tangible and intangible) leveraged for value creation. We are prudently managing our capital investments to create a portfolio of assets that helps create value for our clients.

Outcomes as on March 31, 2021

280
Branches

11
States of presence

Human Capital

Human Capital indicates an aggregate statement of employees' competencies, knowledge and experience.

Outcomes as on March 31, 2021

5679
Employees

30.64
Average employee age (years)

Intellectual Capital

Intellectual Capital refers to the collective knowledge, research, thought leadership, brand management and intellectual property used to support business activities. Our Intellectual Capital consists of our strong brand, experienced professionals, cutting-edge technology and robust processes.

Outcomes as on March 31, 2021

Effective Operations and business continuity during the COVID-19 scenario

EY Entrepreneur of the Year in the Financial Services Category bestowed on Mr. Sushil Kumar Agarwal, Managing Director and CEO

Automation of various compliance processes and meetings

Social and Relationship Capital

Social and Relationship Capital refers to the value derived from relationships with clients, investors, regulators, suppliers and community.

Outcomes as on March 31, 2021 (Through Aavas Foundation)

1,00,000+
Children provided with education and holistic development

50+
Women from 50 villages provided with employability and entrepreneurship

500+
Safety kits distributed for the welfare of construction workers

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Natural Capital

Natural Capital refers to the natural resources the Company uses to create value for its stakeholders, as well as its efforts to promote natural resource preservation and environmental mitigation.

Outcomes as on March 31, 2021 (Through Aavas Foundation)

6,300
Number of tress planted

>10
Acres of land covered by our tree plantations

INTEGRATED VALUE-CREATION AT AAVAS

Building an anti-fragile business model

THE PRIORITIES

- Demonstrating sustainability across business cycles
- Enhancing value for each stakeholder, strengthening traction and business visibility

THE CHALLENGES

- There were several companies engaged in the business of housing finance before Aavas Financiers entered the business.
- The company had the option to do exactly what the others had done; in the sameness lay reasonable security; in the sameness also lay the prospect of playing the game like everyone else had played it and no better.

THE RESPONSE

- Aavas selected to not just play a different game; it selected to create a different game and then establish competence
- The result: a distinctively outperforming business model

THE UPSIDES

- Willingness to build for the long-term
- Clarity to lend to only those likely to service the loan on time and in full, staying engaged with the customer during the loan life cycle
- Freedom to engage in patient business-building without being distracted by short-term considerations

1 Broadening presence in a market niche

Overview

When Aavas entered the business, it had two alternatives: follow an established trend or walk the road less travelled.

The company could have selected to fund the needs of urban house builders or real estate companies needing working capital loans during construction phase. The advantage of this approach would have been that most (if not all) of these customers possessed a credit history that could be examined or accessed. Aavas could take safe financing calls; it could engage in high-ticket lending that would have shown up visibly in revenues. Besides, this business model would not warrant the opening of offices in remote rural locations.

Even as Aavas had options, the company selected the more difficult; when it had an option that was tried and tested, it experimented with the unusual; it selected to address the housing finance needs of the under-banked and limited income document seekers of housing finance. The Company resisted the temptation to invest in properties, finance real estate builders, engage in corporate loans or finance large properties under construction.

When Aavas could have opted to service a customer set that would have entailed lower costs, it invested in one that required it to spend additionally upfront; when it could have shown to its lenders that it was reaching out to customers with an established credit sheet, it exercised the contrarian option by reaching out to those with virtually no income-proof documents.

The result is that the Aavas customer communication protocol is marked by simplicity and onboarding assistance for unlettered customers. The company's call centre communicates in two languages; the website enables customers to engage with the service desk; the use of information technology makes it possible for customers to exercise the self-help option.

Over the years, Aavas strengthened its customer engagement through the credit-linked subsidy scheme, which links eligible loanees with the concerned government scheme (Pradhan Mantri Awas Yojana) to access available subsidies. This coordination with the government has helped moderate the customer's monthly installments during loan tenure.

Besides, Aavas insures customers so that in the event of an unforeseen expiry, the insurance protects family members through property retention and payment of the outstanding loan amount on their behalf.

Snapshot

- Aavas resisted the usual, predictable and simple approach
- The company addressed the housing finance needs through simple documentation procedure
- The company was driven by the vision to transform lives and lifestyles of those at the lower-end of India's social pyramid

The company's strategic journey and direction

- Addressed the needs through simple documentation procedure
- Invested in the business upfront
- Focused on transparency
- Focused on transforming customer lives
- Focused on communication simplicity
- Strengthened customer engagement through technology

2 Strengthening customer engagement

Overview

At Aavas, customer engagement does not end with disbursement of the loan; its work-in-progress approach catalyzes the customer relationship with the objective of retention.

Snapshot, 2020-21

- Service hours extended from 7:30 a.m. to 8 p.m.
- Increased customer service team to address growth in volumes
- Invested in robotics and in development and upgradation of chatbots
- Customer queries resolved in 24 to 48 hours

Active number of loan accounts

77,400+	104,700+	1,25,500+
As on March 31, 2019	As on March 31, 2020	As on March 31, 2021

The company's strategic journey and direction

- It enhanced responsiveness for customers, personalization and distinctive values
- It invested in understatedness, IT infrastructure and loan life-cycle focus
- It enhanced responsiveness for customers, personalization and distinctive values
- It serviced small amounts, focusing on retail-focused mortgage financing

3 Building a proprietary value-chain

Overview

At Aavas, we recognized that to build a quality business, it was imperative to control every aspect.

The company's focus on in-house sourcing was spread across three levels – Lead generation and sourcing, Risk management and Collections. The company customized the design of each of these functions from its rich experience; this design was integrated into the digital architecture for seamless control across locations; the company periodically strengthened operating benchmarks.

Lead generation and sourcing

- The company selected to source leads directly from the marketplace
- It leveraged technology and data analytics to generate leads through alternative channels (digital and social media for instance)
- The company introduced Application Scorecard to evaluate risk profiles; its streamlined approval process minimized errors

Risk management

- The company created a proprietary under-writing team for income assessment and risk-based pricing of customers
- The company's in-house legal team managed the external legal verification
- The company generated two valuation reports beyond a specific ticket size to minimize error impact
- The company risk-tested files by its resident risk containment unit

Collections

- The company created a four-tier collections architecture, focusing on the management of early delinquencies
- It sustained call centres in two languages that helped initiate timely collections
- It tracked collections in real-time

The result of these initiatives, managed from within, helped moderate the turnaround time in the processing of new loan application, strengthened the company's ability to price risks, strengthened control on loan take-over by other institutions, enhanced collections efficiency and moderated Gross Net Performing Assets.

Snapshot, 2020-21

- The company finished the year with a turnaround time of 13.1 days despite market disruption due to lockdowns (10.6 days in the previous financial year)
- The AUM of the Company grew to ₹9,454.29 crore (₹7,796.09 crore in previous financial year)
- Total Income grew by 22% to ₹1,105.34 crore for the financial year 2020-21 (₹903.09 crore in previous financial year)

Average loan ticket size

8.59
₹ lakh, 2018-19

8.40
₹ lakh, 2019-20

8.49
₹ lakh, 2020-21

4 Presence in some of the attractive Indian housing finance markets

Overview

At Aavas, we believe that sustainable success is derived from the ability to be present in the right markets within India.

The 'right markets' need to be marked by the following priorities: largeness of the rural/semi-urban market, low housing finance penetration, uniformity in the demographic pattern, growing incomes, high customer integrity, repayment hygiene and willingness to invest in a higher life quality.

Based on this reality, the company selected to be present in 11 States across North, Central and West India. Besides, a number of these states were contiguous, making it possible to generate economies of brand and goodwill.

Within these states, the Company created offices in Tier 2, 3 and 4 pockets where residents were largely untouched by the formal banking system.

The Company commenced operations through a presence in Rajasthan, Gujarat and Maharashtra in 2012. Thereafter, the Company consolidated its presence in these States before extending to new markets. The company expects to widen its footprint through an intensive approach where it extends to contiguous regions after a large potential of its existing catchment areas has been addressed.

Snapshot, 2020-21

- Added 30 new branches during the year under review
- Expanded the operations to 11 States
- E-disbursement and e-repayment facility at all branches

Number of branches

165 Number of branches, 2017-18

210 Number of branches, 2018-19

250 Number of branches, 2019-20

280 Number of branches, 2020-21

Principal markets, March 31, 2021

95 Rajasthan

39 Gujarat

40 Madhya Pradesh

44 Maharashtra

62 Rest*

**National Capital Region, Haryana, Punjab, Chattisgarh, Uttar Pradesh, Uttarakhand and Himachal Pradesh*

The company's strategic journey and direction

Grew presence in pockets untouched by housing finance for the undocumented

Focused on market marked by growing incomes and aspirations

Established branches at Tier 2, 3 and 4 pockets

Gradually increased our presence in 11 States and penetrate more

5 Controlling our yields, borrowing costs and spreads with discipline

Overview

At Aavas, we are driven by the need to generate a superior spread to swing through all business circles, making it possible for us to reinvest, widen our footprint deeper and service a larger number of customers.

During the last seven years, the company created a virtuous cycle: providing customers housing finance loans at an attractive cost, protecting its asset quality through high collection efficiency, generating a superior credit-rating, mobilizing fresh debt at a lower cost, passing a part of that benefit to customers and reaching out to a larger number of customers.

The result is evident in the numbers: the company's yield declined every year in line with cost of borrowing and opex efficiency ending 2020-21: from a high of 18.13% in 2013-14 to 13.16% in 2020-21. This indicates that the company contributed attractively to the traction for affordable housing finance loans across the markets of its presence.

This decline in yields (benefiting customers) was prompted by a strengthening Balance Sheet and corresponding credibility that made it possible for the company to mobilize larger debt quantities at progressively declining year-on-year costs (except for one year during an unprecedented liquidity crisis): from a weighted average debt cost of 12.28% in 2013-14 to 7.40% in 2020-21.

The outcome of a competent treasury function was consistency in spread management: 5.85% in 2013-14 to 5.76% in 2020-21 (declining only one year to below 5%).

This overarching reality indicates the willingness of the management to pass borrowing cost declines (12.28% in 2013-14 to 7.40% in 2020-21) to lower yields benefiting customers (18.13% in 2013-14 to 13.16% in 2020-21) while using the difference to build scale, moderate overheads and strengthened profitability.

Snapshot, 2020-21

- Yields declined from 13.63% as on March 31, 2020 to 13.16% as on March 31, 2021
- Cost of borrowings declined from 8.44% as on March 31, 2020 to 7.40% as on March 31, 2021
- Spread was 5.76% as on March 31, 2021
- Spreads strengthened 57 bps from March 31, 2020 to March 31, 2021
- Long-term credit rating upgradation

Yields

18.13	13.99	13.16
Percentage, 2013-14	Percentage, 2017-18	Percentage, 2020-21

Cost of borrowings

12.28	8.63	7.40
Percentage, 2013-14	Percentage, 2017-18	Percentage, 2020-21

The company's strategic journey and direction

Focus on generating a yield higher than market average

Generated a superior credit-rating

Yield declined, cost of borrowing moderated, spreads were protected

Mobilized larger debt without comprising book quality

6 Strengthening our long-term liquidity

Overview

As Aavas, we are convinced that in the business of affordable housing finance, it is not adequate to manage liquidity for the day or year; it is imperative to create a platform for multi-year liquidity.

This conviction has been born out of an experience that a number of successful non-banking finance companies suddenly experience a liquidity crisis that threatens all that they may have achieved over the years. Drawn from this learning, the Aavas management decided that it would create a comfortable multi-year asset-liability platform that would enhance the confidence of lenders (existing and prospective), broad-basing the lender family on the one hand and moderating borrowing costs on the other. We also do believe that a comfortable asset-liability profile strengthens shareholder value, opening up alternative financing possibilities should they ever need to be exercised.

The company strengthened its asset-liability profile through various strategies: diversified the funding mix (term loans, assignment, NHB refinancing and non-convertible debentures), broad-based the lender mix to 30 as on March 31, 2021 and consciously resisted the mobilization of commercial paper.

As a matter of prudence, the company did not select to nurse a negative asset-liability mismatch as it would have increased the pressure on the company to mobilize additional borrowings at a later date, threatening prospective spreads. The existence of a positive asset-liability mismatch sent out a strong message of structural long-term financing stability, attracting additional stakeholders and enhancing sectorial respect. Besides, the company consistently maintained the positive asset-liability mismatch starting from less than three months to less than six months to every single year across the coming decade. The result is that the company intends to stay comfortably liquid every single year across the next ten years, its liquidity rising sharply around the third year onwards.

Besides, the Company was adequately capitalized at 54.38% capital adequacy ratio (as on March 31, 2021), far above the minimum required level of 14% stipulated by the RBI.

The company ended the financial year under review with a total liquidity position of ₹2,836 crore (cash, cash equivalents, unavailed CC limits, documented and unavailed sections from other banks) compared with ₹2,532 crore as on March 31, 2020.

We believe that this long-term surplus provides the company with adequate funds to grow the business in a sustainable manner.

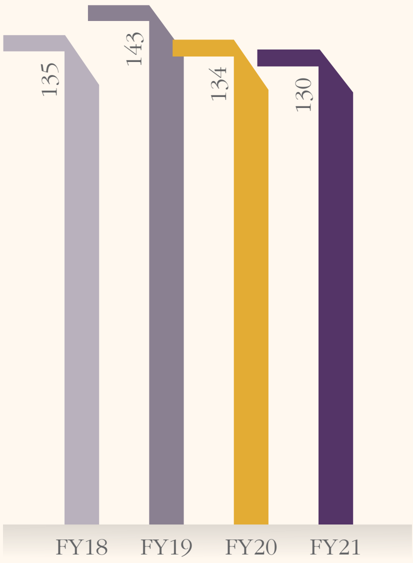
Snapshot, 2020-21

- Additional borrowing of ₹2,901 crore for 117 months at 6.6%
- Total number of lenders was 30 on March 31, 2021
- The company generated a surplus of ₹950.4 crore (difference between assets and liabilities as at year-end)
- Total liquidity position was ₹2,836 crore at the year-end

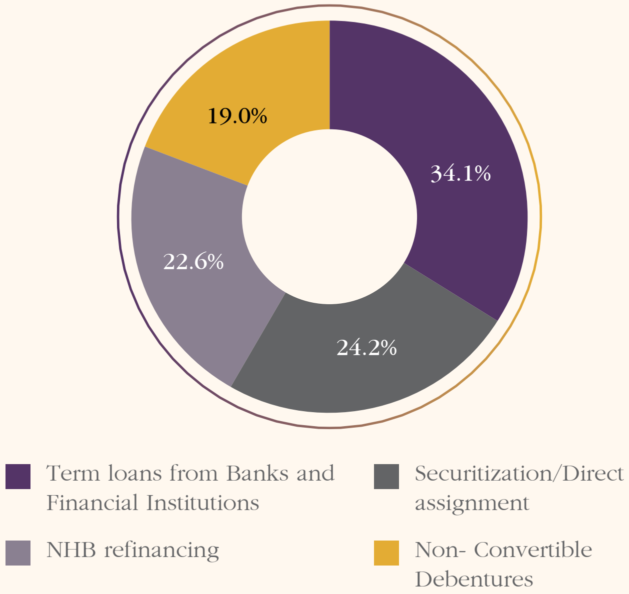
The company's strategic journey and direction

- Strengthened multi-year liquidity
- Diversified the funding mix
- Broad-based the lender mix
- Maintained a fixed-floating rate consistency
- Achieved positive asset-liability mismatch
- Enhancing sectorial respect

Average tenure of outstanding borrowings (months)



Our diversified funding mix, March 31, 2021



7 Controlling overheads, net interest margins and maximizing capital returns

Overview

At Aavas, we believe that for a business that is people-intensive and spread across locations, there is a priority in cost management with the objective to protect profitability and amortize costs more effectively when the company grows.

During the building phase of its existence, Aavas was required to invest upfront in infrastructure and technologies. Since returns from these investments could not be immediately monetized, the company's focused cost structure was relatively high in the first few years when compared with its larger competitors.

During the last few years, the company began to leverage superior value from its technology investments, generating a larger quantum and proportion of customers from the digital medium. The result is that as customer acquisition costs declined, the overall operating expenditure moderated.

Snapshot, 2020-21

- Opex to average total assets stood at 3.01% for FY 2020-21
- Return on assets (RoA) stood at 3.49% for FY 2020-21
- Return on equity (RoE) stood at 12.91% for FY 2020-21

AAVAS AT TEN

OUR EMPLOYEE CAPITAL

How we have created a platform of employee engagement, motivation and outperformance passion

Our priorities

How we recruit talent from rural and semi-urban India

How we provide an exciting workplace, retaining people

How we draw talent from outside the sector into the housing finance industry

How we enhance work-life balance, enhancing productivity

The challenge

At Aavas, we provide home financing to under-banked and limited income document seekers of housing finance at reasonable terms. A sound customer appraisal needs to be conducted by informed and competent employees. This places a premium on prudent employee recruitment and retention making their performance critical to Aavas' business sustainability.

Our response

Through a long-term approach in a long-term business, the company is building itself as a human-centric enterprise where high people retention translates into distinctive knowledge capital, sectoral outperformance, sustained growth and enhanced stakeholder value.

Employees who underwent training

2018-19	2019-20	2020-21
1461	2212	5110

What we have achieved

30.64

Average age (years), March 31, 2021

7 P.M.

Hard closure of system to achieve work-life balance

Overview

At Aavas, we believe that for a business to be distinctive in a competitive space, the bottomline is a differentiated employee approach.

Over the years, the company invested in selective recruitment, intensive training, exciting workplace, superior work-life balance and high retention.

We believed that this approach would translate into customer familiarity, assurance of expectations, increased employee productivity and strengthening profitability.

Our conviction has been vindicated: over the years, the company maintained its people retention which translated into sustained revenue cum profit growth.

Approach

The company's success with people engagement and retention was achieved through focused initiatives.

One, the company outlined its presence as a sensitive employer that put a work-life balance at the centre of employee well-being. The company advocated that all work be completed in the office between 9:30 A.M. and 6:30 P.M., no work be carried home and, to emphasize this point, switched off the company's servers at 7 P.M., making work from home virtually impossible. The result is that employee productivity improved, employees spend more time with their families/ friends and employee retention strengthened in a business marked by high talent turnover.

Two, the company recruited on merit from the regions of its presence when it came to customer-facing employees. This enhanced terrain (and customer) familiarity on one hand and increased the employee's job satisfaction on the other. Besides, the company treated people with respect and integrity, enhancing their pride of association.

Three, the Company preferred to recruit executives not previously exposed to the mortgage finance sector. Their inexperience provided an advantage; these executives were liberated from biases of what was possible (or not possible) within the mortgage finance sector. The result was a team built around a distinctive Aavas ethos and refreshingly contrarian spirit in a routine-driven conventional sector.

Four, the company trained intensively, graduating competencies from rural and semi-urban employees in line with the best standards of India's NBFC sector.

Five, the company articulated its long-term direction and desired pace, sending a clear message on the calibrated commitment required per employee per branch, removing ambiguity.

Six, the company emphasized long-term stability and employee engagement, which enhanced confidence and security.

The result of these initiatives is that around 75% of business is generated in the first three weeks of the month, enhancing loan quality.

Challenges, 2020-21

These commitments were tested during a challenging 2020-21 following the outbreak of the COVID-19 pandemic and subsequent lockdown.

In line with its commitment to provide secured long-term employment, Aavas did not retrench employees, strengthening employee morale and enhancing confidence.

Besides, the Company embarked on initiatives to ensure employee (and their family) safety. The Company implemented work-from-home, which protected employees during the lockdown. The company provided emotional support to employees and their families. The Company appointed full-time doctors to address the consultancy needs of employees and their families. Besides, all branches were extensively sanitized. The result was a widespread employee confidence that *'Kuch bhi hoga toh* Company *saath degi.'*

The Company instituted multiple ESOP Schemes to attract, retain, reward and motivate employees. As a result, a strong sense of ownership has been created among employees.

Support and welfare initiatives

- Implemented 'Work from Home Policy' and ensured employee safety and business continuance.
- Implemented Covid Support Policy and Policy for providing relief to the families of employees affected due to COVID-19.
- Offered cashless medical facilities and assistance in cases where any employee or family member tested positive for COVID-19, including treatment at home, hospitalization, plasma arrangement, vaccination facility, oxygen bank and medicines.

The result of these initiatives is that a larger number have begun to see their presence at Aavas as a long-term career-building engagement rather than as a fleeting opportunity.

AAVAS AT TEN

OUR TECHNOLOGY CAPITAL

How our platform of cutting-edge technologies is creating a 'smart' Aavas

Our priorities

How we strengthen our technology team	How we invest upfront in cutting-edge technologies
How we leverage the power of cutting-edge digital technologies	How we enhance competitiveness through superior technology leverage

Technology investments for a stronger Aavas

Data warehousing solution: This connects to and accesses every external data framework to convert into usable format, widening the company's access to dynamic external realities.

Digitized disbursement model: Aavas's digitized disbursement model empowers each branch to become a virtual hub, reducing disbursement TAT and facilitating payments online.

Customer onboarding: A branch's customer on-boarding process (after the physical mandate signing) halved from 15 days to seven days and then to two days.

Application Scorecard: A data analytics algorithm screened all applications, screening the first round of prospective customers and liberating thousands of person-hours.

Bounce Prediction Model: Aavas' data analytics function predicts which customers were most likely to default and when, prompting proactive remedial action.

Life Cycle Intervention: Aavas' data analytics function provides an automated, attractive and timely counter-offer to customers intending to shift to competition, multi-folding customer retention within a short time.

Man-hour optimization: Aavas invested in IT to automatically generate daily reports, which reach executives by 8 a.m., helping prepone strategic implementation and liberating nearly 2000 person-hours.

Aavas Mitra: Aavas introduced a customer-sourcing technology platform, which makes it possible to source new business at a low cost (from housing eco-system).

Geo-tagging: Aavas introduced a platform to derive accurate co-ordinates (longitude and latitude) of funded properties. It helped in smart customer allocation.

Leveraging data analytics to enhance responsiveness

Lead generation

- Most new customer leads at Aavas are collected through the sourcing app
- Application Scorecard facilitates auto-rejection and lead fast-tracking
- Mobile app leverages other players of the housing eco-system

Underwriting

- Aavas platform is integrated with credit bureaus
- Aavas conducts a quarterly scrub of credit bureau information
- Formulated 60+ profiles to facilitate customer valuation (SENP segment)

Operations

- E-disbursement and e-repayment across all branches
- CRM translating into superior customer service
- Customer service app addressing 80% customer requests

Collections

- Route optimization for collection personnel
- Analytics for Bounce Prediction and warning signals assessment
- Geo-tagging for smart customer allocation

The results of our technology investments

Profitability = Competitive customer sourcing + Better cash float

Systemic stability = Uniform response across branches + Higher systems uptime + Data warehousing solution

Revenues = Better customer sourcing

Service = Lower turnaround time + Digitized disbursement model + Quicker customer onboarding

RISK MANAGEMENT

How we manage risks at our Company

Overview

The business of home financing warrants the management of a range of risks; the affordable financing niche is even more complex as it addresses customers who have never been banked and possess no documented means of income verification. Besides, in a country as diverse as India, cultural nuances can make this niche difficult to negotiate. This warrants a comprehensive risk management framework that does not just map, measure and mitigate but is also responsive in being able to do so with speed and surety.

The year 2020-21 was seminal from a risk management perspective. As the outbreak of the COVID-19 pandemic induced a lockdown, affecting incomes and livelihoods, there was a fear in India's housing finance industry for two reasons: the old cases that had been financed would now not be able to service their loans on schedule (affecting the quality of the loan book) and new business accretion would be affected (affecting profitability).

The robustness of the company's risk management framework was exercised. Aavas continued to strengthen its comprehensive system to identify emerging risks, assess their materiality and take additional measures to minimize their likelihood. Risk management was deepened across all management levels and functional areas. Risk management roles were distributed across the Board of Directors, Audit Committee and Risk Management Committee.

Elements of our risk management process

The company engages in two-way conversations with customers as the first step towards success risk management.

The company professes a practical and common-driven approach

The company practices a healthy examination (why) of every process and parameter

The company examines alternative routes to managing the same risks

The company explores a quantified approach in arriving at incomes of customers (as opposed to financials)

The company pursues a five-year regression analysis for the computation of income

The company conducts a macro-analysis of the property, neighbourhood, title and land laws; the micro-analysis is also conducted by a focused team which is usually done when the customer least expects it

The company validates property valuations from the buy-side and sell-side to arrive at a precise understanding

The company's Risk Officer makes dozens of visits to customer sites for a familiar understanding

Risk management structure

Risk identification	Risk assessment	Development, implementation and follow up of risk management activities	Monitoring
Definitions and descriptions of risk elements (including sources, events, causes and implications)	Analyzing risk, implications, and forms of impact on achievement of goals	Developing, implementing, and following up to achieve goals and aligning the risk management system to desired risk appetite levels	Supervising the identification, assessment, implementation, and follow-up of risk management activities

The leading risks in our business and how we mitigated them in 2020-21

Risk	Potential consequences	External stimulus and our strategic response
Economy risk: The Company's performance could be adversely affected by an economic slowdown	▪ Regulatory uncertainty ▪ Lower revenues ▪ Weaker credit rating ▪ Adverse market capitalization ▪ Increased costs ▪ Lower cash flows	▪ India's economy contracted in 2020-21 and yet the Company reported ₹2,656.85 crore disbursement and 16% PAT increase. ▪ Increasing consumer focus towards owning homes and government's focus on strengthening home ownership is expected to empower Aavas' performance. ▪ Lower credit penetration in the geographies of the company's presence could hedge subdued market conditions
Customer risk: An inability to provide adequate services may result in dissatisfied customers	▪ Customer attrition ▪ Lower customer references ▪ Delayed payments and repayments	▪ The Company has created a customer-centric responsiveness. ▪ During 2020-21, the Company strengthened its service team and service to enhance customer experience. ▪ The company leveraged technology to moderate turnaround time (TAT)
Financing risk: The inability to mobilize funding at competitive costs can affect margins	▪ Reduced NIM ▪ Increased opportunity costs ▪ Stagnated credit rating ▪ Opportunity for competition to forge ahead	▪ The Company had a net worth of ₹2,401.40 crore; only 19% borrowings were raised from the debt capital market as on March 31, 2021 ▪ The Company reported a positive ALM ▪ The Company moderated the average cost of funds from 8.44% as on March 31, 2020 to 7.40% as on March 31, 2021
Underwriting risk: The inability to accurately assess customers could increase delinquencies	▪ Lower quality of the loan book ▪ Reduced robustness ▪ Reduced earnings visibility ▪ Surge in defaults ▪ Lower eco-system confidence	▪ The Company possessed strong customer assessment standards, helping moderate risks ▪ More than a quarter of the Company's underwriting team comprised Chartered Accountants ▪ Due to the COVID-19 impact, the Company has created an additional risk provisioning on assets of Rs. 19.06 crore and total provisioning of Rs. 49.58 crore
Employee risk: Inability to retain talent could result in business instability	▪ Increased employee costs ▪ Increased investment in training ▪ Failure to achieve strategic objectives ▪ Lower productivity	▪ The company's long-term business plan provides career growth ▪ The career growth and incentives provide employees with motivation to perform better

AAVAS AT TEN

CREDIT PROFILE MANAGEMENT

How Aavas strengthened its credit profile

Overview

During a challenging year, the Company emphasized the importance of protecting portfolio quality while seeking methods to enhance customer delight.

Initiatives undertaken, 2020-21

Institutionalized knowledge: Around 60% of the Company's portfolio comprised self-employed individuals owning small or petty businesses, so institutionalized and validated knowledge helped credit officers take informed decisions.

Customer-centricity: The Company categorized customers based on their loan amounts, which helped standardize processes, proposal understanding and documentation support leading to superior service.

Alternative payment methods: Due to the strict lockdown in several districts, it was not physically possible for the Company to deliver cheques to customers, so the Company released payments through RTGS to catalyze construction activity.

Knowledge sharing: The Company conducted online training sessions to educate employees about the new moratorium rules, who, in turn, engaged with customers to provide a clearer perspective about waiver eligibility.

Diversified portfolio: The Company created an MSME loan pool, which enabled it to mobilize funds at low rates and lend to small businesses.

Challenges and counter-initiatives, 2020-21

Training: Aavas conducted credit control training across the engagement lifecycle.

Checks: Aavas upgraded its technology to analyze the features of credit appraisal with the aim of connecting the right person to the right job profile.

Transition: The transition to a work-from-home environment proved challenging for the organization. The senior management conducted video conferences to enhance clarity on improvized processes.

Delinquencies: The Company set up a default model algorithm to leverage bureau report information to predict default risks. Besides, the credit team visited every case, which fell in the 90 days-past due category and engaged with customers to reach on a solution.

Human error: The Company outsources all non-core activities to external agencies, eradicating human error and enhancing efficiencies.

Outlook

The Company will continue to emphasize superior portfolio quality due to the increased number of branches and growing customer base, leveraging technology to enhance productivity.

> Dehradun was passing through a lockdown in 2020; individuals were permitted to step out only for necessities. One of our customers needed immediate cheque access. One of our women employees took it upon herself to address the situation. She ventured from home (with protection), engaged with the bank, collected the cheque and delivered to our customer. Validating the Company's culture of putting the customer first.

AAVAS AT TEN

SUPPLY CHAIN MANAGEMENT

How Aavas widened its distribution coverage

Overview

Since Aavas caters to urban, semi-urban and rural customers, an appropriate sales coverage is necessary. The Company launched 30 branches during FY 2020-21, addressing 1,06,800+ customers.

Initiatives in 2020-21

Expansion: The Company added 30 branches in Rajasthan, Maharashtra, Madhya Pradesh, Gujarat, Uttar Pradesh, Haryana, Chhattisgarh, Punjab and Himachal Pradesh.

Surveying: A basic business potential check of the proposed towns and cities was conducted, helping estimate the future customer base and market penetration.

Leveraging technology: The sales app allowed relationship officers of the Company to process loan applications through smartphones, helping capture leads and accelerate loan processing. Evaluation cases to engineers were routed through the technical app by generating reports within minutes. The Aavas Mitra app created a link between the construction ecosystem and the Company's platform for generating leads. The Aavas Nirman app helped the Company's feet-on-street teams in managing activities seamlessly and enhancing productivity.

Differentiated approach: Aavas did not make new recruits generate business from Day One, acquainting recruits with the business instead. Similarly, when a new branch head joined, the person was asked to work at the head office for five days, enhancing exposure to general Aavas orientation followed by a day each across the credit, collection, operations and HR functions.

Cross-functional training: Cross-functional team training improved an understanding of engagement between different departments and co-ordination. The Company trained employees in appreciating perspectives from the shoes of other employees in addition to cross-functional training.

Challenges and counter initiatives, 2020-21

Employee attrition: The inclusive culture of the Company, its employee empowerment and superior standards helped in enhancing retention.

Increased competition: The customer base was widened through first-mover presence in rural locations.

Strengths

The Company sustained a strong sales team, enhancing service.

Approximately 58.40% loans were disbursed within 10 days.

The sales force, connected with customers, generated sales leads and enhanced customer service.

Outlook

The priority at Aavas is to generate incremental business from existing markets, improving branch efficiency, service and competitiveness. The Company will protect portfolio quality and reach to prospective customers outside the formal financing system.

1,187

Tehsils served through 280 branch network in the states with Aavas' presence

AAVAS AT TEN

MARKETING

How differentiated marketing enhanced the Aavas edge

Overview

Superior marketing generates a strong recall among prospective customers, strengthening business accretion. Seeing the situation at hand, its financial ramifications and the fact that the on-ground activities were halted for most of the year, the Company pivoted most of its focus and efforts towards getting lead referrals and strengthening its digital media presence where the Company could target and reach its prospect base.

Initiatives undertaken, 2020-21

Social media: The Company strengthened it social media engagement with prospective customers. On LinkedIn, the Company went from only 6000 to a large family of 33914 (an increase of over 500%); on Facebook, Aavas widened its community from 1.4 lakh followers to 1.92 lakh.

Website: The Aavas website traffic improved 94% over FY 2019-20. Other initiatives included Webpush Notifications, Remarketing / Retargeting Campaigns and Heatmaps to measure user activity. Web notifications generated traction.

Wall paintings: Pan-state wall paintings by the Company enhanced visibility, covering a total square feet of 13 lakh (approx.) across the target markets.

Radio/TV Campaign: The Company selectively used it to reach target customers.

Other marketing activities: Other marketing activities included canopy activites, newspaper leaflet insertions and highway wall wraps.

Challenges and counter initiatives

There was a premium to motivate employees through the lockdown.

The team worked harder during stretch weeks and months, enhancing business throughput.

There was a premium in enhancing social media effectiveness.

The Company enhanced disclosures to address tightening Facebook policies, resulting in filtered results and better lead conversion.

Strengths

The Company is engaged in all-round development through focused marketing and improved customer experience.

The Company generated leads through innovative marketing.

Way ahead

The Company will focus on promotional and digital media campaigns to enhance visibility.

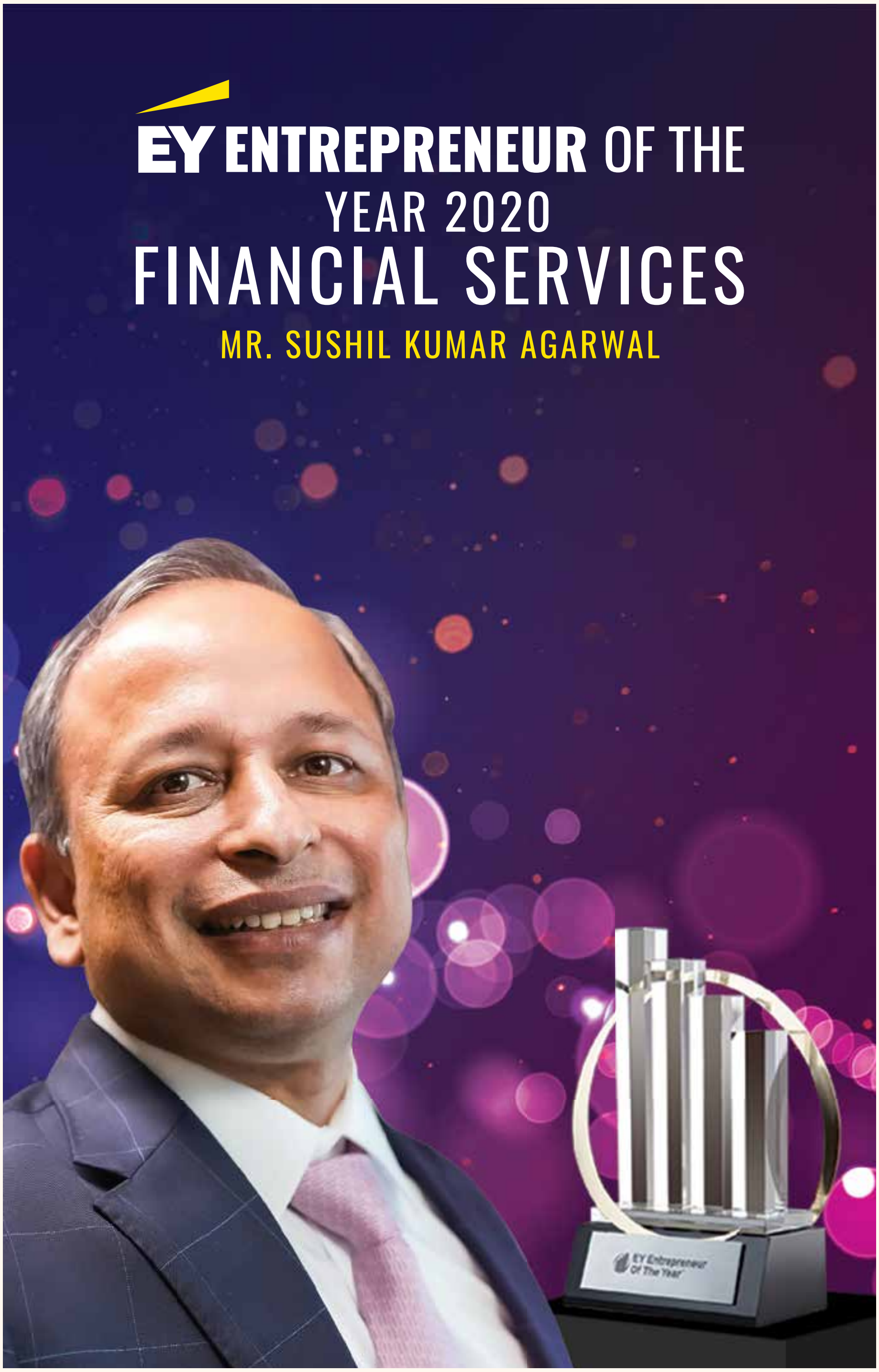
182.04

₹ crore, Business generated from marketing activities, 2020-21

54.82

₹ crore, Business generated from marketing activities, 2019-20

Our Awards and Recognition, 2020-21



Mr. Sushil Kumar Agarwal, Managing Director and CEO, was selected as one of the finalists for the EY Entrepreneur Of The Year 2020 and won the prestigious award in the Financial Services category during a virtual awards ceremony on March 26, 2021

"His ability to build a strong team, deep sector knowledge and personalization are helping him serve customers in hitherto untouched market segments. By digitizing every operation, Mr. Agarwal has enabled quick and direct service delivery, while achieving internal efficiencies."
EY Team

"This has been a good year for learning. This crisis strengthened belief in our core system that the lending business be done conservatively and whatever decisions taken in the past will help us survive through this challenge as well."
Mr. Sushil Kumar Agarwal-
Managing Director and CEO

Glimpses of 2020-21, Ten years celebration


Aavas


FINANCIERS LTD


southend
Aavas


Celebrating
10 YEARS

Profile of Board of Directors

Mr. Sandeep Tandon
Chairperson & Independent Director
(DIN 00054553)

He is the Chairperson of the Board and an Independent Director of Aavas. He holds a bachelor's degree in science (electrical engineering) from the University of Southern California. Additionally, Mr. Tandon has completed the Harvard Business School YPO President Program. He has previously served as the Managing Director of Tandon Advance Device Private Limited and as a Director on the Board of Accelyst Solutions Private Limited. At present, Mr. Tandon is acting as the Executive Director of Syrma Technology Private Limited and serves as a Director in various private companies.

Mr. Sushil Kumar Agarwal
Managing Director and CEO
(DIN 03154532)

He is the Managing Director and CEO of Aavas. He has been associated with Aavas since its incorporation in 2011. Mr. Agarwal is a qualified Chartered Accountant and had secured the tenth rank in his final examination. Further, he is a qualified Company Secretary. He was previously associated with AuSFB as its Business Head - SME & Mortgages. Mr. Agarwal has previously worked with ICICI Bank Limited as its Chief Manager and with Kotak Mahindra Primus Limited as an Assistant Manager. He has more than 20 years of versatile experience in the areas of retail finance, business development, financial management, administration and manpower management.

Mrs. Kalpana Iyer
Independent Director
(DIN 01874130)

She is an Independent Director of Aavas. She holds a Bachelor's Degree in Commerce from the Madurai Kamaraj University. She is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of India. Mrs. Iyer was previously associated with Citibank N.A., India as its Senior Vice-President, during which she was responsible for women's banking and microfinance. She has also previously held the position of a Director at IncValue Advisors Private Limited. At present, she is acting as a Managing Director of Svakarma Finance Private Limited.

Mrs. Soumya Rajan
Independent Director
(DIN 03579199)

Mrs. Soumya Rajan is the Founder, MD and CEO of Waterfield Advisors, India's largest independent Multi-Family Office that advizes on assets of ~USD 3.5 billion. She previously worked at Standard Chartered Bank India for 16 years, where she headed their Private Banking Division from 2008 to 2010. She has also served as Vice Chairperson of Reach to Teach, a UK charity focused on primary education for disadvantaged children in India, Mrs. Rajan is currently serving on the Boards of several other non-profit organizations - Peepul, a charity focused on creating a school transformation platform for government schools; the Indian Institute of Technology (IIT) Gandhinagar's Research Park and Entrepreneurship Centre; and CSTEP, a research think tank that recommends public policy on the use of new emerging technologies for social and economic development in the areas of energy, environment and infrastructure. Mrs. Soumya Rajan was recognized by AIWMI in 2019 amongst India's Top 100 Women in Finance.

Mr. Ramchandra Kasargod Kamath
Non-Executive Nominee Director
(DIN 01715073)

He is a Nominee Director appointed on the Board of Aavas by Lake District and Kedaara AIF-1. He holds a Bachelor's Degree in Commerce from the University of Mysore. He is a honorary Fellow of the Indian Institute of Banking and Finance. Further, Mr. Kamath is a certified associate of the Indian Institute of Bankers. He was previously associated with Corporation Bank as its General Manager and with Punjab National Bank as its Chairman and Managing Director. Mr. Kamath has also served as the Chairman and Managing Director of Allahabad Bank and as an Executive Director of Bank of India.

Mr. Vivek Vig
Non-Executive Nominee Director
(DIN 01117418)

He is a Nominee Director appointed on the Board of Aavas by Partners Group ESCL and Partners Group Master Fund. He holds a post-graduate diploma in management from Indian Institute of Management at Bangalore. Mr. Vig has previously served as the Managing Director and Chief Executive Officer of Destimoney Enterprises Limited. Further, he was previously associated with the Centurion Bank of Punjab (which was subsequently merged with HDFC Bank) as its Country Head - Retail Bank and has also acted as a Director on the Board of PNB Housing Finance Limited. In the past, he has also been associated with Citibank N.A., India, where he has held various positions across the consumer bank.

Mr. Nishant Sharma
Non-Executive Promoter Nominee Director
(DIN 03117012)

Mr. Sharma is a Promoter Nominee Director appointed on the Board of Aavas by one of our promoters, Lake District Holdings Limited. He is the Co-Founder and Partner of Kedaara Capital, a leading India focused private equity firm. Mr. Sharma has over 14 years of investment experience, encompassing the full lifecycle of private equity from sourcing investments across sectors, driving value creation to successfully divesting investments over this period. Before cofounding Kedaara, Mr. Sharma was at General Atlantic ('GA') and co-led GA's investments across financial services, healthcare, business services and technology including investments in IndusInd Bank, Jubilant Lifesciences, IBS Software among others. Prior to GA, Mr. Sharma worked as a management consultant with McKinsey & Company, serving clients across IT/BPO, financiaL SERVICES, HEalthcare and public policy. In addition, Mr. Sharma worked at the Bill & Melinda Gates Foundation in setting up the largest HIV/AIDS prevention program in India. Mr. Sharma holds the Economic Times 40 under 40 Award given to business leaders in India. He has completed M.B.A. from Harvard Business School and holds a Dual Degree (B.Tech. and M.Tech) in Biochemical Engineering and Biotechnology from Indian Institute of Technology, Delhi.

Mr. Manas Tandon
Non-Executive Promoter Nominee Director
(DIN 05254602)

Mr. Tandon is a Promoter Nominee Director appointed on the Board of Aavas by Partners Group ESCL and Partners Group Master Fund. He is the Head of Private Equity in Asia for Partners Group and is a member of its Private Equity Directs Investment Committee. Prior to joining Partners Group, Mr. Tandon co-led TPG Growth's investments in India, having started his investing career with Matrix Partners, where he was responsible for investments in mobility and financial services. Before that, he was engaged in designing and selling cutting-edge telecom solutions for start-ups such as MaxComm Technologies (acquired by Cisco Systems) and Camiant Inc. (now part of Oracle). Mr. Tandon holds an MBA in Finance from The Wharton School of the University of Pennsylvania, where he was a Palmer Scholar, and a Bachelor's Degree in Technology (Electrical Engineering) from the Indian Institute of Technology, Kanpur, where he was awarded the General Proficiency Medal for outstanding academic performance. Mr. Tandon holds eight US patents and is a member of the Mumbai chapters of the Young Presidents' Organization (YPO) and the Entrepreneurs' Organization (EO).

Mr. Kartikeya Dhruv Kaji
Non-Executive Promoter Nominee Director
(DIN 07641723)

Mr. Kaji is a Promoter Nominee Director and is appointed on the Board of Aavas by one of our Promoters, Lake District Holdings Limited. He is a Director at Kedaara Capital, a leading India focused private equity firm, where he leads the financial services investing practice. Mr. Kaji has over 9 years of investment experience, encompassing the full lifecycle of private equity across geographies and sectors. Prior to Kedaara, Mr. Kaji was at the Mumbai office of the global investment firm Temasek Holdings, where he focused on public and private market investments across sectors. Previously, he worked as investment banker in New York, first at Merrill Lynch & Co., and then at leading boutique firm Perella Weinberg Partners. Mr. Kaji holds an MBA from The Wharton School of the University of Pennsylvania, and a Bachelor of Arts in Economics from Dartmouth College. He is a member of the Mumbai chapter of the Entrepreneurs Organization.

Profile of Key Managerial Personnel

Mr. Ghanshyam Rawat

Chief Financial Officer

He is the Chief Financial Officer of our Company. He is associated with the Company since 2013. He presently heads our finance and treasury; accounts; internal audit; compliance; budget and analytics departments. He holds a bachelor's degree in commerce from the Rajasthan University and is a fellow member of the Institute of Chartered Accountants of India. He received the best "CA-CFO for the year" award under the category "Emerging Corporate (BFSI)" by ICAI in the 13th ICAI awards held on January 14, 2020 at Mumbai. He has been previously associated with First Blue Home Finance Limited, Accenture India Private Limited and Deutsche Postbank Home Finance Limited. Further, he has also worked with Pan Asia Industries Limited and Indo Rama Synthetics (I) Limited.

Mr. Sharad Pathak

Company Secretary and Compliance Officer

He is our Company Secretary and Compliance Officer. He holds a bachelor's degree in commerce from the Rajasthan University and is a qualified Company Secretary. He has been previously associated with Star Agriwarehousing & Collateral Management Limited as its company secretary. He has been associated with the company since its inception, having experience of more than 9 years in corporate sector.

Senior Management Team

Mr. Sunku Ram Naresh
Chief Business Officer

He is MBA and B.Sc. from Sri Krishnadevaraya University, A.P. His last assignment was with Bajaj Finance Ltd. and he has also worked with companies like Bajaj Auto Finance Limited, Future Finmart Limited, GE Countrywide Consumer Financial Services, Future Capital Financial Services Limited, ICICI Bank Limited, GE Money Financial Services Limited, Nestle India Limited and Mala Publicity Services Private Limited.

Mr. Ashutosh Atre
Chief Risk Officer

He holds a Diploma in Finance from NMIMS and Diploma in Mechanical Engineering from M.P Board of Technical Education with an experience of around 31 years with Equitas Housing Finance Private Limited, Equitas Micro Finance India Private Limited, ICICI Bank Limited, ICICI Personal Financial Services Company Limited, Cholamandalam Investment & Finance Company Limited, Apple Industries Limited and Sanghi Brothers (Indore) Limited.

Mr. Ripudaman Bandral
Chief Credit Officer

He has done Masters in Finance and Control from Punjabi University, Patiala. He possesses around 25 years of experience in the fields of Business Development, Strategic Planning, Credit and Risk Assessment, Client Relationship Management and Team Building. He was associated with ICICI Bank Ltd., HDFC Ltd., Indiabulls Home Loans, Transamerica Apple Distribution Finance and Trident Group.

Mr. Surendra Kumar Sihag
Senior Vice President - Collections

He holds a Bachelor of Arts degree from the University of Rajasthan, LLB degree from the University of Rajasthan and Master of Business Administration from the Periyar University. He was formerly associated with Cholamandalam Investment & Finance Company Limited and Bajaj Finance Limited.

Mr. Rajeev Sinha
Senior Vice President - Operations

He is a Physics graduate with certification in Fintech from Harvard Business School and Management of Customer Relationship from IIM Ahmedabad. He was formerly associated with Cointribe Technologies Private Limited, Indiabulls Housing Finance Limited and ICICI Bank Limited.

Mrs. Jijy Oommen
Chief Technology Officer

She is a Computer Science graduate with M. Tech in Computer Science from BITS, Pilani, MBA from SMU, PMP from Project Management Institute – USA and trained in Strategic Management from IIM Bangalore and Advanced Project Management from IIM - Kozhikode. She has an experience of 24 years with Kinara Capital, Wonderla Holidays Ltd., Manappuram Finance Limited and Bajaj Capital Limited.

Mr. Anurag Srivastava
Senior Vice President - Data Science

He is M.A. in Economics. He was formerly associated with Deloitte Special Project India Private Limited, First Offshore Technologies Private Limited, American Express and WNS Global Services Private Limited.

Corporate Information

Board of Directors

Mr. Sandeep Tandon
Independent Director and Chairperson

Mr. Sushil Kumar Agarwal
Managing Director & CEO

Mrs. Kalpana Iyer
Independent Director

Mrs. Soumya Rajan
Independent Director

Mr. Ramchandra Kasargod Kamath
Non-Executive Nominee Director

Mr. Vivek Vig
Non-Executive Nominee Director

Mr. Nishant Sharma
Non-Executive Promoter Nominee Director

Mr. Manas Tandon
Non-Executive Promoter Nominee Director

Mr. Kartikeya Dhruv Kaji
Non-Executive Promoter Nominee Director

Chief Financial Officer

Mr. Ghanshyam Rawat

Company Secretary and Compliance Officer

Mr. Sharad Pathak

Investor Relations

Mr. Himanshu Agrawal
E-mail: himanshu.agrawal@aavas.in

Statutory Auditors

S. R. Batliboi & Associates LLP,
Chartered Accountants
The Ruby, 14th Floor,
29 Senapati Bapat Marg, Dadar West
Mumbai 400 028, Maharashtra, India
Telephone: +91 22 6192 0000
Fax: +91 22 6192 1000
E-mail: SRBA@srb.in
Firm Registration No.: 101049W/E300004

Secretarial Auditors

M/s. Chandrasekaran Associates
Company Secretaries
11F, Pocket-IV, Mayur Vihar-I, Delhi, India
Telephone: 011-22710514
E-mail: rupesh@cacsindia.com
Firm Registration No.: P1988DE002500

Internal Auditors

M/s G.M. Kapadia & Co.
Chartered Accountants
S B – One, Bapu Nagar, Near J.D.A. Circle,
Jaipur 302004, Rajasthan, India
Telephone: 0141- 2270 6925
E-mail: jaipur@gmkco.com
Firm Registration No.: 104767W

Branch Auditors

M/s S.K. Patodia & Associates
Chartered Accountants
229 Second Floor, Ganpati Plaza, M I Road,
Jaipur- 302001, Rajasthan, India
Telephone: 0141-4542400
E-mail: info@skpatodia.in
Firm Registration No.: 112723W

M/s P. Dangayach & Associates
Chartered Accountants
12, Bandhu Nagar,
Kanji Sweet Lane, Sikar Road
Jaipur, 302023 Rajasthan, India
Telephone: 0141 4042612; +91 9610 612 612
E-mail: capd.office@gmail.com
Firm Registration No.: 0013709C

Registered & Corporate Office

201-202, 2nd Floor, South End Square,
Mansarovar Industrial Area, Jaipur-302020
Rajasthan, India
Telephone: +91 141 661 8800
Fax: +91 141 661 8861
Website: www.aavas.in

Financial Institutions and Banks

Principal Bankers

Axis Bank

Bank of Baroda

Bank of India

Canara Bank

Central Bank of India

Federal Bank

HDFC Bank

ICICI Bank

IDBI Bank

IDFC FIRST Bank

Indian Bank

Indian Overseas Bank

Indusind Bank

Kotak Mahindra Bank

National Housing Bank

Punjab National Bank

RBL Bank

SBM Bank (India)

South Indian Bank

State Bank of India

UCO Bank

Union Bank of India

Financial Institutions / Debt Capital Investors/ Mutual Funds

Asian Development Bank (ADB)
Au Small Finance Bank
CDC PLC group (CDC)
ICICI Prudential Mutual Fund
International Finance Corporation (IFC)
Max Life Insurance
SBI Life Insurance

Debenture Trustee

IDBI TRUSTEESHIP SERVICES LIMITED
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai – 400 001.
Maharashtra, India
Tel: +91 22 4080 7015
Fax: +91 22 6631 1776
Website: www.idbitrustee.com

Registrar & Transfer Agent

Link Intime India Private Limited
C-101, 1st Floor, 247 Park
L.B.S. Marg Vikhroli (West) Mumbai 400 083
Maharashtra, India
Tel: +91 22 4918 6200
Fax: +91 22 4918 6195
Website: www.linkintime.co.in

Management discussion and analysis

Global economic review

One year into the COVID-19 pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage lifts sentiment. In the second half of fiscal 2021, global financial markets remained largely buoyant, fueled by optimism around a speedy vaccine-led recovery. The COVID-19 induced disruptions aggravated the situation and the operating environment turned more challenging in FY 2020-21.

The global economy reported a de-growth of 3.3% in 2020 compared to a growth of 2.9% in 2019, the worst contraction since World War II. This sharp decline in the global economic growth was largely due to the outbreak of the novel coronavirus and the consequent suspension of economic activities due to the pandemic-induced lockdown. This led to supply chain disruptions, resulting in the de-growth of some of the largest global economies.

Region	2020	2019
World output	(3.3)	2.9
Advanced economies	(4.9)	1.7
Emerging and developing economies	(2.4)	3.7

(Source: IMF)

Performance of some major economies

The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.

United States: The country witnessed a GDP de-growth of 3.4% in 2020 compared to a growth of 2.3% in 2019, the worst year since World War II. Despite recording an impressive growth rate of 33.4% in the third quarter, it slumped to a growth rate of 4% in the final quarter mainly due to increasing coronavirus cases in the country.

China: The country's GDP grew 2.3% in 2020 compared to 6.1% in 2019 despite being the epicenter of the outbreak of the novel coronavirus. It was the only major economy able to avoid GDP contraction in CY2020.

United Kingdom: Britain's GDP shrank 9.9% in 2020 compared to growth of 1.4% in 2019, the biggest decline since the Great Frost in 1709 and twice the annual contraction recorded in the aftermath of the financial crisis in 2009. The second wave of the virus and extended lockdown were some of the biggest factors responsible for the economic weakness.

Japan: Japan economy witnessed a contraction of 4.8% in 2020, the first instance of contraction since 2009. Having started the year with a quarterly contraction of 2.1%, it was followed by an increase in the contraction in Q2, 2020 on account of the COVID-19 crisis, which stood at 10.3% and then further followed by 5.8% and 1.1% GDP growth rates recorded in Q3 and Q4, 2020, respectively. This revival in the country's economy could be attributed to the increase in exports.

(Source: CNN, IMF, Economic Times, trading economics, Statista, CNBC)

Global economic growth

Year	2016	2017	2018	2019	2020
Real GDP growth (%)	3.1	3.8	3.6	2.9	(3.3)

(Source: IMF; E: Estimated)

Outlook

The global economy is projected to report stronger recovery in 2021 and 2022 – 6% in 2021 and 4.4% in 2022 largely due to the successful roll-out of vaccines across the globe, coupled with additional policy support in the large economies. (Source: IMF)

Indian economic review

The COVID-19 pandemic has impacted most countries, including India. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. Several countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis. The Indian economy passed through one of the most volatile periods in living memory in 2020-21.

The Indian Government announced a complete lockdown in public movement and economic activity from the third week of March 2020. As economic activity came to a grinding halt, the lockdown had a devastating impact on an already-slowing economy as 1.36 billion Indians were required to stay indoors - one of the most stringent lockdowns enforced in the world.

The outbreak of the novel coronavirus and the consequent suspension of economic activities due to the pandemic-induced lockdown, coupled with muted consumer sentiment and investments, had a severe impact on the Indian economy during the first quarter of the year under review. The Indian economy de-grew 23.9% in the first quarter of 2020-21, the sharpest de-growth experienced by the country ever since the index was recorded.

The Central and State Governments selectively lifted controls on movement, public gatherings and events from June onwards, each stage of lockdown relaxation linked to corresponding economic recovery. Interestingly, the recovery was not merely linear and across-the-board. As controls relaxed what the country observed was a new normal: where individuals were encouraged to work from home; where inter-city business travel was replaced by virtual engagement; where a greater premium was placed on the ownership of personal mobility modes (cars and two-wheelers); there was a sharp increase in home purchase following the need to accommodate an additional room for home working.

The result is that India's relief consumption, following the lifting of social distancing controls, translated into a full-blown economic recovery. A number of sectors in India – real estate, steel, cement, home building products and consumer durables, among others - reported unprecedented growth. The result is that India de-grew at an improved 7.5% in the July-September quarter and reported 0.4% growth in the October-December quarter and a 1.6% growth in the last quarter of the year under review.

The result is that India's GDP contracted 7.3% during 2020-21, largely on account of a sharp fall in the first two quarters. This sharp Indian recovery – one of the most decisive among major economies – validated India's robust long-term consumption potential.

India began to report improving Goods and Services Tax (GST) collections month-on-month following the relaxation of the lockdown.

The per capita income was estimated to have declined by 5.4% from ₹1.35 lakh in 2019-20 to ₹1.27 lakh in 2020-21.

India attracted its highest total FDI inflow (USD 81.72 billion) during the financial year 2020-21, 10% higher than the previous financial year 2019-20 (USD 74.39 billion).

The Government of India announced various measures to support the economy during this period. The Government sustained a number of economic reforms to revive investor sentiment. The Government initiated structural reforms in agriculture, labour laws and medium-small enterprise segments.

The Reserve Bank of India (RBI) also announced several measures to ease the financial system stress, including enhancing system liquidity, reducing interest rates, moratorium on loan repayments for borrowers, asset classification standstill benefit to

> India attracted its highest total FDI inflow (USD 81.72 billion) during the financial year 2020-21, 10% higher than the previous financial year 2019-20 (USD 74.39 billion).

overdue accounts where a moratorium had been granted amongst others to alleviate the economic stress induced by the pandemic which had an impact across sectors that were already showing signs of a slowdown before the outbreak.

India extended the Partial Credit Guarantee Scheme by relaxing the criteria and allowing state-owned lenders more time to purchase liabilities of shadow banks.

Under the ₹45,000-crore partial credit guarantee scheme, announced as a part of the Atmanirbhar Bharat package, three additional months were given to banks to purchase the portfolio of non-banking financial companies.

The Government relaxed foreign direct investment (FDI) norms for sectors like defence, coal mining, contract manufacturing and single-brand retail trading.

The Union Cabinet approved the Production-Linked Incentive (PLI) scheme for 10 sectors: pharmaceuticals, automobiles and auto components, telecom and networking products, advanced chemistry cell batteries, textile, food products, solar modules, white goods, and specialty steel. These incentives could attract investments in modern technology, catalyzing India's journey towards becoming a global player.

Y-o-Y growth of the Indian economy

Year	FY18	FY19	FY20	FY21
Real GDP growth (%)	7	6.1	4.2	(7.3)

Growth of the Indian economy, 2020-21

Year	Q1, FY21	Q2, FY21	Q3 FY21	Q4,FY21
Real GDP growth (%)	(23.9)	(7.5)	0.4	1.6

(Source: Economic Times, IMF, EIU, Business Standard, McKinsey)

Outlook

India is projected to grow in the high single-digits percentages in 2021-22 following the second surge of the pandemic in March 2021.

Housing finance sector

Even as India's housing finance sector enjoys a multi-year growth story on account of a growing population, increased aspirations, government incentives and stable real estate prices, there was a setback for a part of 2020-21 on account of the COVID-19 pandemic. There was a decline in non-bank credit growth, which commenced in the second half of fiscal 2019, continuing through fiscal 2020, accentuated first by the ongoing economic slowdown and thereafter by the pandemic.

The COVID-19 induced slowdown affected the performance of Housing Finance Companies (HFCs), which were encountering slow growth as well as liability and asset quality-related challenges. ICRA estimated housing credit growth at 9-12% in FY 2020-21 (lower than the last three years' CAGR of 16%), creditable in view of the lockdown across the first quarter of the last financial year and sluggish conditions thereafter. This validates the long-term health of the sector, whose relevance only increased at a time when individuals were expected to stay at home.

With the gradual pick-up in demand for housing credit in the industry in last two quarters of FY 2020-21, most of the HFCs have already reached near pre-COVID level disbursements and are now striving to achieve higher disbursement targets. This is expected to push up the growth rate for FY 2020-21 to 6-8%. Subsequently, the growth is estimated to be of 8-10% for on-book portfolio of HFCs in FY 2021-22.

Given the stress in cash flows encountered by the borrowers, the overdues of the HFCs rose in FY 2020-21. Moreover, the asset quality indicators were impacted majorly in this financial year. It is anticipated that GNPAs of HFCs for FY 2020-21 could be 50-100 basis points higher than that for FY 2019-20 and the increase can continue to remain in FY 2021-22. A relatively lower business growth than the ones recorded in the previous years and asset quality pressures limited the profitability of the HFCs in FY 2020-21.

From a liquidity perspective, the HFCs are maintained healthy Balance Sheet liquidity for the last few quarters and gradually reduced their reliance on short-term funding sources like commercial paper, which helped improve asset liability mismatches in the near-term buckets. HFCs are expected to maintain healthy liquidity in the near-term given the challenging environment.

On the profitability side, HFCs were affected by increased delinquencies, rise in provisions and moderation in interest income. The moderation in interest income came on account of the weaker growth in the advances given by housing finance companies. The total loan securitization undertaken by housing finance companies, NBFCs and MFIs stood at ₹90,000 crore compared to ₹1.9 lakh crore in FY 2019-20. Moreover, the uncertainty related to incomes translated into a higher incidence of repayment defaults during the year under review. The asset quality in the self-employed segment niche of the affordable housing finance sector worsened more than the salaried segment.

By customer type, India's home loan market was segmented into the salaried and self-employed segments. The salaried segment accounted for ~88% market share in 2020. By tenure, the market was segmented up to 5 years, 6-10 years, 11-24 years, and 25-30 years, with the 11-24 year segment accounting for the highest share (preferred tenure being 20 years). (Source: ICRA, Business Today)

The affordable housing finance segment

The affordable housing finance segment is the largest – and most challenging - within India's housing finance sector. India's typical affordable HFC customer lives in Tier-2 and Tier-3 cities, is new to the concept of credit, earns a low informal income, does not possess income documents and is usually self-employed. These realities warrant the use of specialized expertise in addition to what is used in conventional lending.

The portfolio growth in the affordable segment slowed as well but remained higher than HFCs although on a lower base, supported by robust demand and liquidity support from NHB, leading to a growth of 8% in 9M FY 2020-21 following the growth of 18% in FY 2019-20. With the demand in this segment remaining intact, it is expected to continue growing at a faster pace than the overall industry (Source: ICRA).

The usual characteristics of affordable housing finance niche are captured in the following realities:

Low average ticket size: Nearly 70% of the niche is accounted for by loans of ₹10 lakh or lower.

Self-employed: Nearly 85% affordable HFCs cater to the growing needs of the self-employed where yields are typically higher than the salaried segment.

Format: Much of the financing is for single units and self-occupied houses, indicating that they are for active use and not investment

Low loan to value: More than 60% of the loans made in the affordable housing finance niche have a Loan To Value (LTV) of less than 70%, indicating a higher skin in the game for the borrower and correspondingly lower risk for the lender.

Undocumented income: This segment is marked by a distinctive reality where most of the borrowers are without documented formal income; they are sought by customers who are new to credit and the entire process warrants a cash flow-based assessment.

Outlook

India's home loan market is anticipated to grow at a CAGR of around 22% during 2021-2026.
(Source: Reportlinker).

Housing finance sector catalysts

Housing shortage: India's urban housing shortage is around 10 million units, a majority in Economically Weaker Section (EWS) and Lower Income Group Segment (LIG). To support 40% of the population in the urban area, there would be an additional demand for 25 million additional affordable units.

Mortgage penetration: The mortgage penetration in India from formal lending sources is only 9%, while the remaining 91% of the houses are built using own funds and informal borrowing sources, widening the room for HFCs (Source: Assocham)

Awareness: There is a growing awareness among the salaried/self-employed segments that residential rental payments are equivalent to monthly installments that would be paid against home loans, growing the housing financed market.

Monetary measures: The RBI announced the highest reduction in repo and reverse repo rates to stimulate demand for home ownership and housing finance. RBI also announced ₹5,000 crore to be infused in National Housing Bank (NHB).

Government support: The Government is committed to its 'Housing for all' vision under the Pradhan Mantri Awas Yojana (PMAY). The Credit Linked Subsidy Scheme (CLSS) for the EWS and LIG has been extended till March 2022.

Urbanization: By 2030, 40% of the country's population, or 600 million people, are expected to reside in cities. The country requires 700 to 900 million square meters of residential and commercial space (equivalent to Chicago) to be built annually till 2030 to accommodate this 600 million i.e. 70% of India of 2030 is likely to be built in the coming decade, widening the market for housing finance. This migration means that nearly 90% of the demand is likely to be generated from the bottom of the economic pyramid.

Demographics: Close to 65% of India's population is under 35 years, a class of the population considered economically productive. The number of nuclear families is rising sharply on account of job dispersal and other social realities.

Cost: The cost of housing finance in India is among the lowest across developing economies. Besides, lower fixed deposit /saving accounts returns are incentivizing investments in home ownership. The cost of real estate has remained steady for one of the longest periods in recent times, enhancing home ownership affordability.

Country-wise mortgage to GDP ratio (%)

Sweden	82%
United Kingdom	69%
United States	63%
Singapore	50%
Hong Kong	45%
Germany	36%
Malaysia	34%
Korea	31%
Thailand	20%
China	18%
South Africa	18%
India	10%
India FY23E*	13%

*Estimate

Rise in India's nuclear households

CY11	52%
CY25E*	74%

*Estimate

The indicative Indian affordable housing finance market

Demand by FY22 Housing units (million)	Income category	Annual household income (₹ million)
~14	Low income group	0.3-0.6
~18	Economically weaker section	<0.3

Category	Size (sq. ft.)	Price/unit (₹ million)	Disbursement potential (₹ trillion)
MIG	600-1200	2-4	3.7
LIG	300-600	1-2	2.9
EWS	150-300	<1	1.9

Source: Avendus

Government policies for the housing finance companies

In June 2020, the RBI released draft framework for the regulation of HFCs. The Draft Framework proposed to bring HFCs under the regulatory umbrella of the RBI, putting it on a level playing field with other NBFCs.

The RBI issued a master circular titled 'Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021' on February 17, 2021, which supersedes the previously issued directions by NHB and the RBI. The circular provides a consolidated regulatory framework applicable to HFCs.

- To qualify as HFC, 60% of the total assets (net of intangible assets) should comprise of housing finance, of which at least 50% should be towards individual housing loans
- HFCs to achieve CRAR of 15% by March 2022
- RBI permitted lending to individual home buyers or construction of the same project
- Capital market exposure has been capped at 40% of the net worth for HFCs
- HFCs to achieve minimum Net owned fund of ₹20 crore by March 31, 2023

The Government of India approved a scheme to improve NBFC/HFC liquidity through a SPV to minimize systemic risks. The eligible non-bank lenders were to be provided short-term liquidity through a special purpose vehicle (SPV) that would purchase the short-term papers from eligible NBFCs/HFCs and utilize proceeds for extinguishing existing liabilities. (Source: https://realty.economictimes and ICICI Direct)

Budgetary provisions of Union Budget 2021 on the sector

- Extension of additional tax deduction of ₹1.5 lakh on interest paid on housing loan for purchase of affordable homes by one more year to March 31, 2022. This additional deduction of ₹1.5 lakh over and above ₹2 lakh was introduced in the 2021 Budget. This was allowed for those buying homes for the first time and of up to ₹45 lakh.
- To encourage the supply of affordable houses it was proposed that housing projects could avail of a tax holiday for one additional year till March 31, 2022.

Outlook

The outlook of India's housing finance sector is likely to be robust across the long-term for a fundamental reason: more Indians want to buy houses for enhanced security and asset creation even though renting could be cheaper in the short-term.

As the Indian economy matures, the mortgage-to-GDP ratio of less than 10% (which is significantly lower than other countries) could move towards the mid-teens and make the housing finance a USD 750 billion market over five years, creating a sweet spot for specialized affordable HFCs.

The housing finance sector is expected to grow sustainably on account of sustained population growth, rapid growth coming out of non-metro India, increased per capita incomes, home ownership preference, affordable home prices along with a need for external financing, consistent government support and extensive under-penetration.

Projected Indian housing finance market growth

Year	Loan assets (₹ trillion)
FY13	7
FY14	9
FY15	10
FY16	12
FY17	14
FY18	17
FY19	19
FY20E*	22
FY21E*	26
FY22E*	31
FY23E*	37
FY25E*	54

*Estimate
Source: Avendus

Urban housing needs (million units)

CY11	19
CY16	29
CY22E*	46

*Estimate

Rural housing need (million units)

CY11	29
CY16	34
CY22E*	46

*Estimate

Government initiatives for the overall sector

Atmanirbhar Bharat 3.0: Income tax relief measures for real estate developers and homebuyers for primary purchase/sale of residential units of value (up to ₹2 crore from November 12, 2020 to June 30, 2021).

Affordable Housing Fund: Created in NHB with an initial corpus of ₹10,000 crore using priority sector lending short fall of banks/financial institutions for micro financing of housing finance companies

Alternative Investment Fund: Approved by the Union Cabinet for setting up a ₹25,000 crore fund to revive ~1,600 stalled housing projects

Pradhan Mantri Awas Yojana (Urban): Around 1.12 crore houses were sanctioned in urban areas.

RERA: In October 2020, the Government announced the application of Real Estate (Regulation & Development) Act, 2016 to Jammu & Kashmir, which paved the way for any Indian citizen to buy non-agricultural land and property in that state.

Tax moderation: GST Council cut tax to 5% from 12% on premium houses and to 1% from 8% for affordable houses. (Source: IBEF)

About Aavas Financiers

Aavas Financiers Limited (Aavas) is a housing finance company based in Jaipur, Rajasthan. The Company is primarily engaged in providing housing loans in rural and semi-urban areas. It is present in 11 states in north, west and central India with a branch network of 280 (as on March 31, 2021) and assets under management of ₹9,454.29 crore as on March 31, 2021.

SCOT analysis of Aavas

Strengths	Challenges	Opportunities	Threats
▪ Ability to appraise the informal segment with better asset quality ▪ Focused market presence with deep branch network ▪ Strong reliance on technology ▪ Positive ALM; no Commercial Paper ▪ Low Balance Sheet leverage	▪ Overall economic downturn ▪ Slowdown in the real estate sector	▪ Lower mortgage penetration ▪ Growing urbanization requiring more residential units ▪ Growing aspiration levels in the rural and semi-urban regions ▪ Continuous focus on affordable housing segment	▪ Economic vulnerability owing to pandemic situation ▪ Reduced credit flow following NBFC fiasco ▪ Growing competition

Aavas' performance review, FY 2020-21

FINANCIAL PERFORMANCE

Income & Profits

Total Income of the Company for the year ended March 31, 2021 was ₹1,105.34 crore compared to ₹903.09 crore in the previous year, representing a growth of 22%.

For the year ended March 31, 2021, the Company reported a Profit Before Tax of ₹353.33 crore as against ₹302.05 crore for the year ended March 31, 2020, representing a growth of 17%.

The Company reported Total Comprehensive Income of ₹290.33 crore for the year ended March 31, 2021 as against ₹249.07 crore for the year ended March 31, 2020, a growth of 17% over the previous year.

Statement of Profit and Loss

Key elements of the Statement of Profit & Loss for the year ended March 31, 2021 were:

- Profit Before Tax grew 17% as against ₹302.05 crore in the previous year.
- Total Comprehensive Income grew by 17% as against ₹249.07 crore in the previous year.
- Net Interest Margin for the year was 7.71% as against 8.16% in the previous year.
- The Company's Operating Expense ratio (to average total assets) was 3.01% for the year ended March 31, 2021.
- Total Expenses of Company grew by 11.4% during the year under review.

- The Earnings per share (Basic) was ₹36.94 in 2020-21 as against ₹31.86 in the previous year.
- Return on average net worth for the year was 12.91% in 2020-21 as against 12.66% in the previous year.
- Interest coverage ratio for 2020-21 was 1.82 times as against 1.90 times in the previous year.
- Debt-equity ratio for the year was 2.65 times for 2020-21 as against 2.57 times in the previous year.
- Operating profit margin for the year was 37.19% in 2020-21 as against 37.31% in the previous year.
- Net profit margin for the year was 26.27% in 2020-21 as against 27.58% in the previous year.

OPERATIONAL PERFORMANCE

Aavas is a retail affordable HFC primarily serving low and middle-income self-employed customers in semi-urban and rural areas in India. It offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

As of March 31, 2021, a majority of the home loans that it disbursed were for single-unit properties, almost all of which were to be occupied by the borrowers themselves. A majority of its customers have limited access to formal banking credit.

The Company has a dedicated team who looks after subsidy cases. The Company's presence in the cities with lower credit penetration provides it an opportunity to connect with prospective customers eligible for the scheme. Additionally, the place where Aavas is present matched the pin codes provided under the scheme. The Company addressed several first-time borrowers (approximately 30-40%) living in kuccha houses and aspiring to live in pucca homes. Aavas possessed the quality of assessing people eligible for the scheme. The sales team visited small vendors/businessmen who did not have formal income documentation but were eligible to avail subsidized loans.

Loan products

The Company offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

In addition to home loans, the Company offers customers other mortgage loans including loans against property, which accounted for 26.52% of our Gross Loan Assets as of March 31, 2021. As of March 31, 2021, 65.16% of our Gross Loan Assets were from customers who belonged to the economically weaker section and low income group, earning less than ₹50,000 per month and 31.46% of our Gross Loan Assets were from customers who were new to credit.

Sanctions

The Company sanctioned ₹2,812.93 crore housing loans during 2020-21. The cumulative loan sanctions since inception of your Company stood at ₹14,459.13 crore until March 31, 2021.

Disbursements

The Company disbursed ₹2,656.85 crore housing loans during 2020-21 as compared to ₹2,930.39 crore in the previous year. The cumulative loan disbursement since inception as of March 31, 2021 was ₹13,754.76 crore.

Assets under Management (AUM)

The AUM of Company stood at ₹9,454.29 crore (including securitization/assignment of ₹2,004.68 crore) as of March 31, 2021 as against ₹7,796.09 crore in the previous financial year, a growth of 21%. As of March 31, 2021, the average loan sanctioned was ₹8.49 lakh and average tenure was 183.53 months in the AUM (on origination basis).

Spread on loans

The average yield on loan assets as on March 31, 2021 was 13.16% per annum compared to 13.63% as on March 31, 2020. The cost of funds was 7.40% per annum as on March 31, 2021 as compared to 8.44% as on March 31, 2020. The spread on loans as on March 31, 2021 was 5.76%.

Non-Performing Assets (NPA)

The Company maintained its gross NPAs at ₹73.91 crore (0.98%) as on March 31, 2021. The Company reviewed its delinquency and loan portfolio on a regular basis.

The Company conformed to a defined policy with procedures to address delinquencies and collections. As a result, Gross NPA and net NPA as of March 31, 2021 were 0.98% and 0.71% respectively (against 0.46% and 0.34% respectively in the previous financial year).

Capital Adequacy Ratio

As per the provisions of the clause 6.1 of Chapter IV- Capital of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021, the Company was required to maintain a minimum capital adequacy of 14% on a standalone basis on March 31, 2021.The Company's Capital Adequacy Ratio as of March 31, 2021 was 54.38% (previous financial year 55.86%), far above the minimum required level of 14%.

Lending operations

The Company's lending operations continued to be robust, given the strong demand for housing loans. During the year, in value terms, loans to the EWS and LIG segment grew by 23.81% and 25.14% respectively compared to the previous year. The average home loan to the EWS and LIG segment stood at ₹4.66 lakh and ₹8.89 lakh, respectively.

Branch network

Aavas engaged in contiguous on-ground expansion across regions; as of March 31, 2021, the Company conducted operations through 280 branches covering 11 (eleven) States, of which it accounted for a significant presence in four states (Rajasthan, Gujarat, Maharashtra and Madhya Pradesh).

The Company has its registered office in Jaipur, Rajasthan.

RESOURCE MOBILIZATION

Share Capital

The issued and paid-up Equity Share Capital of the Company as on March 31, 2021 stood at ₹78,50,45,510 (Rupees seventy eight crore fifty lakh forty five thousand five hundred and ten) consisting of 7,85,04,551 (seven crore eighty five lakh four thousand five hundred and fifty one) Equity Shares of ₹10/- each as compared to ₹78,32,26,610 (Rupees seventy eight crore thirty two lakh twenty six thousand six hundred and ten) consisting of 7,83,22,661 (seven crore eighty three lakh twenty two thousand six hundred and sixty one) Equity Shares of ₹10/- each in previous year.

ESOP allotment

The Company issued and allotted 1,81,890 Equity Shares during the year pursuant to the exercise of stock options by the eligible employees of the Company under ESOP plans.

Term loans from banks and financial institutions

During the Financial Year, the Company received aggregate fresh loan sanctions amounting to ₹1,550 crore and has availed loans aggregating to ₹840 crore. The outstanding term loans from Banks and Financial Institutions as at March 31, 2021 were ₹2,818.98 crore with average tenure of 9.12 years.

Securitization/Assignment of Loan Portfolio

During the year under review, the Company received a purchase consideration of ₹549.59 crore from assets assigned in pool buyout transactions. The pool buyout transactions were carried out in line with RBI guidelines on securitization of standard assets and securitized assets have been de-recognized in the books of the Company.

Refinance from National Housing Bank (NHB)

During the Financial Year, the Company received fresh sanction of refinance assistance of ₹850 crore under the NHB refinance scheme and ₹366 crore under Special Refinance Scheme.

The Company availed funds of ₹1,161 crore under various Refinance Scheme such as for Affordable Housing Fund, Regular Refinance Scheme and Special Refinance Facility. Total outstanding refinance at the end of the current Financial Year stood at ₹1,872.39 crore (previous year ₹951.29 crore).

Non-Convertible Debentures (NCDs)

NCDs were issued to Banks, Domestic Financial Institutions and Multilateral/ Development Financial Institutions During the year under review, the Company added Central Bank of India and Kotak Mahindra Bank Limited as new lenders for NCDs. The NCDs of the Company are listed on Wholesale Debt Market segment of the BSE Limited.

The Company redeemed secured NCDs amounting to ₹50 crore before their maturity and made a part-principle repayment of ₹5 crore during the financial year under review.

As on March 31, 2021, the Company's outstanding NCDs from:

- Multilateral/Development Financial Institutions stood at ₹911.38 crore as compared to ₹909.86 crore as on March 31, 2020.
- Domestic Financial Institutions stood at ₹109.41 crore as compared to ₹59.92 crore as on March 31, 2020
- Banks stood at ₹244.9 crore as compared to Nil as on March 31, 2020.

The subordinated debt in the form of NCDs stood at ₹99.74 crore as compared to ₹99.66 crore as on March 31, 2020.

Masala Bonds issued to Multilateral/ Development Financial Institutions

As on March 31, 2021, the outstanding balance of Masala Bonds issued to Multilaterals stood at ₹198.97 crore.

Commercial Paper (CP)

The Company had not issued any Commercial Paper and Short-Term Instrument during the Financial Year 2020-21 and as on March 31, 2021, the Company's Commercial Paper outstanding was nil.

Credit rating

India's renowned rating agencies have assigned ratings to the Company. During the year under review, ICRA Limited has upgraded the Long term ratings of the Company from ICRA A+/Positive to ICRA AA-/Stable. The other credit ratings assigned to the Company were reaffirmed by respective credit rating agencies.

The details of the same are mentioned below:

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities, Non-Convertible Debentures and Instrument-Subordinated Debt	CARE AA- / Stable
	Short Term Rating	Commercial Paper	CARE A1+
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures	ICRA AA- /Stable
	Short Term Rating	Commercial Paper	ICRA A1+
India Ratings	Short Term Rating	Commercial Paper	IND A1+

The ratings continue to reflect Company's healthy earnings profile, adequate capitalization, strong net worth base and steady improvement in its scale of operations.

Human resources

Aavas believes that its competitive advantage lies in its people. The Company's people bring to the stage multi-sectoral experience, technological experience and domain knowledge.

The Company's HR culture is rooted in its ability to subvert age-old norms in a bid to enhance competitiveness. The Company always takes decisions in alignment with the professional and personal goals of employees, achieving an ideal work-life balance and enhancing pride in association. The Company's employee count stood at 5679 as of March 31, 2021.

Internal control systems and their adequacy

The Company's internal financial control over financial reporting 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. The Company's internal financial control over financial reporting includes those policies and procedures that:

(1) Pertaining to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and Directors of the Company and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company has a robust internal audit programme, where the internal auditors, an independent firm of Chartered Accountants, conduct a risk-based audit with a view to not only test adherence to policies and procedures but also to suggest improvements in processes and systems. Their audit program is agreed upon by the Audit Committee. Internal audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations.

Cautionary statement

This statement made in this section describes the Company's objectives, projections, expectation and estimations which may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Forward– looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized by the Company. Actual result could differ materially from those expressed in the statement or implied due to the influence of external factors which are beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments.

Statutory Reports

Directors' Report

To
The Shareholders,
AAVAS FINANCIERS LIMITED ('COMPANY')

Your Directors are pleased to present the Eleventh Annual Report on the operational and business performance of the Company together with the Audited Financial Statements (Standalone and Consolidated) for the Financial Year ended March 31, 2021.

FINANCIAL PERFORMANCE

The summarized standalone financial performance for the Financial Year ended March 31, 2021 are as under:

(₹ in crore)

	Particulars	For the Year ended March 31, 2021	For the Year ended March 31, 2020
A	Total Income	1,105.34	903.09
	Less:		
	Total Expenditure before Depreciation & Amortization and provision	(694.26)	(566.14)
	Impairment on financial instruments	(37.14)	(15.34)
	Depreciation & Amortization	(20.60)	(19.56)
B	Total Expenses	(752.01)	(601.04)
C	**Profit Before Tax (A-B)**	**353.33**	**302.05**
D	Less: Provision for Taxations (Net of Deferred Tax)	(63.83)	(52.93)
E	**Profit After Tax (C-D)**	**289.50**	**249.12**
F	Add: Other Comprehensive Income (Net of Tax)	0.83	(0.05)
G	**Total Comprehensive Income (E+F)**	**290.33**	**249.07**
	Transfer to Statutory Reserve	58.07	49.81

Your Company posted Total Income (Total Interest Income and Other Income) of ₹1,105.34 crore and total Comprehensive Income of ₹290.33 crore for the Financial Year ended March 31, 2021, as against ₹903.09 crore and ₹249.07 crore respectively for the previous Financial Year.

10 YEARS OF A GLORIOUS JOURNEY

On February 22, 2021, your Company completed 10 years of establishment. Since inception, the Company focused on catering to the housing needs of low-and-middle income self-employed and salaried customers in semi-urban and rural areas. Through these 10 years, your Company fulfilled the dreams of lakhs of customers.

Major events and milestones of this journey are as follows:

Calendar Year	Details
2011	Incorporated as "Au Housing Finance Private Limited", a wholly owned subsidiary of AU Small Finance Bank Limited (formerly, Au Financiers (India) Limited) ("AU Bank")
	Registered with National Housing Bank ("NHB") as a 'housing finance institution without accepting public deposits' and started business operations from Rajasthan
2012	Received first rating "BBB+/Stable" from CRISIL for long term bank facilities
2013	Converted into a public limited company
	Received its first refinancing assistance from NHB
	Expanded operations to states of Maharashtra, Gujarat and Madhya Pradesh
2014	Issued first Non-Convertible Debentures ("NCDs") to raise debt
	Expanded its operations to Delhi NCR
2015	Entered into its first Assignment/ Securitisation transaction of retail loans
	Identified as a 'financial institution' under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI")
	Manpower strength crossed the mark of 1000
	Asset under Management ("AUM") crossed the mark of ₹1,000 crore and active loan accounts grown to 17,000+
2016	AU Bank divested its majority stake in the Company to "Kedaara Capital" and "Partners Group".
	Received the ASSOCHAM Excellence Award for being the "Best Housing Finance Company" in the affordable housing segment
	Received its first subsidy from NHB under 'Credit Linked Subsidy Scheme - Pradhan Mantri Awas Yojana' (CLSS-PMAY)
	AUM crossed the mark of ₹2,000 crore
2017	Name changed to "Aavas Financiers Limited" from "Au Housing Finance Limited"
	Manpower strength crossed the mark of 3000
	Branch network crossed the mark of 100
	AUM crossed the mark of ₹3,000 crore
2018	Launched Initial Public Offer (IPO) and listed its shares on stock exchanges
	Upgradation of long term rating to A+ by rating agencies
	Expanded its presence in 10 states and branch network crossed the mark of 200
	Active loan accounts grown to 50,000 +
	AUM crossed the mark of ₹5,000 crore
2019	Active loan accounts grown to 75,000+
	AUM crossed the mark of ₹7,000 crore
	Upgradation of CARE rating to "CARE AA-/Stable" for long term facilities
2020	AUM crossed the mark of ₹8,000 crore
	Manpower strength crossed the mark of 5000
	Multilateral/Development Financial Institutions such as Asian Development Bank ("ADB"), International Finance Corporation (IFC) and CDC Group PLC extended credit lines to the Company
	Mr. Ghanshyam Rawat, Chief Financial Officer was awarded with the best "CA-CFO" of the Year under the category of "Emerging Corporate (BFSI)" by ICAI
	Active loan accounts grown to 1,00,000+
	Expanded its branch network to 11 states with 280 branches
2021	AUM crossed the mark of ₹9,400 crore
	Active loan accounts grown to 1,25,000 +
	Mr. Sushil Kumar Agarwal, Managing Director & CEO was conferred with the prestigious EY (Ernst and Young) Entrepreneur of the Year Award in the Financial Services category
	Upgradation of ICRA rating to "ICRA AA-/Stable" for long term facilities

With a decade of history in business, the Company experienced multiple business cycles. In each instance in the past such as demonetization, liquidity tightness and implementation of Goods and Service Tax ("GST") law, the Company not only demonstrated agility in responding to those challenges but also converted them into opportunities and grew its business.

In the current pandemic situation also, your Company remained confident to emerge stronger. The Company's expanding presence across un-served and underserved geographies will be instrumental in driving the growth. Your Directors express their gratitude to the Customers, Regulators, Employees, Lenders, Shareholders and other Stakeholders for their continued support in achieving this milestone.

COVID-19 - A GLOBAL PANDEMIC AND THE COMPANY'S APPROACH

The year 2020-21 was challenging. The COVID-19 pandemic had a significant impact on lives, livelihoods and the businesses. In compliance with the lockdown order announced by the Government and local authorities from time to time, certain branches temporarily remained closed and business operations were managed remotely to the extent possible as per Business Continuity Plan of the Company.

We summarise here below the impact of COVID-19 on the business of your Company and the Company's approach.

Operations and business continuity

The challenges increased due to restricted movement and the disrupted economic cycle. The situation gradually improved from the end of the first quarter as the restrictions were lifted in a phased manner. As the second wave of the pandemic unfolded in April 2021, your Company focused on protecting the health and safety of employees and customers, while ensuring minimum business disruption.

The Company believed that going digital is the future, not only for business growth but also for product and service differentiation. During the Financial Year under review, your Company focused on digital offerings, made its processes and decision-making through data analytics for faster customer service, paperwork reduction, improved turnaround time and better risk management.

COVID-19 – Regulatory Packages and Resolution Framework for COVID-19-related Stress

The Reserve Bank of India (RBI) issued 'COVID-19 – Regulatory Packages' dated March 27, 2020, April 17, 2020 and May 23, 2020 to mitigate the impact of COVID-19 pandemic on the financial services sector. Under stipulated guidelines, the Company implemented a 'Policy on Deferment of PEMI/ EMI (COVID-19)' and offered moratorium on the payment of installments and/or interest, as applicable, falling due between March 01, 2020 and August 31, 2020 to all eligible borrowers of the Company.

The RBI issued 'Resolution Framework for COVID-19 related Stress' dated August 06, 2020 for granting relief to borrowers impacted by COVID-19, by providing the facility of rescheduling of loans and/or for conversion of outstanding interest into a separate credit facility. The Company framed and implemented a 'Policy on Resolution Framework for loans of borrowers affected by COVID-19'.

Order of Supreme Court of India on declaring accounts as Non-Performing Asset (NPA)

The matter of declaring defaulting accounts as NPAs (not declared as NPAs till August 31, 2020 as per RBI guidelines) was kept on hold by the Hon'ble Supreme Court of India vide orders dated September 03, 2020 and September 28, 2020. Accordingly, the Company did not classify any account covered under the said orders as NPA. Thereafter the Hon'ble Supreme Court of India in Small Scale Industrial Manufactures Association (Regd.) vs Union of India and others vide a judgment dated March 23, 2021 ("Judgement") directed that the interim order granted on September 03, 2020 stands vacated. In this regard, RBI vide its circular dated April 07, 2021 issued instructions in accordance to which your Company resumed recognizing overdue accounts as NPA as per regulatory guidelines.

Scheme for Grant of ex-gratia payment

To provide relief to the borrowers in difficulty due to COVID-19, the Central Government on October 23, 2020, approved to provide ex-gratia payment of difference between compound interest and simple interest by way of relief for the period from March 01, 2020 to August 31, 2020 to borrowers in specified loan categories. In accordance with the above, the Company implemented the 'Policy on Scheme for Grant of Ex-gratia Payment' to extend the benefit to eligible borrowers of the Company.

Further in conformity with the judgment, the RBI vide its circular dated April 07, 2021, advised all lending institutions to refund/adjust the 'interest on interest' charged to all the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020. In accordance with the above, the Company implemented the 'Policy on refund/adjust the Interest on interest' to extend the benefit to all the borrowers of the Company.

DIVIDEND

Your Directors have considered reinvesting the profits in the business of the Company in order to build a strong base for the long-term growth of the Company and maintain a liquidity cushion due to ongoing COVID-19 pandemic. Accordingly, no dividend has been recommended for the Financial Year ended March 31, 2021.

Your Company has formulated Dividend Distribution Policy in accordance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR Regulations') for bringing transparency in the matter of declaration of dividend and to protect the interest of investors. The Dividend Distribution Policy is available on the website of the Company at https://www.aavas.in/dividend-distribution-policy and forms part of this Report as 'Annexure-5'.

SHARE CAPITAL

The issued and paid-up Equity Share Capital of the Company as on March 31, 2021 stood at ₹78,50,45,510 (Rupees Seventy eight crore fifty lakh forty five thousand five hundred and ten) consisting of 7,85,04,551 (Seven crore eighty five lakh four thousand five hundred and fifty one) Equity Shares of ₹10/- each as compared to ₹78,32,26,610 (Rupees Seventy eight crore thirty two lakh twenty six thousand six hundred and ten) consisting of 7,83,22,661 (Seven crore eighty three lakh twenty two thousand six hundred and sixty one) Equity Shares of ₹10/- each in the previous year.

During the Financial Year under review, the paid-up Equity Share Capital of the Company has been increased on account of issuance and allotment of 1,81,890 Equity Shares of ₹10/- each pursuant to the exercise of stock options by the eligible employees of the Company under Employee Stock Option Plans (ESOPs) of the Company.

SPECIAL RESERVE (U/S 29C OF THE NHB ACT, 1987)

Your Company transferred ₹58.07 crore i.e. 20% of net profits to Statutory Reserves during the Financial Year under review, as required under the provisions of Section 29C of the NHB Act, 1987 read with Section 36 (1) (viii) of Income Tax Act, 1961.

REVIEW OF OPERATIONS

Your Company is registered as a Housing Finance Company (HFC) with NHB to carry out the housing finance activities in India.

To build a quality loan book, your Company endeavors to adopt superior underwriting practices backed by robust monitoring and recovery mechanism. Your Company is committed towards improving efficiency in all its processes and service levels for its customers.

Your Company's thrust continues to be the affordable housing segment, with its focus on catering to the aspirations of low and middle-income Indian families who dream to own their homes. Your Company has been facilitating credit access to the low and middle-income self-employed customers in semi-urban and rural areas in India. The majority of your Company's customers have limited access to formal banking credit facilities.

The operating and financial performance of your Company has been covered in detail in the Management Discussion and Analysis report (MDA), which forms part of this Annual Report.

During the Financial Year under review, your Company delivered a resilient performance, which is reflected in the following financial snapshot:

Income & Profits

Total Income grew by 22% to ₹1,105.34 crore for the Financial Year ended March 31, 2021 as compared to ₹903.09 crore for the previous Financial Year. Profit Before Tax (PBT) was 17% higher at ₹353.33 crore as compared to ₹302.05 crore for the previous Financial Year.

The Total Comprehensive Income for the Financial Year 2020-21 increased by 17% from ₹249.07 crore in the previous Financial Year to ₹290.33 crore in the current Financial Year.

Sanctions

During the Financial Year under review, your Company sanctioned housing loans for ₹2,812.94 crore as compared to ₹3,034.00 crore in the previous Financial Year registering a de-growth of 7% due to subdued disbursements in the first half of the Financial Year. The cumulative loan sanctions since inception of your Company stood at ₹14,459.14 crore as at March 31, 2021. Your Company has not granted any loan against the collateral of Gold Jewellery.

Disbursements

During the Financial Year under review, your Company disbursed housing loans for ₹2,656.85 crore as compared to ₹2,930.39 crore in the previous Financial Year and recorded a de-growth of 9% in disbursements.

The cumulative loan disbursement since inception as at March 31, 2021 was ₹13,754.76 crore.

Assets Under Management (AUM)

The AUM of your Company stood at ₹9,454.29 crore (including assignment of ₹2,004.68 crore) as at March 31, 2021 as against ₹7,796.09 crore (including assignment of ₹1,739.64 crore) in the previous Financial Year, with a growth of 21%. As of March 31, 2021, the average size of loan sanctioned was ₹8.49 lakh and average tenure was 184.53 months in the AUM (on origination basis).

Affordable Housing

Over the last Financial Year, your Company developed an experienced, trained and exclusive team for catering to the PMAY (Urban) product focusing on Economically Weaker Sections ("EWS") and Low Income Group ("LIG") segments and Mid Income Group (MIG) 1 and 2.

Your Company signed a Memorandum of Understanding ("MOU") with various State Governments for the CLSS under the PMAY for EWS, LIG and MIG segments.

Since the inception of the Scheme, your Company received CLSS subsidy of ₹152.17 crore with respect to 7576 beneficiaries and the same was passed on to customers.

Non-Performing Assets (NPA)

Your Company is in adherence to the provisions of Indian Accounting Standards ("Ind AS") with respect to computation of Stage-3 Assets (NPA). Your Company's assets have been classified based on expected performance. Exposure at Default (EAD) is the total amount outstanding including accrued interest as on the reporting date. Further, in compliance with Ind AS accounting framework, interest earned on NPA's is recognized net of expected losses, if the present realisable value of the security is greater than the outstanding loan dues.

Using a pro-active collection strategy, consistent engagement with the customers during the lockdown and recovery management system supported by analytical decision making, your Company was able to contain its gross NPAs at ₹73.91 crore (0.98% of the loan assets) as at March 31, 2021. Your Company reviews the delinquency and loan portfolio on regular basis.

Your Company conforms to a defined policy with proper procedures to address delinquencies and collections. As a result, Gross NPA and Net NPA as at March 31, 2021 were 0.98% and 0.71% respectively (against 0.46% and 0.34% respectively in the previous Financial Year).

Further, the business overview, outlook, and state of affairs of your Company have been discussed in detail in the MDA, which forms a part of this Annual Report.

PRUDENTIAL NORMS FOR THE HFCs ISSUED BY RBI

The Finance Act, 2019 (the "Finance Act"), passed by the Parliament and which has received the assent of the President of India, has introduced various amendments to legislations. Amongst others, the Finance Act includes amendments to the NHB Act, 1987 which has transferred the regulation authority over the housing finance sector from NHB to RBI. The Amendments to the NHB Act have come into force with effect from August 9, 2019. RBI on June 17, 2020, issued a draft for review of extant regulatory framework for HFCs and had invited comments from the stakeholders on the same. After considering the inputs received, the RBI, on October 22, 2020 issued the revised Regulatory Framework for HFCs ('RBI Regulations').

Subsequently, RBI issued the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 on February 17, 2021 ("RBI Master Directions"). The Directions broadly accumulate the regulatory requirements, from the Regulations notified on October 22, 2020, erstwhile Master Circular for Housing Finance Companies (NHB) Directions, 2010 and other applicable circulars on HFCs.

Your Company continues to comply with the guidelines issued by RBI from time to time including but not limited to accounting guidelines, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit/investments, credit rating, Know Your Customer (KYC) guidelines, Anti Money Laundering (AML) standards, fair practices code, Asset Liability Management (ALM) system, Most Important Terms & Conditions (MITC), Grievance Redressal Mechanism, recovery of dues, real estate and capital market exposures norms. Further, your Company has taken steps for effective management of operational risk including technology risk as outlined in the Information Technology framework for HFCs. Your Company has also put a reporting system in place for recording frauds as stipulated in Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 issued by RBI.

The recognition of income and impairment on financial instruments (Expected Credit Loss) has been made in the books as per the Ind AS.

No significant or adverse remarks have been made by the NHB and RBI with respect to any regulatory compliance and inspection of the Company carried out during the Financial Year. Further, RBI and NHB have not levied any penalty on the Company during the Financial Year.

CAPITAL ADEQUACY RATIO

As per the provisions of the clause 6.1 of Chapter IV- Capital of RBI Master Directions, your Company was required to maintain a minimum capital adequacy of 14% on a standalone basis on March 31, 2021.

Your Company's Capital Adequacy Ratio as at March 31, 2021 was 54.38% (previous Financial Year 55.86%) which is far above the minimum required level of 14%.

CREDIT RATING

During the Financial Year under review, ICRA Limited has upgraded the long-term ratings of the Company from 'ICRA A+/Positive to ICRA AA-/Stable'.

Despite lot of challenges and headwinds faced during the COVID-19 pandemic, upgradation of existing credit ratings from ICRA Limited is a positive reflection of the Company's comfortable liquidity and resource profile and its leadership position in affordable housing segment, its experienced management team and strong brand equity in the regional markets where it has presence. The ratings also derive strength from adequate risk management and control systems put in place by the Company, asset quality as well as good growth opportunities in the affordable housing segment.

Further, all the other credit ratings assigned to the Company have been reaffirmed by respective credit rating agencies.

The details of the same are mentioned below:

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities, Non-Convertible Debentures ('NCDs') and Instrument-Subordinated Debt	'CARE AA- / Stable'
	Short Term Rating	Commercial Paper	'CARE A1+'
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures ('NCDs')	'ICRA AA- /Stable'
	Short Term Rating	Commercial Paper	'ICRA A1+'
India Ratings	Short Term Rating	Commercial Paper	'IND A1+'

Regulatory & Statutory Compliances

During the Financial Year under review, the RBI and NHB have issued various notifications, circulars and guidelines to Housing Finance Companies.

The circulars and the notifications issued by RBI and NHB were also placed before the Board of Directors at regular intervals to update the Board Members and report on actions initiated on the same, and your Company has adhered to all the Circulars, Notifications and Guidelines issued by RBI and NHB from time to time.

The Government of India has set up the Central Registry of Securitization, Asset Reconstruction and Security Interest of India (CERSAI) under Section 21 of the SARFAESI Act, 2002 to have a central database of all mortgages created by lending institutions. The object of this registry is to compile and maintain data relating to all transactions secured by mortgages. Accordingly, your Company is registered with CERSAI and has been submitting data in respect of its loans.

Your Company is also in compliance with the provisions of the Companies Act, 2013 ("the Act") including the Secretarial Standards, SEBI LODR Regulations and other applicable statutory requirements.

During the Financial Year, no penalty was imposed on the Company by any regulator/ supervisor/ enforcement authority.

DEPOSITS

During the Financial Year under review, your Company has neither invited nor accepted nor renewed any fixed deposits from public within the meaning of Chapter V of the Act read with the Companies (Acceptance of Deposits) Rules, 2014. Therefore, the disclosure in terms of RBI Master Directions is not required.

AWARDS AND RECOGNITION

- Mr. Sushil Kumar Agarwal, Managing Director & CEO of the Company was conferred with the prestigious **EY (Ernst and Young) Entrepreneur of the Year Award** in the Financial Services category. The award ceremony held virtually on March 25, 2021 where it celebrated 'The Unstoppables' winners who stand for extraordinary stories of a strong mission and purpose backed with continuous innovation in their respective category.
- Your Company continued to enjoy following ISO certifications for its key customer facing departments and workflow processes from TUV Nord India reflecting the superior customer experience:

  ISO 9001:2015 for Lending process; e-disbursements and client servicing including Grievance Redressal Mechanism and;

  ISO 10002:2014 for customer satisfaction and complaint handling process.

RESOURCE MOBILIZATION

Your Company's overall borrowing is guided by a policy duly approved by the Board of Directors. Your Company has vide Special Resolution passed on July 22, 2020, under Section 180 (1) (c) of the Act, authorized the Board of Directors to borrow money upon such terms and conditions as the Board may think fit in excess of the aggregate of paid up share capital and free reserves of the Company up to an amount of ₹12,500 crore and the total amount so borrowed shall remain within the limits as prescribed by RBI.

Your Company manages its borrowing structure through prudent asset-liability management and takes various measures, which include diversification of the funding sources, tenure optimization, structured interest rates and prudent timing of borrowing to maintain its borrowing cost at optimum level.

During the Financial Year under review, your Company continued to diversify its funding sources by exploring the Debt Capital Market through private placement of Secured NCDs to Mutual Funds and Banks, NHB Refinance, Securitization/ Direct assignment and banking products like Priority Sector/ Non-Priority Sector Term Loans, Cash Credit Facilities and Working Capital Demand Loans.

The weighted average borrowing cost as at March 31, 2021 was 7.40% (including Securitization/ Assignment) as against

8.44% as at the end of the previous Financial Year. As at March 31, 2021, your Company's sources of funding were primarily in the form of long Term Loans from Banks and Financial Institutions (34.1%), followed by Securitization/Direct assignment (24.3%), NHB Refinance (22.7%), NCDs issued to Multilateral/ Development Financial Institutions (11.0%), NCDs issued to Banks and Domestic Financial Institutions (4.3%), Masala Bonds issued to Multilateral Institutions (2.4%) and Subordinated Debts (1.2%).

Term Loans from Banks and Financial Institutions

The Company, during the Financial Year, received aggregate fresh loan sanctions amounting to ₹1550 crore and has availed loans aggregating to ₹840 crore. The outstanding term loans from Banks and Financial Institutions as at March 31, 2021 were ₹2818.98 crore with average tenure of 9.12 years.

Securitization/Assignment of Loan Portfolio

Your Company has actively tapped Securitization/Direct Assignment market, which has enabled it to create liquidity, reduce the cost of funds and minimizing asset liability mismatches.

During the Financial Year under review, your Company received purchase consideration of ₹549.59 crore from assets assigned in pool buyout transactions.

The pool buyout transactions were carried out in line with RBI guidelines on Securitization of Standard Assets and securitized assets were de-recognized in the books of the Company.

Refinance from National Housing Bank (NHB)

NHB continued to extend its support to your Company through refinance assistance and during the Financial Year under review, your Company has received fresh sanction of refinance assistance of ₹850 crore under the NHB refinance scheme and ₹366 crore under Special Refinance Scheme. Your Company availed funds of ₹1161 crore under various Refinance Scheme such as for Affordable Housing Fund, Regular Refinance Scheme and Special refinance Facility. Total outstanding refinance at the end of the current Financial Year stood at ₹1872.39 crore (previous year ₹951.29 crore).

Non-Convertible Débentures (NCDs)

During the Financial Year under review, your Company diversified its borrowing by raising funds through NCDs from banks. During the previous Financial Year, the Company's funding through NCDs were as following:

I. Multilateral/Development Financial Institutions

As on March 31, 2021, the Company's outstanding NCDs stood at ₹911.38 crore as compared to ₹909.86 crore as on March 31, 2020.

II. Domestic Financial Institutions

As on March 31, 2021, the Company's outstanding NCDs from Domestic Financial Institutions stood at ₹109.41 crore as compared to ₹59.92 crore as on March 31, 2020. Your Company's Debentures are listed on Wholesale Debt Market segment of the BSE Ltd.

III. Banks

During the Financial Year under review, your Company issued Rated, Secured, Listed and Redeemable NCD's to Kotak Mahindra Bank and Central Bank of India.

As on March 31, 2021, the Company's outstanding NCDs from Banks stood at ₹244.9 crore as compared to ₹ Nil as on March 31, 2020. Your Company's Debentures are listed on Wholesale Debt Market segment of the BSE Ltd.

As on March 31, 2021, Your Company's outstanding subordinated debt in the form of NCDs stood at ₹ 99.74 crore as compared to ₹ 99.66 crore as on March 31, 2020.

Your Company has not issued any Commercial Paper & Short-Term Instrument during the Financial Year 2020-21 and as on March 31, 2021, the Company's Commercial Paper outstanding is NIL.

Masala Bonds issued to Multilateral/Development Financial Institutions

As on March 31, 2021, your Company's outstanding balance of Masala Bonds issued to Multilaterals stood at ₹ 198.97 crore.

During the Financial Year under review, the interest on Non-Convertible Debentures and Masala Bonds issued on private placement basis were paid by the Company on their respective due dates and there was no instance of interest amount not claimed by the investors or not paid by the Company.

Your Company, being listed HFC, is exempted from the requirement of creating Debenture Redemption Reserve (DRR) on privately placed debentures. Therefore, your Company has not created DRR. Further the requirement to invest or deposit a sum of not less than 15% of the amount of debentures which are maturing during the year, ending on March 31 of the next year as provided under Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014 has been done away for listed Companies vide notification of Ministry of Corporate Affairs ("MCA") dated June 05, 2020.

Disclosure under Chapter XI-Guidelines on Private Placement of Non-Convertible Debentures (NCDs) of RBI Master Directions:

(i) The total number of NCDs which have not been claimed by the Investors or not paid by the Company after the date on which the non-convertible debentures became due for redemption: Nil

(ii) The total amount in respect of such debentures remaining unclaimed or unpaid beyond the date referred to in Paragraph (i) as aforesaid: Nil

Debenture Trustees

Debenture Trust Agreement(s) were executed in favour of IDBI Trusteeship Services Limited and Catalyst Trusteeship Limited for NCDs issued by the Company on private placement basis.

BRANCH EXPANSION

Your Company has been successful in continuous expansion of its branch network with a view to support its growth, deeper penetration in the states in which the Company operates and enhancing customer reach. During the Financial Year under review, the Company added 30 more branches and thereby expanded its branch network to 11 states with 280 branches as of March 31, 2021. Your Company now operates in Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Chhattisgarh, Delhi, Uttar Pradesh, Uttarakhand, Punjab and Himachal Pradesh. Your Company has its Registered Office in Jaipur, Rajasthan, and its branch network as on March 31, 2021 vis-à-vis the previous Financial Year is detailed hereunder:

State	Branches (As on March 31, 2021)	Branches (As on March 31, 2020)
Rajasthan	95	88
Maharashtra	44	42
Gujarat	39	37
Madhya Pradesh	40	36
Haryana	15	14
Chhattisgarh	7	5
Delhi	4	4
Uttar Pradesh	21	15
Uttarakhand	9	8
Punjab	2	1
Himachal Pradesh	4	-
Total number of branches	280	250

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of the Company comprises nine Directors, consisting of three Independent Directors (including two Women Directors), five Non-Executive Nominee Directors and a Managing Director and CEO as on March 31, 2021 who bring in a wide range of skills and experience to the Board.

The Board of Directors of the Company comprises:

Name of the Director	Designation	DIN
Mr. Sandeep Tandon	Chairperson and Independent Director	00054553
Mr. Sushil Kumar Agarwal	Managing Director and CEO	03154532
Mrs. Kalpana Iyer	Independent Director	01874130
Mrs. Soumya Rajan	Independent Director	03579199
Mr. Ramchandra Kasargod Kamath	Non-Executive Nominee Director	01715073
Mr. Vivek Vig	Non-Executive Nominee Director	01117418
Mr. Nishant Sharma	Promoter Nominee Director	03117012
Mr. Manas Tandon	Promoter Nominee Director	05254602
Mr. Kartikeya Dhruv Kaji	Promoter Nominee Director	07641723

The Independent Directors have confirmed that they satisfy the criteria prescribed for Independent Directors as stipulated in the provisions of the Section 149(6) of the Act and Regulation 16(1)(b) & 25 of SEBI LODR Regulations. The names of all the Independent Directors of the Company have been included in the Independent Director's databank maintained by Indian Institute of Corporate Affairs ("IICA"). The Company has obtained declaration of independence from all the Independent Directors of the Company. None of the Directors have any pecuniary relationship or transactions with the Company. None of the Directors of the Company are related to each other and have confirmed that they are not disqualified from being appointed as Directors in terms of Section 164 of the Act and are not debarred from holding the office of Director by virtue of any SEBI order or any other such authority. Your Company has also obtained a certificate from a Company Secretary in practice confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by SEBI/MCA or any such statutory authority. The same forms part of this Annual Report as '**Annexure-1**'.

Appointment & Resignation of Directors

Appointments

During the Financial Year under review, the Board at its Meeting held on May 14, 2020 reappointed Mr. Sandeep Tandon, Independent Director of the Company as Chairperson of the Board with effect from conclusion of Tenth Annual General Meeting ('AGM') of the Company held on July 22, 2020, who shall hold office up to the date of ensuing AGM.

The Members of the Company at 10th AGM held on July 22, 2020 had approved the appointment of Mrs. Soumya Rajan as an Independent Director of the Company not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years effective from August 29, 2019 till August 28, 2024.

Reappointments

The Board at its Meeting held on April 29, 2021, on the basis of recommendation of Nomination & Remuneration Committee, reappointed Mrs. Kalpana Iyer as an Independent Director of the Company not liable to retire by rotation, to hold office for a second term of 5 consecutive years effective from June 23, 2021. Her reappointment is being proposed at the ensuing AGM of the Company. Mrs. Iyer presently serving as Chairperson of Audit Committee and Member of CSR Committee. Your Board believes that it would be in the beneficial interest of the Company to continue to avail her services as an Independent Director viewing her vast experience and contribution to the Company. Her reappointment as an Independent Director of the Company is placed before the Shareholders for consideration and approval.

Resignation or Retirement

During the Financial Year under review, none of the Directors of the Company resigned from the Board of the Company.

Directors Retiring by Rotation

Pursuant to the provisions of Section 152 of the Act, Mr. Kartikeya Dhruv Kaji and Mr. Manas Tandon, Promoter Nominee Directors of the Company, retired and being eligible, were re-appointed with the approval of Members at the 10th AGM held on July 22, 2020.

Further, in accordance with the provisions of the Act, Mr. Nishant Sharma, Promoter Nominee Director and Mr. Vivek Vig, Nominee Director of the Company are liable to retire by rotation at the ensuing 11th AGM of the Company. They are eligible and have offered themselves for re-appointment. Resolutions for their reappointment are being proposed at the 11th AGM and their Profiles are included in the Notice of the 11th AGM.

Appointments/Resignations of the Key Managerial Personnel (KMP)

Mr. Sushil Kumar Agarwal- MD and CEO, Mr. Ghanshyam Rawat- Chief Financial Officer and Mr. Sharad Pathak- Company Secretary and Compliance Officer are the KMP in terms of Section 2(51) of the Act.

No KMP has been appointed or resigned from the Company during the Financial Year under review.

Disclosure under Section 197(14) of the Act

The MD and CEO of the Company has not received any commission from the Company's holding or subsidiary company.

Number of Board Meetings held during the Financial Year

During the Financial Year 2020-21, 4 (Four) Board Meetings were convened and held through Video Conference facility. By taking precautionary measures against COVID-19, MCA has allowed holding Meetings through Video Conferencing. MCA issued circulars to extend the time period for conducting Board Meetings through Video Conference /Other Audio-Visual Means for approving financial statements, Board's Report, Prospectus and other restricted agenda items by its notifications dated March 18, 2020, June 23, 2020, September 28, 2020 and December 30, 2020 respectively. MCA as a onetime relaxation extended the gap between two consecutive meetings of the Board to 180 days instead of 120 days as required under the Act, but your Company standing by its philosophy, complied with all the earlier provisions and the Board Meetings were scheduled with a gap, not exceeding 120 days between any two Meetings during the year under review. The details related to the Board Meetings are appended in Corporate Governance Report forming part of this Report.

The Notice and Agenda including all material information and minimum information required to be made available to the Board under Regulation 17 read with Schedule II Part-A of the SEBI LODR Regulations, were circulated to all Directors, well within the prescribed time, before the Meeting or placed at the Meeting.

Performance Evaluation of the Board

Your Company is following the most effective way to ensure that Board Members understand their duties and adopt good governance practices. In furtherance to this, the Directors of your Company commit to act in good faith to promote the objects of the Company for the benefit of its Employees, the Stakeholders including Shareholders, the Community and for the protection of environment.

Your Company has defined the manner of evaluation as per the provisions of the Act, SEBI LODR Regulations for the Evaluation of performance of the Board, Committees of Board & Individual Directors.

The above manner is based on the Guidance Note on Board Evaluation issued by SEBI on January 05, 2017.

Further, your Company is adhering to the Fit and Proper Criteria as laid down under RBI Master Directions and also has in place a Board approved Policy for ascertaining the same at the time of appointment of Directors and on a continuing basis.

The Board carried out the evaluation of Directors performance and its own performance and Statutory Board Committees namely, Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility ("CSR") Committee, Stakeholders Relationship Committee and Risk Management Committee and all the Independent Directors without the presence of the Director being evaluated. The Board expressed its satisfaction on performance evaluation.

During the Financial Year under review, a separate Meeting of the Independent Directors was held on October 16, 2020, without the attendance of Non-Independent Directors and the Management of the Company to review the performance of the Non-Independent Directors and the Board as a whole, after assessing the quality, quantity and timeliness of flow of information between the Management and the Board which is necessary for the Board to effectively and reasonably perform its duties.

Major aspects of Board evaluation included who is to be evaluated, process of evaluation including laying down of objectives and criteria to be adopted for evaluation of different persons, feedback to the persons being evaluated and action plan based on the results. The manner in which the evaluation has been carried out, has been explained in the Report on Corporate Governance forming part of this Report as '**Annexure-2**'. As required under the SEBI LODR Regulations, a certificate from Mr. Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS 3355), partner of M/s V. M. & Associates, Company Secretaries, certifying that the Company has complied with the provisions of Corporate Governance as stipulated by SEBI LODR Regulations has been obtained. The said certificate forms part of the Directors' Report as '**Annexure-3**'.

Company's Policy on Director's Appointment, Remuneration & Evaluation

The Board on the recommendation of the Nomination & Remuneration Committee adopted a 'Policy on Nominations & Remuneration for Directors, Key Managerial Executives, Senior Management and Other Employees', which, inter-alia, lays down the criteria for identifying the persons who are qualified to be appointed as Directors and/or Senior Management Personnel of the Company, along with the criteria for determination of remuneration of Directors, KMPs, Senior Management and other employees and their evaluation and includes other matters, as prescribed under the provisions of Section 178 of the Act and SEBI LODR Regulations.

The 'Policy on Nominations & Remuneration for Directors, Key Managerial Executives, Senior Management and Other Employees' ("Remuneration Policy") of the Company is placed on the website of the Company.

The Remuneration paid to the Directors is in line with the Remuneration Policy of the Company. Details of Remuneration paid to all the Directors during the Financial Year 2020-21 is more particularly defined in Annual Return in form 'MGT-7' as available on the website of the Company and can be accessed at https://www.aavas.in/investor-relations/annual-reports.

The Nomination & Remuneration Policy can be accessed through the following link https://www.aavas.in/remuneration-policy.

COMMITTEES OF THE BOARD

The Company has the following Nine (9) Board level Committees, which have been constituted in compliance with the requirements of the business and relevant provisions of applicable laws and statutes:

1. Audit Committee
2. Nomination & Remuneration Committee (NRC)
3. Stakeholders Relationship Committee (SRC)
4. Corporate Social Responsibility (CSR) Committee
5. Risk Management Committee (RMC)
6. Asset Liability Management Committee (ALCO)
7. IT Strategy Committee
8. Executive Committee
9. Customer Service & Grievance Redressal (CS&GR) Committee

During the Financial Year under review, all recommendations made by above Committees were accepted by the Board.

The details with respect to the composition, terms of reference, number of Meetings held, etc. of these Committees are given in the Report on Corporate Governance, which forms part of this Report.

EMPLOYEE STOCK OPTION (ESOP) SCHEMES

ESOP-2020

During the Financial Year under review, 'Equity Stock Option Plan for Employees 2020' ("ESOP-2020") has been approved by Members in the 10th AGM of the Company held on July 22, 2020.

The ESOP-2020 empowers the Board and Nomination & Remuneration Committee to execute the scheme.

During the Financial Year under review, there have been no changes in the scheme.

Other ESOP Schemes

Sl. No.	Particulars	Equity Stock Option Plan for Employees 2016	Equity Stock Option Plan for Management Team 2016	Equity Stock Option Plan for Directors 2016	ESOP 2019
A	Date of Shareholders' approval	The Schemes was approved by the Shareholders of the Company by a Special Resolution passed on February 22, 2017.			The scheme was approved by the Shareholders of the Company by a Special Resolution passed on August 01, 2019.
B	Authorization	The schemes empowers the Board and Nomination & Remuneration Committee to execute the scheme.			
C	Variation (if any)	During the Financial Year under review, there have been no changes in the schemes.			

All the above stated ESOP plans are in compliance with the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ('SEBI SBEB Regulations').

The Nomination & Remuneration Committee monitors the ESOP Schemes in compliance with the Act, SEBI SBEB Regulations and SEBI LODR Regulations. The Company shall make available at the ensuing AGM a certificate received from its Auditors confirming that the above ESOP Schemes have been implemented in accordance with the SEBI SBEB Regulations and are as per the Resolutions passed by the Members of the Company for the inspection of the Members of the Company by electronic means. The disclosures as required under the SEBI SBEB Regulations have been placed on the website of the Company at https://www.aavas.in/investor-relations/annual-reports.

AUDITORS

Statutory Auditors

M/s S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No: 101049W/E300004) Statutory Auditors of the Company were appointed by the Members of the Company in the 7th AGM of the Company held on July 26, 2017 to hold office as Statutory Auditors from conclusion of the 7th AGM to the conclusion of 12th AGM of the Company to be held in the Calendar Year 2022.

The RBI on April 27, 2021 issued the fresh guidelines for appointment of Statutory Auditors. The provisions of guidelines states that Statutory Audit firm is required to be rotated after completion of a period of 3 years. The guidelines have to be adopted from the second half of Financial Year 2021-22 onwards. Since M/s S.R. Batliboi & Associates LLP, Chartered Accountants has completed the specified time period as the Statutory Auditors, the Company would have to appoint new audit firm for conducting the Statutory Audit for a continuous period of three years from Financial Year 2021-22. The Company is in the process of identifying suitable audit firms and the requisite approval of the Members will be sought at a future date. Meanwhile, the existing Statutory Audit firm will continue to act as Statutory Auditors of the Company as per above mentioned RBI guidelines.

Auditors' Report

The Statutory Auditors have not made any adverse comments or given any qualification, reservation or adverse remarks or disclaimer in their Audit Report on the Financial Statements for the Financial Year 2020-21 and the Report is self-explanatory.

Further, the Statutory Auditors have not reported any fraud in terms of Section 143(12) of the Act.

Secretarial Auditors and Secretarial Audit Report

In accordance with Section 204 of the Act and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, M/s V. M. & Associates, Company Secretaries (Firm Registration No: P1984RJ039200) were appointed as Secretarial Auditors to conduct the Secretarial Audit of the Company for the Financial Year 2020-21. The Report of Secretarial Auditors for the Financial Year 2020-21 is annexed to this Report as '**Annexure-4**'.

The Report of Secretarial Auditors is self-explanatory and there were no observations or qualifications or adverse remarks in their Report.

Further, the Secretarial Auditors have not reported any fraud in terms of Section 143(12) of the Act.

The Board of Directors of the Company at its meeting held on April 29, 2021, appointed M/s. Chandrasekaran Associates, Practicing Company Secretaries as Secretarial Auditors of the Company for the Financial Year 2021-22.

INTERNAL AUDIT & INTERNAL FINANCIAL CONTROL AND ITS ADEQUACY

Your Company has an Internal Audit Department supported by Independent Internal Auditors who conduct comprehensive audit of functional areas and operations of the Company to examine the adequacy of compliance with policies, procedures, statutory and regulatory requirements.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company.

Significant audit observations and corrective actions thereon are presented to the Audit Committee at periodic intervals.

The Audit Committee reviews and evaluates adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

The Audit Committee and Board of Directors have approved a documented framework for the internal financial control to be followed by the Company and such policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information and disclosures. The Audit Committee periodically reviews and evaluates the effectiveness of internal financial control system.

MATERIAL CHANGES/EVENTS AND COMMITMENTS, IF ANY

There are no material changes and commitments affecting the financial position of the Company, which have occurred after March 31, 2021 till the date of this report.

There has been no change in the nature of business of your Company.

No significant or material orders have been passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and / or the Company's operations in future.

MAINTENANCE OF COST RECORDS

Being an HFC, the Company is not required to maintain cost records as per sub-section (1) of Section 148 of the Act.

INFORMATION TECHNOLOGY

Technology is a key enabler and backbone of the Company's business operations. Your Company has created robust technology framework for seamlessly conducting all its business operations across sourcing, underwriting, disbursement, collections, and customer service functions. 'Customer First' has been the theme for Financial Year 2020-21, as a part of which, the Company has taken several initiatives to deliver greater customer experience by leveraging multiple digital channels and it has helped service our customers uninterruptedly even during multiple lockdowns.

Employees of the Company are equipped with technology systems to service customers without location constraints. Multi-lingual call center teams of the Company are able to operate remotely and service customers from wherever they are.

Your Company worked in connecting with existing Customers, Employees and business partners by involving them to refer business leads under various referral programs. It leveraged the power of technology with a seamless flow of information across frontline digital systems and backend operational systems to make this possible. This led to a swifter conversion of leads to loans and resulted in gradual increase in volume of lead flow and disbursements through such emerging channels.

Your Company strongly believes that technology will continue to be a key business enabler going forward and it would like to leverage new-age technologies to the best possible level.

The RBI has mandated the applicability of Master Direction - Information Technology Framework for the NBFC Sector dated June 08, 2017 on HFCs in order to enhance the safety, security, efficiency in processes leading to benefits for HFCs and their customers.

Your Company is in compliance with the aforesaid guidelines.

Your Company conducts audit of its IT systems through external agencies at regular intervals. The external agencies' suggestions and recommendations are reported to the IT Strategy Committee and Audit Committee and implemented wherever found feasible.

FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Familiarization Programme of your Company aims to familiarize Independent Directors with the Housing industry scenario, the Socio-economic environment in which your Company operates, the business model, the operational and financial performance of your Company, to update the Independent Directors on a continuous basis on significant developments in the Industry or regulatory changes affecting your Company, so as to enable them to take well informed decisions in a timely manner. The familiarization programme also seeks to update the Independent Directors on their roles, responsibilities, rights and duties under the Act and other relevant legislations.

The details of the familiarization programmes have been hosted on the website of the Company and can be accessed via the following link: https://www.aavas.in/familiarization-programme.

HUMAN RESOURCE DEVELOPMENT

Your Company's success depends largely upon the quality and competence of its human capital. Attracting and retaining talented professionals is therefore a key element of the Company's strategy and a significant source of competitive advantage.

Your Company has a team of dedicated individuals and qualified professionals like Chartered Accountants, Management Professionals, Company Secretaries, Lawyers, Engineers and

Software Developers having academic qualifications from various premier institutions and relevant industry experience to strengthen and grow the business of the Company. Across all its business operations, your Company had a workforce of 4336 permanent employees as on March 31, 2021.

Your Company provides induction training to all its new recruits to help them better understand the mission, vision and values of the Company and to help them align with its culture. The Company has been organizing regular in-house training programmes for all its employees besides also nominating employees to attend external training programmes across various specialied functions. Further, the Company sponsors its employees to pursue professional courses from reputed institutes such as Indian Institutes of Management to ensure career enrichment and personal development.

The outbreak of COVID-19 pandemic resulted in lot of fear, insecurity and desperation across the world. During these tough times, the Company prioritized safety and wellbeing of its employees. In strict adherence to the local guidelines, the Company incorporated a culture of social distancing across all its branches and allowed employees to work from home. The Company also engaged doctors, who were readily available on-call for employees seeking medical advice. The Company offered cashless medical facilities and assistance in cases where any employee or family member tested COVID positive, including treatment at home, hospitalization, plasma arrangement and medicines. While a lot of work was being done virtually, the Company also made sincere efforts to keep in touch with employees and inquire about their wellbeing with the help of HR Connect and COVID-awareness webinars.

During the Financial Year under review, your Company implemented COVID-19 relief policies for its employees. In case any employee contracts COVID-19, the policy provides for reimbursement of COVID-19 testing expenses and financial assistance for medical treatment. In case of an eventuality of death of an employee due to COVID-19, the policy provides for Ex-gratia payment of monthly support to the family of deceased employees up to 24 months, compassionate employment to Spouse or Adult Child (18 Years & above) of deceased employee on merit and early vesting of ESOPs. In addition, all the Company's employees are covered under Group Term Life Insurance Plan, which provides an adequate safeguard to family of deceased employees

RISK MANAGEMENT FRAMEWORK

Your Company has in place a Board constituted Risk Management Committee. The details of the Committee and its terms of reference are set out in the Corporate Governance Report forming part of this Report.

Your Company has Board approved Risk Management Policy wherein risks faced by the Company are identified and assessed. Your Company has set up a policy framework for ensuring better management of various risk associated with the business. The principle business risks (assessed function-wise) are credit risk, concentration risk, market risk, asset-liability management risk, liquidity risk and reputation risk. These are measured and reported to the Risk Management Committee on a quarterly basis.

Your Company gives due importance to prudent lending practices and has put in place suitable measures for risk mitigation, which include, verification of credit history from credit information bureaus, personal verification of customer's business place and residence, in house technical and legal verification, conservative loan to value parameters, and insurance coverage. The Risk management framework of your Company seeks to minimize adverse impact of risks on the key business objectives and enables your Company to leverage market opportunities effectively.

In compliance with the clause 51 of Chapter IX- Corporate Governance of Non-Banking Financial Company –Housing Finance Company (Reserve Bank) Directions, 2021, Mr. Ashutosh Atre is designated as Chief Risk Officer (CRO) of the Company who has direct reporting to MD & CEO of the Company.

In accordance with the above referred directions, 4 (Four) separate Meetings were held between Mr. Atre and the Board without the presence of MD and CEO of the Company.

During the Financial Year under review, the Risk Management Committee reviewed the risks associated with the business of your Company, undertook its root cause analysis and monitored the efficacy of the measures taken to mitigate the same.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

Your Company believes in conducting its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. Your Company is committed to develop a culture, which provides a platform to Directors and employees to raise concerns about any wrongful conduct.

The Board of Directors has approved the vigil mechanism/ whistle blower policy of the Company, which provides a framework to promote a responsible and secure whistle blowing. It protects Directors/ employees wishing to raise a concern about serious irregularities within the Company. It provides for a vigil mechanism to channelize reporting of such instances/ complaints/ grievances to ensure proper governance. The Audit Committee oversees the vigil mechanism. Employees have been facilitated direct access to the Chairperson of Audit Committee, if need be. The whistle blower policy is placed on the website of the Company and can be accessed at https://www.aavas.in/vigil-mechanism-policy.

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013 READ WITH RULES

Your Company has zero tolerance towards any action on the part of any of its employees, which may fall within the ambit of 'Sexual Harassment' at workplace. Your Company recognizes and promotes the right of women to get protection from sexual harassment and the right to work with dignity as enshrined under the Constitution of India and the Convention on the Elimination of all forms of Discrimination against Women (CEDAW).

Pursuant to the requirements of Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 read with Rules there under, the Internal Complaints Committee of the Company has not received any complaint of sexual harassment during the Financial Year under review.

The following is a summary of sexual harassment complaints received and disposed of during the Financial Year 2020-21:

No. of complaints received: Nil

No. of complaints disposed of: Nil

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING IN COMPANY'S SECURITIES

Your Company has formulated Code of Conduct for Prevention of Insider Trading in Company's Securities ('Code') in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The objective of this Code is to protect the interest of Shareholders at large, to prevent misuse of any price sensitive information and to prevent any insider trading activity by way of dealing in securities of the Company by its Designated Persons. Mr. Sharad Pathak, Company Secretary and Compliance Officer of the Company is authorized to act as Compliance Officer under the Code.

PARTICULARS OF HOLDING/SUBSIDIARY/ ASSOCIATE COMPANIES

Your Company doesn't have any holding company.

The Shareholder having the substantial interest in the Company is Lake District Holdings Limited.

As on March 31, 2021, your Company has one unlisted wholly owned subsidiary named 'AAVAS FINSERV LIMITED'. The subsidiary Company has not started any business operations as on the date of this Report.

Pursuant to the provisions of Section 129(3) of the Act, your Company has prepared Consolidated Financial Statements of the Company, which forms part of this Annual Report. Further, a Statement containing salient features of financial statements of the Subsidiary, in the prescribed format AOC-1, pursuant to Section 129(3) of the Act read with the Companies (Accounts) Rules, 2014, is annexed as '**Annexure-6**' to this Report.

In accordance with Section 136 (1) of the Act, the Annual Report of your Company containing inter alia, Financial Statements including consolidated Financial Statements, has been placed on our website: www.aavas.in. Further, the Financial Statements of the subsidiary have also been placed on our website: www.aavas.in.

INVESTOR RELATIONS

Your Company has an effective Investor Relations Program through which the Company continuously interacts with the investment community through various communication channels viz Periodic Earnings Calls, Annual Investors/Analysts Day, Individual Meetings, Videoconferences, Participation in conferences, One-on-One interaction.

Your Company ensures that critical information about the Company is made available to all its investors by uploading such information on the Company's website under the Investors section. Your Company also intimates stock exchanges regarding upcoming events like earnings calls, declaration of quarterly & annual earnings with financial statements and other such matters having bearing on the share price of the Company.

EMPLOYEE REMUNERATION

The statement containing particulars of employees as required under Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, annexed as '**Annexure-7**' to the Directors' Report.

In accordance with the provisions of Rule 5(2) of the above-mentioned rules, the names and particulars of the top ten employees in terms of remuneration drawn are set out in the Annexure to this report. In terms of the provisions of Section 136(1) of the Act, the Directors' Report including the said annexure is being sent to all Shareholders of the Company.

CSR INITIATIVE

In line with the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules 2014, Aavas Foundation- a Public Charitable Trust settled by the Company for the purpose of carrying its CSR Activities has undertaken various CSR projects in the area of health care, promoting gender equality, empowering women, education, promoting traffic rules, regulation and road safety, providing safe drinking water and promoting Sports which are in accordance with the Schedule VII of the Act and CSR Policy of the Company.

The national and local impact of the COVID-19 crisis was highly heterogeneous, with significant implications for crisis management and policy responses not only at the company level but also at community level. The Company being a responsible Corporate has supported the community since lockdown. It focuses its CSR efforts on such areas where it could provide maximum benefits to adversely affected groups. During the previous Financial Year, it worked with Government Medical department towards arranging and supplying oxygen concentrators, PPE kits, sanitizers and masks and gloves to corona warriors, supplying cooked food to impacted community, starting awareness programs and producing more than 80,000 cotton masks for distribution in the community, with the help of women residing in rural areas, in order to support their livelihood. The Company devoted its best efforts to support migrant workers and others who suffered the most during lockdown.

The Company shall continue its engagement with stakeholders including NGOs, professional bodies/ forums and the Government and would take up such CSR activities in line with the Government's intent, to maximize the support to societies affected due to COVID-19 pandemic.

The Annual Report on CSR Activities, which forms part of the Directors' Report, is annexed as '**Annexure-8**' to this report.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the provisions of Sec 134 (3) (m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 the requisite information relating to your Company are as under:

A) Conservation of energy:

(i) The Steps taken / impact on conservation of energy:

The operations of the Company, being financial services do not require intensive consumption of electricity. However, your Company is taking necessary steps to reduce its consumption of energy.

(ii) The Steps taken by the Company for utilizing alternate sources of energy:

Your Company has procured the Energy Saving Green IT Equipments and power saving lamps, LEDs that have been installed in branches as a measure for conservation of energy. Your Company has installed High-end Copier Machine in High Print volume in Branches to reduce the Carbon Footprint.

As a part of Save Green efforts, a lot of paper work at branches and the registered office has been reduced by suitable leveraging of technology and promoting digitization.

(iii) The Capital investment on energy conservation equipment:

In view of the nature of the activities carried on by your Company, there is no capital investment on energy conservation equipment.

B) Technology absorption:

(i) the efforts made towards technology absorption:

The Company took a major leap in terms of technology integrations in customer service, which resulted in automation of partial disbursement flow and enabled the customers to request their next disbursal tranche while sitting in the comfort of their homes. It has real time connection with the Bharat Bill Payment System (BBPS) and customers of the Company can now pay their dues digitally through various UPI Payment Apps in India.

As the Company took steps forward in Digitization, it is proud to state that more than 25% of our customer service requests are addressed via various digital channels and a significant volume of loan enquiries are flowing through digital channels, given the nature of customer segment that we are serving.

The Company amalgamated technology with advanced analytics, having launched a variety of machine-learning and AI-powered tools from early days to assess risks and probability of defaults. Its enterprise data and analytics platforms give real time view of the business and enable to track productivity at every level. It has adopted a highly advanced technology governance standards and cyber security framework as per industry best practices.

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution: The Company consistently monitored its cost-to-income ratio, leveraging economies-of-scale, increasing manpower productivity with growing disbursements through the enhanced use of information technology systems, resulting in quicker loan turnaround time and reducing transaction costs.

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year)

a) the details of technology imported: N.A.

b) the year of import: N.A.

c) whether the technology has been fully absorbed: N.A.

d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: N.A.

(iv) the expenditure incurred on Research and Development: N.A.

C) Foreign exchange earnings and Outgo:

During the Financial Year under review, your Company had no foreign exchange earnings and the aggregate of the foreign exchange outgo during the Financial Year under review was ₹1,829.26 lakh. The aforesaid details are shown in the Note No. 39 of notes to the accounts, forming part of the Standalone Financial Statements. The Members are requested to refer to this Note.

BUSINESS RESPONSIBILITY REPORTING

As required under Regulation 34(2)(f) of SEBI LODR Regulations, Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective, forms part of this Annual Report as '**Annexure-10**'.

EXTRACTS OF ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Act, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014. The Annual Return in form MGT-7 as at March 31, 2021 is available on the website of the Company and can be accessed at https://www.aavas.in/investor-relations/annual-reports.

ADDITIONAL DISCLOSURES UNDER COMPANIES (ACCOUNTS) RULES, 2014

a. **The details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the Financial Year:**

   During the Financial Year under review, the Company has made neither any application nor any proceeding is pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016), therefore, it is not applicable to the Company.

b. **The details of difference between amount of the valuation done at the time of one-time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof.**

   During the Financial Year under review, it is not applicable to the Company.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Since the Company is an HFC, the disclosure regarding particulars of loans given, guarantees given and security provided in the ordinary course of business is exempted under the provisions of Section 186 (11) of the Act.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

In accordance with the provisions of Section 188 of the Act and rules made thereunder, the transactions entered with related parties are in the ordinary course of business and on an arm's length pricing basis, the details of which are included in the notes forming part of the financial statements.

During the Financial Year under review, your Company had not entered into any arrangements, which constitutes Related Party Transactions covered within the purview of Section 188(1) of the Act. Accordingly, requirement of disclosure of Related Party Transactions in terms of Section 134(3)(h) of the Act is provided in Form AOC-2 is not applicable to the Company.

Further as required by RBI Master Directions, 'Policy on transactions with Related Parties' is given as '**Annexure-9**' to this Report and can be accessed on the website of the Company at https://www.aavas.in/policy-on-transactions-with-related-parties.

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

During the Financial Year under review, your Company adhered to the Internal Guidelines on Corporate Governance adopted in accordance with clause 55 of chapter IX-Corporate Governance of RBI Master Directions, which inter-alia, defines the legal, contractual and social responsibilities of the Company towards its various stakeholders and lays down the Corporate Governance practices of the Company.

The said policy is available on the website of the Company and can be accessed at https://www.aavas.in/internal-guidelines-on-corporate-governance.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(3)(c) read with Section 134(5) of the Act, and based on the information provided by the Management, the Board of Directors report that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit and loss of the Company for that period.

c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

d) the Directors had prepared the annual accounts on a going concern basis.

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

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

BUSINESS OVERVIEW & FUTURE OUTLOOK

A detailed business review & future outlook of the Company is appended in the Management Discussion and Analysis Section of Annual Report.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the NHB and RBI.

Your Directors would like to acknowledge the role of all its Stakeholders viz., Shareholders, Debenture holders, Bankers, Lenders, Borrowers, Debenture Trustees and all others for the continued support, confidence and faith they have reposed in the Company amidst the ongoing COVID-19 pandemic.

Your Directors further take this opportunity to appreciate and convey their thanks to the Kedaara Capital and Partners Group for their invaluable and continued support and guidance.

Your Directors acknowledge and appreciate the guidance and support extended by all the Regulatory authorities including RBI, NHB, SEBI, MCA, Insurance Regulatory and Development Authority of India (IRDAI), Registrar of Companies-Rajasthan, BSE, National Stock Exchange of India Limited, National Securities Depository Limited and Central Depository Services (India) Limited.

Your Directors thank the Rating Agencies (ICRA, CARE and India Ratings & Research Ltd.), local /statutory authorities and all others for their whole-hearted support during the Financial Year and look forward to their continued support in the years ahead.

Your Directors also wish to place on record their appreciation for the commitment displayed by all the executives, officers, staff and the Senior Management team of the Company, in recording an excellent performance by the Company during the Financial Year.

For and on **behalf of the Board of Directors**
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: April 29, 2021
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: April 29, 2021
Place: Mumbai

Registered and Corporate Office:

201-202, 2nd Floor, South End Square,
Mansarover Industrial Area, Jaipur 302 020, Rajasthan, India
CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in | Website: www.aavas.in

Annexure – 1

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
Aavas Financiers Limited
201-202, 2nd Floor, South End Square
Mansarover Industrial Area
Jaipur- 302020 (Rajasthan)

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Aavas Financiers Limited having CIN: L65922RJ2011PLC034297 and having registered office at 201-202, 2nd Floor, South End Square, Mansarover Industrial Area, Jaipur- 302020 (Rajasthan) (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2021 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or National Housing Bank or any such other Statutory Authority.

Sr. No.	Name of the Director	DIN
1	Mr. Sushil Kumar Agarwal	03154532
2	Mr. Sandeep Tandon	00054553
3	Mr. Vivek Vig	01117418
4	Mr. Ramchandra Kasargod Kamath	01715073
5	Mrs. Kalpana Iyer	01874130
6	Mr. Nishant Sharma	03117012
7	Mrs. Soumya Rajan	03579199
8	Mr. Manas Tandon	05254602
9	Mr. Kartikeya Dhruv Kaji	07641723

Ensuring the eligibility of, for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Place: Jaipur
Date: April 29, 2021
UDIN: F003355C000205471

Annexure – 2

REPORT ON CORPORATE GOVERNANCE

Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), the report on Corporate Governance forming part of the Directors' Report for the Financial Year 2020-21 is presented below:

Company's Philosophy on Code of Governance

Corporate Governance at Aavas encompasses the structure, practices and processes adopted in every sphere of the Company's operations to provide long term value to its Stakeholders through ethical business standards. Your Company strongly believes that the spirit of Corporate Governance stretches beyond statutory assent. It believes in adopting and adhering to the best standards of Corporate Governance. The Company duly acknowledges its fiduciary role and responsibility towards all of its Stakeholders including Shareholders and strives hard to meet their expectations. The Company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all its engagements with the Stakeholders. It understands that best Board practices, transparent disclosures, ethical conduct of business and Shareholders' empowerment are necessary for creating sustainable Shareholder value.

Corporate Governance is one of the essential pillars for building an efficient and sustainable environment. Your Company follows the best governance practices with highest integrity, transparency and accountability. The Corporate Governance Philosophy of the Company is further strengthened by its adoption of Code of Conduct for the Board Members and Senior Management, the Board process, Code of Conduct for Prevention of Insider Trading in Company's Securities, Code of Fair Practices and Disclosure. Your Company recognizes that good governance is a continuing exercise and replicates its commitment to pursue highest standards of Corporate Governance.

A good Corporate Governance framework incorporates a system of robust checks and balances between key players; namely, the Board, its Committees, the management, auditors and various other Stakeholders. The role and responsibilities of each entity must be clearly defined, and transparency must be enforced at each level and at all times.

Aavas Financiers Limited **(referred as "Aavas" or "Company")** is committed to set the highest standards of Corporate Governance right from its establishment. The Company is also in compliance with Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 (hereinafter "RBI Master Directions") (including erstwhile regulations). The Company's Corporate Governance philosophy is based on the following key principles:

- Appropriate Governance Structure with defined roles and responsibilities
- Acting in the spirit of law and not just the letter of law
- Board Leadership
- Ethics/Governance Policies
- Audits and internal checks
- Trusteeship
- Fairness and Integrity
- Doing what is right and not what is convenient

Your Company recognizes and embraces the importance of a diverse Board in its success which is enriched with appropriate balance of skills, experience, diversity of perspectives, thereby ensuring effective Board governance. The Board of Directors of your Company is at the core of the Corporate Governance practices. Your Company's Corporate Governance framework ensures that it makes timely and appropriate disclosures and shares factual and accurate information.

Board of Directors ("Board")

The Board plays crucial role in overseeing how the management serves the short and long-term interests of Shareholders and other Stakeholders. This belief is reflected in Aavas governance practices, under which the Company strives to maintain an effective, informed and independent Board and keep its governance practices under continuous review. The Board represent the interests of the Company's Stakeholders, oversees and directs the Company's overall business and affairs, reviews corporate performance, authorizes and monitors strategic investments, has an oversight on regulatory compliances and Corporate Governance matters, and provides the management with guidance and strategic direction. The Board, along with its various Committees, provides leadership and guidance to the Company's management and directs, supervises and ensures functioning of the Company in the best interest of all the Stakeholders.

Non-Executive Directors, including Independent Directors, play a critical role in imparting value to the Board processes by bringing an independent judgment in the areas of strategy, performance, resource management, financial reporting, the overall standard of Company's conducts etc.

The Corporate Governance principles of your Company have been formulated to ensure that the Board remains informed, independent and diligently engage in the affairs of the Company.

The Directors attend and actively participate in Board Meetings and Meetings of the Committees in which they are Members. The Board's responsibilities include various matters, inter-alia, including:

a) Overall direction of the Company's business, including projections on capital requirements, budgets, revenue streams, expenses and profitability;

b) Review of quarterly/annual results and its business segments;

c) Compliance with various laws and regulations;

d) Addressing conflicts of interest;

e) Ensuring fair treatment of borrowers and Employees;

f) Ensuring information sharing with and disclosures to various Stakeholders, including investors, Employees and regulators;

g) Developing a corporate culture that recognizes and rewards adherence to ethical standards;

Composition of Board

Your Company's Board consists of values of collaborative spirit, unrelenting dedication, expert thinking and a primary role of trusteeship to protect and enhance Stakeholders' value through strategic supervision. The Board provides direction and exercises appropriate controls.

The Company's Board has an appropriate mix of Independent and Non-Independent Directors as well as Non-Executive and Executive Directors. The Board comprises of nine Directors, all professionals in their own right who bring in wide range of skills and experience to the Board. Brief profiles of the Directors are set out in the Board profile section of the Annual Report. All the Directors of the Company, except the Managing Director, are Non-Executive Directors. Out of the eight Non-Executive Directors, three are Independent Directors, including two Women Independent Directors. The Chairperson of the Company is a Non-Executive Independent Director and not related to the Managing Director & CEO.

None of the Directors of the Company are related to each other. All Directors are appointed by the Members of the Company. The Members of the Company at 10th AGM held on July 22, 2020 had approved the appointment of Mrs. Soumya Rajan as an Independent Director of the Company not liable to retire by rotation, to hold office for a term of 5 consecutive years effective from August 29, 2019 till August 28, 2024. None of the Directors of the Company held directorship in more than 7 listed companies. No Independent Director of the Company served as an Independent Director in more than 7 listed companies. Further, none of the Non-Executive Directors is serving as a Whole Time Director / Managing Director in any listed entity or holds independent directorship in more than three listed entities.

The composition of the Board is in conformity with the provisions of the Companies Act, 2013 (hereinafter referred as "Act") and regulatory requirements including the SEBI LODR Regulations. Further, no Director of the Company is Member in more than 10 Committees across public companies in which he/she is a Director or acting as Chairperson of more than 5 Committees across all listed companies in which he/she is a Director.

The Composition of the Board of the Company as on 31.03.2021 is given below:

Name of Director	Designation and Category	DIN	No. & (%) of Equity shares Held*	Number of other Directorships**	No of Committees***		Qualification/ Experience
					As Member	As Chairperson	
Mr. Sandeep Tandon****	Chairperson- Independent Director (Non- Executive)	00054553	-	10	2	1	Bachelor's and Master's in Electrical Engineering (More than 20 Years)
Mr. Sushil Kumar Agarwal	Managing Director & CEO (Executive)	03154532	27,46,438 (3.50%)	1	1	-	C.A. and C.S. (More than 20 Years)
Mrs. Kalpana Iyer	Director (Independent - Non- Executive)	01874130	7,608 (0.01%)	2	1	1	C.A. (More than 25 Years)

Name of Director	Designation and Category	DIN	No. & (%) of Equity shares Held*	Number of other Directorships**	No of Committees***		Qualification/ Experience
					As Member	As Chairperson	
Mrs. Soumya Rajan#	Director (Independent - Non- Executive)	03579199	-	8	1	-	PG in Mathematics (More than 23 Years)
Mr. Ramchandra Kasargod Kamath##	Nominee Director (Non- Executive)	01715073	68,497 (0.09%)	7	3	-	B.COM. (More than 30 Years)
Mr. Vivek Vig##	Nominee Director (Non- Executive)	01117418	2,88,246 (0.37%)	5	1	-	PG IIM (Bangalore) (More than 30 Years)
Mr. Nishant Sharma##	Promoter Nominee Director (Non- Executive)	03117012	-	7	-	-	Engineer and MBA (More than 14 Years)
Mr. Manas Tandon##	Promoter Nominee Director (Non- Executive)	05254602	-	5	-	-	Engineer and MBA (More than 20 Years)
Mr. Kartikeya Dhruv Kaji##	Promoter Nominee Director (Non- Executive)	07641723	-	4	4	-	MBA (More than 5 Years)

*No Convertible instruments/ securities were issued to Non-Executive Directors as on March 31, 2021.

**Number of Other Directorships includes Directorships held in Public Limited Companies, Private Limited Companies, Section 8 Companies, but excluding foreign Companies.

***For the purpose of considering the Committee Memberships and Chairmanships for a Director, the Audit Committee, and the Stakeholders' Relationship Committee of Public Limited Companies alone have been considered.

****Mr. Sandeep Tandon was appointed as the Chairperson on the Board of the Company w.e.f. July 22, 2020.

#The Members of the Company at 10th AGM held on July 22, 2020 had approved the appointment of Mrs. Soumya Rajan as an Independent Director of the Company not liable to retire by rotation, to hold office for a term of 5 consecutive years effective from August 29, 2019 till August 28, 2024.

##Mr. Nishant Sharma, Mr. Ramchandra Kasargod Kamath and Mr. Kartikeya Dhruv Kaji are appointed on behalf of Lake District Holdings Limited and Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF.

Mr. Manas Tandon and Mr. Vivek Vig are appointed on behalf of Partners Group ESCL Limited and Partners Group Private Equity Master Fund LLC.

The Board has identified the following skills/expertise/competencies fundamental for the effective functioning of the Company.

A chart or matrix setting out the skills/expertise/competence of the Board is as below:

Sr. No.	Matrix setting out the skills/expertise/ competence of the Board	1	2	3	4	5	6	7	8	9
	Name of the Director	Mr. Sandeep Tandon	Mr. Sushil Kumar Agarwal	Mrs. Kalpana Iyer	Mrs. Soumya Rajan	Mr. Ramchandra Kasargod Kamath	Mr. Vivek Vig	Mr. Nishant Sharma	Mr. Manas Tandon	Mr. Kartikeya Dhruv Kaji
	Designation	Independent Director	Managing Director & CEO	Independent Director	Independent Director	Non-Executive Nominee Director	Non-Executive Nominee Director	Non-Executive Promoter Nominee Director	Non-Executive Promoter Nominee Director	Non-Executive Promoter Nominee Director

Sr. No.	Matrix setting out the skills/expertise/ competence of the Board	1	2	3	4	5	6	7	8	9
	Gender (Male/Female)	Male	Male	Female	Female	Male	Male	Male	Male	Male
	Age (in years)	52	44	55	51	65	58	42	44	38
	Nationality (Resident/Non Resident)	Resident	Resident	Resident	Resident	Resident	Resident	Resident	Resident	Resident
1	**Technical Skills**									
	Accounting and Finance		✓	✓	✓	✓	✓	✓	✓	✓
	ALM and Risk Management		✓	✓	✓	✓	✓	✓	✓	✓
	Legal and Compliance		✓	✓	✓	✓				✓
	Information Technology and Digital	✓				✓	✓	✓	✓	✓
	Product and Sales Management	✓	✓	✓			✓			
	Strategic Development and Execution	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	**Industry Experience**									
	Financial Services sector in India and potentially also Overseas		✓	✓	✓	✓	✓	✓	✓	✓
	Housing Finance sector in India		✓			✓	✓	✓	✓	✓
	Governance: Board Role/ CEO/Senior Management*	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Government relations (Policies and Processes)		✓			✓	✓			
3	**Personal Attributes**									
	Active Contributor to the Board/Committees	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Innovative thinker/ Visionary	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Philanthropic		✓	✓	✓		✓	✓		
	Mentor	✓	✓			✓	✓	✓	✓	

The Board is satisfied that the current composition reflects an appropriate mix of knowledge, skills, experience, expertise, diversity and independence.

Directorship of Directors in Other Listed entities as on March 31, 2021

Name of Director	DIN	Name of the Listed entity	Category (Executive or Non-Executive)
Mr. Sandeep Tandon	00054553	-	-
Mr. Sushil Kumar Agarwal	03154532	-	-
Mrs. Kalpana Iyer	01874130	-	-
Mrs. Soumya Rajan	03579199	-	-
Mr. Ramchandra Kasargod Kamath	01715073	Spandana Sphoorty Financial Limited	Non- Executive (Nominee Director)
		Centrum Capital Limited	Non- Executive Director
Mr. Vivek Vig	01117418	-	-
Mr. Nishant Sharma	03117012	-	-
Mr. Manas Tandon	05254602	-	-
Mr. Kartikeya Dhruv Kaji	07641723	Spandana Sphoorty Financial Limited	Non- Executive (Nominee Director)

Board Meetings

The Meetings of the Board are usually held at Jaipur, but to take precautionary measures against COVID-19, Ministry of Corporate Affairs (MCA) has allowed holding Meetings through Video Conferencing. MCA issued circulars to extend the time period for conducting Board Meetings through Video Conference /Other Audio-Visual Means for approving financial statements, Board's report, Prospectus and other restricted agenda items by its circulars dated March 18, 2020, June 23, 2020, September 28, 2020 and December 30, 2020 respectively. MCA as a onetime relaxation, extended the gap between two consecutive meetings of the Board to 180 days instead of 120 days as required in the Act, but your Company standing by its philosophy, complied with the earlier provision and the Board Meetings were scheduled with a gap not exceeding 120 days between any two Meetings for the Financial Year under review. The Board meets at least once in a quarter to inter-alia review the Company's quarterly performance and Financial Results, assess business strategies and their implementation and also discuss policy, compliance and other matters. The Meetings are conducted in compliance with the regulatory requirements including those prescribed under the Act. In exceptional circumstances, additional Meetings are held, if necessary.

To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information and documents are made available to the Board well in advance. The Directors are informed of the items on the Agenda for every Board Meeting along with the notice to enable them to deliberate on each Agenda item and make informed decisions. All statutory and other significant matters, including the minimum information as required to be placed in terms of Schedule II- Part- A of SEBI LODR Regulations and Secretarial Standards under the Act, are placed before the Board. Detailed Agenda notes are also circulated to the Board in advance of the Meetings.

The Board met four (4) times during the Financial Year 2020-21 on May 14, 2020, August 12, 2020, October 29, 2020 and January 21, 2021. The details of the Directors along with their attendance at Board Meetings (during the Financial Year 2020-21) and Annual General Meeting ("AGM") held on Wednesday, July 22, 2020 are as given below:

Name of Directors	Designation & Category	No. of Meetings entitled to attend	No. of Meetings Present	Attendance at the last AGM held on July 22, 2020
Mr. Sandeep Tandon	Chairperson Non-Executive Independent Director	4	4	Yes
Mr. Sushil Kumar Agarwal	Managing Director & CEO (Executive)	4	4	Yes
Mrs. Kalpana Iyer	Non-Executive Independent Director	4	4	Yes
Mrs. Soumya Rajan	Non- Executive Director (Independent Director)	4	4	Yes
Mr. Ramchandra Kasargod Kamath	Non- Executive Nominee Director	4	4	Yes
Mr. Vivek Vig	Non- Executive Nominee Director	4	4	Yes
Mr. Nishant Sharma	Non- Executive (Promoter Nominee Director)	4	4	Yes
Mr. Manas Tandon	Non- Executive (Promoter Nominee Director)	4	4	Yes
Mr. Kartikeya Dhruv Kaji	Non- Executive (Promoter Nominee Director)	4	4	Yes

Independent Directors

Independent Director acts as a guide, coach, and mentor to the Company. The role of an Independent Director includes improving corporate credibility and governance standards and helping in managing risk. They provide independent oversight in the Company. Independent Directors play an important role in deliberations at the Board Meetings and bring to the Company their wide experience in the fields of finance, housing, accountancy, law and public policy. This wide knowledge of both, their field of expertise and Boardroom practices help foster varied, unbiased, independent and experienced perspectives. The Company benefits immensely from their inputs in achieving its strategic direction.

All the Committees which require Independent Directors in the composition have Independent Directors as specified in terms of the SEBI LODR Regulations, the Act and the RBI Master Directions. These Committees function within the defined terms of reference in accordance with the Act, the SEBI LODR Regulations, RBI Master Directions and as approved by the Board, from time to time.

The Independent Directors have confirmed that they satisfy the criteria prescribed for an Independent Director as stipulated in Regulation 16(1)(b) & 25 of the SEBI LODR Regulations and Section 149(6) of the Act and are independent from the management of the Company. All Independent Directors of the Company have been appointed as per the provisions of the Act and SEBI LODR Regulations. All the Independent

Directors of the Company are registered in Independent Director's databank maintained by Indian Institute of Corporate Affairs (IICA). Formal letters of appointment have been issued to the Independent Directors. The terms and conditions of appointment of Independent Directors are available on the Company's website at https://www.aavas.in/terms-and-conditions.

In the opinion of the Board, the Independent Directors fulfill the conditions specified in Schedule V of the SEBI LODR Regulations and are independent of the management. None of the Independent Directors has resigned before the expiry of their respective tenures during the Financial Year 2020-21.

Fit & Proper Criteria

The Company has formulated and adopted a Policy on Fit & Proper Criteria for the Directors as per the provisions of the RBI Master Directions. All the Directors of the Company have confirmed that they satisfy the fit and proper criteria as prescribed under the Directions issued by the RBI.

Familiarization Programmes for the Independent Directors

The familiarization programme aims to provide Independent Directors with the socio-economic environment, in which the Company operates, the business model, the operational and financial performance of the Company, to update the Independent Directors on a continuous basis on significant developments so as to enable them to take well-informed decisions in a timely manner.

The familiarization programme also seeks to update the Independent Directors on the roles, responsibilities, rights and duties under the SEBI LODR Regulations, the Act and other relevant legislations. All the Board Members of the Company are extended every opportunity to familiarize themselves with the Company, its products & services, its operations, various applicable regulatory laws & regulations including updates thereon and the overall socio- economic regime of the industry in which the Company operates. The familiarization programme for the new and continuing Independent Directors of the Company ensures valuable participation and inputs which help in bringing forth the best practices into the organization and taking informed decision(s) at the Board Level.

The details of the familiarization programme imparted to the Independent Directors of the Company are available on the Company's website at https://www.aavas.in/familiarization-programme.

Selection and Appointment of Directors

The selection and appointment of Directors of the Company is carried out in accordance with provisions of the Act and relevant rules made thereunder, Directions and Guidelines issued by RBI, National Housing Bank, SEBI LODR Regulations and as per the Policy on Nominations & Remuneration for Directors, Key Managerial Personnel (KMP), Senior Management and other Employees.

COMMITTEES OF THE BOARD

The Board has constituted a set of Committees comprising of Directors of the Company and expert senior management personnel as its Members. The Committees allow Board to divide the work of the Board into manageable sections and take informed decisions in the best interest of the Company. These Board Committees have specific terms of reference/ scope to focus effectively on the issues and ensure expedient resolution of diverse matters. These Board Committees operate as empowered agents of the Board as per their terms of reference.

During the Financial Year under review, your Company conducted all its Committee Meetings through Video Conferencing, following all norms and rules applicable for such type of Meetings. MCA has allowed companies to use the mode of video conferencing to hold Meetings to reduce the risk of Covid -19 Pandemic.

To enable better and more focused attention on the affairs of the Company, the Board delegates particular matters to the respective Committees of the Board set up for the purpose. These specialist Committees prepare the groundwork for decision-making and provide updates at the subsequent Board Meeting.

The various Committees constituted by the Board are as below:-

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility (CSR) Committee
5. Risk Management Committee
6. Asset Liability Management Committee (ALCO)
7. IT Strategy Committee
8. Executive Committee
9. Customer Service & Grievance Redressal (CS&GR) Committee

All the recommendations of the various Committees were accepted by the Board during the Financial Year.

Audit Committee

The Audit Committee has been constituted by the Company in terms of provisions of Section 177 of the Act and Regulation 18 read with Part D of Schedule II of SEBI LODR Regulations and is chaired by an Independent Director.

At present, the Audit Committee comprises of four (4) Directors as its Members, out of them three are Independent Directors, all of them being Non-Executive Directors. The composition of the Committee is in adherence to provisions of the Act, SEBI LODR Regulations and the RBI Master Directions. All the Members of the Committee are financially literate and majority of the Members including the Chairperson possess financial management expertise. The Company Secretary of the Company acts as Secretary to the Committee.

The Board have accepted and implemented the recommendations of the Audit Committee, whenever provided by it.

The functions of the Audit Committee:

The Board has formed and approved a charter for the Audit Committee setting out the roles, responsibilities and functioning of the Committee. In adherence to the provisions of the Act, SEBI LODR Regulations and all other applicable regulatory requirements, the terms of reference of the Audit Committee are covered by its charter. Its functioning inter-alia broadly includes the following:

1. to investigate any activity within its terms of reference;
2. to seek information from any Employee;
3. to obtain outside legal or other professional advice; and
4. to secure attendance of outsiders with relevant expertise, if it considers necessary.

The terms of reference of the Audit Committee includes the following:

1. oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the Financial Statements are correct, sufficient and credible;
2. recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. reviewing, with the management, the annual Financial Statements and Auditor's Report thereon before submission to the Board for approval, with particular reference to:
    a. matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub-section 3 of Section 134 of the Act;
    b. changes, if any, in accounting policies and practices and reasons for the same;
    c. major accounting entries involving estimates based on the exercise of judgment by management;
    d. significant adjustments made in the Financial Statements arising out of audit findings;
    e. compliance with listing and other legal requirements relating to Financial Statements;
    f. disclosure of any related party transactions; and
    g. qualifications in the draft Audit Report.
5. reviewing, with the management, the quarterly Financial Statements before submission to the Board for approval;
6. reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the Monitoring Agency monitoring the utilization of proceeds of public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
8. approval of any subsequent modification of transactions of the Company with related parties;
9. scrutiny of inter-corporate loans and investments;
10. valuation of undertakings or assets of the Company, wherever it is necessary;
11. evaluation of internal financial controls and risk management systems;
12. reviewing with the management, performance of Statutory and Internal Auditors, adequacy of the Internal Control Systems
13. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audits;
14. discussion with Internal Auditors of any significant findings and follow up thereon;
15. reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of Internal Control Systems of a material nature and reporting the matter to the Board;
16. discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. looking into the reasons for substantial defaults in the payment to depositors, debenture holders, Shareholders (in case of non-payment of declared dividends) and creditors;
18. reviewing the functioning of the whistle blower mechanism;

19. approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. overseeing the vigil mechanism established by our Company and the Chairperson of Audit Committee shall directly hear grievances of victimization of Employees and Directors, who use vigil mechanism to report genuine concerns;
21. carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the Board of Directors of our Company or specified / provided under the Act or by the SEBI LODR Regulations or by any other regulatory authority;
22. reviewing the utilization of loans and/ or advances from/ investment by the holding Company in the subsidiary exceeding ₹100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;
23. statement of deviations in terms of the SEBI LODR Regulations:
    a. quarterly statement of deviation(s) including report of Monitoring Agency, if applicable, submitted to Stock Exchange(s) in terms of Regulation 32 (1) of the SEBI LODR Regulations; and
    b. Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice in terms of Regulation 32 (7) of the SEBI LODR Regulations.
24. Any other power as may be given under SEBI Regulations or the Act or other regulations.

During the Financial Year 2020-21, four (4) Audit Committee Meetings were held on May 14, 2020, August 12, 2020, October 29, 2020 and January 21, 2021.The required quorum was present at all the above Meetings.

The Composition of the Audit Committee and the details of attendance of the Members at the Meetings held during the Financial Year under review are as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mrs. Kalpana Iyer	Member & Chairperson	4
Mr. Sandeep Tandon	Member	4
Mrs. Soumya Rajan*	Member	1
Mr. Ramchandra Kasargod Kamath*	Member	1
Mr. Manas Tandon**	Member	3

*Became Member w.e.f. October 29, 2020.
**Ceased to be Member from October 29, 2020.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee has been constituted by the Company in terms of the provisions of Section 178 of the Act and Regulation 19 read with Part D of Schedule II of SEBI LODR Regulations and is chaired by an Independent Director.

At present, the Nomination and Remuneration Committee comprises of four (4) Directors as its Members, all of them being Non-Executive Directors and fifty percent being Independent Directors. The composition of the Committee is in adherence to the provisions of the Act and SEBI LODR Regulations. The Company Secretary of the Company acts as Secretary to the Committee.

The Board has accepted and implemented the recommendations of the Nomination and Remuneration Committee, whenever provided by it.

The Board has formed and approved a charter for the Nomination and Remuneration Committee setting out the roles, responsibilities and functioning of the Committee. In adherence to the provisions of the Act and SEBI LODR Regulations, the terms of reference of Nomination and Remuneration Committee are covered by its Charter and its functioning inter- alia includes the following:

The terms of reference of the Nomination and Remuneration Committee are as follows:

The Nomination and Remuneration Committee is responsible for, among other things, as may be required by the Stock Exchanges from time to time, the following:

1. formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration of the Directors, KMP and other Employees;
2. formulation of criteria for evaluation of performance of Independent Directors and the Board, and determining whether to extend or continue the term of appointment of Independent Directors, on the basis of the report of performance evaluation of Independent Directors;

The Nomination and Remuneration Committee, while formulating the above policy, also ensure that -

i. the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;

ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

iii. remuneration to Directors, KMP and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

3. recommend to the Board, all remuneration, in whatever form, payable to senior management;

4. devising a policy on Board diversity;

5. identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board for their appointment and removal;

6. performing such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:

   a. administering the ESOP plans;

   b. determining the eligibility of Employees to participate under the ESOP plans;

   c. granting options to eligible Employees and determining the date of grant;

   d. determining the number of options to be granted to an Employee;

   e. determining the exercise price under the ESOP plans; and

   f. construing and interpreting the ESOP plans and any agreements defining the rights and obligations of the Company and eligible Employees under the ESOP plans, and prescribing, amending and / or rescinding rules and regulations relating to the administration of the ESOP plans.

7. framing suitable policies and systems to ensure that there is no violation by any Employee of any applicable laws in India or overseas, including:

   a. the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, (SEBI PIT Regulations);

   b. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 and

   c. performing such other activities as may be delegated by the Board and/or are statutorily prescribed under any law to be attended to by the Nomination and Remuneration Committee.

During the Financial Year 2020-21, two (2) Nomination & Remuneration Committee Meetings were held on May 13, 2020, and October 28, 2020. The required quorum was present at all the above Meetings.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mrs. Soumya Rajan*	Member & Chairperson	-
Mr. Sandeep Tandon	Member	2
Mr. Manas Tandon	Member	2
Mr. Nishant Sharma	Member	2
Mrs. Kalpana Iyer**	Member	2

*Became Member and Designated as Chairperson w.e.f. October 29, 2020.

**Ceased to be Member from October 29, 2020.

Performance Evaluation of Directors

Performance Evaluation of the Board as a whole, as well as that of its Committees, Independent Directors and Non-Independent Directors was done in accordance with the relevant provisions of the Act read with relevant rules made thereunder and SEBI LODR Regulations and in compliance of guidance note issued by SEBI under Circular no. SEBI/HO/CFD/ CMD/CIR/P/2017/004 dated January 05, 2017.

With the objective of enhancing the effectiveness of the Board, the Nomination and Remuneration Committee has formulated the methodology and criteria to evaluate the performance of the Board and its Committees and each Director.

The evaluation of the performance of the Board is based on the approved criteria such as the Board composition, strategic planning, role of the Chairperson, Independence from the entity and independent views and judgement, knowledge and participation, Non-Executive Directors and other senior management, assessment of the timeliness and quality of the flow of information by the Company to the Board and adherence to compliance and other regulatory issues.

The manner in which formal annual evaluation of the Board, its Committees and individual Directors are conducted includes:

- The Independent Directors, at their separate Meeting review the performance of Non-Independent Directors, the Board as a whole and Chairperson.
- In light of the criteria prescribed for the evaluation, the Board analyses its own performance, that of its Committees and each Director during the year and suggests changes or improvements, if required.
- The performance evaluation of Independent Directors of the Company is carried out by the Board of the Company excluding the Director being evaluated.

The Board has expressed their satisfaction with the evaluation process.

Policy on Nominations & Remuneration for Directors, KMP, Senior Management and Other Employees

The Company has a duly formulated Policy on Nominations & Remuneration for Directors, KMP, Senior Management and Other Employees (“Remuneration Policy”) as per the provisions of the Act read with applicable Rules and Regulations under the Act and SEBI LODR Regulations which, inter-alia, lays down the approach to diversity of the Board, the criteria for identifying the persons who are qualified to be appointed as Directors and such persons who may be appointed as Senior Management Personnel of the Company and also lays down the criteria for determining the remuneration of the Directors, KMP and other Employees and the process of their evaluation. The Remuneration Policy is placed on the website of the Company. The remuneration paid to the Directors is in line with the Remuneration Policy of the Company. The Remuneration Policy can be accessed at the website of the Company at www.aavas.in/remuneration-policy.

Remuneration to Directors

Non-Executive Directors: The remuneration of Non-Executive Directors consists of sitting fees and commission. The payment of the commission to the Non-Executive Directors is based on the performance of the Company. The commission payable to the Non-Executive Directors is approved by the Board and is within the overall limits as approved by the Shareholders of the Company. No other payment is made to the Non-Executive Directors. The amount paid to the Independent Directors by way of sitting fees are within the limits prescribed under the provisions of the Act

Sitting fees paid to Non-Executive Directors for attending each Meeting of the Board & Committee are ₹50,000 and ₹25,000, respectively. During the Financial Year under review, the Board approved the equal remuneration for all the Non-Executive Directors as a profit linked commission and no sitting fees will be paid. None of the Non-Executive Directors have any pecuniary relationship or transaction with the Company apart from receiving sitting fees and profit related commission.

Details of the total sitting fees and commission paid to each Non-Executive Director during Financial Year 2020-21 is set out in the following table:

(In ₹)

Name of the Director	Sitting fees Paid*	Commission	Total
Mr. Sandeep Tandon	2,25,000	14,75,000	17,00,000
Mrs. Kalpana Iyer	2,00,000	15,00,000	17,00,000
Mrs. Soumya Rajan	1,00,000	34,00,000**	35,00,000
Mr. Ramchandra Kasargod Kamath	1,00,000	23,00,000	24,00,000
Mr. Vivek Vig	1,00,000	16,00,000	17,00,000
Mr. Nishant Sharma***	-	-	-
Mr. Manas Tandon***	-	-	-
Mr. Kartikeya Dhruv Kaji***	-	-	-

*Sitting Fees was paid only for Q1 and Q2 of FY 2020-21.

** Including commission of ₹11,00,000 for Q3 and Q4 of FY 2019-20 paid to Mrs. Soumya Rajan in FY 2020-21.

**Mr. Nishant Sharma, Mr. Manas Tandon and Mr. Kartikeya Dhruv Kaji being Promoter Nominee Directors have not received any remuneration/ sitting fees/ commission from the Company.

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

Executive Director:

Mr. Sushil Kumar Agarwal-Managing Director & CEO of the Company is the only Executive Director in the Company. His remuneration package comprises of salary, perquisites and other benefits as approved by the Shareholders of the Company. The remuneration paid to him is governed by Employment Agreement executed between him and the Company. Details of the remuneration paid to the Mr. Sushil Kumar Agarwal for the year ended March 31, 2021 are as follows:

Sl. No.	Particulars of Remuneration	Amount (₹ in lakh)
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	199.40
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission	-
	- as % of profit	-
	- others, specify	-
5.	Others, please specify**	-
	Total	**199.40**

**Mr. Sushil Kumar Agarwal is not eligible for any severance fee. Service contract and the notice period are as per the terms of agreement entered between him and the Company.

Stakeholders Relationship Committee (SRC)

The Board constituted the Stakeholders Relationship Committee at their Meeting held on June 08, 2018 in terms of the provisions of Section 178 of the Act and Regulation 20 read with Part D of the Schedule II of SEBI LODR Regulations.

At present, the Stakeholders Relationship Committee comprises of four (4) Directors as its Members and is chaired by Mr. Sandeep Tandon- Independent Director. The composition of the Committee is in adherence to the provisions of the Act and SEBI LODR Regulations. Mr. Sharad Pathak, Company Secretary and Compliance Officer of the Company acts as Secretary to the Committee.

The Company has constituted the Stakeholders Relationship Committee for resolving the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of Annual Report.

The terms of reference of the Stakeholders Relationship Committee are as follows:

1. Resolving the grievances of the security holders of the Company including complaints related to transfer/ transmission of shares, non-receipt of Annual Report, non-receipt of declared dividends, issue of new/duplicate certificates, general Meetings etc.
2. Review of measures taken for effective exercise of voting rights by Shareholders.
3. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ Annual Reports/statutory notices by the Shareholders of the Company.

During the period under review, four (4) Stakeholders Relationship Committee Meetings were held on May 11, 2020, August 05, 2020, October 28, 2020 and January 20, 2021.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sandeep Tandon	Member & Chairperson	4
Mr. Sushil Kumar Agarwal	Member	4
Mr. Vivek Vig*	Member	1
Mr. Kartikeya Dhruv Kaji*	Member	1
Mr. Nishant Sharma**	Member	3
Mr. Manas Tandon**	Member	3

*Became Member w.e.f. October 29, 2020.

**Ceased to be Member from October 29, 2020.

Details of Investor Complaints

All shares and debentures of the Company are in dematerialized form. Link Intime India Private Limited has been appointed and acting as the Registrar and Share Transfer Agent of the Company for carrying out shares and debentures transfer and other ancillary work related thereto. Link Intime India Private Limited has appropriate systems to ensure that requisite service is provided to investors of the Company in accordance with the applicable corporate and securities laws and within the adopted service standards.

During the period under review, no complaints were received by the Registrar and Share Transfer Agent:

Sl. No.	Nature of Complaints	Number of Complaints received during the period	Number of Complaints disposed off during the period	Number of Complaints remained unresolved
1	Non-Receipt of Dividend/Interest/ Redemption Warrant	-	-	-
2	Non-Receipt of Annual Report	-	-	-
3	Non-receipt of Refund/Credit of Shares-IPO	-	-	-
4	SEBI-Scores	-	-	-
	Total	**Nil**	**Nil**	**Nil**

During the period under review, no complaints were received by the Company from the Non-Convertible Debenture Holders and Shareholders.

Corporate Social Responsibility (CSR) Committee

The CSR Committee was formed as per Section 135 of the Act with the following terms of reference:

1. To formulate and recommend to the Board, CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII.
2. To recommend the amount of expenditure to be incurred on the CSR activities to be undertaken.
3. To monitor the CSR Policy of the Company from time to time.

The Committee met two (2) times i.e. on May 11, 2020 and October 28, 2020 during the Financial Year ended March 31, 2021. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Kartikeya Dhruv Kaji*	Member & Chairperson	-
Mrs. Kalpana Iyer	Member	2
Mr. Sushil Kumar Agarwal	Member	2
Mr. Vivek Vig**	Member	-
Mr. Nishant Sharma***	Member	2

*Became Member and Designated as Chairperson w.e.f. October 29, 2020.

**Became Member w.e.f. October 29, 2020.

***Ceased to be Member from October 29, 2020.

Risk Management Committee

The Company has formed Risk Management Committee of the Board for assisting the Board to establish a risk culture and risk governance framework in the organization. The Committee was formed to supervise, guide, review and identify current and emerging risks; develop risk assessment and measurement systems; establish policies, practices and other control mechanisms to manage risks; develop risk tolerance limits for Senior Management and Board approval; monitor positions against approved risk tolerance limits; and report results of risk monitoring to Senior Management and the Board.

The terms of reference are in accordance with the Act, SEBI LODR Regulations and the provisions of the RBI Master Directions.

The terms of reference of the Risk Management Committee inter-alia include the following:

1. reviewing and approving various credit proposals in terms of credit and risk management policies approved by the Board;

2. supervising, guiding, reviewing and identifying current and emerging risks;
3. developing risk assessment and measurement systems;
4. establishing policies, practices and other control mechanism to manage risks;
5. reviewing and monitoring the effectiveness and application of credit risk management policies, related standards and procedures and to control the environment with respect to credit decisions;
6. reporting results of risk and credit monitoring to senior management and the Board; and
7. reviewing and identifying risk in the area of cyber security and Management.

During the period under review, four (4) Risk Management Committee Meetings were held on May 13, 2020, August 05, 2020, October 28, 2020 and January 20, 2021. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Manas Tandon	Member & Chairperson	4
Mr. Sushil Kumar Agarwal	Member	4
Mr. Ramchandra Kasargod Kamath*	Member	1
Mr. Nishant Sharma**	Member	3

*Became Member w.e.f. October 29, 2020

**Ceased to be Member from October 29, 2020

Asset Liability Management Committee (ALCO)

The ALCO comprises of five (5) Members as on March 31, 2021, The Committee is responsible for keeping a watch on the asset liability gaps, if any. ALCO lays down policies and quantitative limits relating to assets and liabilities, based on an assessment of the various risks involved in managing them.

The scope of the ALCO is:

1. Liquidity risk management,
2. Management of market risks and
3. Funding and capital resource planning to review the effectiveness of the Asset Liability Management control.

During the period under review, five (5) ALCO Meetings were held on May 13, 2020, August 05, 2020, October 28, 2020, January 20, 2021 and February 17, 2021. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Member & Chairperson	5
Mr. Ghanshyam Rawat	Member	5
Mr. Nishant Sharma	Member	5
Mr. Ashutosh Atre	Member	5
Mr. Vivek Vig*	Member	2
Mr. Manas Tandon**	Member	3

*Became Member w.e.f. October 29, 2020.

**Ceased to be Member from October 29, 2020.

IT Strategy Committee

The IT Strategy Committee comprises of three (3) Members as on March 31, 2021. The Committee follows the guidelines prescribed in RBI Master Directions.

The terms of reference of the IT Strategy Committee inter-alia include the following:

1. Providing input to other Board committees and Senior Management;
2. Carrying out review and amending the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance;
3. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
4. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
5. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
6. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources and
7. Ensuring proper balance of IT investments for sustaining HFC's growth and becoming aware about exposure towards IT risks and controls.

During the period under review, two (2) Meetings of IT Strategy Committee were held on May 13, 2020 and November 05, 2020. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sandeep Tandon	Member & Chairperson	2
Mr. Sushil Kumar Agarwal	Member	2
Ms. Jijy Oommen*	Member	-
Mr. Rajeev Sinha**	Member	1

*Became Member w.e.f. April 29, 2021.

**Became Member w.e.f. October 29, 2020 and ceased to be Member from April 29, 2021.

Executive Committee

The Board has constituted the Executive Committee consisting of four (4) Members i.e. Mr. Sushil Kumar Agarwal (Member & Chaiperson), Mr. Nishant Sharma (Member), Mr. Manas Tandon (Member) and Mr. Ghanshyam Rawat (Member). The Committee approves loans, borrowings, and investments within the limits as specified by the Board, from time to time. Besides, the Committee reviews the conduct of business and operations, considers new products and parameters and suggests business reorientation.

The functions of the Executive Committee are:

- Approving loans, borrowings, and investments within limits specified by the Board;
- Reviewing the conduct of business and operations, considering new products and parameters and suggesting business reorientation.

During the period under review, 30 (Thirty) Executive Committee Meetings were held on, April 29, 2020, May 08, 2020, May 18, 2020, May 20, 2020, May 27, 2020, June 17, 2020, June 19, 2020, June 22, 2020, July 20, 2020, July 23, 2020, July 28, 2020, August 10, 2020, August 14, 2020, September 22, 2020, October 10, 2020, October 17, 2020, October 20, 2020, December 04, 2020, December 11, 2020, December 15, 2020, December 19, 2020, December 25, 2020, December 30, 2020, January 23, 2021, February 03, 2021, February 17, 2021, February 25, 2021, March 01,2021, March 06, 2021 and March 26, 2021. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

Mr. Sushil Kumar Agarwal and Mr. Ghanshyam Rawat attended all the Meetings held. further Mr. Nishant Sharma and Mr. Manas Tandon attended 7 Meetings each due to COVID-19 related restrictions.

Customer Service & Grievance Redressal (CS&GR) Committee

The Committee was formed by the Board mainly for protecting the interest of customers of the Company. It ensures constant evaluation of the feedback on quality of Customer Services & Redressal provided to the customers, considering unresolved complaints / grievance referred to it by Functional Heads.

During the period under review, 4 (Four) CS&GR Committee Meetings were held on May 15, 2020, August 13, 2020, October 07, 2020 and January 07, 2021. The required quorum was present at all the above Meetings. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Committee and details of participation of the Members at the Meetings of the Committee during the year were as under:

Name of the Members	Position in Committee	No. of Meetings Attended
Mr. Sushil Kumar Agarwal	Member & Chairperson	4
Mr. Ghanshyam Rawat	Member	4
Mr. Rajeev Sinha	Member	4
Mr. Surendra Kumar Sihag*	Member	-

*Became Member w.e.f. October 29, 2020.

Leave of absence was granted to Members who could not attend the respective Meetings.

Meeting of Independent Directors

The Independent Directors of the Company meet without the presence of any Non-Independent Directors and management personnel inter- alia to consider the following:

- Review of performance of Non-Independent Directors.
- Review of performance of Board as a whole.
- Review of Performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non- Executive Directors excluding the chairperson being evaluated.
- Review of the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Meeting of the Independent Directors for the above purpose was held on October 16, 2020 and all the Independent Directors were present in the said Meeting.

Employee Stock Option Scheme

The disclosure as required under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014, has been mentioned in the Director's Report.

POLICIES AND CODES

In terms of the RBI Master Directions, circulars / regulations / guidelines issued by SEBI including SEBI LODR Regulations, provisions of the Act, various other laws applicable to the Company and as a part of good corporate governance and also to ensure strong internal controls, the Board has adopted several codes / policies / guidelines and has also reviewed the same from time to time, which among others include the following:

a. Internal Guidelines on Corporate Governance

Your Company has a duly formulated Internal Guidelines on Corporate Governance in accordance with RBI Master Directions, which inter-alia, defines the legal, contractual and social responsibilities of the Company towards its various Stakeholders and lays down the Corporate Governance practices of the Company.

The said Policy is available on the website of the Company at the https://www.aavas.in/internal-guidelines-on-corporate-governance

b. Policy on Know Your Customer ("KYC") Norms and Anti Money Laundering ("AML") Measures ("KYC & AML Policy")

In terms of the circular(s) and direction(s) on KYC norms and AML measures issued by the RBI, the Prevention of Money Laundering Act, 2002 and Rules made thereunder, the Board adopted a 'KYC & AML Policy' which inter-alia incorporates your Company's approach towards KYC norms, AML measures and combating of financing of terrorism ("CFT") related issues.

The KYC & AML Policy provides a comprehensive and dynamic framework and measures to be taken in regard to KYC, AML and CFT. The primary objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

c. Policy on Materiality of related party transactions and on dealing with related party transactions

All transactions entered into with Related Parties as defined under the Act and Regulation 23 of the SEBI LODR Regulations during the Financial Year were in the ordinary course of business and on arm's length pricing basis and do not attract the provisions of Section 188 of the Act.

There were no materially significant transactions with related parties during the Financial Year which conflicted with the interest of the Company. Suitable disclosures as required by the applicable Accounting Standards have been made in the notes to the Financial Statements. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time. The Policy on Materiality of related party transactions and on dealing with related party transactions is available on the website of the Company at https://www.aavas.in/policy-on-transactions-with-related-parties.

Further, the Company submits the disclosures of related party transactions every half year on a consolidated basis to the stock exchange and on its website.

Further as per the RBI Master Directions, Policy on Materiality of related party transactions and on dealing with related party transactions is also made part of this Annual Report as **Annexure-9** to Directors' Report.

During the period under review, there was no transaction with any person or entity belonging to the Promoter / Promoter Group which hold(s) 10% or more shareholding.

d. Code of Conduct for the Board and the Senior Management Personnel

In terms of the SEBI LODR Regulations and as an initiative towards setting out a good Corporate Governance structure within the organization, the Board adopted a comprehensive 'Code of Conduct for the Board and the Senior Management Personnel' which is applicable to all the Directors, including Non-Executive and Independent Directors and Senior Management Personnel of the Company to the extent of their role and responsibilities in the Company. The Code provides guidance to the Directors and Senior Management Personnel to conduct their business affairs ethically and in full compliance with applicable laws, rules and regulations.

In accordance with Part D of Schedule V of the SEBI LODR Regulations, declaration from Managing Director & CEO of the Company has been received confirming that all the Directors and the Senior Management Personnel of the Company have complied to the Code of Conduct for the Financial Year ended March 31, 2021 attached as "Annexure A" with this Report. The said code is hosted on the website of the Company under the web link: https://www.aavas.in/code-of-conduct.

e. Policy for Determining Material Subsidiaries

In terms of the provisions of the SEBI LODR Regulations, the Board adopted a 'Policy for Determining Material Subsidiaries' which inter-alia sets out parameters for identifying a subsidiary as a "Material Subsidiary". The Policy for Determining Material Subsidiary is available on the website of the Company at https://www.aavas.in/policy-for-determining-material-subsidiaries. The Company however does not have any Material Subsidiary as at March 31, 2021.

Further, during the period under review there were no significant transactions and arrangements entered into by the subsidiary.

f. Information Technology related Policies

RBI Master Directions have prescribed Information Technology Framework applicable on your Company with a view to enhance the safety, security, efficiency in processes relating to use of Information Technology framework within the Company. The Board in compliance with the same, adopted various polices pertaining to Information Technology (IT) risk management, resource management and performance management which inter-alia include the 'IT Governance Policy', 'IT Management Policy', 'IT Infrastructure Management Policy', 'IT Operations Policy' and 'Information Systems (IS) Audit Policy'.

g. Policy on "Valuation of Properties and Empanelment of Valuers"

In terms of the RBI Master Directions your Company is required to frame a system /procedure /policy on valuation of properties and appointment of valuers.

In reference to the above, the Board adopted the Policy on Valuation of Properties and Empanelment of Valuers.

h. Whistle Blower Policy / Vigil Mechanism

Your Company believes in conducting its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. The Company is committed to developing a culture where it is safe for all Directors and Employees to raise concerns about any wrongful conduct. The Board has, in compliance with the provisions of the Act and SEBI LODR Regulations, approved the Vigil Mechanism/Whistle Blower Policy of the Company which provides a framework to promote responsible and secure whistle blowing. It protects the Directors/Employees wishing to raise a concern about serious irregularities within the Company. It provides for a Vigil Mechanism to channelize reporting of such instances/ complaints/ grievances to ensure proper governance. The Audit Committee oversees the Vigil Mechanism. No personnel have been denied access to the Chairperson of the Audit Committee. The Policy is placed on the website of the Company and can be accessed at www.aavas.in/vigil-mechanism-policy.

i. Policy for Determination of Materiality of Events and Information

In terms of the provisions of the SEBI LODR Regulations, the Board adopted a 'Policy for Determination of Materiality of Events and Information', which inter-alia sets out guidelines for determining materiality of events / information for the purpose of disclosure to the Stock Exchanges and identifies specific officers of the Company who shall be authorized to determine materiality of an event / information and for making disclosures to the Stock Exchanges. The Policy is placed on the website of the Company and can be accessed at https://www.aavas.in/policy-for-determination-of-materiality-of-events-and-information-for-disclosure-to-the-stock-exchange.

j. CSR Policy

In terms of Section 135 of the Act, the Board adopted a 'CSR Policy' which helps in furtherance of your Company's objective to create value in the society and community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfilment of its role as a socially responsible corporate citizen.

The CSR Policy of the Company inter-alia indicates the CSR activities that can be undertaken by the Company and defines the roles and responsibilities of the Board and CSR Committee in implementing and monitoring CSR projects identified and supported by the Company. The CSR Policy is available on the website of the Company at https://www.aavas.in/csr-policy.

k. Code of Conduct for Prohibition of Insider Trading and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information

In compliance of the SEBI PIT Regulations, as amended from time to time, the Company has formulated a Code of Conduct- Prevention of Insider Trading in the shares of the Company, which inter- alia, prohibits trading in shares of the Company by insiders while in possession of unpublished price sensitive information in relation to the Company and in order to ensure uniform dissemination of unpublished price sensitive information. The Board adopted a 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' which is available on the website of the Company and can be accessed at https://www.aavas.in/code-of-practices-and-procedures-for-fair-disclosure-of-upsi.

l. Code for Independent Directors

In terms of Section 149 and Schedule IV of the Act, the Company has adopted a code for Independent Directors in order to ensure fulfilment of responsibilities of Independent Directors of the Company in a professional manner.

The Code for Independent Directors aims to promote confidence of the investment community, particularly minority Shareholders, regulators and other Stakeholders in the institution of Independent Directors and sets out the guidelines of professional conduct of Independent Directors, their roles, functions and duties, the process of performance evaluation etc.

m. Prevention of Sexual Harassment Policy, and information required to be disclosed under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is committed to providing a work environment that ensures that every Employee is treated with equal dignity and respect. The Company has implemented a robust framework on prevention of sexual harassment which is in line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company educates Employees regarding Sexual Harassment Policy through posters and regular mailers and also conducts online trainings which form a part of the induction process. During the Financial Year under review, 3853 Employees were trained regarding this Policy. Specialised training session on execution of the Policy against Sexual Harassment was conducted on December 26, 2020 by a reputed law firm wherein detailed procedures to handle such complaints were discussed.

Pursuant to the said Act, the details of the total reported and closed cases pertaining to incidents under the above framework/ law are as follows:

Number of cases reported during the year	Nil
Number of cases closed during the year	Nil
Numbers of cases open as on March 31, 2021	Nil

GENERAL SHAREHOLDERS INFORMATION

This section inter- alia provides information pertaining to the Company, its Shareholding Pattern, means of dissemination of information, service standards, share price movements and such other information, in terms of point no. C (9) of Schedule V to the SEBI LODR Regulations relating to Corporate Governance.

I. Corporate Information:

1.	Incorporation Date	February 23, 2011 in Jaipur, as a Private Limited Company under the erstwhile Companies Act, 1956
2.	Registered Office Address	201-202, 2nd Floor, South End Square, Mansarover Industrial Area, Jaipur-302020 (Rajasthan)
3.	Corporate Identification Number (CIN)	L65922RJ2011PLC034297
4.	Date, time and venue of the Annual General Meeting (AGM)	Date: August 10, 2021, Time: 3:30 P.M, Indian Standard Time (IST) through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") Facility.

5.	Financial Year	April 01, 2020 to March 31, 2021
6.	Record Date	NA
7.	Date of Book closure	No Book Closure has been recommended by Board
8.	Dividend Payment date	No Dividend has been proposed for the period under review
9.	Listing on Stock Exchanges	The equity shares of the Company are listed on National Stock Exchange of India Ltd. (NSE) and BSE Limited (BSE). Non-Convertible Debentures (NCDs) issued by the Company are listed on the Wholesale Debt Market (WDM) segment of the BSE. The addresses of NSE & BSE are given below: **NSE:** Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. **BSE:** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
10.	Payment of listing fees	The Company has paid the annual listing fees for the relevant periods to NSE and BSE where its securities are listed.
11.	Stock Code	BSE: Scrip Code – 541988 NSE: Trading Symbol – AAVAS
12.	ISIN	INE216P01012
13.	Suspension of Company's Securities	Company's securities are never suspended from trading since its listing.
14.	Registrar & Share Transfer Agents	Link Intime India Private Limited C-101, 1st floor, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai 400083 Maharashtra, India Tel: +91 22 4918 6200, FAX: +91 22 49186195 Website: https://linkintime.co.in/ Email ID: rnt.helpdesk@linkintime.co.in
15.	Plant Location	Since the Company is in the business of housing finance, the disclosure with regard to plant location is not applicable.
16.	Address for Correspondence Correspondence relating to grievances in relation to non-receipt of Annual Report, dividend and share certificates sent for transfer etc. including any requests/ intimation for change in address, issue of duplicate share certificates, change in nomination shall be sent to:	Link Intime India Private Limited C-101, 1st floor, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai 400083 Maharashtra, India Tel: +91 22 4918 6200, FAX: +91 22 49186195 Website: https://linkintime.co.in/ Email ID: rnt.helpdesk@linkintime.co.in The Company Secretary & Compliance Officer Aavas Financiers Limited Registered Office: 201-202, 2nd Floor, South End Square, Mansarover Industrial Area, Jaipur-302020 (Rajasthan) Tel: +91 14 1661 8800 Fax: +91 14 1661 8861 Email: investorrelations@aavas.in
17.	Outstanding Global Depository Receipts / American Depository Receipts / Warrants and Convertible Bonds, conversion date and likely impact on equity	Not applicable since the Company has not issued any Global Depository Receipts or American Depository Receipts or Warrants or Convertible bonds.
18.	Commodity Price Risks / Foreign Exchange Risk and Hedging Activities	This is not applicable since the Company does not have any derivatives or liabilities denominated in foreign currency.

19.	Dematerialisation of Shares and Liquidity	All shares of the Company are held in Dematerialised form. The entire Promoter's holdings are in electronic form and the same is in line with the directions issued by SEBI.
20.	Share Transfer System	The Company's shares are traded under compulsory dematerialized mode and freely tradable. The Board has delegated the power to attend all the formalities relating to transfer of securities to the Registrar and Share Transfer Agent of the Company. An update on the same is placed before the Stakeholders' Relationship Committee on quarterly basis. A half-yearly certificate of compliance with the share/debt transfer formalities as required under Regulation 40(9) and 61(4) of the SEBI LODR Regulations is obtained from the Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges within the prescribed time.

II. Stock Market Price Data:

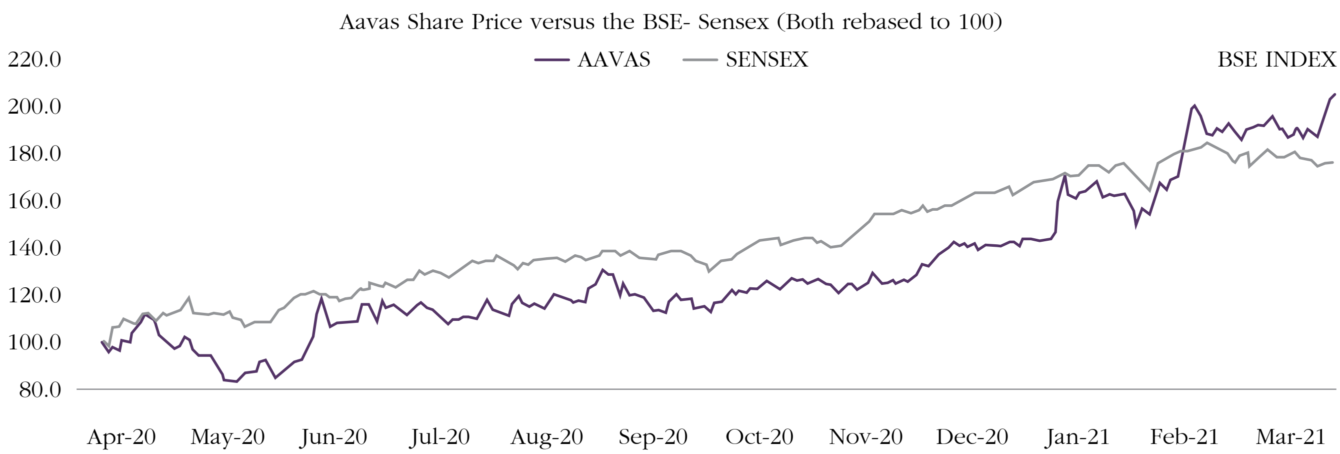
The reported high and low closing prices and volume of equity shares of the Company traded on NSE and BSE during the period under review (i.e. from April 01, 2020 to March 31, 2021) are set out in the following table:

Month	NSE			BSE		
	High Price (₹)	Low Price (₹)	Volume (No.)	High Price (₹)	Low Price (₹)	Volume (No.)
April 2020	1,301.15	1,132.40	10,00,261	1,301.10	1,125.35	51,844
May 2020	1,130.60	970.05	9,84,688	1,135.20	975.75	55,176
June 2020	1,403.40	1,063.05	1,741,133	1,403	1,060.70	61,411
July 2020	1,392.70	1,268.55	11,95,127	1,390.90	1,268.90	1,74,362
August 2020	1,535.70	1,349.40	45,91,561	1,535.85	1,346.05	1,44,711
September 2020	1,473.25	1,320.40	20,78,677	1,475.30	1,321.80	1,49,307
October 2020	1,500.55	1,420.85	10,15,076	1,501.55	1,415.60	21,500
November 2020	1,607.70	1,425.75	28,66,927	1,623	1,426.15	42,83,041
December 2020	1,699.20	1,636.05	15,44,400	1,698.70	1,635.35	1,43,925
January 2021	2,021.70	1,720.65	29,08,681	2,022.90	1,724.35	4,91,102
February 2021	2,364.55	1,901.90	22,35,233	2,367.40	1,909.75	1,32,698
March 2021	2,420.85	2,190.50	20,76,033	2419.40	2195.75	1,22,272

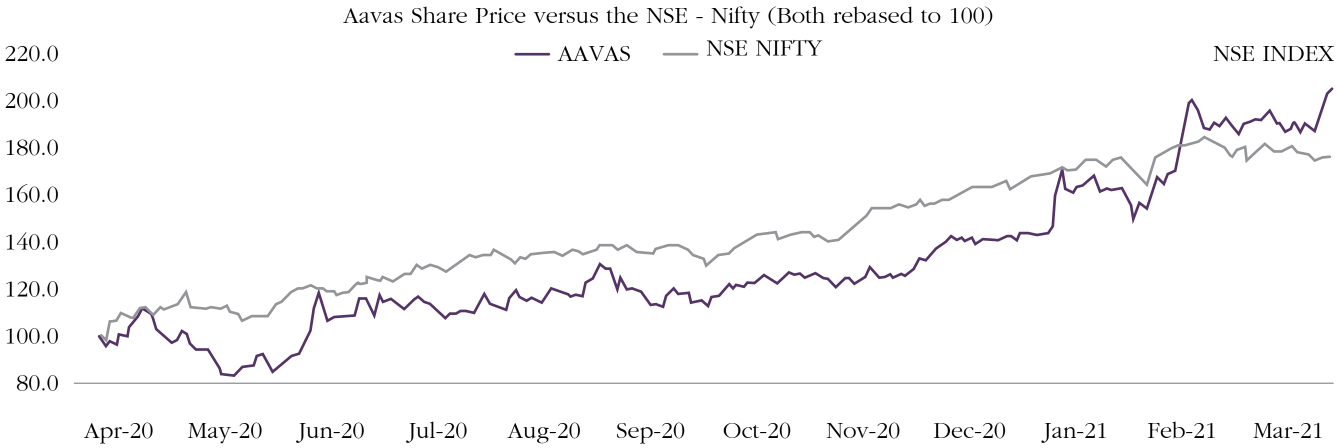
[Source: This information is compiled from the data available on the websites of NSE and BSE]

III. Share Price performance in comparison to broad based indices - BSE Sensex and NSE Nifty Share Price Movement (BSE and NSE):

BSE Sensex Share Price Movement



BSE Sensex Share Price Movement



IV. Credit Rating of the Company

India's renowned Credit Rating Agencies have assigned ratings to the Company, the details of the same are mentioned below:

Nature of Debt Instrument	Rating Agency	Term	Credit Ratings
Non-Convertible Debentures	CARE	Long Term	AA-/ Stable
	ICRA	Long Term	AA-/ Stable*
Bank Loans	CARE	Long Term	AA-/ Stable
	ICRA	Long Term	AA-/ Stable
Subordinated Debt	CARE	Long Term	AA-/ Stable
Commercial Paper	CARE	Short Term	A1+
	ICRA	Short Term	A1+
	India Ratings	Short Term	A1+

*During the Financial Year under review, ICRA Limited has upgraded the Long term ratings of the Company from "ICRA A+/Positive to ICRA AA-/Stable".

The ratings continue to reflect Company's healthy earning profile, adequate capitalization, strong net worth base, and steady improvement in its scale of operations.

V. General Meetings/Postal Ballot:-

a. Details of Past Three Annual General Meetings held by the Company:

Meeting	Day/Date/Time	Location	Details of Special Resolution passed
10th AGM, 2019-2020*	Wednesday, July 22, 2020, 3:30 P.M.	201-202, 2nd Floor, South End Square, Mansarover Industrial Area, Jaipur-302020 (Raj) through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") Facility	• To approve increase in the borrowing powers in excess of Paid-up Share Capital, Free Reserves and Securities Premium of the Company under Section 180(1)(c) of the Companies Act, 2013. • To approve creation of charge on assets of the company under section 180(1)(a) of the Companies Act, 2013 to secure borrowings made/ to be made under section 180(1)(c) of the Companies Act, 2013. • To approve issuance of Non-Convertible Debentures, in one or more tranches /issuances on Private Placement Basis. • To approve "Equity Stock Option Plan for Employees 2020" ("ESOP-2020") of Aavas Financiers Limited.

Meeting	Day/Date/Time	Location	Details of Special Resolution passed
09th AGM, 2018-19	Thursday, August 01, 2019, at 3:30 P.M.	Clarks Brij Convention Centre (CBCC), Hotel Clarks Amer, Jawahar Lal Nehru Marg, Near Jaipur Airport, Jaipur- 302018 (Raj)	• To approve alteration in Articles of Association of the Company. • To approve increase in the borrowing powers in excess of Paid-up Share Capital, Free Reserve and Securities Premium of the Company under section 180(1)(c) of the Companies Act, 2013. • To approve creation of charges on assets of the Company under section 180(1)(a) of the Companies Act, 2013 to secure borrowings made/to be made under section 180(1)(c) of the Companies Act, 2013.To approve issuance of Non-Convertible Debentures, in one or more tranches /issuances on Private Placement Basis. • To approve "Equity Stock Option Plan for Employees 2019" ("ESOP-2019") of Aavas Financiers Limited.
08th AGM, 2017-18	Wednesday, May 30, 2018, at 12:00 Noon	201-202, 2nd Floor, South End Square, Mansarover Industrial Area, Jaipur-302020 (Raj)	• To borrow money in excess of paid up capital, free Reserve and Securities Premium of the Company under section 180(1)(c) of the Act. • To authorize Board to sell, lease or otherwise dispose of the assets of the Company under section 180(1)(a) of the Act to secure borrowings made under section 180(1)(c) of the Act. • To authorize Board for issuance of Non-Convertible Debentures, in one or more tranches /issuances.

*The 10th AGM of the Company on July 22, 2020 was held through VC/OAVM, your Company has complied with MCA General Circular No. 14/2020 for conducting General Meeting through VC on account of threat posed by COVID-19.

b. No Extra Ordinary General Meeting was held by the Company during the Financial Year 2020-21.

c. Details of Business transacted through Postal Ballot during the Financial Year 2020-21

No Postal Ballot was conducted during the Financial Year 2020-21.

d. Details of Special Resolution proposed to be conducted through postal ballot:

No Special Resolution is proposed to be passed through postal ballot under the provisions of the Act, on or before the ensuing AGM.

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

In terms of Section 125 of the Act, dividend lying unclaimed and unpaid for a period of seven years from the date of transfer to unpaid and unclaimed account is required to be transferred to the Investors Education and Protection Fund. Since the Company has not declared any dividend since inception, there is no dividend which is unclaimed pertaining to previous years and Financial Year under review and hence, there is no requirement of transferring the same to the IEPF for the year under the review.

VII. Distribution of Shareholding as at March 31, 2021

Distribution of Shareholding based on Nominal Value (₹) as on March 31, 2021

Sl. No.	Category (Nominal Value of Shares)	No. of Holders	% of Holders	No. of Shares	% to Total Equity
1	1 to 5000	25751	96.48	1260147	1.60
2	5001 to 10000	388	1.45	275271	0.35
3	10001 to 20000	197	0.74	281146	0.36
4	20001 to 30000	64	0.24	158519	0.20
5	30001 to 40000	52	0.19	181372	0.23
6	40001 to 50000	18	0.07	82953	0.11
7	50001 to 100000	58	0.22	433560	0.55
8	100001 to above	163	0.61	75831583	96.60
	Total	**26691**	**100**	**78504551**	**100**

VIII. Shareholding details as on March 31, 2021

The Shareholding Pattern of the Company, as on March 31, 2021 is as follows:

Sr. No.	Category	No. of Holders	No. of Equity Shares	Holding in Equity Share capital (%)
1	Foreign Promoter Company	3	39313706	50.0783
2	Foreign Portfolio Investors (Corporate)	137	25011695	31.8602
3	Public	24474	6966376	8.8738
4	Non Nationalised Banks	1	3383	0.0043
5	Mutual Funds	33	2846409	3.6258
6	Alternate Investment Funds	14	1197552	1.5255
7	Insurance Companies	18	2621037	3.3387
8	Other Bodies Corporate	497	368680	0.4696
9	Clearing Members	113	20204	0.0257
10	Non Resident Indians	550	62714	0.0799
11	Non Resident (Non Repatriable)	259	56293	0.0717
12	Hindu Undivided Family	585	36230	0.0462
13	Trust and trust (employees)	10	272	0.0003
	Total	**26691**	**78504551**	**100**

The Annual Return in form MGT-7 as at March 31, 2021 is available on the website of the Company and can be accessed at https://www.aavas.in/investor-relations/annual-reports.

IX. Means of Communication

Your Company focuses on prompt, continuous and efficient communication to all its Stakeholders. Aavas constantly interacts with Shareholders through multiple channels of communication such as result announcements, Annual Report, media releases, updating the information on Company's website, etc. The Managing Director & CEO, Chief Financial Officer and Investor Relations Officer at regular intervals conduct conference call (s) with the Analysts/ Shareholders and respond to the queries of investors. The Financial Results of the Company are generally published in the renowned daily newspapers such as Financial Express, Nafa Nuksan, Business Standard and Business Remedies. The Financial Results, presentations and press releases of the Company are also hosted on the website of the Company at www.aavas.in.

SEBI Complaints Redressal System (SCORES): A centralized web-based complaints redressal system which serves as a centralized database of all complaints received, enables uploading of Action Taken Reports by the Company and online viewing by the investors of actions taken on the complaint and its current status.

X. OTHER DISCLOSURES

i. Secretarial Audit for Financial Year 2020-21

M/s V. M. & Associates, Company Secretaries were appointed as Secretarial Auditors to conduct Secretarial Audit of the Company for the Financial Year ended March 31, 2021 as per the provisions of the Act who have carried out an independent assessment of the compliance of SEBI LODR Regulations as a part of Secretarial Audit. The Secretarial Audit Report forms part of the Annual Report as "**Annexure- 4**" to the Directors' Report.

ii. Consolidated (Holding and its Subsidiary) total fees paid to Statutory Auditors and all entities in the network firm/network entity of which the statutory auditor is a part:-

Total fees for all services paid by the Company and its subsidiary, on a consolidated basis, to M/s S.R. Batliboi & Associates LLP, Statutory Auditors of the Company and other firms in the network entity of which the Statutory Auditors are a part, as included in the Consolidated Financial Statements of the Company for the year ended March 31, 2021, are as follows:

Particulars	Amount (₹ in lakh)
Fees for audit and related services paid to S.R. Batliboi & Associates LLP & Affiliates firms and to entities of the network of which the Statutory Auditor is a part	75.72
Other fees paid to S.R. Batliboi & Associates LLP & Affiliate firms and to entities of the network of which the Statutory Auditor is a part	2.50
Total	78.22

iii. Certification from Practicing Company Secretary (PCS)

A certificate from a Company Secretary in practice has been received stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by SEBI/ Ministry of Corporate Affairs or any such statutory authority. The same forms part of the Annual Report as “Annexure-1” to the Directors’ Report.

iv. Accounting Standards

The Company has followed Indian Accounting Standards (Ind AS) issued by the Ministry of Corporate Affairs in the preparation of its Financial Statements.

v. Auditors Certification on Corporate Governance

As required under the SEBI LODR Regulations, certificate issued by V. M. & ASSOCIATES, Company Secretaries certifying that the Company has complied with the conditions of Corporate Governance as stipulated by SEBI LODR Regulations is attached to the Corporate Governance Report. The said certificate forms part of the Annual Report as “Annexure- 3” to the Directors’ Report.

vi. Details of non-compliance by the Company, penalties, and strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three Financial Years

The Equity shares of the Company were listed on the NSE and BSE on October 08, 2018. There are no non-compliances or penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three Financial Years viz. FY 2019, FY 2020, FY 2021.

vii. Directors and Officers (D&O) Liability Insurance

As per the provisions of the Act and in compliance with Regulation 25(10) of the SEBI LODR Regulations, the Company has taken a D&O Liability Insurance policy on behalf of all Directors including Independent Directors and KMP of the Company for indemnifying them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the Company.

viii. CEO/ CFO certification

In terms of Regulation 17(8) of the SEBI LODR Regulations, Managing Director & CEO and CFO has made a certification to the Board in the prescribed format for the Financial Year under review, which has been taken on record by the Board.

ix. Compliance with Mandatory Requirements and adoption of the Non-Mandatory Requirements of Corporate Governance:

During the period under review, Company has complied with all the mandatory requirements of SEBI LODR Regulations. The Company has also adopted certain voluntary compliance requirements as stipulated in the Act, SEBI LODR Regulations and other acts, rules, regulations & guidelines applicable to the Company.

x. Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A)

During the period under review, the Company has not raised funds through preferential allotment or qualified institutions placement.

The Company is in the regime of unqualified Financial Statements by the Auditors and the Internal Auditors directly report to the Audit Committee of the Company.

Compliance with the Mandatory Requirements as Specified in Regulations 17 to 27 and Clauses (b) to (i) of Sub-Regulation (2) of Regulation 46 of the SEBI LODR Regulations

The Board periodically reviews the compliance of all applicable laws. The Company has complied with all mandatory requirements of the Code of Corporate Governance as stipulated under Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraphs C, D and E of Schedule V of the SEBI LODR Regulations. It has obtained a certificate affirming the compliances from M/s V. M. & Associates, Company Secretaries and the same is attached to the Board’s Report.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: April 29, 2021
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: April 29, 2021
Place: Mumbai

Annexure A

Declaration on Compliance with the Company's Code of Conduct for Board and Senior Management Personnel

I, hereby confirm and declare that in terms of Regulation 26 (3) of SEBI LODR Regulations, all the Board Members and Senior Managerial Personnel of the Company have affirmed compliance with the Code of Conduct for Board and Senior Management Personnel for the Financial Year 2020-21.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: April 29, 2021
Place: Jaipur

Annexure – 3

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
Aavas Financiers Limited,
201-202, 2nd Floor, South End Square
Mansarover Industrial Area
Jaipur- 302020 (Rajasthan)

1. We have examined the compliance of conditions of Corporate Governance of Aavas Financiers Limited ("the Company") for the year ended on March 31, 2021 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [collectively referred as "SEBI Listing Regulations"].

Management's Responsibility for compliance with the conditions of SEBI Listing Regulations

2. The compliance with the conditions of Corporate Governance is the responsibility of the management of the Company, including the preparation and maintenance of all relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in SEBI Listing Regulations.

Our Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

4. We have examined the relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with the Corporate Governance requirements by the Company.

5. We conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India ("ICSI").

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the directors and the management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned SEBI Listing Regulations.

7. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restriction on use

8. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the SEBI Listing Regulations and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari
Partner
Membership No.: FCS3355
C P No.: 1971

Place: Jaipur
Date: April 29, 2021
UDIN: F003355C000205513

Annexure – 4

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED March 31, 2021

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

To,
The Members,
Aavas Financiers Limited
201-202, 2nd Floor, South End Square
Mansarover Industrial Area
Jaipur- 302020 (Rajasthan)

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

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

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

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

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not applicable to the Company during the Audit Period)

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

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

   (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the Audit Period)

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

   (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(vi) As confirmed, following other laws are specifically applicable to the Company for which the Management has confirmed that the Company has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:

   (a) National Housing Bank (NHB) Act, 1987;

   (b) Housing Finance Companies (NHB) Directions, 2010;

   (c) Guidelines on 'Know Your Customer' and Anti-Money Laundering Measures;

   (d) Information Technology Framework for HFCs ("Guidelines")

   (e) Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014;

   (f) Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016;

(g) Housing Finance Companies – Auditor's Report (National Housing Bank) Directions, 2016;

(h) Housing Finance Companies – Approval of Acquisition or transfer of Control (National Housing Bank) Directions, 2016; and

(i) Guidelines on Fair Practices Code for HFCs

(j) Non-Banking Financial Company –Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 read with Review of regulatory framework for Housing Finance Companies (HFCs) dated October 22, 2020 issued by Reserve Bank of India.

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

i. Secretarial Standards issued by The Institute of Company Secretaries of India;

ii. The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Ltd.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. Further, independent director(s) were present at Board Meetings which were called at shorter notice to transact business which were considered urgent by the management in compliance of Section 173(3) of the Act. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

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

We further report that during the audit period the company has:

(a) Duly passed the resolution under Section 180(1)(c) and Section 180(1)(a) of the Act, read with its applicable rules, as amended to authorize the Board of Directors to borrow money in excess of the aggregate of the paid-up share capital, free reserves and securities premium of the Company, but not exceeding a sum of ₹12,500 crore (Rupees twelve thousand and five hundred crore only) and to the creation of mortgage and /or charge on assets of the Company to secure the aforesaid borrowing;

(b) Allotted 1,81,890 (One lakh eighty one thousand eight hundred and ninety only) equity shares upon exercise of options by its eligible employees under its Employee Stock Option Schemes/plans;

(c) Duly passed the resolution pursuant to Section 42 of the Act for approving issue of non-convertible debentures/ bonds, in Indian/foreign currencies in the domestic and/ or overseas markets for an amount up to ₹3,500 crore (Rupees three thousand and five hundred crore only) on a private placement basis in one or more tranches and/or series;

(d) Approved the Equity Stock Option Plan for Employees 2020 of Aavas Financiers Limited with options exercisable into not more than 3,00,000 (Three lakh) equity shares of the Company;

(e) Issued and allotted 3500 (Three thousand and five hundred) Non-convertible Debentures ('NCDs') aggregating to ₹350,00,00,000/- (Rupees three hundred and fifty crores only) on a private placement basis in multiple tranches;

(f) Redeemed 500 (Five hundred only) Non-Convertible Debentures (NCDs) having a face value of ₹10,00,000/- (Rupees Ten Lakhs only) each aggregating to ₹50,00,00,000/- (Rupees fifty crores only) prior to its maturity (Early Redemption).

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari
Partner
Membership No.: FCS3355
C P No.: 1971

Place: Jaipur
Date: April 29, 2021
UDIN: F003355C000205436

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure A

To,
The Members,
Aavas Financiers Limited
201-202, 2nd Floor South End Square
Mansarovar Industrial Area
Jaipur- 302020 (Rajasthan)

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

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari
Partner
Membership No.: FCS3355
C P No.: 1971

Place: Jaipur
Date: April 29, 2021
UDIN: F003355C000205436

Annexure – 5

DIVIDEND DISTRIBUTION POLICY

I. PREAMBLE

Pursuant to the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, ["SEBI LODR Regulations"] vide circular no. SEBI/ LAD- NRO/GN/2016-17/008 dated 8th July, 2016; the Board of Directors of the Company at its meeting held on June 08, 2018 have approved and adopted the Dividend Distribution Policy ["Policy"] of the Company.

II. OBJECTIVE

This Policy aims to ensure that the Company makes rationale decision with regard to the amount to be distributed to the equity shareholders as dividend after retaining sufficient funds for the Company's growth, to meet its long-term objective and other purposes.

This Policy lays down various parameters which shall be considered by the Board of Directors of the Company before recommendation/ declaration of Dividend to its shareholders.

III. DEFINITIONS

a. "Act" means the Companies Act, 2013 and rules made thereunder [including any amendments or re-enactments thereof]

b. "Applicable laws" shall mean to include Act and rules made thereunder, [including any amendments or re-enactments thereof], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, [including any amendments or re-enactments thereof], Rules/guidelines/notifications/circulars issued by Reserve Bank of India/National Housing Bank and any other regulation, rules, acts, guidelines as may be applicable to the distribution of dividend.

c. "Board" or "Board of Directors" shall mean Board of Directors of the Company, as constituted from time to time.

d. "Company" shall mean Aavas Financiers Limited.

e. "Dividend" includes any interim dividend; which is in conformity with Section 2(35) of the Act read with Companies (Declaration and Payment of Dividend) Rules, 2014.

f. "Financial Year" shall mean the period starting from 1st day of April and ending on the 31st day of March every year,

g. "Free reserves" shall mean the free reserves as defined under Section 2 (43) of the Act.

IV. PARAMETERS GOVERNING THE DISTRIBUTION OF DIVIDEND

1. Factors for recommendation/declaration of Dividend.

a. Internal factors (Financial Parameters)

The Board shall consider the below mentioned financial parameters for the purpose of recommendation / declaration of dividend:

i. Current year's net operating profit

ii. Capital expenditure and working capital requirements

iii. Financial commitments w.r.t. the outstanding borrowings and interest thereon.

iv. Financial requirement for business expansion and/or diversification, acquisition etc. of new businesses.

v. Provisioning for financial implications arising out of unforeseen events and/or contingencies.

vi. Past dividend trend

vii. Cost of borrowings

viii. Other Corporate Action options (For ex. Bonus issue, Buy back of shares)

ix. Any other factor as deemed fit by the Board

b. External Factors

The Board shall also consider the below mentioned external factors at the time of taking a decision w.r.t recommendation/declaration of dividend:

i. Applicable laws and Regulations including taxation laws.

ii. Economic conditions

iii. Prevalent market practices of dividend payment in similar industry

2. Circumstances under which the shareholders of the Company may or may not expect dividend.

The decision to recommend/declare the dividend by the Board of Directors shall primarily depend on the factors listed out at point no. 1 above. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. However, the shareholders of the Company may not expect dividend in the below mentioned circumstances:

i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.

ii. In the event of higher working capital requirement for business operations or otherwise.

iii. In the event of inadequacy of cash flow available for distribution.

iv. In the event of inadequacy or absence of profits.

3. Under any other circumstances as may be specified by the Act or any other applicable regulatory provisions or as may be specified under any contractual obligation entered into with the lenders.

4. Manner of utilization of Retained Earnings.

The Board of Directors of the Company may recommend/ declare dividend out of the profits of the Company or out of the profits for any previous financial year or years or out of free reserves available for distribution of dividend, as per the regulatory provisions after consideration of the factors as stated at point no. 1 above. The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run.

5. Manner of Declaration and Payment of Dividend.

5.1 Process for approval of Payment of Final Dividend:

Board to recommend quantum of final dividend payable to shareholders in its meeting in line with applicable laws and rules prescribed thereof, based on the profits arrived at as per the audited financial statements and post Shareholders approval for Dividend in the Annual General Meeting, the same shall be paid to the eligible shareholders within stipulated timelines as per applicable laws.

5.2 Process for approval of Payment of Interim Dividend:

Board may declare Interim Dividend, one or more times in a financial year, at its complete discretion in line with applicable laws and rules prescribed thereof, out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

The Board shall consider the financial results of the Company for the period for which Interim Dividend is to be declared and shall be satisfied that the financial position of the Company justifies and supports the declaration of such Dividend.

The financial results shall take into account the following-

a) Depreciation for the full year;

b) Tax on profits of the Company including deferred tax for full year;

c) Other anticipated losses for the Financial Year;

d) Dividend that would be required to be paid at the fixed rate on preference shares;

e) The Losses incurred, if any, during the current financial year up to the end of the quarter, immediately preceding the date of declaration of Interim Dividend;

In case, where the Company has incurred losses during the current Financial Year up to the end of the quarter immediately preceding the date of declaration of Interim Dividend, such Dividend shall not be declared at a rate higher than average Dividend declared during the immediately preceding three financial years.

6. Other factors to be considered with regard to various classes of shares.

Since the company has only one class of equity shareholders, the dividend declared will be distributed equally among all the equity shareholders, based on their shareholding on the record date.

V. GENERAL

i. Pursuant to the provisions of Section 123 of the Act, Articles of Association of the Company and this Policy, the Board of Directors shall recommend the final dividend, which shall be declared by the Shareholders of the Company at the Annual General Meeting. The Board may also, from time to time, declare interim dividend which shall be subject to confirmation by the Shareholders at the Annual General Meeting.

ii. The Company shall ensure compliance with the Applicable laws w.r.t. payment of dividend to the shareholders. It shall ensure that the amount of the dividend, including interim dividend, is deposited by the Company in a Scheduled bank in a separate account within five days from the date of declaration of such dividend.

iii. Due regard shall be given to the restrictions/covenants contained in any agreement entered into with the lenders of the Company or any other financial covenant as may be specified under any other arrangement/ agreement, if any, before recommending or distributing dividend to the shareholders.

VI. DISCLOSURES

The Company shall make appropriate disclosures in compliance with the provisions of the SEBI LODR Regulations, in particular the disclosures required to be made in the annual report and on the website (www.aavas.in) of the Company.

In case, the Company proposes to declare dividend on the basis of the parameters in addition to those as specified in this Policy and/or proposes to change any of the parameters, the Company shall disclose such changes along with the rationale in the annual report and on its website.

VII. REVIEW AND UPDATES

This policy will be reviewed periodically as and when required and annually by the Board of the company, further the Board of Directors shall have the right to modify, amend or change any or all clauses of this Policy in accordance with the provisions of the Applicable laws/ Acts /Regulations or otherwise.

In case of any amendment(s), clarification(s), circular(s) etc. issued under any Applicable laws/ Regulations, which is not consistent with any of the provisions of this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall be deemed to be amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Annexure-6

Form AOC-1

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

Statement containing salient features of the financial statements of Subsidiaries or Associate Companies or Joint Ventures

Part A: Subsidiaries

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Aavas Finserv Limited
2.	The date since when subsidiary was acquired	Aavas Finserv Limited was not acquired, however it was incorporated as wholly owned subsidiary of the Company on November 30, 2017.
3.	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	Not applicable
4.	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	Not applicable
5.	Share capital	₹450.00 lakh
6.	Reserves and surplus	₹(59.46 lakh)
7.	Total assets	₹449.06 lakh
8.	Total Liabilities	₹58.52 lakh
9.	Investments	Nil
10.	Turnover	₹18.52 lakh
11.	Profit before taxation	₹(77.58 lakh)
12.	Provision for taxation	Nil
13.	Profit after taxation	₹(57.60 lakh)
14.	Proposed Dividend	Nil
15.	Extent of shareholding (in percentage)	100%

Notes:

1. Names of subsidiaries which are yet to commence operations: - Aavas Finserv Limited
2. Names of subsidiaries which have been liquidated or sold during the year: - NIL

Part B: Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Since the Company does not have any Associate Company or Joint venture, the disclosure under this section is not applicable.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)
Date: April 29, 2021
Place: Jaipur

Manas Tandon
Non-Executive Promoter Nominee Director
(DIN: 05254602)
Date: April 29, 2021
Place: Mumbai

Ghanshyam Rawat
Chief Financial Officer
Date: April 29, 2021
Place: Jaipur

Sharad Pathak
Company Secretary and Compliance Officer
Date: April 29, 2021
Place: Jaipur

Annexure-7

Information under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The statement of disclosure of Remuneration under sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sl. No.	REQUIREMENTS	DISCLOSURE
1.	Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2020-21.	**Executive Directors** Mr. Sushil Kumar Agarwal: 74.73 X
		Non- Executive Directors Mr. Sandeep Tandon: 6.37 X Mrs. Kalpana Iyer: 6.37 X Mrs. Soumya Rajan: 8.99 X Mr. Ramchandra Kasargod Kamath: 8.99 X Mr. Vivek Vig: 6.37 X
		Note: Mr. Manas Tandon, Mr. Nishant Sharma and Mr. Kartikeya Dhruv Kaji, Promoter Nominee Directors of the Company, have not taken any remuneration during the Financial Year 2020-21.
2.	The percentage increase/ (decrease) in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the Financial Year.	**Directors** Mr. Sushil Kumar Agarwal (Managing Director & CEO): (16.94%) Mr. Sandeep Tandon (Independent Director): 70.00% Mrs. Kalpana Iyer (Independent Director): 70.00% Mrs. Soumya Rajan (Independent Director): 0.00% Mr. Ramchandra Kasargod Kamath (Nominee Director): 0.00% Mr. Vivek Vig (Nominee Director): 70.00%
		Key Managerial Personnel's (KMP's) Other than Directors Mr. Ghanshyam Rawat (Chief Financial Officer): (19.22%) Mr. Sharad Pathak (Company Secretary): (10.30%)
3.	The percentage increase/ (decrease) in the Median Remuneration of Employees in the Financial Year	(13.04%)
4.	No. of Permanent Employees on the Rolls of the Company	4336 (as on March 31, 2021)
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	The average percentage increase in the remuneration of all employees (other than KMPs) for the FY 2021-21) stood at (16.30%) whereas the average percentage increase in the remuneration of KMP's was at (17.60%). Further there was no exceptional circumstance which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is affirmed that the remuneration is as per the Remuneration Policy of the Company.

Notes:

1. Calculations of remuneration have been made on comparable and annualized basis.
2. The remuneration of KMP's was taken from the Audited Financial Statements for Financial Year 2020-21.
3. Remuneration comprises of salary (fixed and variable), allowances, perquisites/ taxable value of perquisites but doesn't include perquisite value of ESOPs exercised.
4. Sitting fees paid to the Directors is considered to be part of the remuneration.
5. During the previous Financial Year 2020-21, the Board approved the equal remuneration for each Non-Executive Directors (NEDs), due to which percentage increase in remuneration of NEDs is relatively higher.
6. Mrs. Soumya Rajan, Independent Director of the Company was appointed with effect from August 29, 2019. During the Financial Year 2020-21, she was paid remuneration of ₹35.00 lakh out of which 11.00 lakh paid as commission for the Financial Year 2019-20.
7. The average and median remuneration of the employees were decreased due to salary restructured in the previous Financial Year 2020-21 due to COVID-19 pandemic and increase in total strength of permanent Employees of the Company. Further no increments were offered to Employees in the Financial Year 2020-21.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: April 29, 2021
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: April 29, 2021
Place: Mumbai

DISCLOSURES OF EMPLOYEES PURSUANT TO SUB RULE 2 & 3 OF RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Sl. No.	Employee Name	Designation	Nature of Employment	Qualification	Age (in years)	Total Experience	Previous Employer	Date of Joining	Remuneration received (₹ In lakh)	Percentage of equity shares held (in %)	whether any such employee is a relative of any director (if yes please provide)
1	Mr. Sushil Kumar Agarwal	Managing Director and CEO	Contractual	Chartered Accountant and Company Secretary	43	20 years	ICICI Bank Limited	23-Feb-11	199.40	3.50	No
2	Mr.Ghanshyam Rawat	Chief Financial Officer	Permanent	Chartered Accountant	52	25 years	First Blue Home Finance Limited	1-Jun-14	147.04	1.11	No
3	Mr. Sunku Ram Naresh	Chief Business Officer	Permanent	Bachelor of science and Master of Business Administration - both from Sri Krishnadevaraya University	47	25 years	Bajaj Finance Limited	2-Jun-15	105.61	0.56	No
4	Mr. Vineet Mahajan	Treasury Head-Finance & Treasury	Permanent	Chartered Accountant and B. COM (Hons.) from SRCC, Delhi	45	22 Years	Edelweiss Group	18-Mar-20	93.44	-	No
5	Mr. Surendra Kumar Sihag	Senior Vice President – Collection	Permanent	Bachelor of arts and LLB degree - both from University of Rajasthan and Master of Business Administration from the Periyar University	47	19 years	Bajaj Finance Limited	2-Jan-17	74.27	0.04	No
6	Mr. Ashutosh Atre	Chief Risk Officer	Permanent	Diploma in finance from SVKM's NMIMS University and diploma in mechanical engineering from Madhya Pradesh Board of Technical Education, Bhopal	50	31 years	Equitas Housing Finance Private Limited	14-May-14	72.75	0.16	No
7	Mr. Anurag Srivastava	Senior Vice President - Data Science	Permanent	Master of Arts (economics) from the University of Delhi	40	16 years	Deloitte Special Project India Private Limited	2-Sep-16	64.33	0.01	No
8	Mr. Rajeev Sinha	Senior Vice President-Operations	Permanent	B.Sc. and Certified in Management of Customer Relationship from IIM Ahmedabad (EE)	45	21 Years	Indiabulls Housing Finance Limited	4-May-16	60.49	0.01	No
9	Mr. Mukesh Agarwal	Vice President-Accounts	Permanent	Chartered Accountant	44	22 years	D1 Williamson Magor Bio Fuel Ltd	17-Oct-12	54.28	0.01	No
10	Mr. Shailendra Kumar Gupta	Vice President-Sales	Permanent	B. Com, MBA from M D University / Executive MBA from IIM Lucknow	45	21 years	India bulls Housing Finance Ltd	17-Jan-17	48.70	0.01	No

Notes:

1. Remuneration comprises of salary (fixed and variable), allowances, perquisites/ taxable value of perquisites but doesn't include perquisite value of ESOPs exercised.
2. No employee of the company was employed for part of the year and was in receipt of remuneration, at a rate which, in the aggregate, was not less than ₹8.50 lakh per month.
   No employee of the Company, employed throughout the financial year 2020-21 or part thereof, was in receipt of remuneration, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director and CEO and holds by himself or along with his spouse and dependent children, not more than two percent of the Equity Shares of the Company. However, as on March 31, 2021, Mr. Sushil Kumar Agarwal, Managing Director & CEO holds 3.50% of the shares in the Company and the Company has also made the required disclosures in this regard to the respective stock exchanges.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: April 29, 2021
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: April 29, 2021
Place: Mumbai

Annexure-8

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR FINANCIAL YEAR 2020-21

1. A BRIEF OUTLINE ON CSR POLICY OF THE COMPANY.

The Company has adopted CSR Policy approved by CSR Committee and the Board of Directors, in accordance with the provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Schedule VII of the Companies Act, 2013 ("the Act").

Aavas Foundation ("The Foundation"), a Public Charitable Trust established by the Company undertakes the Company's CSR Activities and implements social programs in a far more collaborative and participative way.

Since the month of the March 2020, COVID-19 pandemic has been posing an unprecedented challenge to the humanity. The national and local impact of the COVID-19 crisis was highly heterogeneous, with significant implications for crisis management and policy responses not only at the company level but also at community level. The Company being a responsible corporate has supported the community since lockdown. It focuses its CSR efforts on such areas where it could provide maximum benefits to adversely affected groups. During the previous Financial Year, it worked with Government Medical department towards arranging and supplying PPE kits, sanitizers and mask and gloves to corona warriors, supplying cooked food to community, starting awareness programs for community, and producing more than 80,000 cotton masks for distribution in the community, with the help of women residing in rural areas, in order to support their livelihood. The Company devoted its best efforts to support migrant workers and other local poor who suffered the most during lockdown.

The Company shall continue its engagement with stakeholders including NGOs, professional bodies/ forums and the Government and would take up such CSR activities in line with the Government's intent, to maximize the help to societies affected due to COVID-19 pandemic.

Long term CSR programs are undertaken by the Company to the best possible extent within the defined ambit i.e. access to quality education to underprivileged & orphans, awareness campaigns and education on national issues, preventive health care, steps to combat the national disaster or crises like COVID-19, conservation, protection and amelioration of environment, skilling and to improve the quality of life through providing basic safety & security, health & hygiene environments at workplace to the construction workers.

The Company's CSR Policy is broadly based on the principles of undertaking socially useful programs for welfare and sustainable development of the community as a whole. The CSR Policy as recommended by the CSR Committee and approved by the Board of the Company is available on the Company's website https://www.aavas.in/csr-policy.

2. COMPOSITION OF CSR COMMITTEE:

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of Meetings of CSR Committee held during the year	Number of Meetings of CSR Committee attended during the year
1.	Mr. Kartikeya Dhruv Kaji*	Chairperson (Non-Executive Promoter Nominee Director)	NA	NA
2.	Mrs. Kalpana Iyer	Member (Independent Director)	2	2
3.	Mr. Vivek Vig**	Member (Non-Executive Nominee Director)	NA	NA
4.	Mr. Sushil Kumar Agarwal	Member (Managing Director & CEO)	2	2

* Became Member and Designated as Chairperson w.e.f. October 29, 2020

**Became Member w.e.f. October 29, 2020

3. PROVIDE THE WEB-LINK WHERE COMPOSITION OF CSR COMMITTEE, CSR POLICY AND CSR PROJECTS APPROVED BY THE BOARD ARE DISCLOSED ON THE WEBSITE OF THE COMPANY.

The composition of CSR Committee is available at https://www.aavas.in/meet-my-team. The CSR Policy of the Company can be accessed at https://www.aavas.in/csr-policy.

4. PROVIDE THE DETAILS OF IMPACT ASSESSMENT OF CSR PROJECTS CARRIED OUT IN PURSUANCE OF SUB-RULE (3) OF RULE 8 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014, IF APPLICABLE (ATTACH THE REPORT).

Not Applicable

5. DETAILS OF THE AMOUNT AVAILABLE FOR SET OFF IN PURSUANCE OF SUB-RULE (3) OF RULE 7 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014 AND AMOUNT REQUIRED FOR SET OFF FOR THE FINANCIAL YEAR, IF ANY.

(in lakh)

Sl. No.	Financial Year	Amount available for set-off from preceding Financial Years	Amount required to be set-off for the financial year, if any
NIL			

Note: The Company did not have any amount available for set off in the Financial Year 2020-21.

6. AVERAGE NET PROFIT OF THE COMPANY AS PER SECTION 135(5).

₹22,912 lakh

7. (a) TWO PERCENT OF AVERAGE NET PROFIT OF THE COMPANY AS PER SECTION 135(5).

₹475.51* Lakh

*Including ₹17.26 lakh, amount unspent of previous year which was carry forwarded in the current Financial Year 2020-21.

(b) **SURPLUS ARISING OUT OF THE CSR PROJECTS OR PROGRAMMES OR ACTIVITIES OF THE PREVIOUS FINANCIAL YEARS.** Not Applicable.

(c) **AMOUNT REQUIRED TO BE SET OFF FOR THE FINANCIAL YEAR, IF ANY.** Not Applicable.

(d) **TOTAL CSR OBLIGATION FOR THE FINANCIAL YEAR (7a + 7b - 7c)** ₹475.51 Lakh

8. (a) CSR AMOUNT SPENT OR UNSPENT FOR THE FINANCIAL YEAR:

Total Amount Spent for the Financial Year (in lakh)	Amount Unspent (in lakh)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
475.80	NIL	-	-	NIL	-

(b) DETAILS OF CSR AMOUNT SPENT AGAINST ONGOING PROJECTS FOR THE FINANCIAL YEAR:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Project duration	Amount allocated for the project (in lakh)	Amount spent in the current financial Year (In lakh)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in lakh)	Mode of Implementation Direct (Yes/ No)	Mode of Implementation- through Implementing Agency	
				State	District						Name	CSR Registration number*
1.	Project Vishwakarma	Reducing in equalities faced by socially and economically backward groups	Yes	Rajasthan	Jaipur	3	75	75	0	No	Aavas Foundation	CSR00004365
2.	GRAM SIDDHI (Usha Aavas Silai School)	Skill Development, Women Empowerment, Rural Development	Yes	Rajasthan	Jaipur	3	130	130	0	No	Aavas Foundation	CSR00004365
3.	Road Safety Awareness Workshop and helmet distribution	Promoting Education	Yes	Rajasthan	Jaipur, Ajmer, Bilwara, Udaipur, Chittor	3	30	30	0	No	Aavas Foundation	CSR00004365
	Total						235	235				

(c) DETAILS OF CSR AMOUNT SPENT AGAINST OTHER THAN ONGOING PROJECTS FOR THE FINANCIAL YEAR:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (In lakh)	Mode of Implementation Direct (Yes/No)	Mode of Implementation- Through Implementing Agency	
				State	District			Name	CSR Registration number*
1.	Cheer Project (Children affected with HIV AIDS)	Promoting Education and Skill Support for under privilege and Orphans students	Yes	Rajasthan	Jaipur	7.5	NO	Aavas Foundation	CSR00004365
2.	Aavas Small Van Project (Sitapura RIICO)	Ensuring environmental sustainability, ecological balance	Yes	Rajasthan	Jaipur	11	NO	Aavas Foundation	CSR00004365
3.	Aavas Reforestation project (Jhalana)	Ensuring environmental sustainability, ecological balance	Yes	Rajasthan	Jaipur	8	NO	Aavas Foundation	CSR00004365
4.	To Fight against Covid 19	Disaster Relief - COVID-19 and Promoting healthcare including preventive health care	No	Rajasthan, Madhya Pradesh, Gujrat	More than 12 district	10	NO	Aavas Foundation	CSR00004365
5.	Ghar Bethe Sikho (Whatsapp based Learning program)	Promoting Education and Skill Support for under privilege and Orphans students	No	Rajasthan	15 district	7.5	NO	Aavas Foundation	CSR00004365
6.	Community Infrastructure support	Project identified as per local society needs around Aavas locations i.e. Drinking Water, environment support, community infrastructure Support / Services, Support of Sports etc.	Yes	Rajasthan	Jaipur	15	NO	Aavas Foundation	CSR00004365
7.	IFC Green Building Study	Ensuring environment sustainability, ecological balance	No	India	India	30	NO	Aavas Foundation	CSR00004365
8.	Other Administrative Charges	-	-	-	-	20	NO	Aavas Foundation	CSR00004365
9.	To Fight against Covid 19	Promoting health care including preventive health care	Yes	Rajasthan	Jaipur	1.9	YES	NA	NA
10.	To Fight against Covid 19	Promoting health care including preventive health care	Yes	Rajasthan	Jaipur	5	NO	District Collector COVID19 Relief Fund, Jaipur	-
11.	To Fight against Covid 19	Promoting health care including preventive health care	No	Maharashtra	Mumbai, Thane	5	NO	The National Association of Disabled's Enterprises	-
12.	To Fight against Covid 19	Promoting health care including preventive health care	No	Maharashtra	Mumbai, Thane	5	NO	Yuva	-
13.	To Fight against Covid 19	Promoting health care including preventive health care	No	Uttarakhand	Uttarkashi	5	NO	Sivanand Seva Samiti	-
14.	Aavas Food Van	Eradicating poverty & Hunger	Yes	Raj.	Jaipur	15	NO	Parmarth Avam Adhyatmik Samiti	-
15.	Education support	Promoting Education	Yes	Raj.	Jaipur	5	NO	Hare Krishna Movement	-
16.	Animal Welfare	Animal welfare	Yes	Raj.	Jaipur	5	NO	Hare Krishna Movement	-
17.	Sports for development	Promoting Rural Sports	Yes	Raj.	Jaipur	1	NO	DOJO Academy of Martial Art	-
18.	Education support	Promoting Education	Yes	Raj.	Jaipur	5	NO	Sri Sai Siksha Sansthan	-
19.	Improve Hospital Infra	Promoting health care including preventive health care	Yes	Raj.	Jaipur	5	NO	Sivanand Seva Samiti	-

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (In lakh)	Mode of Implementation Direct (Yes/No)	Mode of Implementation- Through Implementing Agency	
				State	District			Name	CSR Registration number*
20.	Education support	Promoting Education	Yes	Raj.	Jaipur	3.6	NO	Aim for Seva	-
21.	Education support	Promoting Education	Yes	Raj.	Jaipur	5	NO	Abhiyan Bharat Foundation	-
22.	Aavas Food Van	Eradicating poverty & Hunger	Yes	Raj.	Jaipur	15	NO	Parmarth Avam Adhyatmik Samiti	-
23.	Education support	Promoting Education	No	UP	Prayagraj	10	NO	Children National Institute	-
24.	Education support	Promoting Education	No	UP	Renukoot	5	NO	Samanvay Pariwar	-
25.	Education support	Promoting Education	Yes	Raj.	Jaipur	5	NO	Round Table India Trust	-
26.	To Fight against Covid 19	Promoting health care including preventive health care	No	India	_	11	NO	PM Cares	-
	Total					**221.51**			

*CSR Registration number is mandatory from April 1, 2021 (FY 2021-22).

(d) AMOUNT SPENT IN ADMINISTRATIVE OVERHEADS

₹19.29 Lakh

(e) AMOUNT SPENT ON IMPACT ASSESSMENT, IF APPLICABLE

Not Applicable

(f) TOTAL AMOUNT SPENT FOR THE FINANCIAL YEAR (8b+8c+8d+8e)

₹475.80 Lakh

(g) EXCESS AMOUNT FOR SET OFF, IF ANY:

Sl. No.	Particulars	Amount (in lakh)
(i)	Two percent of average net profit of the Company as per Section 135(5)	475.51*
(ii)	Total amount spent for the Financial Year	475.80
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.29
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
(v)	Amount available for set of in succeeding financial year [(iii)-(iv)]	0.29

*Including ₹17.26 lakh, amount unspent of previous year which was carry forwarded in the current Financial Year 2020-21.

9. (a) DETAILS OF UNSPENT CSR AMOUNT FOR THE PRECEDING THREE FINANCIAL YEARS:

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in lakh)*	Amount spent in the reporting Financial Year (in lakh)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years (in lakh)
				Name of the Fund	Amount (in lakh)	Date of transfer	
1.	2019-20	NA	17.26*	NA			NIL

*₹17.26 Lakh pertaining to unspent amount of previous Financial Year 2019-20 was carried forward in Financial Year 2020-21 and the same has been spent during the year under review. The provision of transferring the unspent amount came into force on January 22, 2021, therefore transferring the unspent amount was not

applicable on the Company.

(b) DETAILS OF CSR AMOUNT SPENT IN THE FINANCIAL YEAR FOR ONGOING PROJECTS OF THE PRECEDING FINANCIAL YEAR(S):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the Project (in lakh)	Amount spent on the project in the reporting Financial Year (in lakh)	Cumulative amount spent at the end of reporting Financial Year (in lakh)	Status of the Project Completed/ Ongoing
1.	-	Project Vishwakarma	2019-20		170	75	79.13	Ongoing
2.	-	GRAM SIDDHI (Usha Aavas Silai School)	2020-21		270	130	130	Ongoing
3.	-	Road Safety Awarness Workshop and helmet distribution	2019-20		40	30	35	Ongoing
	Total				480	235	244.13	

10. IN CASE OF CREATION OR ACQUISITION OF CAPITAL ASSET, FURNISH THE DETAILS RELATING TO THE ASSET SO CREATED OR ACQUIRED THROUGH CSR SPENT IN THE FINANCIAL YEAR (ASSET-WISE DETAILS).

(a) DATE OF CREATION OR ACQUISITION OF THE CAPITAL ASSET(S)

Not Applicable

(b) AMOUNT OF CSR SPENT FOR CREATION OR ACQUISITION OF CAPITAL ASSET

Not Applicable

(c) DETAILS OF THE ENTITY OR PUBLIC AUTHORITY OR BENEFICIARY UNDER WHOSE NAME SUCH CAPITAL ASSET IS REGISTERED, THEIR ADDRESS ETC.

Not Applicable

(d) PROVIDE DETAILS OF THE CAPITAL ASSET(S) CREATED OR ACQUIRED (INCLUDING COMPLETE ADDRESS AND LOCATION OF THE CAPITAL ASSET)

Not Applicable

11. SPECIFY THE REASON(S), IF THE COMPANY HAS FAILED TO SPEND TWO Percent OF THE AVERAGE NET PROFIT AS PER SECTION 135(5).

Not Applicable

For **AAVAS FINANCIERS LIMITED**

Mr. Sushil Kumar Agarwal
Managing Director & CEO

(DIN: 03154532)

Date: April 29, 2021
Place: Jaipur

Mr. Kartikeya Dhruv Kaji
Promoter Nominee Director and Chairperson of CSR Committee
(DIN: 07641723)

Date: April 29, 2021
Place: Goa

Mr. Manas Tandon
Promoter Nominee Director

(DIN: 05254602)

Date: April 29, 2021
Place: Mumbai

Annexure-9

Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

1. Objective of Policy

The Board of Directors (''the Board'') of Aavas Financiers Limited (hereinafter referred to 'the Company' or 'AFL'), in pursuance of Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) and other applicable provisions, has adopted Related Party Transaction Policy (''this policy'') to regulate the transactions between the Company and its Related Parties. The Board of Directors (the "Board") further recognizes that transaction with related party(s) could raise conflicts of interest and therefore has adopted this Related Party Transaction Policy (this "Policy") to be followed in connection with all related party transactions involving the Company. All Transactions with Related Party shall be subject to review and approval in accordance with the procedures set forth below, inter-alia, the provisions of applicable laws.

2. Definitions

Unless the term(s) otherwise defined, the following terms shall have the following meaning assigned to them wherever appearing in the policy:

(i) "Applicable Laws" includes (a) the Companies Act, 2013 ('the Act') and rules made thereunder; (b) the SEBI LODR Regulations (c) Accounting Standards (d) National Housing Bank (NHB) Act, 1987, Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by Reserve Bank of India (RBI) and Notifications issued by RBI/NHB from time to time and (e) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

(ii) "Arm's length transaction" Section 188(1)(b) of the Act Mean transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

(iii) "Audit Committee" means the committee of the Board of the Company constituted in accordance with the provisions of the Act and Rules made thereunder and SEBI LODR Regulations.

(iv) "Control"

a) ownership, directly or indirectly, of more than one half of voting power of an enterprise, or

b) control of the composition of the board of directors in the case of a Company or of the composition of the corresponding governing body in case of any other enterprise, or

c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/ or operating policies of the enterprise.

(v) "Key Managerial Personnel" or ("KMP") shall have the meaning as defined in the Act

(vi) Omnibus approval

In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company and on Arm's length basis, the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by Company / AFL, subject to the following conditions, namely -

(a) the audit committee shall, after obtaining approval of Board, lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Company.entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need and justification for such omnibus approval and that such approval is in the interest of the entity;

(c) the omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,

(ii) the indicative base price / current contracted price and the formula for variation in the price if any; and

(iii) such other conditions as the audit committee may deem fit: Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(iv) such other conditions as may be specified by the law from time to time.

(d) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.

(e) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

(vii) "Related Party"

In relation to the Company, means a related party as defined under sub-section (76) of Section 2 of the Act or under the applicable accounting standards:

"Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of Shareholding in the Company shall be deemed to be a related party"

(viii) "Related Party Transaction" (hereinafter referred as "RPTs")

As per SEBI LODR Regulations, "related party transaction" means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

As per Section 188(1) of Act related party transaction will include following specific transactions:

i) sale, purchase or supply of any goods or materials;

ii) selling or otherwise disposing of, or buying, property of any kind;

iii) leasing of property of any kind;

iv) availing or rendering of any services;

v) appointment of any agent for purchase or sale of goods, materials, services or property;

vi) such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and

vii) Underwriting the subscription of any securities or derivatives thereof, of the Company.

(ix) Relative

In terms of Section 2(77) of the Act read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if –

a. They are members of a Hindu undivided family; b. They are husband and wife; c. Father (including step-father); d. Mother (including step-mother); e. Son (including step-son); f. Son's wife; g. Daughter; h. Daughter's husband; i. Brother (including step-brother); or sister (including step-sister).

(x) "Material Related Party Transaction"

means a transaction with a Related Party if the transaction /transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated Revenue/Turnover of the Company as per the last audited financial statements of the Company.

(xi) "Undertaking"

shall mean an undertaking in which the investment of the Company exceeds twenty percent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty percent of the total income of the Company during the previous financial year.

3. Procedures

3.1 Audit Committee

3.1.1 Each of AFL directors and executive officers are instructed to inform the Company Secretary or Management of the Company of any potential Transaction with Related Party. All such transactions will be analysed by the Audit Committee in consultation with management to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. The Committee will be provided with the following details of each new, existing or proposed Related Party Transaction:

- The Name of the Related Party and nature of relationship;
- The nature, duration and particulars of the contract or arrangement;
- The material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any;
- The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
- Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

3.1.2 All transactions with related party shall require approval of the Audit Committee irrespective of ordinary course of business or arm length basis.

3.1.3 The Related Party Transactions which are not in the ordinary course of business and/or not at arm's length will be reviewed by the Audit Committee and then recommended to the Board for its approval or recommending to the Shareholders' of Company for their approval.

3.1.4 If a Related Party Transaction is ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party.

3.1.5 The Committee may also disapprove of a previously entered Related Party Transaction and may require that management of the Company take all reasonable efforts to terminate, unwind, cancel or annul the Related Party Transaction.

3.1.6 A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

3.1.7 The Committee may decide to get advice, certification, study report, transfer pricing report, rely upon certification issued as per the requirement of other laws etc. from a professional (includes statutory / internal Auditors) or technical person including price discovery process, to review transactions with Related Party.

3.1.8 Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction. However, the Chairperson of the Committee may allow participation of such member in some or all of the Committee's discussions of the Related Party Transaction.

3.1.9 Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

3.1.10 The Audit Committee may review any previously approved or ratified RPT that is continuing and determine based on then-existing facts and circumstances, including the Company's existing contractual or other obligations, if it is in the best interests of the Company to continue, modify or terminate the transaction.

3.2 Board of Directors

3.2.1 Approval of the Board shall not be required for the RPTs to be entered into in ordinary course of business and at arm's length basis.

3.2.2 All related parties with whom the Company intends to enter into transaction as recommended by Audit Committee and which are other than in ordinary course of business or arm length basis, will require prior approval of the Board of Directors.

3.2.3 The Board of Directors shall review and recommend all transactions in terms of Section 188(1) requiring Shareholders' prior approval.

3.2.4 The Board of Directors shall annually review, the details of all Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company.

3.2.5 Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

3.2.6 Following minimum information would be placed before the Board for enabling the Board to consider and approve the Related Party Transaction:

- The Name of the Related Party and nature of relationship;
- The nature, duration and particulars of the contract or arrangement;
- The material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any;
- The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
- Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

4. Overall Threshold Limit

4.1.1 Overall threshold limit for related party transaction is ₹10 crore for a financial year.

4.1.2 Any transaction with related party over and above of this threshold limit shall require the prior approval of Board.

5. Approval of Shareholders

5.1.1 The contracts or agreements with any Related Party which are not in the ordinary course of business and not at arm's length in respect of transactions specified in Section 188(1) of the Act, will require prior approval of the Shareholders by a resolution.

5.1.2 For the purposes of first proviso to sub-section (1) of Section 188 of Act, except with the prior approval of the Company by a resolution, a Company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,-

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-Section (1) of Section 188 of the Act, with criteria as mention below-

i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover/Revenue of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of Section 188 of the Act.

ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of Section 188 of the Act.

iii) leasing of property any kind amounting to ten percent of turnover or more of the net worth of company or ten percent or more of turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of Section 188 of the Act;

iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of sub-section (1) of Section 188 of the Act.

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of Section 188 of Act.

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of Section 188 of the Act.

5.1.3 All material related party transactions will require Shareholders' approval and no related party shall vote to approve such resolution in terms of applicable laws as on date of such approval.

5.1.4 The explanatory statement to be annexed to the notice of general meeting in this regards shall contain following particulars, inter-alia:

i. name of the related party;

ii. name of the director or key managerial personnel who is related, if any;

iii. nature of relationship;

iv. nature, material terms, monetary value and particulars of the contract or arrangement;

v. any other information relevant or important for the members to take a decision on the proposed resolution.

6. Disclosure

Each director who is, directly or indirectly, concerned or interested in any way in any transaction with the Related Party shall disclose all material information and the nature of his interest in the transaction to the Committee or Board of Directors.

7. Review of Policy

The Board may periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.

8. Administrative Measures

Audit Committee / Board shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, these Policies and Procedures.

The Audit Committee / Board as applicable, shall evaluate such transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with such evaluation and review of the Related Party Transaction, the Audit Committee / Board as applicable, shall have the authority to modify or waive any procedural requirements of this Policy.

9. Interpretation

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to confirm to the law, rule, regulation or standard.

10. Dissemination of Information

AFL shall upload this Policy on its website i.e. www.aavas.in. AFL shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Act, Rules made thereunder.

11. Implementation

The policy will be implemented by the management of the Company from the date it is approved by the Board. All Related Party Transaction entered prior to the date of approval of this Policy and Procedures shall be subject to review by the Audit Committee.

12. Exclusion of Policy

This policy shall not be applicable to following related party transactions:

a. Transactions entered into with Related Parties in ordinary course of business and on arm's length basis;

b. Transactions entered into between Holding Company and Wholly Owned Subsidiary Company whose accounts are consolidated with such holding Company and placed before the Shareholders at the general meeting for approval.

Annexure-10

Business Responsibility Report, 2020-21

INTRODUCTION

The decade-long journey of Aavas Financiers Limited has been a chronicle of success, resilience and sustained value-creation for society. The Company's emphasis on a "customer first" approach is but a reflection of the profound desire to enrich lives and build lasting faith of the community. With an ethics-driven corporate culture and numerous corporate social responsibility endeavors, the Company continues to align its business goals with greater good of the community at large.

Pursuant to the foregoing vision, the Company has prepared this Business Responsibility Report, in alignment with National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG-SEE) released by the Ministry of Corporate Affairs, and also, in accordance with Regulation 34 (2) (f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations").

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. **Corporate Identity Number (CIN) of the Company**: L65922RJ2011PLC034297
2. **Name of the Company**: Aavas Financiers Limited ("Aavas" or "the Company")
3. **Registered and Corporate office**: 201-202, 2nd Floor, South End Square, Mansarovar Industrial Area, Jaipur - 302 020, Rajasthan, India
4. **Website**: www.aavas.in
5. **E-mail ID**: investorrelations@aavas.in
6. **Financial year reported**: 2020-21
7. **Sector(s) that the Company is engaged in (industrial activity code-wise)**:

NIC code	Description
64910	Housing Finance Activities

8. **List three key services that the Company provides (as in the Balance Sheet)**: The Company's business is providing home loans for the purchase or construction of residential properties and for the extension and repair of existing housing units. In addition to home loans, the Company offers Customers other mortgage loans including loans against property.
9. **Total number of locations where business activity is undertaken by the Company**:
   (a) Number of International Locations (Provide details of major five): Nil
   (b) Number of National Locations: 280 branches in 11 states of India
10. **Markets served by the Company - local/state/national/ international**: The Company serves local/state and national level markets with a special focus on rural and semi-urban areas of India.

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. **Paid-up Capital**: ₹78,50,45,510
2. **Total Income (in lakh)**: ₹1,10,533.51
3. **Total Comprehensive Income (in lakh)**: ₹29,032.92
4. **Total Spending on Corporate Social Responsibility (CSR)**: Refer to the Annual Report on CSR Activities annexed to the Directors' Report.
5. **List of the activities in which expenditure in 4 above has been incurred**: Refer to the Annual Report on CSR Activities annexed to the Directors' Report.

SECTION C: OTHER DETAILS

1. **Does the Company have any subsidiary Company/ Companies?**

   The Company has one wholly owned Subsidiary named as Aavas Finserv Limited ("Aavas Finserv").
2. **Do the subsidiary Company/Companies participate in the Business Responsibility (BR) initiatives of the parent company?**

   No.
3. **Do any other entity/entities (e.g. suppliers, distributors, etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

   No other entities with whom the Company does business with, participates in the BR initiatives of the Company. However, the Company with its long-term strategy on CSR initiatives, had set up "Aavas Foundation" as a Public Charitable Trust settled by the Company for the purpose of carrying its CSR Activities.

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

Sl. No.	Particulars	Details
1 (a)	Details of Director/Directors responsible for BR	DIN: 03154532 Mr. Sushil Kumar Agarwal Managing Director and CEO 0141-6618839 ceo@aavas.in
	Director Identification Number (DIN)	
	Name	
	Designation	
	Telephone number	
	Email ID	
1 (b)	Details of the BR head	
	DIN (if applicable)	
	Name	
	Designation	
	Telephone number	
	E-mail ID	

2. Principle-wise (as per NVGs) BR policy/policies

a) **Details of compliance (reply in Y/N)**

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for all the principles	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/international standards?	Y*	Y*	Y*	Y*	Y*	Y*	Y*	Y*	Y*
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the Company have a specified Committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	All the policies are available to the Employees of the Company. Most of the policies are also available on the Company's website: www.aavas.in								
7.	Has the Policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a Grievance Redressal Mechanism related to the Policy/Policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out Independent Audit/ evaluation of the working of this Policy by an Internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

*National standards

b) **If answer to the question at serial number 1 against any principle, is 'No', please explain why**: Not applicable

3. Governance related to BR

a) **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.**

The BR performance of the Company is assessed on an annual basis.

b) **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

Yes, Report is published annually. The same is available on the website of the Company at URL https://www.aavas.in/investor-relations/annual-reports.

SECTION E: PRINCIPLE WISE PERFORMANCE

PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the group/ joint ventures/suppliers/contractors/NGOs/others?

The Company conducts its business professionally and with utmost integrity. It has adopted the following policies to ensure ethical, transparent and accountable conduct:

i. Customer Grievance Policy

ii. Fair Practice Code

iii. Code of Conduct for the Board of Directors and the Senior Management Personnel

iv. Code of Conduct for Employees

v. Fit and Proper Criteria for Directors

vi. Prevention of Insider Trading Policy

vii. Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information

viii. Vishakha Policy against Sexual Harassment as required under Sexual Harassment of Women at Workplace (Prevention, Prohibition And Redressal) Act, 2013

ix. Vigil Mechanism/Whistleblower Policy

x. Policy on Recording of Investor Communications

xi. Policy on 'Know Your Customer' and 'Anti-Money Laundering Measures'

xii. Dividend Distribution Policy

The Vigil Mechanism/Whistle Blower Policy allows various Stakeholders of the Company to make protected disclosures about any unethical or improper activity concerning the Company. The Fair Practices Code applies across all aspects of operations including marketing & customer relationship, loan origination & processing, servicing & collection activities and back-office management. The Code of Conduct is communicated to all Employees through various media and fresh recruits are trained on the same. There was no violation of the Company's Code of Conduct in the Financial Year 2020-21. Further, no case was reported under the Company's Whistle Blower Policy or under the Sexual Harassment Policy during the Financial Year.

2. How many Stakeholder complaints have been received in the past Financial Year and what percentage was satisfactorily resolved by the management?

Sl. No.	Particulars	Complaints received	Complaints resolved	Pending	Complaint Resolution (%)
1.	Customer complaints	255	254	1*	99.6%
2.	Shareholder complaints	Nil	Nil	Nil	N/A
3.	Complaints received under Whistler Blower Policy /Vigil mechanism	Nil	Nil	Nil	N/A
4.	Complaints relating to sexual harassment	Nil	Nil	Nil	N/A
5.	Complaints relating to Discriminatory employment	Nil	Nil	Nil	N/A
6.	Complaints relating to Child/forced/involuntary labour	Nil	Nil	Nil	N/A

*Repeated Complaint

PRINCIPLE 2: TO PROVIDE SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

1. List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/ or opportunities

I. **Targeting credit-starved customers**: Aavas provides accessible home loans in unserved and underserved markets, in semi-urban and rural areas, where there is little or no access to formal banking credit. Hence, the Company has been a pioneer in bringing low-income and middle-income groups within the umbrella of formal credit. The Company uses a unique and individualized customer appraisal system especially designed for persons who are credit-worthy but may not have sufficient income proof documents.

II. **Gender & Inclusion**: The Company insists to have a female member as borrower/co-borrower while appraising any loan application.

III. **Digitization**: The Company's website has a portal for online application of loans which offers services like branch locator, Home Loan EMI Calculator, details on specific products like construction loan, MSME loan etc. Customers also have the option to apply for loans through Aavas Loan Mobile App.

IV. **Aavas-IFC Green Housing Program**: As a crucial step towards catalyzing climate resilient infrastructure through private finance, the Company has partnered with International Financial Corporation (IFC), a member of the

World Bank Group, to develop a business case for "Green Housing Finance" in the Indian market. This would be the first of its kind study in South Asia, geared towards incentivizing environment-friendly construction of homes by introduction of specialized lending products into the market.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

The Company extensively monitors energy consumption and waste generation as a part of its sustainability roadmap. The Company has also initiated steps towards obtaining green building certification for its head office. Energy saving IT equipment, power saving lamps and high-end copier machines have been installed in all branches to reduce carbon footprint. Paperwork has been reduced by leveraging technology and promoting Stakeholder communications through electronic means. The Company's web portal as well as Mobile App facilitates online application of home loans to save time, energy and resources in the disbursal process.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)?

Not applicable, since the Company is a housing finance company.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

The Company is one of the few finance companies whose head office is located in a tier-2 city (Jaipur). A majority of the Company's brochures, calendars, posters are made in Jaipur, with the help of small vendors. Stationaries across all branches of the Company are procured locally. During COVID-19 outbreak, the Company distributed masks among its Employees which were procured from rural women, hence providing them livelihood during the time of Covid.

5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Since the Company is a housing finance company, the key waste products are primarily paper and e-waste. The Company has put in place an environment-friendly system for management of its e-waste and paper waste.

PRINCIPLE 3: TO PROMOTE WELL-BEING OF ALL EMPLOYEES

The Company values and prioritizes health, safety and wellbeing of its Employees in these unprecedented times. As the previous year marked a major shift in work culture, because of "work from home", the Company made it a point to reach out to all its Employees and maintain fraternity within the organization to respond to widespread emotional stress and anxiety caused by the pandemic.

i. Health and Safety:

The COVID-19 outbreak resulted in lot of fear, insecurity and desperation across the World. During these tough times, the Company prioritized safety and wellbeing of its Employees. In strict adherence to local guidelines, the Company incorporated a culture of social distancing across all its branches and allowed Employees to work from home. The Company also engaged a doctor, who was readily available on-call for Employees seeking medical advice. The Company offered cashless medical facilities and assistance in cases where any Employee or his family member tested positive for Covid, including treatment at home, hospitalization, plasma arrangement, medicines and food. While a lot of work was being done virtually, the Company also made sincere efforts to keep in touch with Employees and inquire about their wellbeing with the help of HR Connect and covid-awareness webinars.

When the pandemic hit its peak in October 2020, the Company put in place a "COVID SUPPORT POLICY" to provide financial support to Employees by facilitating loans for treatment, reimbursements for Pre and Post-Covid testing. The Company also regularly makes it a point to reach out all its Employees through weekly emails and motivates them to maintain a healthy lifestyle. The Company organizes in-office free health check-ups every Thursday.

ii. Pure life:

Mutual respect, inclusion and self-fulfillment are cornerstones of Aavas ethos and work culture. The Company ensures a secure environment for all its Employees and has put in place stringent guidelines to prevent sexual harassment at workplace. The Company also encourages Employees to 'own' their jobs and enhance work-life balance.

The Company's Employees across all branches took active part in distributing masks and food packets to frontline workers. Looking at the commendable spirit shown by its Employees during tough times, SEVA was launched as a volunteering program designed to engage the Company's Employees more frequently in its CSR activities and capitalize their untapped potential to serve the community. CSR presents an excellent opportunity to break away from office routine, boost one's self-confidence and learn important life skills such as empathy. Our aim is overall personality development of our workforce by giving them a chance to connect with the community and achieve higher goals of self-actualization. We provide certificates, awards and appraisals to Employees actively taking part in CSR activities of the Company.

iii. Fitness campaign:

The Company regularly motivates its workforce to stay fit and healthy. In the previous Financial Year, many virtual marathons and fitness campaigns were organized. International Yoga Day was also celebrated online.

iv. Human resource activities:

The Company made efforts to boost Employee morale and optimism through various virtual events and contests around the year including Inhouse Photography Challenge, Online Masala Bhangra, Aavas Kitchen Champion, Aavas Virtual Marathon, Bake a Cake, Bollywood Antakshri, etc.

v. Employee Stock Options: The Company implemented Employee stock options to promote Employee ownership and attract, retain and motivate Employees.

1. **Please indicate the total number of Employees**: 5679
2. **Please indicate the total number of Employees hired on temporary/contractual/casual basis**: 1343
3. **Please indicate the number of permanent women Employees**: 193
4. **Please indicate the number of permanent Employees with disabilities**: Not Applicable
5. **Do you have an Employee association that is recognized by management?** No
6. **What percentage of your permanent Employees is a member of this recognised Employee association?** Not Applicable

7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last Financial Year and pending, as on the end of the Financial Year.

Sl. No.	Category	Number of complaints filed during the Financial Year	Number of complaints resolved	Pending
1.	Child /forced/involuntary labour	Nil	Nil	Nil
2.	Sexual harassment	Nil	Nil	Nil
3.	Discriminatory employment	Nil	Nil	Nil

8. What percentage of your under mentioned Employees were given safety and skill upgradation training in the last year?

We have set-up a training studio with the help of which we organize virtual learning sessions called 'Gurukul' for Employees on a weekly basis. POSH Training sessions are also held round the year. In total, 228 trainings were held covering 3790 Employees.

PRINCIPLE 4: BUSINESS SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE & MARGINALIZED

1. Has the Company mapped its internal and external stakeholders?

Yes, the Company has mapped its internal and external stakeholders.

2. Out of the above, has the Company identified the disadvantaged, vulnerable and marginalised stakeholders?

Yes

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders. If so, provide details thereof, in about 50 words or so.

The Company is serving the underserved population in rural and semi-urban parts of India and helping them to convert their dream of owning a home into reality. The Company's businesses focus is on servicing the key needs of people through financial products. CSR initiatives undertaken by the Company are an extension of its socially inclusive business model. These are taken up pan-India for meeting the expectations of stakeholders through need-based assessments. Various projects were initiated covering preventive health care, quality education to underprivileged and orphans, awareness campaigns and education on national issues, steps to combat the national disaster or crisis like COVID-19, conservation, protection and amelioration of environment, skill development and to improve the quality of life through providing basic safety & security, health & hygienic environment at workplace to the construction workers.

PRINCIPLE 5: BUSINESS SHOULD RESPECT & PROTECT HUMAN RIGHTS

1. Does the policy of the Company on human rights cover only the Company or extend to the group/joint ventures/suppliers/contractors/NGOs/others?

Yes, the policy of the Company is applicable to the Company as well as its external Stakeholders. The Company upholds, respects and promotes human rights. The Company complies with and adheres to all human rights laws and guidelines, laid down under the Constitution of India, national laws and policies on child labor, forced labor, gender equality, equal pay for equal work, prevention of sexual harassment at workplace etc.

Respecting the dignity of Customers is firmly anchored in the culture of Aavas. The Company has recently adopted a new Collection Policy based on fair, just and humane dealings with delinquent Customers. The Company has also put in place a grievance redressal mechanism for its Customers. When an Employee or Customer is faced with a sudden upheaval such as an accident or death of a family member, the Company lends a helping hand in whichever way possible to mitigate the crises. In fact, when the COVID-19 pandemic was at its peak, the Company, under its "COVID SUPPORT POLICY" also resolved to extend, the best possible support to each and every Employee who approached it for help.

The Company's Employees from its branches all over India actively participated in distributing masks, gloves, sanitizers and food packets to frontline workers, migrant workers and people living in slum areas during the March 2020 lockdown. Significant contributions were made by the Company under its CSR to PM Cares Fund and Rajasthan CM Relief Fund to support the community during COVID-19 crisis.

2. How many Stakeholders complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

During the Financial Year, the Company had not received any complaint(s) on human right violation. For details of all Stakeholder Complaints, refer to the response on Principle 1.

PRINCIPLE 6: BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

1. Does the policy related to Principle 6 cover only the Company or extends to the group/joint ventures/suppliers/contractors/NGOs/others.

The policy of the Company is applicable to the Company as well as its external stakeholders.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

The Company understands that business should responsibly utilize natural and man-made resources in a responsible manner, protecting environmental sustainability by reducing waste. The financial services business of the Company does not require an intensive consumption of environmental resources. However, the Company is taking necessary steps for energy conservation and environment protection. Environment protection has been a key part of the Company's long-term CSR initiatives.

The Company aims for green building certification for its head office, in furtherance of which it has already conducted a Building Sustainability Assessment Audit. The Company has also partnered with IFC for a Green Housing Program to revolutionize housing finance in the South Asian market by introduction of green lending products. The program aims to reduce the adverse impacts of construction activities on the environment. The program also seeks to promote sustainable future with responsible consumption of water and electricity.

3. Does the Company identify and assess potential environmental risks?

Yes, the Company assesses the potential environmental risks. It has recently conducted a Building Sustainability Assessment Audit to estimate the extent to which the Company's head-office is functioning in an environment-friendly way.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

Not Applicable.

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page etc.

The Company has taken various initiatives, including:

i. Environment-friendly way of life:

- Employees are motivated to remain fit and healthy by using stairs instead of elevators in office
- Employees are also motivated to take nutritious diet and avoid harmful practices such as smoking
- Employees are encouraged to participate in tree plantation drives
- Reduced paperwork in branches and the registered office by promoting digitization
- Paperless Board and Committee Meetings

ii. Optimal Energy Efficiency:

- Switching off major systems at 7 p.m. to moderate electricity consumption
- LED lights are installed throughout the building
- High-end copier machines installed in all branches to reduce carbon footprint
- Master AC system has been installed whereby no AC in the office can operate on a temperature below 24 degrees Celsius

iii. Waste Management & Pest Control:

- Non-chemical approaches to control pests
- Water efficient plumbing fixtures, dual-flush systems in toilets
- Organic waste converter for wet waste
- Disposing e-waste in an environmental friendly way

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Not applicable.

7. Number of show cause/ legal notices received from CPCB/SPCB which is pending (i.e. not resolved to satisfaction) as on end of financial year.

The Company has not received any notice from CPCB / SPCB.

PRINCIPLE 7: BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

1. Is your Company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with:

The Company is a member of the following associations:

PHD Chamber of Commerce and Industry (PHD Chamber)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas (drop box: governance and administration, economic reforms, inclusive development policies, energy security, water, food security, sustainable business principles, among others)

The Company's leadership, through various national and international forums, puts forth a number of suggestions and ideas in respect of housing finance, touching upon issues that are particularly relevant to the developing world such as financial inclusion of women, green construction, sustainable housing etc. The Company's CEO, Mr. Sushil Kumar Agarwal, was one of the panelists in "Pakistan Housing Finance" webinar organized by International Finance Corporation (IFC), a member of the World Bank Group, on June 23, 2020 to facilitate knowledge sharing in Islamic Mortgage Finance and Affordable Housing. Mr. Agarwal was also one of the panelists in "Housing Finance for Women in India" webinar, organized by IFC ahead of International Women's Day in March 2021.

PRINCIPLE 8: BUSINESS SHOULD SUPPORT INCLUSIVE GROWTH & EQUITABLE DEVELOPMENT

1. Does the Company have specified programmes/initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.

Aavas is engaged in the business of providing affordable housing loans primarily in the un-served, unreached and under-served markets. The Company has a vision for enriching lives by enabling people to achieve their dream of owning a home, encapsulated in its commitment of 'SAPNE AAPKE, SAATH HAMAARA'.

Aavas CSR Policy encompasses the Company's philosophy of enhancing quality of life for different segments of the community, especially the deprived and lesser privileged ones. In the previous Financial Year, the CSR arm of the Company, i.e. Aavas Foundation, focused on four major themes:

I. **Education & Holistic Development**: Aavas Foundation facilitated whatsapp based virtual learning for children living in villages of Rajasthan, bringing schools to the doorsteps of about 1,00,000 remote households during COVID-19 outbreak. Keeping in mind all-round growth of children, the Foundation also developed "Aavas Khel Stadium" in Phagi, a tehsil which harbors over 70 government schools devoid of resources and infrastructure. "Cheer" program of the Foundation is geared towards happiness, education and skill development for children who are HIV positive. The Foundation also organized road safety awareness campaigns to distribute helmets and educate the youth about traffic rules.

II. **Employability & Entrepreneurship**: The Foundation launched "Gram Siddhi", a program aimed at making rural women self-reliant through skill training. In the previous Financial Year, the Foundation provided skill training to 50 rural women from 50 villages of Rajasthan. All of those 50 women opened up their own silai schools upon returning to their villages and they now earn ₹2000-5000 a month with the help of silai. Each woman trained by the Foundation would train 20 more women within a period of one year.

III. **Welfare of Construction Workers**: Being into provisioning Housing Finance, the Foundation feels responsible for well-being of Construction Workers. Project Vishwakarma by the Foundation is a project dedicated to work towards safety, security and well-being of construction workers and their families by providing on-site training for safety, educating about preventive measures at the construction sites and providing free safety gears. During the Financial Year, the Foundation distributed 500+ safety kits to construction workers at 19+ construction sites.

IV. **Secure & Sustainable Environment**: Aiming to improve the air quality and reduce carbon emissions, the Foundation develops self-sustaining forest gardens, under various programs like Aavas Jhalana Reforestation, Aavas Van, RTO Jagatpura etc. In the previous Financial Year, a total of 6300 trees were planted and 1800 tree guards were provided to Jaipur Development Authority. Drip irrigation facilities were also installed at plantation sites.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/ any other organisation?

The Company is directly involved in implementing CSR projects. The Company engages external NGOs and organisations for the areas in which it lacks expertize but the projects are supervised by in-house teams. The Company has set up Aavas Foundation, a public charitable trust, for implementing such programmes/projects.

3. Have you done any impact assessment of your initiative?

Yes, at periodic intervals, CSR Committee and the Board of Directors are apprised with the progress and updates of the CSR initiatives undertaken as per the guidelines of Schedule VII of the Companies Act, 2013.

4. What is your Company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?

Refer Annexure-8 of the Directors' Report where community development projects are part of CSR Expenditure.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

The Company's CSR programs are developed by experienced professionals in consultation with the NGOs. The CSR Committee conducts review of the performance of CSR programs in the Committee Meeting.

PRINCIPLE 9: BUSINESS SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN AN ENVIRONMENT FRIENDLY MANNER

1. What percentage of Customer complaints/Consumer cases are pending as on the end of Financial Year.

During the Financial Year under review, the Company received 255 Complaints, out of which 254 of Complaints have been resolved. The percentage of Customer complaints pending as on March 31, 2021 is 0.39%.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)

The Company provides Housing Finance, so this does not apply. However, the Company provides transparent information on products through its website with detailed information on products, features, service charges and fees. The Customers also get product information from Notice Board displayed at the branches.

3. Is there any case filed by any Stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.

No

4. Did your Company carry out any customer engagement activities?

The Company conducts handholding connects through welcome calling process for newly onboarded Customers. Apart from this, outbound calls by other Stakeholders in the Customer value chain are done multiple times throughout the year, more so from humanitarian perspective in the pandemic and we extend any support that we can in these trying times. Customer Mobile App has been introduced as a digital medium to connect on fingertips and share feedback. All these efforts helped us further strengthen our speed and quality of Customer response.

For and on behalf of the Board of Directors
AAVAS FINANCIERS LIMITED

Sushil Kumar Agarwal
Managing Director & CEO
(DIN: 03154532)

Date: April 29, 2021
Place: Jaipur

Manas Tandon
Promoter Nominee Director
(DIN: 05254602)

Date: April 29, 2021
Place: Mumbai

Independent Auditor's Report

To
The Members of
Aavas Financiers Limited

Report on the Audit of the Standalone Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Emphasis of Matter – Impact of COVID-19

We draw attention to Note 45 to the standalone financial statement, which describes the extent to which the COVID-19 pandemic will impact the Company's operations and its financial metrics including the expected credit loss on financial assets which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters	How our audit addressed the key audit matter
Impairment of Financial assets *(as described in Note 4 of the standalone financial statements)*	
Ind AS 109 requires the Company to provide for impairment of its financial assets using the expected credit loss ('ECL') approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Company's financial assets. In the process, a significant degree of judgement has been applied by the management in respect of following matters:	• Our audit procedures included considering the Company's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109 and pursuant to Reserve Bank of India guidelines issued on February 17, 2021.

Key audit matters	How our audit addressed the key audit matter
a) Grouping of the loan portfolio under risk-based categories determined using Company's risk-management framework. Loans grouped under a particular category are assumed to represent a homogenous pool thereby expected to demonstrate similar credit characteristics; b) Staging of loans (i.e. classification in 'significant increase in credit risk' ("SICR") and 'default' categories); c) Estimation of expected loss from historical observations. d) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past. e) Management overlay for macro-economic factors and estimation of their impact on the credit quality. The Company has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD). The impact of COVID-19 on the ECL is highly uncertain, however the Company has factored the higher risk in its computation of the ECL provision and has applied management overlays which are approved by the Board of Directors. Considering the significance of such provision to the overall financial statements and the degree of management's judgment, any error or misstatement in such estimate may give rise to a material misstatement of the financial statements or omission of any disclosure required by the standards. Therefore, it is considered as a key audit matter.	• Assessed the assumptions used by the Company for grouping and staging of loan portfolio into various categories and default buckets and their appropriateness for determining the probability-weighted default (PD) and loss-given default (LGD) rates. • Tested controls for staging of loans based on their past-due status. Also tested samples of stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under higher stage. • Tested samples of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Assessed the management overlays applied by the Company to factor the impact of COVID-19 on the ECL as approved by their Board of Directors. • Tested the arithmetical accuracy of computation of ECL provision performed by the Company. • Assessed that the assumptions, used by the management for estimation of allowance for expected credit losses as at March 31, 2021, are presented and disclosed in the financial statements. • Assessed the Company's policy with respect to moratorium pursuant to the RBI circular and tested the implementation of such policy on a sample basis. • Assessed the additional considerations applied by the management for staging of loans as SICR/ default in view of Company's policy on moratorium. • Read and assessed the specific disclosures made in the financial statements with regards to managements evaluation of the uncertainties arising from COVID-19, its impact on ECL and other disclosures as prescribed by RBI relating to moratorium granted.
Information Technology (IT) systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.	• In assessing the reliability of electronic data processing, we included specialized IT auditors as part of the audit team. • Tested the design and operating effectiveness of the IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. • Tested the Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. • Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone financial statements and our auditor's report thereon.

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

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

Responsibilities of Management for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over the financial reporting of the Company with reference to standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company does not have any pending litigations which would impact its financial position;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

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

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 21121411AAAADF4046

Place of Signature: Mumbai
Date: April 29, 2021

Annexure 1 to The Independent Auditors' Report

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Aavas Financiers Limited

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

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

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

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

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. The provisions relating to duty of excise and sales-tax are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of initial public offer and debt instruments in the nature of Non-convertible debentures for the purposes for which they were raised.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid investments payable on demand. The maximum amount of idle/surplus funds invested during the year was ₹ 20,761 lakhs, of which ₹ Nil was outstanding at the end of the year.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with the directors as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 21121411AAAADF4046

Place of Signature: Mumbai
Date: April 29, 2021

Annexure 2 to The Independent Auditors' Report

Annexure 2 referred in paragraph 2(f) under the heading "Report on other legal and regulatory requirements of our report of even date

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

We have audited the internal financial controls over financial reporting of Aavas Financiers Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 21121411AAAADF4046

Place of Signature: Mumbai
Date: April 29, 2021

Standalone Balance Sheet as at March 31, 2021

(₹ in lakh)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	2	2,189.12	35,022.40
Bank balance other than cash and cash equivalents	2	1,09,907.11	84,183.13
Loans	3	7,52,328.63	6,18,079.83
Investments	4	450.00	450.00
Other financial assets	5	22,604.91	18,136.68
Total financial assets		**8,87,479.77**	**7,55,872.04**
Non-financial assets			
Current tax assets (net)		90.45	1,438.03
Property, plant and equipment	6(a)	2,506.66	2,699.83
Capital work-in-progress	6(b)	-	30.99
Intangible assets under development	6(c)	40.54	39.90
Other intangible assets	6(d)	345.56	414.84
Right-of-use assets	7	2,973.70	2,874.20
Other non-financial assets	8	728.44	629.73
Total non-financial assets		**6,685.35**	**8,127.52**
Assets held for sale	9	1,839.58	1,705.37
Total assets		**8,96,004.70**	**7,65,704.93**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables	10		
(I) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		284.31	1,737.64
Debt securities	11	1,46,466.15	1,16,846.54
Borrowings (other than debt securities)	12	4,78,102.49	4,08,391.40
Subordinated liabilities	13	9,973.65	9,965.61
Lease liabilties	14	3,229.82	3,012.91
Other financial liabilities	15	13,486.63	10,694.78
Total financial liabilities		**6,51,543.05**	**5,50,648.88**
Non-financial liabilities			
Provisions	16	372.40	728.11
Deferred tax liabilities (net)	17	2,852.27	3,170.30
Other non-financial liabilities	18	1,096.50	1,364.27
Total non-financial liabilities		**4,321.17**	**5,262.68**
Equity			
Equity share capital	19	7,850.46	7,832.27
Other equity	20	2,32,290.02	2,01,961.10
Total equity		**2,40,140.48**	**2,09,793.37**
Total liabilities and equity		**8,96,004.70**	**7,65,704.93**
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Date: April 29, 2021

Standalone Statement of profit and loss for the year ended March 31, 2021

(₹ in lakh)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
REVENUE FROM OPERATIONS			
Interest income	21	97,639.40	78,642.51
Fees and commission income	22	3,655.37	3,327.60
Gain on derecognition of financial instruments under amortised cost category		8,635.53	7,658.88
Net gain on fair value changes	23	387.16	600.43
Total revenue from operations		**1,10,317.46**	**90,229.42**
Other income	24	216.05	79.99
Total income		**1,10,533.51**	**90,309.41**
EXPENSES			
Finance costs	25	45,824.27	35,607.15
Fees and commission expense	26	618.46	490.05
Impairment on financial instruments	27	3,713.86	1,533.78
Employee benefits expense	28	17,213.61	14,707.45
Depreciation, amortization and impairment	6&7	2,060.37	1,956.13
Other expenses	29	5,770.00	5,810.18
Total expenses		**75,200.57**	**60,104.74**
Profit/(loss) before tax		**35,332.94**	**30,204.67**
Tax expense:	17		
(1) Current tax		6,701.45	6,397.21
(2) Deferred tax		(318.03)	(1,104.63)
Profit/(loss) for the year		**28,949.52**	**24,912.09**
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	28	111.45	(6.97)
Income tax effect	17	(28.05)	1.75
b) Items that will be reclassified to profit or loss		-	-
Other comprehensive income , net of income tax		**83.40**	**(5.22)**
Total comprehensive income for the year		**29,032.92**	**24,906.87**
Earnings per equity share	30		
Basic (₹)		36.94	31.86
Diluted (₹)		36.62	31.49
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
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Partner
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(Company Secretary & Compliance Officer)
Place: Jaipur

Date: April 29, 2021

Statement of Changes in Equity for the year ended March 31, 2021

a. Equity Share Capital

(₹ in lakh)

Particulars	Amount
Balance as at March 31, 2019	**7,810.79**
Shares issued during the year ended March 31, 2020	21.48
Balance as at March 31, 2020	**7,832.27**
Shares issued during the year ended March 31, 2021	18.19
Balance as at March 31, 2021	**7,850.46**

b. Other Equity

(₹ in lakh)

Equity Component of compounded financial instruments	Reserves and surplus				Total
	Securities premium account	Share based payments reserve	Special Reserve	Retained earnings	
Balance as at March 31, 2019	**1,32,004.33**	**742.35**	**8,343.43**	**34,795.03**	**1,75,885.14**
Profit for the year (A)	-	-	-	24,912.09	24,912.09
Other comprehensive income for the year (B)	-	-	-	(5.22)	(5.22)
Total comprehensive income for the year (A+B)	**-**	**-**	**-**	**24,906.87**	**24,906.87**
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	4,981.37	(4,981.37)	-
Issue of share capital	523.25	-	-	-	523.25
Transaction cost	(3.99)	-	-	-	(3.99)
Share based payments	-	647.14	-	-	647.14
Share options exercised during the year	220.20	(220.20)	-	-	-
Balance as at March 31, 2020	**1,32,743.79**	**1,169.29**	**13,324.80**	**54,720.53**	**2,01,958.41**
Profit for the year (C)	-	-	-	28,949.52	28,949.52
Other comprehensive income for the year (D)	-	-	-	83.40	83.40
Total comprehensive income for the year (C+D)	**-**	**-**	**-**	**29,032.92**	**29,032.92**
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	5,806.58	(5,806.58)	-
Issue of share capital	447.87	-	-	-	447.87
Transaction cost	(0.50)	-	-	-	(0.50)
Share based payments	-	850.84	-	-	850.84
Share options exercised during the year	212.13	(212.13)	-	-	-
Balance as at March 31, 2021	**1,33,403.29**	**1,808.00**	**19,131.38**	**77,946.87**	**2,32,289.54**

Share application money pending allotment

(₹ in lakh)

Balance as at March 31, 2019	-
Application money received during the year	2.69
Balance as at March 31, 2020	**2.69**

Balance as at March 31, 2020	2.69
Application money adjusted against shares issued during the year	(2.21)
Balance as at March 31, 2021	**0.48**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

per Sarvesh Warty
Partner
Membership No. 121411
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Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Date: April 29, 2021

Standalone Cash flow statement for the year ended March 31, 2021

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit before tax as per statement of profit and loss		**35,332.94**	**30,204.67**
Adjustments for			
Depreciation and amortisation of PPE and right of use assets	6 & 7	2,060.37	1,956.13
Interest on lease liabilities		217.95	249.58
Net gain on derecognition on assigned loans		(2,150.55)	(2,154.54)
Provision for expected credit loss (ECL)	27	3,713.86	1,533.78
Provision for employee benefits		305.47	281.30
Derivative mark to market gain	23	-	(3.23)
Provision for CSR expenditure		-	17.28
Share based payments	28	850.84	647.14
Operating profit before working capital changes		**40,330.88**	**32,732.11**
Changes in working capital			
Increase in loans		(1,37,099.87)	(1,46,461.03)
Increase in financial and other assets		(5,550.48)	(2,078.85)
Increase in financial and other liabilities		668.65	4,708.25
Total of changes in working capital		**(1,41,981.70)**	**(1,43,831.63)**
Direct taxes paid/refund received		(5,419.64)	(6,126.03)
Net cash flow used in operating activities (A)		**(1,07,070.46)**	**(1,17,225.55)**
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Inflow (outflow) on account of :			
Investment in fixed deposits		(25,723.98)	(32,234.53)
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	6	(829.17)	(1,954.17)
Sale of Property, plant and equipment (including capital work-in-progress)		31.33	14.43
Net cash flow used in investing activities (B)		**(26,521.82)**	**(34,174.27)**
C. CASH FLOW FROM FINANCING ACTIVITIES:			
Issue of equity shares (including share premium)		466.54	547.42
Share / debenture issue expenses		(73.47)	(908.10)
Proceeds from borrowings		2,35,184.87	2,36,122.26
Repayment of borrowings		(1,33,688.76)	(64,283.88)
Repayment of lease Iiabilities		(1,130.18)	(1,021.70)
Net Cash flow generated from financing activities (C)		**1,00,759.00**	**1,70,456.00**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(32,833.28)**	**19,056.18**
Cash and cash equivalents as at the beginning of the year		35,022.40	15,966.22
Cash and cash equivalents at the end of the year	2	2,189.12	35,022.40

Standalone Cash flow statement for the year ended March 31, 2021

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
Components of cash and cash equivalents			
Cash on hand		122.94	43.71
Balance in franking machine*		0.95	0.95
Balance with banks			
In current accounts		501.16	-
In cash credit		1,564.07	2.74
In deposit account		-	34,975.00
Total cash and cash equivalents	2	**2,189.12**	**35,022.40**
Operational Cash Flow from Interest			
Interest Received		94,268.99	75,657.63
Interest Paid		(39,957.99)	(30,189.46)
Summary of significant accounting policies	1		

* The Company can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

1. Cash flow statement has been prepared under indirect method as set out in the IND AS 7 “Cash Flow Statement”.
2. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

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(Non-executive Promoter Nominee Director)
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Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

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

A. Corporate Information

AAVAS FINANCIERS LIMITED ("the Company") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered as a housing finance company with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance. The Company is a public limited company and its shares are listed on BSE Limited and National Stock Exchange of India Limited

B. Basis of preparation of financial statements

a) Basis of preparation

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

The standalone financial statements have been prepared on a historical cost basis, except for, derivative financial instruments and other financial assets held for trading and all of which have been measured at fair value. The standalone financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakh, except when otherwise indicated.

b) Basis of measurement

The financial statements have been prepared on an accrual basis as a going concern and under the historical cost convention, except for foreign currency borrowings denominated in INR that are measured at fair value at the end of each reporting date as required under relevant Ind AS.

1 Summary of significant accounting policies

1.1 Use of estimates

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

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

1.1.1 Business Model Assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The company considers the frequency, volume and timing of sales in prior years, the reason for such sales, and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an holistic assessment of how company's stated objective for managing the financial assets is achieved and how cash flows are realised. Therefore, the company considers information about past sales in the context of the reasons for those sales, and the conditions that existed at that time as compared to current conditions.

If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Based on this assessment and future business plans of the Company, the management has measured its financial assets at amortised cost as the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('the 'SPPI criterion').

1.1.2 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.

1.1.3 Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets except assets valued at Fair value through P&L (FVTPL), requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's Expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's model, which assigns Probability of default (PD)s
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit loss (LTECL) basis
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposure at default (EAD)s and Loss given default (LGD)s
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Recognition of the potential impact of COVID-19 in the Company's collective provision as outlined in Note 3(a)(3)(vii).

1.1.4 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.

1.1.5 Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the 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.

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

1.1.6 Leases

With effect from 1 April 2019, the Company has applied Ind AS 116 'Leases' for all lease contracts covered by the Ind AS. The Company has adopted modified retrospective approach as stated in Ind AS 116 for all applicable leases on the date of adoption.

Measurement of Lease Liability

At the time of initial recognition, the Company measures lease liability as present value of all lease payment discounted using the Company's incremental cost of borrowing rate. Subsequently, the lease liability is

(i) Increased by interest on lease liability;

(ii) Reduce by lease payment made; and

Measurement of Right-of-Use asset

At the time of initial recognition, the Company measures 'Right-of-Use assets' as present value of all lease payment discounted using the Company's incremental cost of borrowing rate w.r.t said lease contract. Subsequently, 'Right-of-Use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-Use assets' is provided on straight line basis over the lease period

Covid-19 Related rent concession

As a practical expedient Effective from 1 April 2020, Company has elected not to assess whether a rent concession that meets the conditions in paragraph 46B of Ind As-116 is a lease modification. That makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

(i) Company has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B of Ind As-116

(ii) The amount Recognized in profit or loss for the Financial Year ending 31st March , 2021 to reflect changes in lease payments that arise from rent concessions to which the company has applied the practical expedient in paragraph 46A of Ind As-116 is ₹ 72.99 Lakh.

1.2 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 and balance in franking machine.

1.3 Revenue recognition

1.3.1 Interest and similar income

Interest income, for all financial instruments measured either at amortised cost or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of the financial instrument to the gross carrying amount of the financial asset. 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 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.

1.3.2 Other charges and other interest

1.3.2.1 Overdue interest in respect of loans is recognized upon realisation.

1.3.2.2 Other ancillary charges are recognized upon realisation.

1.3.3 Commission on Insurance Policies

Commission on insurance policies sold is recognised on accrual basis when the Company under its agency code sells the insurance policies.

1.3.4 Dividend income

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

1.4 Foreign currency

The Company's financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Income and expenses in foreign currencies are initially recorded by the Company at the exchange rates prevailing on the date of the transaction.

Foreign currency denominated monetary assets and liabilities are translated at the functional currency spot rates of exchange at the reporting date and exchange gains and losses arising on settlement and restatement are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

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

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

1.6 Depreciation and amortization

Depreciation

Depreciation is provided over the useful life of the asset as per Schedule-II of Companies Act 2013 and depreciation rates have been worked out by applying written down value method. The Company has used the

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

following useful lives to provide depreciation on its PPE.

PPE	Useful Life (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing ₹ 5,000/- or less are fully depreciated in the year of installation/purchase.

Amortization

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company estimates the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Company amortizes the intangible asset over the best estimate of its useful life.

1.7 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is 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.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.8 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.9 Contingent liabilities and assets

The Company does not recognize a contingent liability but discloses its existence in the financial statements Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation.
- A present obligation arising from past events, when no reliable estimate is possible.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are reviewed at each balance sheet date.

Contingent assets are not recognised. A contingent asset is disclosed, as required by Ind AS 37, where an inflow of economic benefits is probable.

1.10 Retirement and other employee benefits

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 an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year end. Separate actuarial valuation is carried out for each plan using the projected unit credit method.

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

Past service costs are recognised in Profit or Loss on the earlier of: The date of the plan amendment or curtailment, and The date that the Company recognises related restructuring costs

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

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

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

1.11 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items 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.

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.

1.12 Earning per share

Basic earnings per share are 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 year. 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 year are adjusted for the effects of all dilutive potential equity shares.

1.13 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. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 32.

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 year, 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 year, 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 Based Payments Reserve.

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

1.14 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.

1.14.1 Financial Assets

1.14.1.1 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.

1.14.1.2 Classification and Subsequent measurement

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

1.14.1.3 Debt instruments 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.

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.

1.14.1.4 Debt instruments at FVTOCI

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 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 P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

1.14.1.5 Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if

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

doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.14.1.6 Business Model Test

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. The Company considers all relevant information available when making the business model assessment. The Company takes into account all relevant evidence available such as:- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel; The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect a new business model.

1.14.1.7 Equity Instruments

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading classified as 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 P&L, even on sale of investment. However, the company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

The Company has accounted for its investments in Subsidiary at cost less impairment loss (if any).

1.14.2 Financial Liabilities

1.14.2.1 Initial recognition and measurement

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading or it is designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

1.14.2.2 Classification and Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

1.14.2.3 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss. This category generally applies to borrowings.

1.14.3 Derivative financial instruments

The Company holds derivative to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations. The counterparty for these contracts is generally a bank.

Financial assets or financial liabilities, at fair value through profit or loss

This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss.

1.14.4 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 company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

1.14.5 De-recognition of financial assets and liabilities

1.14.5.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognised 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

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

- 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 year between the collection date and the date of required remittance to the eventual recipients.

  A transfer only qualifies for derecognition 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.14.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

1.15 Impairment of financial assets

1.15.1 Overview of the ECL principles

The Company is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and Excess Interest Spread (EIS) receivable, (in this section all referred to as 'financial instruments'). Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 1.16.2. The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 3(a)(3)(v).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained in Note 3(a)(1).

The Company has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note3(a)(3)(v).

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

Stage 1: When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 3(a)(3)(i)). The group records an allowance for the LTECLs.

For financial assets for which the company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

1.15.2 The calculation of ECLs

The Company calculates ECLs on loans and EIS Receivable based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Loan commitments: When estimating ECLs for undisbursed loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.For loan commitments, the ECL is recognised within Provisions.

Provisions for ECLs for undisbursed loan commitments are assessed as set out in Note 3(a)(2).

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

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

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an exposure at a default date. The EAD is further explained in Note 3(a)(3)(iii).
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3(a)(3)(iv).

The maximum year for which the credit losses are determined is the expected life of a financial instrument.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: For loans considered credit-impaired (as defined in Note 3(a)(3)(i)), the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

1.15.3 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, Property Price Index, 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.

1.15.4 Collateral repossession

To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the powers conferred on the HFC under SARFAESI act. In its normal course of business, the company does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and are treated as assets held for sale at (i) fair value less cost to sell or (ii) principle outstanding, whichever is less, at the repossession date.

1.15.5 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 Statement of profit and loss account.

1.16 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

1.17 Dividend

The Company recognises 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.

1.18 New Technical Pronouncement

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2021.

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

2. Cash and bank balances

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents		
Cash on hand (refer note 2(a))	123.89	44.66
Balance with banks		
In Current accounts	501.16	-
In Cash credit accounts	1,564.07	2.74
In Deposits with original maturity of less than three months	-	34,975.00
	2,189.12	**35,022.40**
Bank balances other than above		
Deposit with original maturity of more than 3 months less than 12 months	86,791.77	82,975.00
Deposit with original maturity of more than 12 months (refer note 2(b))	23,115.34	1,208.13
	1,09,907.11	**84,183.13**
Total	**1,12,096.23**	**1,19,205.53**

2(a) Cash on hand includes of ₹ 0.95 lakh (P.Y. ₹ 0.95 lakh) balance of franking machine.

2(b) Other Bank Balance in deposit accounts include deposits under lien aggregating to ₹ 1,248.34 lakh (P.Y. ₹ 1,208.13 lakh) towards the first loss guarantee provided by the Company under the securitization agreements.

3. Loans

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Loan assets	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**
Secured by tangible assets (Property including land and building)	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**
Loans in India		
Public Sector	-	-
Others	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**

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) 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 assignments of life insurance policies. The process of security creation was in progress for loans to the extent of ₹ 23,866.12 lakh at March 31, 2021 (P.Y. ₹ 18,045.05 lakh)

iii) Loans sanctioned but undisbursed amount is ₹ 32,189.19 lakh as on March 31, 2021 (P.Y. ₹ 26,240.62 lakh)

iv) The company is not granting any loans against gold jewellery as collateral.

v) The company is not granting any Loans against security of shares as collateral.

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

vi) The Company has assigned a pool of certain loans amounting to ₹62,454.90 lakh (P.Y. ₹73,859.15 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised from the loan portfolio of the Company as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Company continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Company pays to assignee, on a monthly basis, the pro-rata collection amounts.

vii) The Company has granted certain loans to staff secured by equitable mortgage/registered mortgage of the property amounting to ₹ 993.56 lakh as on March 31,2021 (P.Y. ₹ 1,039.80 lakh).

viii) Loan assets include two loans which became doubtful due to fraudulent misrepresentation by the borrowers and same has been provided for.

ix) Impairment loss allowance includes ₹ 1,902.62 lakh (P.Y. ₹ ₹ 443.75 lakh) on account of COVID-19 and management overlay.

Break up of total financial assets carried at amortised cost (₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Loans (Note 3)	7,52,328.63	6,18,079.83
Other financial assets (Note 5)	22,604.91	18,136.68
Total financial assets carried at amortised cost	**7,74,933.54**	**6,36,216.51**

3(a)(1) Grouping financial assets measured on a collective basis

As explained in Note 1.15, the Company calculates ECLs on collective basis on following asset classes:

- Housing-Salaried lending
- Housing-Self Employed lending
- Non Housing-Salaried lending
- Non Housing-Self Employed lending

The Company groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans such as Product type and customer type.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances have been explained below and ECL allowances includes an additional impairment allowance of ₹ 1,902.62 lakh recognised for the expected impact of COVID-19 on the collective provision as at March 31, 2021 as outlined in Note3(a)(3)(vii).

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

(₹ in lakh)

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**	**4,63,858.34**	**7,640.27**	**2,227.04**	**4,73,725.65**
New assets originated	2,73,959.65	-	-	**2,73,959.65**	2,83,041.68	-	-	**2,83,041.68**
Assets derecognised or repaid	(1,34,549.15)	(778.76)	(1,138.72)	**(1,36,466.63)**	(1,33,538.03)	(1,709.64)	(1,116.55)	**(1,36,364.22)**
Transfers from Stage 1	(24,235.66)	19,484.69	4,750.97	-	(4,948.10)	3,731.53	1,216.57	-
Transfers from Stage 2	1,801.56	(3,217.41)	1,415.85	-	2,378.76	(3,185.35)	806.59	-
Transfers from Stage 3	29.18	105.52	(134.70)	-	83.94	30.42	(114.36)	-
Amounts written off	(42.79)	(7.13)	(343.22)	**(393.14)**	(38.33)	-	(178.11)	**(216.44)**
Gross carrying amount closing balance	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

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

Reconciliation of ECL balance is given below: (₹ in lakh)

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	**1,289.94**	**77.20**	**739.70**	**2,106.84**	**719.68**	**71.15**	**485.81**	**1,276.64**
ECL Remeasurements due to changes in EAD/Credit Risk/Assumptions (Net)	844.90	756.34	1,373.70	**2,974.94**	574.75	1.63	(102.63)	**473.75**
Transfers from Stage 1	(49.88)	39.48	10.40	-	(8.51)	32.54	250.61	**274.64**
Transfers from Stage 2	12.37	(30.15)	17.78	-	3.93	(28.38)	166.16	**141.71**
Transfers from Stage 3	1.42	2.50	(3.92)	-	0.14	0.26	(23.56)	**(23.16)**
Amounts written off	-	-	(123.86)	**(123.86)**	(0.05)	-	(36.69)	**(36.74)**
ECL closing balance	**2,098.75**	**845.37**	**2,013.80**	**4,957.92**	**1,289.94**	**77.20**	**739.70**	**2,106.84**

3(a)(2) Loan commitments

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

(₹ in lakh)

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**26,160.43**	**69.10**	**11.09**	**26,240.62**	**25,045.96**	**132.77**	**32.63**	**25,211.36**
New assets originated	26,097.54	-	-	**26,097.54**	21,564.86	-	-	**21,564.86**
Assets disbursed or cancelled	(20,116.86)	(21.01)	(11.09)	**(20,148.96)**	(20,406.59)	(96.38)	(32.63)	**(20,535.60)**
Transfers from Stage 1	(355.34)	241.82	113.52	-	(53.45)	45.10	8.35	-
Transfers from Stage 2	1.85	(48.10)	46.25	-	9.65	(12.39)	2.74	-
Gross carrying amount closing balance	**31,787.62**	**241.81**	**159.77**	**32,189.20**	**26,160.43**	**69.10**	**11.09**	**26,240.62**

Reconciliation of ECL balance is given below: (₹ in lakh)

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	**45.76**	**0.60**	**2.29**	**48.65**	**44.76**	**1.19**	**5.91**	**51.86**
ECL Remeasurements due to changes in EAD/Credit Risk/Assumptions (Net)	13.28	1.82	31.28	**46.38**	1.08	(0.95)	(5.90)	**(5.77)**
Transfers from Stage 1	(0.82)	0.58	0.24	-	(0.10)	0.46	1.72	**2.08**
Transfers from Stage 2	0.00	(0.47)	0.47	-	0.02	(0.10)	0.56	**0.48**
ECL closing balance	**58.22**	**2.53**	**34.28**	**95.03**	**45.76**	**0.60**	**2.29**	**48.65**

3(a)(3) Impairment assessment

The references below show where the Company's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

3(a)(3)(i) Definition of default

The Company considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

3(a)(3)(ii) The Company's process for managing risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers , investments in debt securities and derivatives that are an asset position. The Company considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

3(a)(3)(iii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

3(a)(3)(iv) Loss given default

The Company segments its retail lending products into smaller homogeneous portfolios (housing and non housing), based on key characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

3(a)(3)(v) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.

In accordance with the COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Company has offered moratorium on the payment of all installments and/or interest, as applicable, falling due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all such accounts that were granted moratorium, the prudential assets classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

When estimating ECLs 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.

3(a)(3)(vi) Risk assessment model

The Company has designed and operates its risk assessment model that factors in both quantitative as well as qualitative information on the loans and the borrowers. The model uses historical empirical data to arrive at factors that are indicative of future credit risk and segments the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

3(a)(3)(vii) Risk assessment for COVID-19

The Company has used the principles of prudence in applying judgments, estimates and possible forward looking scenarios to assess and provide for the impact of the COVID-19 pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying the customer profiling within salaried and self-employed portfolio and management overlays, approved by its Board of Directors. This has resulted in an additional provision of ₹ 1,458.87 lakh (P.Y. ₹ 443.75 lakh) against financial assets during the year, taking the overall additional provision of INR 1,902.62 lakh as of March 31, 2021.

3(a)(4) Collateral

The Company holds collateral to mitigate credit risk associated with financial assets.The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at amortised cost.

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Registered/equitable mortgage property	7,57,286.55	6,20,186.67

The Company did not hold any financial instrument for which no loss allowance is recognised because of collateral at March 31, 2021. There was no change in the Company's collateral policy or collateral quality during the year.

Refer note 44(C) for risk concentration based on Loan to value(LTV).

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

4 Investments

(₹ in lakh)

Particulars	At fair Value					Others*	Total
	Amortised Cost	Through other comprehensive income	Through profit or loss	Designated at fair value through profit or loss	Subtotal		
As at March 31, 2021							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	450.00	450.00
Total Gross (A)	-	-	-	-	-	**450.00**	**450.00**
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	450.00	450.00
Total (B)	-	-	-	-	-	**450.00**	**450.00**
Less: Allowance for Impairment loss **(C)**	-	-	-	-	-	-	-
Total Net D = (A) -(C)	-	-	-	-	-	**450.00**	**450.00**
As at March 31, 2020							
Aavas Finserv Limited (Subsidiary Company)	-	-	-	-	-	450.00	450.00
Total Gross (A)	-	-	-	-	-	**450.00**	**450.00**
Investments outside India	-	-	-	-	-	-	-
Investments in India	-	-	-	-	-	450.00	450.00
Total (B)	-	-	-	-	-	**450.00**	**450.00**
Less: Allowance for Impairment loss **(C)**	-	-	-	-	-	-	-
Total Net D = (A) -(C)	-	-	-	-	-	**450.00**	**450.00**

* The Company has accounted for its investments in Subsidiary at cost less impairment loss (if any).

5. Other financial assets

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued on Bank Deposits	1,654.56	839.22
Security Deposit	319.53	272.77
EIS Receivable (Refer note 5(a))	19,216.70	17,066.15
Other financial assets	1,493.21	-
Total Gross	**22,684.00**	**18,178.14**
Less: Impairment loss allowance (on EIS Receivable assets)	(79.09)	(41.46)
Total Net	**22,604.91**	**18,136.68**

5(a) Under Ind AS, with respect to Assignment deals, Company has created an Excess Interest Spread (EIS) receivable, with corresponding credit to Statement of Proft and loss for the year, which has been computed by discounting EIS to present value.

6(a). Property, plant and equipment

(₹ in lakh)

	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At March 31, 2019	474.26	1,154.67	1,221.67	398.76	497.51	4.95	3,751.82
Purchase	567.27	238.37	448.74	218.75	196.66	-	1,669.79
Disposals	-	(8.15)	(4.50)	(17.68)	(15.18)	-	(45.51)
At March 31, 2020	**1,041.53**	**1,384.89**	**1,665.91**	**599.83**	**678.99**	**4.95**	**5,376.10**
Purchase	-	366.09	94.19	118.58	79.66	-	658.52
Disposals	-	(36.81)	(5.24)	(50.57)	(4.63)	-	(97.25)
At March 31, 2021	**1,041.53**	**1,714.17**	**1,754.86**	**667.84**	**754.02**	**4.95**	**5,937.37**
Depreciation							
At March 31, 2019	119.28	787.78	530.91	108.01	282.88	-	1,828.86
Charge for the year	30.94	284.85	277.01	124.10	161.53	-	878.43
Disposals	-	(7.44)	(4.31)	(8.03)	(11.25)	-	(31.03)
At March 31, 2020	**150.22**	**1,065.19**	**803.61**	**224.09**	**433.16**	**-**	**2,676.27**
Charge for the year	43.40	274.32	252.97	127.06	131.79	-	829.54
Disposals	-	(35.60)	(4.50)	(30.69)	(4.31)	-	(75.10)
At March 31, 2021	**193.62**	**1,303.91**	**1,052.08**	**320.46**	**560.64**	**-**	**3,430.71**
Net Block							
At March 31, 2020	**891.31**	**319.70**	**862.30**	**375.74**	**245.83**	**4.95**	**2,699.83**
At March 31, 2021	**847.91**	**410.26**	**702.78**	**347.38**	**193.38**	**4.95**	**2,506.66**

6(b) Capital work-in-progress

(₹ in lakh)

	PPE	Total
Gross block		
At March 31, 2019	-	-
Capitalised during the year	-	-
Purchase	30.99	30.99
At March 31, 2020	**30.99**	**30.99**
Capitalised during the year	37.81	37.81
Purchase	6.82	6.82
At March 31, 2021	-	-

6(c) Intangible assets under development

(₹ in lakh)

	Software	Total
Gross block		
At March 31, 2019	9.08	9.08
Capitalised during the year	9.08	9.08
Purchase	39.90	39.90
At March 31, 2020	**39.90**	**39.90**
Capitalised during the year	24.84	24.84
Purchase	25.48	25.48
At March 31, 2021	**40.54**	**40.54**

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

6(d) Other Intangible assets

(₹ in lakh)

	Software/Other intangible assets	Total
Gross block		
At March 31, 2019	586.15	586.15
Purchase	222.57	222.57
Disposals	-	-
At March 31, 2020	**808.72**	**808.72**
Purchase	131.90	131.90
Disposals	-	-
At March 31, 2021	**940.62**	**940.62**
Amortization		
At March 31, 2019	227.03	227.03
Charge for the year	166.85	166.85
At March 31, 2020	**393.88**	**393.88**
Charge for the year	201.18	201.18
At March 31, 2021	**595.06**	**595.06**
Net block		
At March 31, 2020	**414.84**	**414.84**
At March 31, 2021	**345.56**	**345.56**

7. Right-of-use assets

(₹ in lakh)

Particulars	**As at March 31, 2021**	**As at March 31, 2020**
Opening Value of Right of Use Asset	3,785.03	2,302.98
Addittion	1,129.14	1,482.05
Disposal	-	
Gross Carrying Value	4,914.17	3,785.03
Depreciation		
Opening Accumulated Depreciation	910.83	-
Depreciation for the year	1,029.64	910.83
Closing Accumulated Depreciation	1,940.47	910.83
Net Carrying value	**2,973.70**	**2,874.20**

8. Other non-financial assets

(₹ in lakh)

Particulars	**As at March 31, 2021**	**As at March 31, 2020**
Prepaid Expenses	288.91	134.39
Advance to staff	136.16	218.99
Advance to vendors	172.18	191.96
Other Recoverable	131.19	84.39
Total	**728.44**	**629.73**

9. Assets held for sale

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Assets held for sale (Refer note 9(a))	2,220.77	1,804.30
Total Gross	**2,220.77**	**1,804.30**
Less: Impairment loss allowance	(381.19)	(98.93)
Total Net	**1,839.58**	**1,705.37**

9(a) Assets obtained by taking possession of collateral

The Company obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Company's policy is to realise collateral on a timely basis. The Company does not use non-cash collateral for its operations.

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Residential properties	2,220.77	1,804.30
Total assets obtained by taking possession of collateral	**2,220.77**	**1,804.30**

10. Payables

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Trade Payables		
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	284.31	1,737.64
Total	**284.31**	**1,737.64**

11. Debt Securities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Debentures (Refer note 11(a))	1,26,568.97	96,978.28
Unsecured		
Debentures (Refer note 11(a))	19,897.18	19,868.26
Total	**1,46,466.15**	**1,16,846.54**
Debt securities in India	1,26,568.97	96,978.28
Debt securities outside India	19,897.18	19,868.26
Total	**1,46,466.15**	**1,16,846.54**

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

11(a) Detail of Redeemable Non-Convertible Debentures

(₹ in lakh)

ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest	Face value	As at March 31, 2021	As at March 31, 2020	Secured/ Unsecured	Terms of redemption
INE216P07126	20-Dec-16	19-Oct-20	10	500	9.15%	5,000	-	4,995.05	Secured	Redeemed at par during the year
INE216P07134	18-Jul-17	18-May-22	10	1,300	8.43%*	13,000	12,952.93	12,915.12	Secured	Redeemable at par
INE216P07159	17-Apr-18	17-Apr-23	10	100	8.90%*	1,000	998.01	997.18	Secured	Redeemable at par
LRN-201812124	20-Dec-18	20-Dec-25	100	200	8.93%**	20,000	19,897.18	19,868.26	Unsecured	Redeemable at par
INE216P07167	16-Sep-19	15-Sep-24	100	345	8.39%*	34,500	34,208.65	34,139.81	Secured	Redeemable at par
INE216P07175	30-Mar-20	30-Mar-28	10	4,444	8.65%*	44,440	43,976.39	43,931.12	Secured	Redeemable at par
INE216P07183	22-Jun-20	22-Dec-21	10	1,500	6.60%*	15,000	14,999.08	-	Secured	Redeemable at par
INE216P07191	04-Nov-20	04-Nov-25	10	1,000	6.70%	10,000	9,942.56	-	Secured	Redeemable at par
INE216P07209	31-Dec-20	31-Dec-25	10	1,000	6.63%	10,000	9,491.35	-	Secured	Redeemable at par
Total							1,46,466.15	1,16,846.54		

*ROI p.a (payable half yearly)

**ROI p.a (payable quarterly)

Terms of repayment of Debentures outstanding as at March 31, 2021

(₹ in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Quarterly											
Above 3 years	6%-8%	4	1,980.05	8	3,975.87	7	3,478.89	-	-	19	9,434.81
Half yearly											
Above 3 years	8%-10%	1	3,384.35	8	23,531.05	8	23,531.05	4	13,591.37	21	64,037.82
Bullet end											
Less than 3 years	6%-8%	1	14,850.33	-	-	-	-	-	-	1	14,850.33
Above 3 years	6%-8%	-	-	-	-	1	9,939.68	-	-	1	9,939.68
	8%-10%	1	990.02	1	12,921.59	1	34,291.90	-	-	3	48,203.51
Total		7	21,204.75	17	40,428.51	17	71,241.52	4	13,591.37	45	1,46,466.15

12. Borrowings

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Term loans (refer note 12(h))		
From National Housing Bank (NHB) (Refer note 12(a))	1,87,239.16	95,129.03
From Banks (Refer note 12(b))	2,73,719.91	2,87,113.25
From Financial institutions (Refer note 12(c))	61.07	89.78
From Insurance Companies (Refer note 12(d))	8,117.44	9,365.27
Others		
Cash Credit (refer note 12(e))	0.01	5,570.90
Others (refer note 12(f))	8,964.90	11,123.17
Total	**4,78,102.49**	**4,08,391.40**
Borrowings in India	4,78,102.49	4,08,391.40
Borrowings outside India	-	-
Total	**4,78,102.49**	**4,08,391.40**

12(a) Secured term loans from National Housing Bank carry rate of interest in the range of 3.00% to 8.50% p.a. The loans are having tenure of 1 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company.

12(b) Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 7.20% to 9.05% p.a. The loans are having tenure of 5 to 10 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Company. Secured term loan from banks include auto loans of ₹ 240.63 lakh (P.Y. ₹ 260.46 lakh) carrying rate of interest in the range of 7.35% to 9.20% p.a. which are secured by hypothecation of Company's vehicles.

12(c) Loans from financial institutions include auto loans of ₹ 61.07 lakh (P.Y. ₹ 89.78 lakh) carrying rate of interest in the range of 8.46% to 9.26% p.a. which are secured by hypothecation of Company's vehicles.

12(d) Secured term loan from Insurance Company carry rate of interest of 7.60% p.a. The loan is having tenure of 8 years from the date of disbursement and is repayable in half yearly instalments. The Loan is secured by hypothecation (exclusive charge) of the loans given by the Company.

12(e) Cash credit borrowings from bank are secured against hypothecation of housing loans given by the Company, are repayable on demand and carry interest rates ranging from 7.75% to 11.20%

12(f) Other borrowings includes associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS.

12(g) Changes in liabilities arising from financing activities

(₹ in lakh)

Particulars	As at March 31, 2020	Cash flows	Other*	As at March 31, 2021
Debt securities	1,16,846.54	29,500.00	119.61	1,46,466.15
Borrowings	4,08,391.40	71,168.13	(1,457.04)	4,78,102.49
Subordinate liabilities	9,965.61	(0.00)	8.04	9,973.65
Total	**5,35,203.55**	**1,00,668.13**	**(1,329.39)**	**6,34,542.29**

*Other column includes amortisation of transaction cost.

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

12(h) Terms of repayment of long term borrowings outstanding as at March 31, 2021

(₹ in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Monthy repayment schedule													
Above 3 years	6%-8%	304	7,497.94	551	21,362.62	303	17,192.43	363	28,982.34	9	-	1,530	75,035.33
	8%-10%	426	3,122.86	443	6,662.33	91	9.74	-	-	-	-	960	9,794.93
Quarterly repayment schedule													
Above 3 years	2%-4%	6	2,809.53	16	7,495.68	16	7,495.68	13	6,674.31	-	-	51	24,475.20
	4%-6%	39	6,424.47	104	17,140.17	100	15,924.52	113	16,033.49	16	2,039.58	372	57,562.23
	6%-8%	175	19,155.14	477	66,191.10	367	56,374.49	393	66,397.10	4	316.91	1,416	2,08,434.74
	8%-10%	66	1,571.83	136	15,496.36	132	14,914.13	137	17,195.66	-	-	471	49,177.98
Half yearly repayment schedule													
Above 3 years	6%-8%	2	1,248.01	4	2,497.23	4	2,497.23	3	1,872.92	-	-	13	8,115.39
At the end of tenure													
Less than 3 years	4%-6%	1	36,541.80	-	-	-	-	-	-	-	-	1	36,541.80
Total		1,019	78,371.58	1,731	1,36,845.49	1,013	1,14,408.22	1,022	1,37,155.82	29	2,356.49	4,814	4,69,137.60

The above table doesn't include associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS amounting to ₹ 8,964.90 lakh (Due within 1 year ₹ 827.78 lakh and due more than 1 year ₹ 8,137.12 lakh)

13. Subordinated Liabilities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
At Amortised cost		
Debentures (Refer note 13(a))	9,973.65	9,965.61
Total	**9,973.65**	**9,965.61**
Subordinated Liabilities in India	9,973.65	9,965.61
Subordinated Liabilities Outside India	-	-
Total	**9,973.65**	**9,965.61**

13(a). Detail of Subordinated Liabilities

(₹ in lakh)

ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Face value	As at March 31, 2021	As at March 31, 2020	Secured/ Unsecured	Terms of redemption
INE216P08017	22-Dec-17	22-Dec-23	10	1,000	9.49%	10,000	9,973.65	9,965.61	Unsecured	Redeemable at par

Terms of repayment of Subordinated liabilities outstanding as at March 31, 2021 (₹ in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Total	
Original maturity of loan	**Interest rate**	**No. of installments**	**Amount**	**No. of installments**	**Amount**	**No. of installments**	**Amount**
At the end of tenure							
Above 3 years	8%-10%	-	(8.86)	1	9,982.51	1	**9,973.65**

14. Lease liabilities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Lease liabilties	3,229.82	3,012.91
Total	**3,229.82**	**3,012.91**

Disclosures as required by Ind AS 116 'Leases' are stated below

A Lease Liability Movement (₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	3,012.91	2,302.98
Add: Addition during the year	1,129.14	1,482.05
Interest on Lease Liability	217.95	249.58
Less: Lease rental Payment	(1,130.18)	(1,021.70)
Closing Balance	**3,229.82**	**3,012.91**

The following is the breakup of current and non-current portion of lease liability as on March 31, 2021 (₹ in lakh)

Particulars	Amount
Current	885.78
Non-Current	2,344.04
Total lease liability as on March 31, 2021	**3,229.82**

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

15 Other financial liabilities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued but not due		
From non convertible debentures	1,143.24	731.94
From unsecured non convertible debentures	316.43	326.21
From Bank- term Loan	154.98	1,896.93
From Financial Institution- term Loan	0.30	0.45
Due to assignees towards collections in derecognised assets	2,569.98	3,219.41
Employee benefits payable	2,291.81	964.09
Others	7,009.89	3,555.75
Total	**13,486.63**	**10,694.78**

Break up of total financial liabilities carried at amortised cost

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Payables (note 10)	284.31	1,737.64
Debt Securities (note 11)	1,46,466.15	1,16,846.54
Borrowings (note 12)	4,78,102.49	4,08,391.40
Subordinated Liabilities (note 13)	9,973.65	9,965.61
Lease liabilities (note 14)	3,229.82	3,012.91
Other financial liabilities (note 15)	13,486.63	10,694.78
Total	**6,51,543.05**	**5,50,648.88**

16 Provisions

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Leave availment	214.23	162.23
Gratuity	63.14	517.23
ECL on undisbursed loan commitment	95.03	48.65
Total	**372.40**	**728.11**

17 Tax Expenses

The major components of income tax expense for the Year ended March 31, 2021

Profit or loss section

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current income tax:		
Current income tax charge	6,701.45	6,397.21
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(318.03)	(1,104.63)
Income tax expense reported in the statement of profit or loss	**6,383.42**	**5,292.58**

OCI

Deferred tax related to items recognised in OCI during the year: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net loss/(gain) on re-measurements of defined benefit plans	28.05	(1.75)
Income tax charged to OCI	**28.05**	**(1.75)**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2021 (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Accounting profit before tax from continuing operations	35,332.94	30,204.67
Accounting profit before income tax	35,332.94	30,204.67
Tax at statutory Income Tax rate of 25.17% (P.Y. 25.17%)	8,892.59	7,601.91
Expenses Disallowed in Income tax Act	206.78	116.30
Other permanent difference	(867.25)	(207.93)
Expenses Disallowed u/s 43B of Income tax Act	13.09	16.36
Provision for special reserve u/s 29C of NHB Act read with section 36 (1) (viii) of IT Act, 1961	(1,242.71)	(1,052.27)
Incremental defered tax liabilities /(assets) on account of Financial assets and other items	(619.09)	(1,181.79)
Tax at effective Income Tax rate of 18.07% (P.Y. 17.52%) (a)	6,383.42	5,292.58
Tax on Other comprehensive income (b)	28.05	(1.75)
Total Tax expenses at effective tax rate of 18.15% (P.Y. 17.52%) (a+b)	**6,411.47**	**5,290.83**

Deferred Tax liabilities / (assets) (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Deferred tax liability		
Unamortized Borrowings cost	392.32	392.55
Upfront EIS income	4,836.46	4,295.21
Gross deferred tax liability	**5,228.78**	**4,687.76**
Deferred tax asset		
Expected credit loss (ECL)	(906.01)	(413.26)
Unamortized Processing fee	(1,028.93)	(653.72)
Fair Valuation of SARFAESI	(83.01)	(68.08)
Provision for gratuity and Leave availment	(69.81)	(171.01)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(224.29)	(176.48)
Other adjustments	(64.46)	(34.91)
Gross deferred tax asset	**(2,376.51)**	**(1,517.46)**
Net Deferred Tax Liability	**2,852.27**	**3,170.30**

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

Deferred Tax charged to statement of profit and loss account (₹ in lakh)

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	Profit and Loss	OCI	Profit and Loss	OCI
Unamortized Borrowings cost	(0.23)	-	263.48	-
Upfront EIS income	541.25	-	(915.50)	-
Expected credit loss (ECL)	(492.74)	-	(68.36)	-
Unamortized Processing fee	(375.21)	-	(256.24)	-
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(47.82)	-	(33.79)	-
Other adjustments	56.72	28.05	(94.22)	(1.75)
Deferred Tax charged to statement of profit and loss account	**(318.03)**	**28.05**	**(1,104.63)**	**(1.75)**

18 Other Non-financial Liabilities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory Dues Payable	204.33	248.73
Provision for Expenses	816.96	914.08
Others	75.21	201.46
Total	**1,096.50**	**1,364.27**

19 Equity share capital

Details of authorized, issued, subscribed and paid up share capital (₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Authorized share Capital		
85,000,000 (P.Y. 85,000,000) Equity Shares of ₹ 10/- each	8,500.00	8,500.00
	8,500.00	**8,500.00**
Issued, Subscribed & Paid up capital		
Issued and Subscribed Capital		
78,504,551 (P.Y. 78,322,661) Equity Shares of ₹ 10/- each	7,850.46	7,832.27
Called-Up and Paid Up Capital		
Fully Paid-Up		
78,504,551 (P.Y. 78,322,661) Equity Shares of ₹ 10/- each	7,850.46	7,832.27
Total	**7,850.46**	**7,832.27**

19(a) The reconciliation of equity shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of shares	₹ In lakh	No. of shares	₹ In lakh
Equity Share at the beginning of year	7,83,22,661	7,832.27	7,81,07,901	7,810.79
Add:				
Equity Share Allotted during year				
Shares issued under ESOP	1,81,890	18.19	2,14,760	21.48
Equity share at the end of year	**7,85,04,551**	**7,850.46**	**7,83,22,661**	**7,832.27**

19(b) Details of Shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	2,31,40,827	29.48%	2,31,40,827	29.55%
23,140,827 Equity Shares of ₹ 10/- each fully paid				
Partners Group ESCL Limited	1,12,40,151	14.32%	1,30,18,256	16.62%
11,240,151 Equity Shares of ₹ 10/- each fully paid				
Smallcap World Fund, Inc	54,97,038	7.00%	NA	NA
5,497,038 Equity Shares of ₹ 10/- each fully paid				
Partners Group Private Equity Master Fund LLC	49,32,728	6.28%	57,13,047	7.29%
4,932,728 Equity Shares of ₹ 10/- each fully paid				
AU Small Finance Bank Limited	NA	NA	49,65,757	6.34%
3,383 Equity Shares of ₹ 10/- each fully paid				
Total	**4,48,10,744**	**57.08%**	**4,68,37,887**	**59.80%**

As per records of the Company, including its register of Shareholders/ members and other declarations received from Shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

19(c) Rights, preferences and restrictions attached to shares

Equity shares:

The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity Shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

19(d) Aggregate number of bonus shares issued during the year of five years immediately preceding the reporting date

Particulars	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	-	-	53,66,658

19(e) For details of shares reserved for issue under the employee stock option plan (ESOP) of the Company, refer note 32

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

20. Other equity

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Securities premium Account (refer note 20(a))	1,33,403.29	1,32,743.79
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961(refer note 20(a))	19,131.38	13,324.80
Share Based Payments Reserve (refer note 20(a))	1,808.00	1,169.29
Retained earnings	77,946.87	54,720.53
Share Application money received	0.48	2.69
Total	**2,32,290.02**	**2,01,961.10**

20(a) Nature and purpose of reserve

Securities premium Account

Securities premium Account is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Special reserve

Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the Company under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. During the year ended March 31, 2021, The Company has transferred an amount of ₹ 4,937.65 lakh (P.Y. ₹ 4,181.00 lakh) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987 and also transferred an amount of ₹ 868.93 lakh (P.Y. ₹ 800.38 lakh) to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act, 1987.

Share Based Payments Reserve

This Reserve relates to stock options granted by the Company to employees under various ESOP Schemes. This Reserve is transferred to Securities Premium Account on exercise of vested options.

21. Interest income

(₹ in lakh)

Particulars	Year ended March 31, 2021			Year ended March 31, 2020		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss
Interest on Loans (Refer note 21(a))	-	89,939.42	-	-	73,676.40	-
Interest on deposits with Banks	-	7,301.74	-	-	4,966.11	-
Interest on deposits with Corporates	-	398.24	-	-	-	-
Total	-	**97,639.40**	-	-	**78,642.51**	-

21(a) Loan origination income included in Interest income on Loan is disclosed net of the direct incremental costs of ₹ 2,457.61 lakh for year ended March 31, 2021 (P.Y. ₹ 2,647.40 lakh) associated with the origination of the underlying loans.

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

22. Fees and commission Income

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Insurance commission	311.46	331.10
Other fee income	3,343.91	2,996.50
Total	**3,655.37**	**3,327.60**

23. Net gain on fair value changes

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
a) Net gain on financial instruments at fair value through profit and loss		
i) On trading portfolio		
Investments	387.16	597.20
b) Others		
Derivatives	-	3.23
Total Net gain on fair value changes	**387.16**	**600.43**
Fair value changes		
Realised	387.16	600.43
Unrealised- MTM gain	-	-
Total Net gain on fair value changes	**387.16**	**600.43**

24. Other income

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net gain on derecognition of property, plant and equipment	9.10	-
Other income	206.95	79.99
Total	**216.05**	**79.99**

25. Finance Costs

(₹ in lakh)

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost
Interest on borrowings, debt securities and Subordinated liabilities	-	44,876.46	-	34,438.64
Interest on Securitised pool	-	729.86	-	918.93
Interest on lease liability	-	217.95	-	249.58
Total	**-**	**45,824.27**	**-**	**35,607.15**

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

26. Fees and commission expense

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Resource mobilisation expenses	302.30	263.88
Bank charges and commission	133.50	98.87
Brokerage Commission	182.66	127.30
Total	**618.46**	**490.05**

27. Impairment on financial instruments

(₹ in lakh)

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	On financial instruments measured at fair value through OCI	On financial liabilities measured at Amortised cost	On financial instruments measured at fair value through OCI	On financial liabilities measured at Amortised cost
Loan Assets	-	3,347.34	-	1,145.52
Write offs	-	269.29	-	128.37
Assets acquired under SARFAESI	-	97.23	-	259.89
Total	**-**	**3,713.86**	**-**	**1,533.78**

28. Employee Benefits Expenses

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Salaries and wages	15,357.54	13,115.04
Contribution to provident and other funds	826.38	671.78
Share Based Payments to employees	850.84	647.14
Staff welfare expenses	178.85	273.49
Total	**17,213.61**	**14,707.45**

Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current service cost	209.61	198.76
Interest cost	34.91	22.78
Expected Return on plan assets	-	-
Net remeasurement (gain) / loss recognized in the year	-	-
Net expense	**244.52**	**221.54**

Remeasurement (gains)/ loss recognised in other comprehensive income: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Remeasurement (gain) / loss on obligations arising from changes in experience adjustments	(111.45)	6.97
Remeasurement (gain) / loss arising during the year	**(111.45)**	**6.97**

Actual Return on plan asset (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Expected return on plan asset	-	-
Interest Income on Plan Asset	-	-
Acturial gain/loss	21.22	-
Actual Return on plan asset	-	-

Balance Sheet

Net defined benefit liability (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Present value of defined benefit obligation	659.25	517.23
Fair value of plan assets	(604.95)	-
Plan liability	**54.30**	**517.23**

Changes in the present value of the defined benefit obligation are as follows: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Opening defined benefit obligation	517.23	293.96
Current service cost	209.61	198.76
Interest cost	34.91	22.78
Benefits paid during the year	(12.27)	(5.24)
Remeasurement (gain)/loss on obligation	(90.23)	6.97
Closing defined benefit obligation	**659.25**	**517.23**

Changes in the present value of the plan assets are as follows: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Fair value of plan asset at the beginning	-	-
Expected return on plan asset	-	-
Contribution made	596.00	-
Benefit paid during the year	(12.27)	-
Acturial Gain/(Loss) on plan assets	21.22	-
Fair value of plan asset at the the end of the year	604.95	-

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

The principle assumptions used in determining gratuity obligations for the Company are shown below:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Discount rate	6.73%	6.75%
Salary escalation rate	6.00%	6.00%
Employee Turnover	age 30 = 5%	age 30 = 5%
	age 31-40 = 3%	age 31-40 = 3%
	age 41-50 = 2%	age 41-50 = 2%
	age 51 & above=1%	age 51 & above=1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience adjustment for the reported years are as below: (₹ in lakh)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined benefit obligation	659.25	517.23	293.96	187.74	112.44
Plan assets	(604.95)	-	-	-	-
(Surplus)/Deficit	54.30	517.23	293.96	187.74	112.44
Experience adjustments on plan liabilities(Gain)/ Loss	(91.54)	6.97	(35.07)	(10.82)	(16.81)
Experience adjustments on plan assets	-	-	-	-	-

Sensitivity Analysis:

A quantitative sensitivity analysis for significant assumption is as shown below: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Effect of 1% change in assumed discount rate		
- 1% increase	570.28	446.36
- 1% decrease	768.75	604.81
(b) Effect of 1% change in assumed salary escalation rate		
- 1% increase	768.44	604.59
- 1% decrease	568.97	445.30

Other Benefits

The Company has provided for compensatory leaves which can be availed and not encashed as per policy of the Company as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

The Code on Social Security, 2020

The Code on Social Security, 2020 (‘Code’) relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

29. Other expenses

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Advertisement and publicity	198.08	864.82
AMC charges	123.25	87.75
Auditor's remuneration (note 29(a))	50.69	50.66
Directors' fees and commission	119.90	70.85
Communication costs	397.52	300.40
CSR expenses	458.52	312.74
Donation	-	21.00
Electricity and water	269.58	247.22
General office expenses	265.46	315.44
Legal and professional charges	436.58	463.50
Collection and legal recovery expenses	119.30	183.14
IT and analytics Expenses	239.59	108.15
Manpower management cost	2,236.89	1,828.81
Postage and courier expenses	156.93	132.93
Printing and stationery	87.56	70.79
Rent, rates and taxes Expenses	58.00	53.67
Repairs and maintenance	212.67	149.04
Travelling and conveyance	339.48	549.27
Total	**5,770.00**	**5,810.18**

29(a) Auditor's remuneration

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Audit fees	44.42	42.24
Tax audit fees	2.18	2.18
Other services	4.09	6.24
	50.69	**50.66**

30. Earning per share

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	783.72	781.90
Net profit for calculation of basic EPS (₹ in lakh)	28,949.52	24,912.09
Basic earning per share (In ₹)	**36.94**	**31.86**
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	790.64	791.22
Net profit for calculation of Diluted EPS (₹ in lakh)	28,949.52	24,912.09
Diluted earning per share (In ₹)	**36.62**	**31.49**
Nominal value of equity shares (In ₹)	**10.00**	**10.00**

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

31. Maturity analysis of assets and liabilities

The following tables set forth, for the periods indicated, the assets and liabilities line items expected to be recovered or settled within and after twelve months after factoring prepayment assumptions.

(₹ in lakh)

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	2,189.12	-	2,189.12	35,022.40	-	35,022.40
Bank balance other than cash and cash equivalents	1,09,907.11	-	1,09,907.11	84,183.13	-	84,183.13
Loans	1,27,660.89	6,24,667.74	7,52,328.63	88,012.03	5,30,067.80	6,18,079.83
Investments	-	450.00	450.00	-	450.00	450.00
Other financial assets	12,379.79	10,225.12	22,604.91	8,362.81	9,773.87	18,136.68
Non-financial assets						
Current tax assets (net)	90.45	-	90.45	1,438.03	-	1,438.03
Property, plant and equipment	-	2,506.66	2,506.66	-	2,699.83	2,699.83
Capital work-in-progress	-	-	-	-	30.99	30.99
Intangible assets under development	-	40.54	40.54	-	39.90	39.90
Other intangible assets	-	345.56	345.56	-	414.84	414.84
Right-of-use assets		2,973.70	2,973.70		2,874.20	2,874.20
Other non-financial assets	551.20	177.24	728.44	593.83	35.90	629.73
Assets held for sale	1,839.58	-	1,839.58	1,705.37	-	1,705.37
Total Assets	**2,54,618.14**	**6,41,386.56**	**8,96,004.70**	**2,19,317.60**	**5,46,387.33**	**7,65,704.93**
LIABILITIES						
Financial liabilities						
Payables						
(I) Trade payables	-	-	-	-	-	-
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	284.31	-	284.31	1,737.64	-	1,737.64
Debt securities	21,204.75	1,25,261.40	1,46,466.15	4,815.32	1,12,031.22	1,16,846.54
Borrowings (other than debt securities)	79,199.36	3,98,903.13	4,78,102.49	60,118.51	3,48,272.89	4,08,391.40
Subordinated liabilities	(8.86)	9,982.51	9,973.65	(8.04)	9,973.65	9,965.61
Lease liabilties	885.78	2,344.04	3,229.82	899.55	2,113.36	3,012.91
Other financial liabilities	13,405.40	81.23	13,486.63	10,612.53	82.25	10,694.78
Non-financial liabilities						
Provisions	38.90	333.50	372.40	46.62	681.49	728.11
Deferred tax liabilities (net)	1,914.42	937.85	2,852.27	1,419.03	1,751.27	3,170.30
Other non-financial liabitilies	1,096.50	-	1,096.50	1,364.27	-	1,364.27
Total Liabilities	**1,18,020.56**	**5,37,843.66**	**6,55,864.22**	**81,005.43**	**4,74,906.13**	**5,55,911.56**
Net Assets	**1,36,597.58**	**1,03,542.90**	**2,40,140.48**	**1,38,312.17**	**71,481.20**	**2,09,793.37**

32. Stock options

I The Company has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the Year ended March 31, 2021 are as given below:

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)	Equity stock option plan for Employees 2019 (ESOP 2019)
No. of options approved*	12,87,901		34,45,610	7,19,084	3,00,000
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17	03-Oct-19
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084	3,00,000
Exercise price per option (in ₹)	215.25	328	215.25	215.25	1580.20
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting year and conditions	A) 50% options to vest as per stipulated vesting schedule (“Fixed Vesting”) B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions (“Conditional Vesting”)				
A) Fixed Vesting year is as follows on following dates :-					
1st vesting "12 months from the date of grant	98,012	42,469	Refer note A	71,908	30,000
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908	NA
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA	30,000
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	Refer note B	30,000
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	-	30,000
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	-	30,000
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan		Refer note A	Linked with conditions over the next five years as stipulated in respective stock option plan (Refer note B)	Linked with conditions over the next five years as stipulated in respective stock option plan
Exercise year	Four years from the date of each vesting				

*After adjusting subsequent cancellations, if any

Note:

A. During year ended March 31, 2018, pursuant to the the Board approval dated January 25, 2018, all options granted under Management team 2016 (ESOP 2016 II) plan were vested with immediate effect with no further conditions attached to them.

B. During Year ended March 31, 2019, pursuant to the the Board approval dated June 08, 2018, last three tranches of options related to fixed vesting (2,15,724 options) and 25% of performance options (89,886 options) granted under Directors 2016 (ESOP 2016 III) plan were vested on June 30, 2018 subject to lock in conditions as prescribed in stock plan.

C. During Year ended March 31, 2020, pursuant to the the Board approval dated August 01, 2019, options granted for employees 2019 (ESOP 2019) plan.

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

II Computation of fair value of options granted during the year ended March 31, 2021

Nil options granted during the Year ended March 31, 2021.

III Reconciliation of options

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 III	ESOP 2019
Year ended March 31, 2021				
Options outstanding at April 1, 2020	3,13,321	2,93,155	2,69,656	3,00,000
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	1,15,784	66,106	-	-
Expired / lapsed during the year	4,075	3,000	-	-
Outstanding at March 31, 2021	1,93,462	2,24,049	2,69,656	3,00,000
Exercisable at March 31, 2021	48,082	84,471	2,69,656	60,000
Weighted average remaining contractual life (in years)	0.98	2.84	1.59	5.49
Weighted average share price at the time of exercise*	2,141.00	1,487.25		

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 III	ESOP 2019
Year ended March 31, 2020				
Options outstanding at April 1, 2019	4,76,461	4,22,187	2,69,656	-
Granted during the year	-	-	-	3,00,000
Forfeited during the year	800	11,700	-	-
Exercised during the year	1,41,628	73,132	-	-
Expired / lapsed during the year	20,712	44,200	-	-
Outstanding at March 31, 2020	3,13,321	2,93,155	2,69,656	3,00,000
Exercisable at March 31, 2020	12,744	80,791	2,69,656	-
Weighted average remaining contractual life (in years)	1.87	4.16	1.96	6.51
Weighted average share price at the time of exercise*	1,787.48	1,582.87	-	-

* Disclosure of weighted average share price at the time of exercise is applicable only for plans where there has been an exercise of options in current financial year.

33. Segment information

The Company has only one reportable business segment, i.e. lending to borrowers, which have similar nature of products and services, type/class of customers and the nature of the regulatory environment (which is banking), risks and returns for the purpose of Ind AS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts] Rules, 2014 . Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

34. The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited company to a public limited company on February 08, 2013. Further, the name of our company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

35. Related party

a. **Names of related parties identified in accordance with Ind AS -24 "Related Party Disclosures"**

1. **Entities where control exists:**

   Holding Company

   NA

   Shareholders having Substantial interest

   Lake District Holdings Limited

   Wholly owned Subsidiary Company

   Aavas Finserv Limited

2. **Key Management Personnel**

Mr. Sandeep Tandon	Chairperson and Independent Director
Mr. Sushil Kumar Agarwal	Managing Director and Chief Executive Officer
Mrs. Kalpana Iyer	Independent Director
Mrs. Soumya Rajan	Independent Director (Appointed in the Annual General Meeting of the Company held on July 22, 2020 as an Independent Director w.e.f. August 29, 2019)
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director
Mr. Vivek Vig	Non-Executive Nominee Director
Mr. Nishant Sharma	Non-executive Promoter Nominee Director
Mr. Manas Tandon	Non-executive Promoter Nominee Director
Mr. Kartikeya Dhruv Kaji	Non-executive Promoter Nominee Director
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary & Compliance Officer

3. **Post Employment Benefit Plan**

   Aavas Gratuity Trust

4. **Enterprises under significant influence of the Key Management Personnel**

   Aavas foundation (From March 26, 2019)

5. **Relatives of Key Managerial Personnel**

   None

b. **The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows :**

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2021			March 31, 2020		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Aavas Finserv Limited	Reimbursement of expenses	-	0.56	14.02	-	1.05	13.46
Aavas Finserv Limited	Reimbursement of Statutory payments	-	27.81	40.92	-	11.17	13.11
Mr. Krishan Kant Rathi	Sitting fees	-	-	-	-	2.73	-
	Commission	-	-	-	-	2.73	-
Mr. Sandeep Tandon	Sitting fees	-	2.45	-	-	6.00	-
	Commission	-	16.08	-	-	4.91	-
Mr. Sushil Kumar Agarwal	Remuneration	-	199.40	-	-	240.06	-

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

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2021			March 31, 2020		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Mrs. Kalpana Iyer	Sitting fees	-	2.18	-	-	4.63	-
	Commission	-	16.35	-	-	6.27	-
Mrs. Soumya Rajan	Sitting fees	-	1.09	-	-	1.09	-
	Commission	-	37.06	-	-	-	-
Mr. Ramachandra Kasargod Kamath	Share based Payment	-	11.87	-	-	11.91	-
	Sitting fees	-	1.09	-	-	2.73	-
	Commission	-	25.07	-	-	28.89	-
Mr. Vivek Vig	Share based Payment	-	59.37	-	-	59.54	-
	Sitting fees	-	1.09	-	-	2.73	-
	Commission	-	17.44	-	-	8.18	-
Mr. Ghanshyam Rawat	Remuneration	-	147.04	-	-	182.03	-
Mr. Sharad pathak	Issue of Equity shares	8.90	-	-	7.59	-	-
	Remuneration	-	16.77	-	-	18.69	-
	Share based Payment	-	3.19	-	-	3.24	-
Aavas Foundation	Contribute as a Settler (CSR)	-	344.00	-	-	180.36	-
Aavas Gratuity Trust	Gratuity Contribution	-	596.11	-	-	-	-

Note : The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

36. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises for the year ended March 31, 2021

37. The Company's pending litigations comprise of claims against the Company primarily by the customers. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Company as at March 31, 2021.

38 Commitments and contingencies

a **Capital and other commitments:**

(₹ in lakh)

Particulars	As at March 31, 2021		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	62.69	20.88	41.81
Other intangible assets	43.89	37.37	6.52

Particulars	As at March 31, 2020		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	3.11	-	3.11
Other intangible assets	15.68	-	15.68

Refer note 3(iii) for undisbursed commitment relating to loans.

b There are no Contingent Liability as on March 31, 2021 (March 31, 2020 ₹ Nil)

39. Expenditure in Foreign currency

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Interest paid	1,796.18	1,786.39
Other Expenses	33.08	53.38

40 CSR expenses

Operating expenses include ₹ 475.80 lakh for the Year ended March 31, 2021 (P.Y. ₹ 312.74 lakh) towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount (including deficit of previous year) required to be spent by the Company during the year is ₹ 475.51 lakh. (P.Y. ₹ 449.23 lakh).

The details of amount spent during the respective year towards CSR are as under: (₹ in lakh)

Particulars	March 31, 2021			March 31, 2020		
	Amount Spent	Yet to be paid	Total	Amount Spent	Yet to be paid	Total
Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
On purposes other than above	475.80	0.00	475.80	431.97	17.26	449.23

41. Fair value measurement

41(a) Valuation Principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly/ indirectly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

41(b) Fair Value of financial instruments which are not measured at Fair Value

The carrying amounts and fair value of the Company's financial instruments are reasonable approximations of fair values at financial statement level.

Valuation methodologies of financial instruments not measured at fair value

Loans

Most of the loans are repriced frequently, with interest rate of loans reflecting current market pricing. Hence carrying value of loans is deemed to be equivalent of fair value.

Borrowings

The Company's most of the borrowings are at floating rate which approximates the fair value.

Debt securities and subordinate liabilities are fixed rate borrowings and fair value of these fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans and carrying value approximates the fair value for fixed rate borrowing at financial statement level.

Short Term and Other Financial Assets and Liabilities

The management assessed that cash and cash equivalents, investments, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Assets held for sale

Real estate properties are valued based on a well progressed sale process with price quotes from real estate agents.

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

42. Transfer of Financial assets

Transfers of financial assets that are not derecognised in their entirety

Securitisation:

The Company uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

(₹ in lakh)

Loans and advances measured at amortised cost	As at March 31, 2021	As at March 31, 2020
Carrying amount of transferred assets measured at amortised cost	9,303.97	10,684.14
Carrying amount of associated liabilities	(8,930.71)	(10,251.62)

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

Assignment Deal:

During the year ended March 31, 2021, the Company has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Company's balance sheet

The management has evaluated the impact of assignment transactions done during the year for its business model. Based on the future business plan, the company business model remains to hold the assets for collecting contractual cash flows

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain on derecognition.

(₹ in lakh)

Loans and advances measured at amortised cost	Year ended March 31, 2021	Year ended March 31, 2020
Carrying amount of derecognised financial assets	62,454.90	73,859.15
Gain from derecognition	8,635.53	7,658.88

43. Capital management:

For the purpose of the Company's capital management, capital includes issued equity capital, Securities premium and all other equity reserves attributable to the equity holders of the Company net of intangible assets. The primary objective of the Company's capital management is safety and security of share capital and maximize the shareholder value.

The Company manages its capital structure in light of changes in economic conditions and the requirements of the financial covenants. The company monitors capital using a gearing ratio, which is total debt divided by net worth. The Company's policy is to keep the gearing ratio at reasonable level of 6-8 times in imminent year while Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 currently permits HFCs to borrow up to 13 times of their net owned funds ("NOF"). The Company includes with in debt, its all interest bearing loans and borrowings.

Debt to net worth ratio (₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Debts	6,36,157.24	5,38,159.07
Net worth	2,39,754.38	2,09,338.63
Debt to Net worth (in times)	**2.65**	**2.57**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

44. Financial risk management objectives and policies

The Company's Principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to finance the company's operations. At the other hand company's Principal financial assets include loans and cash and cash equivalents that derive directly from its operations.

As a lending institution, Company is exposed to various risks that are related to lending business and operating environment. The Principal Objective in Company's risk management processes is to measure and monitor the various risks that Company is subject to and to follow policies and procedures to address such risks. Company 's risk management framework is driven by Board and its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee. Company gives due importance to prudent lending practices and have implemented suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of a customer's business and residence, technical and legal verifications, conservative loan to value, and required term cover for insurance. The major types of risk Company face in businesses are liquidity risk, credit risk, interest rate risk.

(A) Liquidity risk

Liquidity Risk refers to the risk that the company can not meet its financial obligations. The objective of Liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirement. The unavailability of adequate amount of funds at optimum cost and co-terminus tenure to repay the financial liabilities and further growth of business resultantly may face an Asset Liability Management (ALM) mismatch caused by a difference in the maturity profile of Company assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The Company manages liquidity risk by maintaining adequate cash reserves and undrawn credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company has given cash collateral for the securitisation transactions and do not expect any net cash outflow and hence guarantees given for securitisation transactions have not been shown as part of below table. Further, undisbursed loan amount being cancellable in nature are not disclosed as part of below mentioned maturity profile.

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities.

Maturity profile of Financial liabilities as on March 31, 2021 (₹ in lakh)

Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	1,41,269.45	284.31	11,790.45
Over 1 year to 3 years	2,53,845.79	-	81.23
Over 3 year to 5 years	2,26,580.56	-	-
Over 5 year to 7 years	1,13,377.06	-	-
Over 7 year to 10 years	57,006.12	-	-
Over 10 years	3,022.38	-	-
Total	**7,95,101.36**	**284.31**	**11,871.68**

Maturity profile of Financial liabilities as on March 31, 2020 (₹ in lakh)

Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	1,07,861.53	1,737.64	10,612.53
Over 1 year to 3 years	2,07,214.96	-	82.25
Over 3 year to 5 years	2,10,922.09	-	-
Over 5 year to 7 years	1,08,327.16	-	-
Over 7 year to 10 years	62,532.14	-	-
Over 10 years	5,856.11	-	-
Total	**7,02,713.99**	**1,737.64**	**10,694.78**

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

(B) Credit risk

Credit Risk arises from the risk of loss that may occur from the default of Company's customers under loan agreements. Customer defaults and inadequate collateral may lead to higher credit impaired assets. Company address credit risks by using a set of credit norms and policies, which are approved by Board and backed by analytics and technology. Company has implemented a structured and standardized credit approval process, including customer selection criteria, comprehensive credit risk assessment and cash flow analysis, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. Actual credit exposures, credit limits and asset quality are regularly monitored and analysed at various levels. Company has created a robust credit assessment and underwriting practice that enables to fairly price credit risks.

The company has created more than 60 templates of customer profiles through its experience over the years, with risk assessment measures for each geography in which it operates. The company continuously seek to develop and update such profiles in order to identify and source reliable customers and improve efficiencies. The company also conduct an analysis of the existing cash flow of customer's business to assess their repayment abilities. The company has implemented a four prong system of credit assessment comprising underwriting, legal assessments, technical assessments and a risk containment unit.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 7,76,503.25 lakh and ₹ 637,252.82 lakh as of March 31, 2021 and March 31, 2020 respectively, being the total of the carrying amount of Loan assets and EIS receivable.

(C) Analysis of risk concentration

The Company's concentrations of risk are managed based on Loan to value (LTV) segregation as well as geographical spread. The following tables stratify credit exposures from housing and other loans to customers by range of loan-to-value (LTV) ratio .LTV is calculated as the ratio of gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral.

Loans to customers:

LTV wise bifurcation:

As at March 31, 2021 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,83,044.17	4,554.31	1,415.06	1,89,013.54
41%-60%	2,62,339.39	7,166.52	2,189.00	2,71,694.91
61%-80%	2,37,807.21	8,053.61	3,182.19	2,49,043.01
More than 80%	44,610.28	2,319.70	605.11	47,535.09
Total	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**

As at March 31, 2020 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,67,254.42	1,434.12	382.16	1,69,070.70
41%-60%	2,17,085.38	2,326.45	944.08	2,20,355.91
61%-80%	1,93,723.67	2,540.09	1,396.93	1,97,660.69
More than 80%	32,774.79	206.57	118.01	33,099.37
Total	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Customer profile

As at March 31, 2021 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	2,45,304.46	3,653.91	1,107.99	2,50,066.36
Self employed	3,00,342.82	11,336.11	4,560.28	3,16,239.21
NON-HOUSING:				
Salaried	54,076.65	1,128.74	233.18	55,438.57
Self employed	1,28,077.12	5,975.38	1,489.91	1,35,542.41
Total	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**

As at March 31, 2020 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	1,76,197.40	1,073.49	437.81	1,77,708.70
Self employed	2,82,184.37	3,694.34	1,989.60	2,87,868.31
NON-HOUSING:				
Salaried	37,689.31	331.87	70.46	38,091.64
Self employed	1,14,767.18	1,407.53	343.31	1,16,518.02
Total	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Loan Commitments:

LTV wise bifurcation:

As at March 31, 2021 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	8,785.08	35.39	12.99	8,833.46
41%-60%	14,424.72	44.23	64.62	14,533.57
61%-80%	7,269.16	103.11	68.44	7,440.71
More than 80%	1,308.66	59.08	13.72	1,381.46
Total	**31,787.62**	**241.81**	**159.77**	**32,189.20**

As at March 31, 2020 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	7,275.64	2.18	-	7,277.82
41%-60%	11,534.90	4.82	5.14	11,544.86
61%-80%	6,422.46	52.67	3.21	6,478.34
More than 80%	927.43	9.43	2.74	939.60
Total	**26,160.43**	**69.10**	**11.09**	**26,240.62**

Customer profile

As at March 31, 2021 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	13,736.27	52.79	45.10	13,834.16
Self employed	18,051.35	189.03	114.66	18,355.04
Total	**31,787.62**	**241.82**	**159.76**	**32,189.20**

As at March 31, 2020 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	9,203.91	29.28	6.38	9,239.57
Self employed	16,956.52	39.82	4.71	17,001.05
Total	**26,160.43**	**69.10**	**11.09**	**26,240.62**

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

(D) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Company's exposure to market risk is primarily on account of interest rate risk.

(I) Interest Rate Risk:-

The company is subject to interest rate risk, primarily since it lends to customers at rates and for maturity years that may differ from funding sources. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the company seek to optimize borrowing profile between short-term and long-term loans. The company adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks.

Due to the very nature of housing finance, the company is exposed to moderate to higher Interest Rate Risk. This risk has a major impact on the balance sheet as well as the income statement of the company. Interest Rate Risk arises due to:

i) Changes in Regulatory or Market Conditions affecting the interest rates

ii) Short term volatility

iii) Prepayment risk translating into a reinvestment risk

iv) Real interest rate risk.

In short run, change in interest rate affects Company's earnings (measured by NII or NIM) and in long run it affects Market Value of Equity (MVE) or net worth. It is essential for the company to not only quantify the interest rate risk but also to manage it proactively. The company mitigates its interest rate risk by keeping a balanced portfolio of fixed and variable rate loans and borrowings. Further company carries out Earnings at risk analysis and maturity gap analysis at quarterly intervals to quantify the risk.

Interest Rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss:

(₹ in lakh)

Particulars	Basis Points	Effect on Profit before tax
Loans		
Increase in basis points	50	2,342.03
Decrease in basis points	-50	(2,339.13)
Borrowings		
Increase in basis points	50	(1,438.19)
Decrease in basis points	-50	1,438.19

(II) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Company's exposure to the risk of changes in foreign exchange rates relates primary to the foreign currency borrowings taken from bank.

(E) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities.

The Company recognizes that operational risk event types that have the potential to result in substantial losses includes Internal fraud, External fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and finally execution, delivery and process management.

The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

45. Impact of COVID-19

COVID-19 pandemic had led to a significant volatility in global and Indian financial markets and a significant decrease in global & local economic activities, which may persist. Based on the information available till date, the Company has used the principles of prudence to provide for the impact of pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying management overlays, approved by its Board of Directors. This has resulted in an additional provision of ₹ 1458.87 lakh (P.Y. ₹ 443.75 lakh) against financial assets during the year, taking the overall additional provision of INR 1,902.62 lakh as of March 31, 2021. The extent to which COVID-19 pandemic will continue to impact the Company's operations and financial metrics will depend on future developments, which are highly uncertain.

In accordance with the COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Company has offered moratorium on the payment of all installments and/or interest, as applicable, falling due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all such accounts that were granted moratorium, the prudential assets classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

46 Disclosures as required by RBI circular dated April 17, 2020 'COVID-19 Regulatory Package-Asset Classification and Provisioning' are given below:

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Amount in SMA/Overdue categories as of February 29, 2020*	16,767.30	16,767.30
Advances outstanding in SMA/overdue categories, where the moratorium/ deferment was extended, in terms of paragraph 2 and 3 of the circular (as of February 29, 2020)	16,516.30	15,486.39
Respective amount where asset classification benefit is extended (as of March 31, 2021 /March 31, 2020)	7,837.23	722.44
Provision made in terms of paragraph 5 of the circular (As per para 4, applicable to HFC's covered under Ind AS) (as of March 31, 2021 /March 31, 2020) **	1,902.62	443.75
Provisions adjusted against slippages in terms of paragraph 6 of the circular	-	-
Residual provisions as of March 31, 2021 /March 31, 2020 in terms of paragraph 6 of the circular	1,902.62	443.75

*SMA/Overdue category includes - Cases {1-90 days past due (DPD)}

**This includes overall additional provision on account of COVID-19

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

47 The Group has not invoked or implemented resolution plan under the "Resolution Framework for COVID-19 related Stress" as per RBI circular dated August 6, 2020 for any of its borrower accounts.

48 In accordance with the instructions of RBI circular no. DOR.STR.REC.4/21.04.048/2021-22 dated April 07, 2021, the HFC shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been recently circulated by the Indian Banks Association (IBA). The Company is in the process of suitably implementing this methodology and has created a liability of ₹ 13.47 lakh towards estimated interest relief and reduced the same from the interest income for the year ended March 31, 2021.

49 For periods ended up to the year ended March 31,2020 , the Company had prepared the disclosures as required in accordance with additional information required in terms of Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 NHB(ND)/DRS/REG/MC-07/2018, 02 July, 2018 and Notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 09, 2017 on the basis of previous GAAP pursuant to the NHB circular no. NHB (ND)/DRS/Policy Circular No.89/2017-18 dated June 14, 2018 is given in Annexure I, which have been presented solely based on the information compiled by the Management.

50 Previous year figures have been regrouped/ reclassified wherever applicable.

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Annexure I to Note No. 49 to the Standalone Financial statements for the year ended March 31, 2021

Disclosures required by the Reserve Bank of India /National Housing Bank as per Notification no. DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17. 2021- Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021

1 Minimum Disclosures

The following additional disclosures have been given in terms of Notification no. DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17. 2021- Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by the RBI

2 Summary of Significant Accounting Policies

The accounting policies regarding key areas of operations are disclosed as note 1 of Accounting policy to the Standalone Financial Statement for the year ended March 31, 2021.

3 Disclosure:

3.1 Capital

Particulars	As at March 31, 2021	As at March 31, 2020
CRAR (%)	54.38%	55.86%
CRAR - Tier I capital (%)	53.17%	53.67%
CRAR - Tier II capital (%)	1.21%	2.18%
Amount of subordinated debt raised as Tier- II Capital	3,989.46	6,000.00
Amount raised by issue of perpetual Debt instruments	0.00	0.00

3.2 Reserve Fund u/s 29C of NHB Act, 1987

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory Reserve u/s 29C of the National Housing Bank Act, 1987		
Opening Balance	13,324.80	8,343.42
Additional during the year	5,806.58	4,981.38
Appropriation during the year	-	-
Closing Balance	**19,131.38**	**13,324.80**

Particulars	As at March 31, 2021	As at March 31, 2020
Special Reserve u/s 29C of The National Housing Bank Act, 1987 read with section 36 (1) (viii) of Income Tax Act, 1961		
Balance at the beginning of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	1,158.56	358.18
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	12,166.24	7,985.24
c) Total	**13,324.80**	**8,343.42**
Addition /Appropriation / Withdrawal during the year		

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

Particulars	As at March 31, 2021	As at March 31, 2020
Add:		
a) Amount transferred u/s 29C of the NHB Act, 1987	868.93	800.38
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	4,937.65	4,181.00
Less:		
a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987	-	-
Balance at the end of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	2,027.49	1,158.56
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	17,103.89	12,166.24
c) Total	**19,131.38**	**13,324.80**

3.3 Investments

Particulars	As at March 31, 2021	As at March 31, 2020
Value of Investment		
Gross Value of Investment	**450.00**	**1,212.82**
In India	450.00	1,212.82
Outside India	-	-
Provision for Depreciation	**-**	**123.86**
In India	-	123.86
Outside India	-	-
Net Value of Investment	**450.00**	**1,088.96**
In India	450.00	1,088.96
Outside India	-	-
Movement of Provision held towards depreciation on Investment	**-**	**-**
Opening Balance	**-**	**41.29**
Add: Provisions made during the year	-	82.58
Less: Write off/Write Back Excess provision during the year	-	-
Closing Balance	**-**	**123.87**

3.4 Derivatives

1) The company has no transactions/exposure in derivatives in the current and previous year.

2) The company has no unhedged foreign currency exposure on March 31, 2021 (P.Y. ₹ Nil)

3.5 Securitisation

a. **Disclosure as per NHB guidelines for assignment/securitisation transactions as an originator:**

Particulars	No. / Amount	
	As at March 31, 2021	As at March 31, 2020
No of SPVs sponsored by the HFC for securitisation transactions	2	2
Total amount of securitised assets as per books of the SPVs sponsored	9,303.63	10,684.14
Total amount of exposures retained by the HFC towards the MRR as on the date of balance sheet		
(I) Off-balance sheet exposures towards Credit Concentration		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
First Loss (In the form of Fixed Deposits)	1,147.30	1,147.30
Series A PTCs	373.26	432.52
Amount of exposures to securitisation transactions other than MRR		
(I) Off-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitizations		
First Loss	-	-
Others (Guarantees provided by banks on behalf of the Company*)	430.70	430.70
b) Exposure to third party securitisations		
First Loss	-	-
Others	-	-
(II) On-balance sheet exposures towards Credit Concentration		
a) Exposure to own securitisations		
First Loss	-	-
Others	-	-
b) Exposure to third party securitisations		
First Loss	-	-
Others	-	-

* Second Loss facility

b. **Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction**

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Number of accounts	-	-
Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
Aggregate consideration	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	-

c. **Details of Assignment transactions undertaken by company**

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Number of accounts	9,536	10,366
Aggregate value (net of provisions) of accounts assigned	54,959.43	66,473.23
Aggregate consideration	54,959.43	66,473.23
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value	-	-

d. **Details of non-performing financial assets purchased/sold**

1) **Details of non-performing financial assets purchased:**
The company has not purchased non-performing financial assets in the current and previous year.

2) **Details of non-performing financial assets sold:**
The company has not sold non-performing financial assets in the current and previous year.

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

3.6 Asset liability management

Maturity pattern of certain items of assets and liabilities as on March 31, 2021* (₹ in lakh)

Particulars	Liabilities				Assets			
	Deposits	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits*	Foreign currency Assets
1 to 7 Days	-	493.16	-	-	8,740.93	-	979.00	-
8 to 14 Days	-	-	981.56	-	2,182.74	-	979.00	-
15 Days to 30/31 Days	-	407.03	-	-	5,302.21	-	7,367.00	-
Over 1 month to 2 month	-	37,934.81	(18.34)	-	9,992.60	-	25,790.00	-
Over 2 month to 3 month	-	3,198.78	482.21	-	9,970.19	-	13,582.77	-
Over 3 month to 6 month	-	11,878.35	444.72	-	30,712.55	-	26,719.00	-
Over 6 month to 1 year	-	25,287.23	19,305.73	-	60,767.99	-	33,242.00	-
Over 1 year to 3 years	-	1,38,201.97	50,282.96	-	2,24,777.85	-	-	-
Over 3 year to 5 years	-	1,19,669.58	71,450.80	-	1,90,341.85	-	-	-
Over 5 year to 7 years	-	85,547.83	13,510.15	-	1,44,815.19	-	-	-
Over 7 year to 10 years	-	52,563.42	-	-	69,682.45	-	-	-
Over 10 years	-	2,920.33	-	-	-	450.00	-	-
Total	**-**	**4,78,102.49**	**1,56,439.79**	**-**	**7,57,286.55**	**450.00**	**1,08,658.77**	**-**

Maturity pattern of certain items of assets and liabilities as on March 31, 2020* (₹ in lakh)

Particulars	Liabilities				Assets			
	Deposits	Borrowings from banks	Market borrowings	Foreign currency Liability	Advance	Investments	Fixed Deposits*	Foreign currency Assets
1 to 7 Days	-	2,738.00	-	-	2,313.02	-	-	-
8 to 14 Days	-	-	-	-	354.72	-	5,300.00	-
15 Days to 30/31 Days	-	719.00	2.26	-	51.96	1.84	19,625.00	-
Over 1 month to 2 month	-	3,969.94	2.28	-	3,386.72	1.89	32,275.00	-
Over 2 month to 3 month	-	6,150.14	2.29	-	4,008.83	1.89	25,000.00	-
Over 3 month to 6 month	-	12,925.93	632.03	-	24,210.84	336.09	30,950.00	-
Over 6 month to 1 year	-	32,324.08	5,638.92	-	47,910.82	12.13	4,800.00	-
Over 1 year to 3 years	-	1,08,922.00	30,809.00	-	1,81,000.87	53.01	-	-
Over 3 year to 5 years	-	97,748.75	71,682.00	-	1,55,455.94	61.88	-	-
Over 5 year to 7 years	-	69,389.00	21,174.00	-	1,21,137.61	64.34	-	-
Over 7 year to 10 years	-	48,128.46	7,462.00	-	65,814.34	84.71	-	-
Over 10 years	-	5,220.00	-	-	-	595.03	-	-
Total	**-**	**3,88,235.30**	**1,37,404.78**	**-**	**6,05,645.67**	**1,212.81**	**1,17,950.00**	**-**

* Fixed desposits included in cash and bank balance other than those pledged towards first loss guarantee have been disclosed in the above table as these are considered as investment of surplus funds held by the Company for the purpose of this disclosure.

3.7 Exposure

a. **Exposures to real estate sector**

Particulars	As at March 31, 2021	As at March 31, 2020
(A) Direct exposure-		
i) Residential mortgages :		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual housing loans upto ₹ 15 lakh : ₹ 3,33,822.35 lakh (P.Y. ₹ 2,80,759.17 lakh)	7,55,185.35	5,99,344.52
ii) Commercial real estate :		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc). Exposure would also include non-fund based (NFB) limits	2,101.20	6,301.15
iii) Investments in mortgage backed securities (MBS) and other securitized exposures :		
(a) Residential	-	432.52
(b) Commercial real estate.	Nil	Nil
(B) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

b. **Exposure to Capital Market**

The Company has no exposure to capital market directly or indirectly in the current and previous year.

c. **Details of financing of parent company products**

There is no financing of parent company products.

d. **Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC**

The company has not exceeded the Single Borrower Limit and Group Borrower Limit as prescribed by NHB during the financial year.

e. **Unsecured Advances**

The company has not financed any unsecured advances against intangible securities such as rights, licenses, authority etc as collateral security.

4 Miscellaneous

4.1 Registration obtained from other Financial sector regulators

Regulator	Registration No.
Insurance Regulatory and Development Authority: As Corporate Agent (Composite)	CA0537

4.2 Disclosure of penalties imposed by NHB or RBI and any other regulator/ supervisor/ enforcement authority

During FY 2020-21, there were no penalties imposed by NHB or RBI and any other regulator/ supervisor/ enforcement authority.

4.3 Related Party Transactions

Details of all material transactions with related parties are disclosed in Note 35.

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

4.4 Ratings assigned by credit rating agencies and migration of ratings during the year:

During the year, CARE has reaffirmed Long term rating of AA-/ Stable and short term rating of A1+ to the company. ICRA has upgraded Long term rating to AA-/Stable from A+/ Positive and reaffirmed short term rating of A1+ to the company. India Ratings has reaffirmed short term credit rating of A1+ to the company during the year.

Aavas Financiers Limited Ratings are as under :

Term/Instrument	CARE	ICRA	India Ratings
Long term	AA- /Stable	AA- /Stable	
Short term	A1 +	A1+	A1+

4.5 Remuneration of Directors

Details of Remuneration of Directors are disclosed in Form No. MGT - 9.

4.6 Management

Refer to the Management Discussion and Analysis report for the relevant disclosures.

4.7 Net Profit or Loss for the period, prior period items and changes in accounting policies

There are no prior period items that have impact on the current year's profit and loss.

4.8 Revenue Recognition

There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

4.9 Ind As 110 – Consolidated Financial Statements (CFS)

Refer to the Consolidated Financial Statements for the relevant disclosures.

5 Additional Disclosures

5.1 Provisions and Contingencies (₹ in lakh)

Break up of "Provisions and Contingencies"shown under the head Expenditure in Profit and Loss Account	Year ended March 31, 2021	Year ended March 31, 2020
1. Provisions for depreciation on investment	-	-
2. Provision made towards Income tax	6,701.45	6,647.59
3. Provision towards NPA	940.99	38.59
4. Provision for Standard Assets (with details like teaser loan , CRE , CRE-RH etc.)*	451.22	479.09
5. Other Provision and contingencies**	1,825.13	197.04
6. Provision for investments	-	82.58

*Provision for Standard Assets includes CRE of ₹ 0.11 Lakh (P.Y ₹ (2.67) Lakh) , CRE-RH of ₹ (8.83) Lakh (P.Y ₹ 41.46 Lakh) and Non CRE of ₹ 459.93 Lakh (P.Y ₹ 440.29 Lakh).

**Includes additional provision taken due to COVID-19 as per COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020 amounting to ₹ 1,458.87 lakh.

(₹ in lakh)

Break up of Loan & Advances and Provisions thereon	Housing		Non-Housing	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Standard Assets				
a) Total Outstanding Amount	5,41,837.81	4,32,851.21	2,08,057.39	1,76,425.87
b) Provisions made	2,238.18	1,114.85	705.93	706.28
Sub-Standard Assets				
a) Total Outstanding Amount	4,533.50	1,411.05	1,690.67	290.75
b) Provisions made	1,223.99	211.66	415.36	43.61
Doubtful Assets - Category - I				
a) Total Outstanding Amount	737.08	174.77	154.33	115.64
b) Provisions made	216.32	43.69	47.88	28.91
Doubtful Assets - Category - II				
a) Total Outstanding Amount	214.08	72.26	30.33	4.42
b) Provisions made	72.64	28.90	9.34	1.77
Doubtful Assets - Category - III				
a) Total Outstanding Amount	3.88	-	0.78	-
b) Provisions made	1.39	-	0.19	-
Loss Assets				
a) Total Outstanding Amount	25.94	25.98	0.76	1.27
b) Provisions made	25.94	25.98	0.76	1.27
TOTAL				
a) Total Outstanding Amount	**5,47,352.29**	**4,34,535.27**	**2,09,934.26**	**1,76,837.95**
b) Provisions made	**3,778.46**	**1,425.08**	**1,179.46**	**781.84**

5.2 Draw Down from Reserves

There has been no draw down from reserves during the year ended March 31, 2021 (P.Y. ₹ Nil)

5.3 Concentration of Public Deposits , Advances , Exposures and NPAs

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Concentration of Public Deposits		
Total Deposits of twenty largest depositors	NA	NA
(%) of Deposits of twenty largest depositors to Total Deposits of the Company	NA	NA
Concentration of Advances		
Total Loans & Advances to twenty largest borrowers	5,003.20	5,799.76
(%) of Loans & Advances to twenty largest borrowers to Total Advances of the Company	0.66%	0.96%
Concentration of all Exposures (including off-balance sheet exposure)		
Total Exposures to twenty largest borrowers/Customers	5,069.71	5,914.61
(%) of Exposures to twenty largest borrowers/Customers to Total Exposures of the Company on borrowers/customers	0.64%	0.93%
Concentration of NPAs		
Total Exposures to top ten NPA accounts	748.15	425.86

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

Sector-Wise NPAs

Sector	% of NPAs to total Advances in that sector	
	As at March 31, 2021	As at March 31, 2020
A. Housing Loans:		
1 Individuals	0.73%	0.39%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others	0.00%	0.00%
B. Non Housing Loans:		
1 Individuals	0.25%	0.24%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	0.00%
4 Others	0.00%	0.00%

5.4 **Movement of NPAs**

Particulars	As at March 31, 2021	As at March 31, 2020
(I) Net NPAs to Net Advances (%)	0.71%	0.28%
(II) Movement of NPAs (Gross)		
a) Opening Balance*	2,841.17	1,582.97
b) Additions during the year	6,166.82	1,710.05
c) Reductions during the year	(1,616.64)	(1,196.89)
d) Closing Balance	**7,391.35**	**2,096.13**
(III) Movement of Net NPAs		
a) Opening Balance*	2,101.47	1,117.23
b) Additions during the year	4,494.56	1,431.89
c) Reductions during the year	(1,218.48)	(838.78)
d) Closing Balance	**5,377.55**	**1710.34**
(IV) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance*	739.70	465.74
b) Provisions made during the year	1,672.26	278.16
c) Write-off/Write-Back of excess provisions	(398.16)	(358.11)
d) Closing Balance	**2,013.80**	**385.79**

*Opening balances are not equivalent to the closing balance of previous year as same was in previous GAAP.

5.5 **Overseas Assets**
The company does not have any overseas assets.

5.6 **Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting Norms)**
The Company does not have any off balance sheet Special Purpose Vehicle (SPV) which are required to be consolidated as per accounting norms.

6 Disclosure of Complaints

6.1 Customers Complaints

Particulars	As at March 31, 2021	As at March 31, 2020
No. of complaints pending at the beginning of the year	0	2
No. of complaints received during the year	255	166
No. of complaints redressed during the year	254	168
No. of complaints pending at the end of the year	*1	0

*1 Pending complaint is repetitive in nature. Complaints uploaded on NHB-GRIDS, where company provides redressal to customer from their end. All complaints at NHB GRIDS Portal have been redressed by the Company but 16 complaints are pending to be closed by NHB-GRIDS.

7 Liquidity Risk Management Framework

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

Particulars	As at March 31, 2021
Number of significant counter parties	19
Amount	6,23,394.15
Percentage of funding concentration to total deposits	NA
Percentage of funding concentration to total liabiities*	95.05%

* Total liabilities excludes net worth

(ii) Top 20 large deposits

Particulars	As at March 31, 2021
Total amount of top 20 deposits	NA
Percentage of amount of top 20 deposits to total deposits	NA

(iii) Top 10 borrowings

Particulars	As at March 31, 2021
Total amount of top 10 borrowings	5,05,792.04
Percentage of amount of top 10 borrowings to total borrowings	79.51%

(iv) Funding Concentration based on significant instrument/product

Particulars	As at March 31, 2021	Percentage of total liabilities
Borrowings from Banks	2,73,874.90	41.76%
Borrowings from National Housing Bank (NHB)	1,87,239.16	28.55%
Debt securities	1,47,663.21	22.51%
Subordinated liabilities	10,236.25	1.56%
Securitisation	8,964.90	1.37%
Borrowings from Insurance Companies	8,117.44	1.24%

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

(v) Stock ratio

Particulars	As at March 31, 2021
Commercial paper as a percentage of total public funds	NA
Commercial paper as a percentage of total liabilities	NA
Commercial paper as a percentage of total assets	NA
Non convertible debentures (original maturity of less than one year) as a percentage of total public funds	NA
Non convertible debentures (original maturity of less than one year) as a percentage of total liabilities	NA
Non convertible debentures (original maturity of less than one year) as a percentage of total assets	NA
Other short term liabilities as a percentage of total public funds	NA
Other short term liabilities as a percentage of total liabilities	17.99%
Other short term liabilities as a percentage of total assets	13.17%

(vi) Institutional set-up for liquidity risk Management

The company has an Asset Liability Management Committee (ALCO) to monitor asset liability mismatches to ensure that there is no imbalances or excessive concentration on the either side of the balance sheet. The company maintains a judicious mix of borrowings in the form of Term Loans, Refinance, Capital Market Instruments, Securitization, Working Capital and continues to diversify its source of borrowings with the emphasis on longer tenor borrowings. The company has diversified mix of investors/lenders which includes Banks, National Housing Bank, Development Financial Institution, Mutual Funds, Insurance Companies etc.

The Liquidity Risk Management (LRM) of the company is governed by the LRM Policy approved by the Board. The Asset Liability Committee (ALCO) is responsible for implementing and monitoring the liquidity risk management strategy of the company in line with its risk management objectives and ensures adherence to the risk tolerance/limits set by the Board.

Refer note no. 44 of standalone financials statement

8 Loans against security of shares

Refer to the note no. 3(v) of Loans

9 Loans against security of single product - gold jewellery

Refer to the note no. 3(iv) of Loans

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

10 A comparison between provisions required under Income recognition, asset classification and provisioning (IRACP) and impairment allowances as per Ind AS 109 'Financial instruments'

(₹ in lakh)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions taken as IRACP Norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	7,19,443.70	2,072.27	7,17,371.43	2,135.75	(63.48)
	Stage 2	21,456.34	812.29	20,644.04	65.26	747.03
Subtotal		**7,40,900.04**	**2,884.56**	**7,38,015.47**	**2,201.01**	**683.55**
Non-Performing Assets (NPA)						
Substandard	Stage 3	6,031.71	1,589.12	4,442.59	908.11	681.02
Doubtful - up to 1 year	Stage 3	854.75	251.09	603.66	214.54	36.55
1 to 3 years	Stage 3	212.11	73.88	138.24	86.74	(12.86)
More than 3 years	Stage 3	4.66	1.59	3.07	4.69	(3.10)
Subtotal for doubtful		**1,071.52**	**326.56**	**744.97**	**305.97**	**20.59**
Loss	Stage 3	26.70	25.86	0.84	26.81	(0.95)
Subtotal for NPA		**7,129.93**	**1,941.54**	**5,188.40**	**1,240.89**	**700.66**
Other items such as loan commitments, EIS etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	58,485.56	115.51	58,370.05	-	115.51
	Stage 2	1,560.10	41.93	1,518.17	-	41.93
	Stage 3	616.81	148.32	468.49	-	148.32
Subtotal		**60,662.47**	**305.76**	**60,356.71**	-	**305.76**
Total	**Stage 1**	7,77,929.26	2,187.78	7,75,741.48	2,135.75	52.03
	Stage 2	23,016.44	854.22	22,162.22	65.26	788.96
	Stage 3	7,746.74	2,089.86	5,656.89	1,240.88	848.97
	Total	**8,08,692.44**	**5,131.86**	**8,03,560.59**	**3,441.89**	**1,689.96**

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

11. Schedule to the Balance Sheet of an HFC

(₹ in lakh)

Particulars	Amount outstanding	Amount overdue
Liabilities side		
(1) Loans and advances availed by the HFC inclusive of interest accrued thereon but not paid:		
(a) Debentures : Secured	1,27,712.20	-
: Unsecured	19,951.01	-
(other than falling within the meaning of public deposits)		-
(b) Deferred Credits	-	-
(c) Term Loans	4,69,292.87	-
(d) Inter-corporate loans and borrowing	-	-
(e) Commercial Paper	-	-
(f) Public Deposits	NA	-
(g) Other Loans (Cash credit, Securitization and Subordnated Liabilities)	19,201.16	-
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	NA	NA
(a) In the form of Unsecured debentures	NA	NA
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	NA	NA

(₹ in lakh)

Particulars	Amount outstanding
Assets side	
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:	
(a) Secured	7,57,286.55
(b) Unsecured	-
(4) Break up of Leased Assets and stock on hire and other assets counting towards asset financing activities	
(i) Lease assets including lease rentals under sundry debtors	
(a) Financial lease	-
(b) Operating lease	-
(ii) Stock on hire including hire charges under sundry debtors	
(a) Assets on hire	-
(b) Repossessed Assets	-
(iii) Other loans counting towards asset financing activities	
(a) Loans where assets have been repossessed	-
(b) Loans other than (a) above	-

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

(₹ in lakh)

Particulars	Amount outstanding
Assets side	
(5) Break-up of Investments	
Current Investments	
1. Quoted	
(i) Shares	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others	-
2. Unquoted	
(i) Shares	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others	-
Long Term investments	
1. Quoted	
(i) Shares	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
2. Unquoted	
(i) Shares	
(a) Equity	450.00
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

(6) Borrower group-wise classification of assets financed as in (3) and (4) above:

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. **Related Parties**			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	7,52,328.63	-	7,52,328.63
Total	**7,52,328.63**	**-**	**7,52,328.63**

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

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

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. **Related Parties**		
(a) Subsidiaries	450.00	450.00
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	-	-
Total	**450.00**	**450.00**

(8) Other information

Particulars	Amount
(i) **Gross Non-Performing Assets**	
(a) Related parties	-
(b) Other than related parties	7,391.35
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	5,377.55
(iii) Assets acquired in satisfaction of debt	1,839.58

12. Principal Business Criteria for HFCs

Housing finance company" shall mean a company incorporated under the Companies Act, 2013 that fulfils the following conditions:

a) It is an NBFC whose financial assets, in the business of providing finance for housing, constitute at least 60% of its total assets (netted off by intangible assets).

b) Out of the total assets (netted off by intangible assets), not less than 50% should be by way of housing financing for individuals.

The Company meets the aforesaid principal business criteria for HFCs.

Particulars	As at March 31, 2021
Total Assets*	8,76,867.10
Less: Intangible assets	(386.10)
Net total Assets	8,76,481.00
Housing Finance	5,43,573.79
Individual Housing Finance	5,43,033.21
Percentage of housing finance to total assets (netted off intangible assets)	62.02%
Percentage of individual housing finance to total assets (netted off intangible assets)	61.96%
Percentage of individual housing finance to housing finance	99.90%

*Total Assets excludes Net EIS receivable

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Date: April 29, 2021

Independent Auditor's Report

To
The Members of
Aavas Financiers Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Aavas Financiers Limited ("the Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31, 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter – Impact of COVID-19

We draw attention to Note 45 to the financial statement, which describes the extent to which the COVID-19 pandemic will impact the company's operations and its financial metrics which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters	How our audit addressed the key audit matter
Impairment of Financial assets *(as described in Note 3 of the consolidated financial statements)*	
Ind AS 109 requires the Group to provide for impairment of its financial assets using the expected credit loss ('ECL') approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Group's financial assets. In the process, a significant degree of judgement has been applied by the management in respect of following matters:	• Our audit procedures included considering the Group's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109 and pursuant to Reserve Bank of India guidelines issued on February 17, 2021.

Key audit matters	How our audit addressed the key audit matter
a) Grouping of the loan portfolio under risk-based categories determined, using Group's risk-management framework. Loans grouped under a particular category are assumed to represent a homogenous pool thereby expected to demonstrate similar credit characteristics. b) Staging of loans (i.e. classification in 'significant increase in credit risk' ("SICR") and 'default' categories); c) Estimation of expected loss from historical observations. d) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past. e) Management overlay for macro-economic factors and estimation of their impact on the credit quality. The Group has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD). The impact of COVID-19 on the ECL is highly uncertain, however the Group has factored the higher risk in its computation of the ECL provision and has applied management overlays which are approved by the Board of Directors. Considering the significance of such provision to the overall financial statements and the degree of management's judgment, any error or misstatement in such estimate may give rise to a material misstatement of the financial statements or omission of any disclosure required by the standards. Therefore, it is considered as a key audit matter.	• Assessed the assumptions used by the Group for grouping and staging of loan portfolio into various categories and default buckets and their appropriateness for determining the probability-weighted default (PD) and loss-given default (LGD) rates. • Tested controls for staging of loans based on their past-due status. Also tested samples of stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under higher stage. • Tested samples of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records. • Assessed the management overlays applied by the Group to factor the impact of COVID-19 on the ECL as approved by their Board of Directors. • Tested the arithmetical accuracy of computation of ECL provision performed by the Group. • Assessed that the assumptions, used by the management for estimation of allowance for expected credit losses as at March 31, 2021, are presented and disclosed in the financial statements. • Assessed the Company's policy with respect to moratorium pursuant to the RBI circular and tested the implementation of such policy on a sample basis. • Assessed the additional considerations applied by the management for staging of loans as SICR/ default in view of Company's policy on moratorium. • Read and assessed the specific disclosures made in the financial statements with regards to managements evaluation of the uncertainties arising from COVID-19 and its impact on ECL and other disclosures as prescribed by RBI relating to moratorium granted.
Information Technology ("IT") systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Due to the pervasive nature and complexity of the IT environment, we have ascertained IT systems and controls as a key audit matter.	• In assessing the reliability of electronic data processing, we included specialized IT auditors as part of the audit team. • Tested the design and operating effectiveness of the IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. • Tested the Group's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. • Considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with [the Companies (Indian Accounting Standards) Rules, 2015, as amended]. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary company, none of the directors of the Group's companies, incorporated in India, is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the Holding Company and its subsidiary companies incorporated in India, refer to our separate Report in “Annexure 1” to this report;

(g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Holding Company and its subsidiary incorporated in India for the year ended March 31, 2021;

(h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Group does not have any pending litigations which would impact its consolidated financial position;

ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2021;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India during the year ended March 31, 2021

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 21121411AAAADG8139

Place of Signature: Mumbai
Date: April 29, 2021

Annexure 1 to The Independent Auditors’ Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

In conjunction with our audit of the consolidated financial statements of Aavas Financiers Limited as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of Aavas Financiers Limited (hereinafter referred to as the “Holding Company”).

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting with reference to these consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

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

Opinion

In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated financial statements and such internal financial controls over financial reporting with reference to these consolidated financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 21121411AAAADG8139

Place of Signature: Mumbai
Date: April 29, 2021

Consolidated Balance Sheet as at March 31, 2021

(₹ in lakh)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	2	2,209.81	35,059.39
Bank balance other than cash and cash equivalents	2	1,10,307.11	84,613.13
Loans	3	7,52,328.63	6,18,079.83
Other financial assets	4	22,607.25	18,137.69
Total financial assets		**8,87,452.80**	**7,55,890.04**
Non-financial assets			
Current tax assets (net)		92.06	1,443.24
Property, plant and equipment	5(a)	2,507.08	2,700.97
Capital work-in-progress	5(b)	-	30.99
Intangible assets under development	5(c)	40.54	39.90
Other intangible assets	5(d)	345.56	414.84
Right-of-use assets	6	2,973.70	2,874.20
Other non-financial assets	7	674.47	603.89
Total non-financial assets		**6,633.41**	**8,108.03**
Assets held for sale	8	1,839.58	1,705.37
Total assets		**8,95,925.79**	**7,65,703.44**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables	9		
(I) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		285.40	1,738.64
Debt securities	10	1,46,466.15	1,16,846.54
Borrowings (other than debt securities)	11	4,78,102.49	4,08,391.40
Subordinated liabilities	12	9,973.65	9,965.61
Lease liabilties	13	3,229.82	3,012.91
Other financial liabilities	14	13,486.63	10,694.78
Total financial liabilities		**6,51,544.14**	**5,50,649.88**
Non-financial liabilities			
Provisions	15	372.40	728.11
Deferred tax liabilities (net)	16	2,829.19	3,167.20
Other non-financial liabilities	17	1,099.03	1,366.73
Total non-financial liabilities		**4,300.62**	**5,262.04**
Equity			
Equity share capital	18	7,850.46	7,832.27
Other equity	19	2,32,230.57	2,01,959.25
Total equity		**2,40,081.03**	**2,09,791.52**
Total liabilities and equity		**8,95,925.79**	**7,65,703.44**
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Date: April 29, 2021

Consolidated Statement of profit and loss for the year ended March 31, 2021

(₹ in lakh)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
REVENUE FROM OPERATIONS			
Interest income	20	97,657.92	78,667.67
Fees and commission income	21	3,655.37	3,327.60
Gain on derecognition of financial instruments under amortised cost category		8,635.53	7,658.88
Net gain on fair value changes	22	387.16	600.43
Total revenue from operations		**1,10,335.98**	**90,254.58**
Other income	23	216.05	79.99
Total income		**1,10,552.03**	**90,334.57**
EXPENSES			
Finance costs	24	45,824.27	35,607.15
Fees and commission expense	25	618.46	490.05
Impairment on financial instruments	26	3,713.86	1,533.78
Employee benefits expense	27	17,305.14	14,740.79
Depreciation, amortization and impairment	5&6	2,061.09	1,956.26
Other expenses	28	5,773.85	5,812.90
Total expenses		**75,296.67**	**60,140.93**
Profit/(loss) before tax		**35,255.36**	**30,193.64**
Tax expense:	16		
(1) Current tax		6,701.45	6,397.21
(2) Deferred tax		(338.01)	(1,107.73)
Profit/(loss) for the year		**28,891.92**	**24,904.16**
Other comprehensive income			
a) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	27	111.45	(6.97)
Income tax effect	16	(28.05)	1.75
b) Items that will be reclassified to profit or loss		-	-
Other comprehensive income , net of income tax		**83.40**	**(5.22)**
Total comprehensive income for the year		**28,975.32**	**24,898.94**
Earnings per equity share	29		
Basic (₹)		36.86	31.85
Diluted (₹)		36.54	31.48
Nominal value per share (₹)		10.00	10.00
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
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Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Consolidated Cash flow statement for the year ended March 31, 2021

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit before tax as per statement of profit and loss		**35,255.36**	**30,193.64**
Adjustments for			
Depreciation and amortisation of PPE and right of use assets	5 & 6	2,061.09	1,956.27
Interest on lease liabilities		217.95	249.58
Net gain on derecognition on assigned loans		(2,150.55)	(2,154.54)
Provision for expected credit loss (ECL)	26	3,713.86	1,026.98
Provision for employee benefits		305.47	281.30
Derivative mark to market gain	22	-	(3.23)
Provision for CSR expenditure		-	17.28
Share based payments	27	850.84	647.14
Operating profit before working capital changes		**40,254.02**	**32,214.42**
Changes in working capital			
Increase in loans		(1,37,099.87)	(1,46,461.03)
Increase in financial and other assets		(5,548.43)	(1,569.30)
Increase in financial and other liabilities		697.16	4,722.78
Total of changes in working capital		**(1,41,951.14)**	**(1,43,307.55)**
Direct taxes paid/refund received		(5,419.64)	(6,130.92)
Net cash flow used in operating activities (A)		**(1,07,116.76)**	**(1,17,224.05)**
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Inflow (outflow) on account of :			
Investment in fixed deposits		(25,693.98)	(32,234.53)
Purchase of Property, plant and equipment (including capital work-in-progress)/ intangible assets	5	(829.17)	(1,955.45)
Sale of Property, plant and equipment (including capital work-in-progress)		31.33	14.43
Net cash flow used in investing activities (B)		**(26,491.82)**	**(34,175.55)**
C. CASH FLOW FROM FINANCING ACTIVITIES:			
Issue of equity shares (including share premium)		466.54	547.42
Share / debenture issue expenses		(73.47)	(908.10)
Proceeds from borrowings		2,35,184.87	2,36,122.26
Repayment of borrowings		(1,33,688.76)	(64,283.88)
Repayment of lease Iiabilities		(1,130.18)	(1,021.70)
Net Cash flow generated from financing activities (C)		**1,00,759.00**	**1,70,456.00**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(32,849.58)**	**19,056.40**
Cash and cash equivalents as at the beginning of the year		35,059.39	16,002.99
Cash and cash equivalents at the end of the year	2	**2,209.81**	**35,059.39**

Consolidated Cash flow statement for the year ended March 31, 2021

(₹ in lakh)

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
Components of cash and cash equivalents			
Cash on hand		122.94	43.71
Balance in franking machine*		0.95	0.95
Balance with banks			
In current accounts		521.85	36.99
In cash credit		1,564.07	2.74
In deposit account		-	34,975.00
Total cash and cash equivalents	2	**2,209.81**	**35,059.39**
Operational Cash Flow from Interest			
Interest Received		94,268.99	75,657.63
Interest Paid		(39,957.99)	(30,189.46)
Summary of significant accounting policies	1		

* The Group can utilize the balance towards stamping of loan agreements executed with their borrowers and also for the agreements executed by the Company for its own borrowings.

Note:-

1. Cash flow statement has been prepared under indirect method as set out in the IND AS 7 "Cash Flow Statement".
2. Previous year figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

Consolidated Statement of Changes in Equity for the year ended March 31, 2021

a. Equity Share Capital

(₹ in lakh)

Particulars	Amount
Balance as at March 31, 2019	**7,810.79**
Shares issued during the year ended March 31, 2020	21.48
Balance as at March 31, 2020	**7,832.27**
Shares issued during the year ended March 31, 2021	18.19
Balance as at March 31, 2021	**7,850.46**

b. Other Equity

(₹ in lakh)

Equity Component of compounded financial instruments	Reserves and surplus				Total
	Securities premium account	Share based payments reserve	Special Reserve	Retained earnings	
Balance as at March 31, 2019	**1,32,004.33**	**742.35**	**8,345.80**	**34,798.74**	**1,75,891.22**
Profit for the year (A)	-	-	-	24,904.16	**24,904.16**
Other comprehensive income for the year (B)	-	-	-	(5.22)	**(5.22)**
Total comprehensive income for the year (A+B)	**-**	**-**	**-**	**24,898.94**	**24,898.94**
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	4,979.00	(4,979.00)	-
Issue of share capital	523.25	-	-	-	**523.25**
Transaction cost	(3.99)	-	-	-	**(3.99)**
Share based payments	-	647.14	-	-	**647.14**
Share options exercised during the year	220.20	(220.20)	-	-	-
Balance as at March 31, 2020	**1,32,743.79**	**1,169.29**	**13,324.80**	**54,718.68**	**2,01,956.56**
Profit for the year (C)	-	-	-	28,891.92	28,891.92
Other comprehensive income for the year (D)	-	-	-	83.40	83.40
Total comprehensive income for the year (C+D)	**-**	**-**	**-**	**28,975.32**	**28,975.32**
Transfer to Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961	-	-	5,806.55	(5,806.55)	-
Issue of share capital	447.86	-	-	-	447.86
Transaction cost	(0.49)	-	-	-	(0.49)
Share based payments	-	850.84	-	-	850.84
Share options exercised during the year	212.13	(212.13)	-	-	-
Balance as at March 31, 2021	**1,33,403.29**	**1,808.00**	**19,131.35**	**77,887.45**	**2,32,230.09**

Share application money pending allotment

(₹ in lakh)

Balance as at March 31, 2019	-
Application money received during the year	2.69
Balance as at March 31, 2020	**2.69**

Balance as at March 31, 2020	2.69
Application money adjusted against shares issued during the year	(2.21)
Balance as at March 31, 2021	**0.48**

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of
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Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

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

A. Corporate Information

AAVAS FINANCIERS LIMITED ("the Company") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is registered as a housing finance company with National Housing Bank (NHB) vide Registration No. 04.0151.17 and is engaged in the long term financing activity in the domestic markets to provide housing finance. The Company is a public limited company and its shares are listed on BSE Limited and National Stock Exchange of India Limited.

AAVAS FINSERV LIMITED ("the subsidiary") is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The company has been incorporated during the year on November 30, 2017 to carry on the business of financing by way of lending/hire-purchase and to provide on lease, sub-lease or on hire, including but not limited to, all type of vehicles, automobiles, industrial plant and machinery, office equipment, movable and immovable assets, building, real estate, household and domestic appliances and equipment, furniture, fixtures, finishing items and all type of machinery, etc. The company has neither obtained Certificate of Registration from Reserve Bank of India nor has commenced any business activity during the year ending March 31, 2021.

B. Basis of preparation of financial statements

a) Basis of preparation

The consolidated financial statements relates to Aavas Financiers Limited ("the Company") and its subsidiary company i.e. Aavas Finserv Limited (hereinafter collectively referred to as the 'Group').

The consolidated financial statements of the Group 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 consolidated financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial 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. The consolidated financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakh, except when otherwise indicated.

Presentation of financial statements

"Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

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

Derivative assets and liabilities with master netting arrangements are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

b) Basis of measurement

The financial statements have been prepared on an accrual basis as a going concern and under the historical cost convention, except for foreign currency borrowings denominated in INR that are measured at fair value at the end of each reporting date as required under relevant Ind AS.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2021 including controlled structured entities. The Company consolidates a subsidiary when it controls it. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including :

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights
- The size of the Company's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

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

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

(c) Eliminate in full intra-company assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Company (profits or losses resulting from intraCompany transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). IntraCompany losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intraCompany transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Company's accounting policies. All intra-company assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

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

1 **Summary of significant accounting policies**

1.1 **Use of estimates**

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

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

1.1.1 **Business Model Assessment**

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group considers the frequency, volume and timing of sales in prior years, the reason for such sales, and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an holistic assessment of how Group's stated objective for managing the financial assets is achieved and how cash flows are realised. Therefore, the Group considers information about past sales in the context of the reasons for those sales, and the conditions that existed at that time as compared to current conditions.

If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Based on this assessment and future business plans of the Group, the management has measured its financial assets at amortised cost as the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('the 'SPPI criterion').

1.1.2 **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.

1.1.3 **Impairment losses on financial assets**

The measurement of impairment losses across all categories of financial assets except assets valued at Fair value through P&L (FVTPL), requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's Expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's model, which assigns Probability of default (PD)s
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit loss (LTECL) basis
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposure at default (EAD)s and Loss given default (LGD)s
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Recognition of the potential impact of COVID-19 in the Group's collective provision as outlined in Notes 3(a)(3)(vii).

1.1.4 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.

1.1.5 Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the 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.

1.1.6 Leases

With effect from 1 April 2019, the Group has applied Ind AS 116 'Leases' for all lease contracts covered by the Ind AS. The Group has adopted modified retrospective approach as stated in Ind AS 116 for all applicable leases on the date of adoption.

Measurement of Lease Liability

At the time of initial recognition, the Group measures lease liability as present value of all lease payment discounted using the Group's incremental cost of borrowing rate. Subsequently, the lease liability is

(i) Increased by interest on lease liability;

(ii) Reduce by lease payment made; and

Measurement of Right-of-Use asset

At the time of initial recognition, the Group measures 'Right-of-Use assets' as present value of all lease payment discounted using the Group's incremental cost of borrowing rate w.r.t said lease contract. Subsequently, 'Right-of-Use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-Use assets' is provided on straight line basis over the lease period

Covid-19 Related rent concession

As a practical expedient Effective from 1 April 2020, Group has elected not to assess whether a rent concession that meets the conditions in paragraph 46B of Ind As-116 is a lease modification. That makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

(i) Group has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B of Ind As-116

(ii) The amount Recognized in profit or loss for the Financial Year ending 31st March , 2021 to reflect changes in lease payments that arise from rent concessions to which the Group has applied the practical expedient in paragraph 46A of Ind As-116 is ₹ 72.99 Lakh.

1.2 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 and balance in franking machine.

1.3 Revenue recognition

1.3.1 Interest and similar income

Interest income, for all financial instruments measured either at amortised cost or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of the financial instrument to the gross carrying amount of the financial asset. 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 and are an integral part of the EIR, but not future credit losses.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

1.3.2 Other charges and other interest

1.3.2.1 Overdue interest in respect of loans is recognized upon realisation.

1.3.2.2 Other ancillary charges are recognized upon realisation.

1.3.3 Commission on Insurance Policies

Commission on insurance policies sold is recognised on accrual basis when the Group under its agency code sells the insurance policies.

1.3.4 Dividend income

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

1.4 Foreign currency

The Group's financial statements are presented in Indian Rupees (INR) which is also the Group's functional currency.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Income and expenses in foreign currencies are initially recorded by the Group at the exchange rates prevailing on the date of the transaction.

Foreign currency denominated monetary assets and liabilities are translated at the functional currency spot rates of exchange at the reporting date and exchange gains and losses arising on settlement and restatement are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

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

PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

1.6 Depreciation and amortization

Depreciation

Depreciation is provided over the useful life of the asset as per Schedule-II of Companies Act 2013 and depreciation rates have been worked out by applying written down value method. The Group has used the following useful lives to provide depreciation on its PPE.

PPE	Useful Life (In Years)
Freehold Land	NIL
Building	60
Furniture and fixtures	10
Office equipment	5
Motor Vehicles	8
Servers	6
Computers and printers	3

All fixed assets individually costing ₹ 5,000/- or less are fully depreciated in the year of installation/purchase.

Amortization

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Group estimates the useful life of an intangible asset will not exceed four years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds four years, the Group amortizes the intangible asset over the best estimate of its useful life.

1.7 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is 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.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

1.8 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.9 Contingent liabilities and assets

The Group does not recognize a contingent liability but discloses its existence in the financial statements Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation.
- A present obligation arising from past events, when no reliable estimate is possible.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are reviewed at each balance sheet date.

Contingent assets are not recognised. A contingent asset is disclosed, as required by Ind AS 37, where an inflow of economic benefits is probable.

1.10 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Group provides gratuity benefits which is a defined benefit scheme. The cost of providing gratuity benefits is determined on the basis of actuarial valuation at each year end. Separate actuarial valuation is carried out for each plan using the projected unit credit method.

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

Past service costs are recognised in Profit or Loss on the earlier of: The date of the plan amendment or curtailment, and The date that the Group recognises related restructuring costs

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

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

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absence as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Group treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes.

1.11 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items 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.

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.

1.12 Earning per share

Basic earnings per share are 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 year. 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 year are adjusted for the effects of all dilutive potential equity shares.

1.13 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. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 31.

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 year, based on the Group`s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting year, the Group 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 Based Payments Reserve.

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

1.14 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.

1.14.1 Financial Assets

1.14.1.1 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 Group 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.

1.14.1.2 Classification and Subsequent measurement

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)

- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

1.14.1.3 Debt instruments 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.

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.

1.14.1.4 Debt instruments at FVTOCI

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 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 Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

1.14.1.5 Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.14.1.6 Business Model Test

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. The Group considers all relevant information available when making the business model assessment. The Group

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

takes into account all relevant evidence available such as:- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel; The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect a new business model.

1.14.1.7 Equity Instruments

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

If the Group 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 P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

1.14.2 Financial Liabilities

1.14.2.1 Initial recognition and measurement

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading or it is designated as on initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

1.14.2.2 Classification and Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

1.14.2.3 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss. This category generally applies to borrowings.

1.14.3 Derivative financial instruments

The Group holds derivative to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations. The counterparty for these contracts is generally a bank.

Financial assets or financial liabilities, at fair value through profit or loss

This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss.

1.14.4 Reclassification of financial assets and liabilities

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

1.14.5 De-recognition of financial assets and liabilities

1.14.5.1 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 Group also de-recognised the financial asset if it has transferred the financial asset and the transfer qualifies for de recognition.

The Group 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 Group 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 Group 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 Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

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

The Group 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 Group 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 Group's continuing involvement, in which case, the Group 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 Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.14.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

1.15 Impairment of financial assets

1.15.1 Overview of the ECL principles

The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and Excess Interest Spread (EIS) receivable, (in this section all referred to as 'financial instruments'). Equity instruments are not subject to impairment under Ind AS 109.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 1.16.2. The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 3(a)(3)(v).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 3(a)(1).

The Group has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition. This is further explained in Note3(a)(3)(v).

Based on the above process, the Group categorized its loans into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 3(a)(3)(i)). The group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

1.15.2 The calculation of ECLs

The Group calculates ECLs on loans and EIS Receivable based on a probability-weighted scenarios and historical data to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Loan commitments: When estimating ECLs for undisbursed loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.For loan commitments, the ECL is recognised within Provisions.

Provisions for ECLs for undisbursed loan commitments are assessed as set out in Note 3(a)(2).

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

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

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

- EAD - The Exposure at Default is an exposure at a default date. The EAD is further explained in Note 3(a)(3)(iii).
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3(a)(3)(iv).

The maximum year for which the credit losses are determined is the expected life of a financial instrument.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to an EAD and multiplied by the expected LGD.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3: For loans considered credit-impaired (as defined in Note 3(a)(3)(i)), the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

1.15.3 Forward looking information

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

1.15.4 Collateral repossession

To mitigate the credit risk on financial assets, the Group seeks to use collateral, where possible as per the powers conferred on the HFC under SARFAESI act. In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and are treated as assets held for sale at (i) fair value less cost to sell or (ii) principle outstanding, whichever is less, at the repossession date.

1.15.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Group 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 Statement of profit and loss account.

1.16 Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

1.17 Dividend

The Group recognises 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 Group. 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 Group's Board of Directors.

1.18 New Technical Pronouncement

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2021

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

2. Cash and bank balances

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents		
Cash on hand (refer note 2(a))	123.89	44.66
Balance with banks		
In Current accounts	521.85	36.99
In Cash credit accounts	1,564.07	2.74
In Deposits with original maturity of less than three months	-	34,975.00
	2,209.81	**35,059.39**
Bank balances other than above		
Deposit with original maturity of more than 3 months less than 12 months	87,191.77	83,405.00
Deposit with original maturity of more than 12 months (refer note 2(b))	23,115.34	1,208.13
	1,10,307.11	**84,613.13**
Total	**1,12,516.92**	**1,19,672.52**

2(a) Cash on hand includes of ₹ 0.95 lakh (P.Y. ₹ 0.95 lakh) balance of franking machine.

2(b) Other Bank Balance in deposit accounts include deposits under lien aggregating to ₹ 1,248.34 lakh (P.Y. Rs 1,208.13 lakh) towards the first loss guarantee provided by the Group under the securitization agreements.

3. Loans

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Loan assets	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**
Secured by tangible assets (Property including land and building)	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**
Loans in India		
Public Sector	-	-
Others	7,57,286.55	6,20,186.67
Total Gross	**7,57,286.55**	**6,20,186.67**
Less: Impairment loss allowance	(4,957.92)	(2,106.84)
Total Net	**7,52,328.63**	**6,18,079.83**

i) Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

ii) Loans granted by the Group 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 assignments of life insurance policies. The process of security creation was in progress for loans to the extent of ₹ 23,866.12 lakh at March 31, 2021 (P.Y. ₹ 18,045.05 lakh)

iii) Loans sanctioned but undisbursed amount is ₹ 32,189.19 lakh as on March 31, 2021 (P.Y. ₹ 26,240.62 lakh)

iv) The Group is not granting any loans against gold jewellery as collateral.

v) The Group is not granting any Loans against security of shares as collateral.

vi) The Group has assigned a pool of certain loans amounting to ₹62,454.90 lakh (P.Y. ₹73,859.15 lakh) by way of a direct assignment transaction. These loan assets have been de-recognised from the loan portfolio of the Group as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Group continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreement, the Group pays to assignee, on a monthly basis, the pro-rata collection amounts.

vii) The Group has granted certain loans to staff secured by equitable mortgage/registered mortgage of the property amounting to ₹ 993.56 lakh as on March 31,2021 (P.Y. Rs 1,039.80 lakh).

viii) Loan assets include two loans which became doubtful due to fraudulent misrepresentation by the borrowers and same has been provided for.

ix) Impairment loss allowance includes ₹ 1,902.62 lakh (P.Y. ₹ Rs 443.75 lakh) on account of COVID-19 and management overlay. .

Break up of total financial assets carried at amortised cost (₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Loans (Note 3)	7,52,328.63	6,18,079.83
Other financial assets (Note 4)	22,607.25	18,137.69
Total financial assets carried at amortised cost	**7,74,935.88**	**6,36,217.52**

3(a)(1) Grouping financial assets measured on a collective basis

As explained in Note 1.15, the Group calculates ECLs on collective basis on following asset classes:

- Housing-Salaried lending
- Housing-Self Employed lending
- Non Housing-Salaried lending
- Non Housing-Self Employed lending

The Group categorized these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans such as Product type and customer type.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances have been explained below and ECL allowances includes an additional impairment allowance of ₹ 1,902.62 lakh recognised for the expected impact of COVID-19 on the collective provision as at March 31, 2021 as outlined in Note3(a)(3)(vii).

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

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

(₹ in lakh)

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**	**4,63,858.34**	**7,640.27**	**2,227.04**	**4,73,725.65**
New assets originated	2,73,959.65	-	-	**2,73,959.65**	2,83,041.68	-	-	**2,83,041.68**
Assets derecognised or repaid	(1,34,549.15)	(778.76)	(1,138.72)	**(1,36,466.63)**	(1,33,538.03)	(1,709.64)	(1,116.55)	**(1,36,364.22)**
Transfers from Stage 1	(24,235.66)	19,484.69	4,750.97	-	(4,948.10)	3,731.53	1,216.57	-
Transfers from Stage 2	1,801.56	(3,217.41)	1,415.85	-	2,378.76	(3,185.35)	806.59	-
Transfers from Stage 3	29.18	105.52	(134.70)	-	83.94	30.42	(114.36)	-
Amounts written off	(42.79)	(7.13)	(343.22)	**(393.14)**	(38.33)	-	(178.11)	**(216.44)**
Gross carrying amount closing balance	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Reconciliation of ECL balance is given below: (₹ in lakh)

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	**1,289.94**	**77.20**	**739.70**	**2,106.84**	**719.68**	**71.15**	**485.81**	**1,276.64**
ECL Remeasurements due to changes in EAD/Credit Risk/Assumptions (Net)	844.90	756.34	1,373.70	**2,974.94**	574.75	1.63	(102.63)	**473.75**
Transfers from Stage 1	(49.88)	39.48	10.40	-	(8.51)	32.54	250.61	**274.64**
Transfers from Stage 2	12.37	(30.15)	17.78	-	3.93	(28.38)	166.16	**141.71**
Transfers from Stage 3	1.42	2.50	(3.92)	-	0.14	0.26	(23.56)	**(23.16)**
Amounts written off	-	-	(123.86)	**(123.86)**	(0.05)	-	(36.69)	**(36.74)**
ECL closing balance	**2,098.75**	**845.37**	**2,013.80**	**4,957.92**	**1,289.94**	**77.20**	**739.70**	**2,106.84**

3(a)(2) Loan commitments

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

(₹ in lakh)

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**26,160.43**	**69.10**	**11.09**	**26,240.62**	**25,045.96**	**132.77**	**32.63**	**25,211.36**
New assets originated	26,097.54	-	-	**26,097.54**	21,564.86	-	-	**21,564.86**
Assets disbursed or cancelled	(20,116.86)	(21.01)	(11.09)	**(20,148.96)**	(20,406.59)	(96.38)	(32.63)	**(20,535.60)**
Transfers from Stage 1	(355.34)	241.82	113.52	-	(53.45)	45.10	8.35	-
Transfers from Stage 2	1.85	(48.10)	46.25	-	9.65	(12.39)	2.74	-
Gross carrying amount closing balance	**31,787.62**	**241.81**	**159.77**	**32,189.20**	**26,160.43**	**69.10**	**11.09**	**26,240.62**

Reconciliation of ECL balance is given below: (₹ in lakh)

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	**45.76**	**0.60**	**2.29**	**48.65**	**44.76**	**1.19**	**5.91**	**51.86**
ECL Remeasurements due to changes in EAD/Credit Risk/Assumptions (Net)	13.28	1.82	31.28	**46.38**	1.08	(0.95)	(5.90)	**(5.77)**
Transfers from Stage 1	(0.82)	0.58	0.24	-	(0.10)	0.46	1.72	**2.08**
Transfers from Stage 2	0.00	(0.47)	0.47	-	0.02	(0.10)	0.56	**0.48**
ECL closing balance	**58.22**	**2.53**	**34.28**	**95.03**	**45.76**	**0.60**	**2.29**	**48.65**

3(a)(3) Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

3(a)(3)(i) Definition of default

The Group considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

3(a)(3)(ii) The Group's process for managing risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers , investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

3(a)(3)(iii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

3(a)(3)(iv) Loss given default

The Group segments its retail lending products into smaller homogeneous portfolios (housing and non housing), based on key characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

3(a)(3)(v) Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.

In accordance with the COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Group has offered moratorium on the payment of all installments and/or interest, as applicable, falling due between March

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

01, 2020 and August 31, 2020 to all eligible borrowers. For all such accounts that were granted moratorium, the prudential assets classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

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

3(a)(3)(vi) Risk assessment model

The Group has designed and operates its risk assessment model that factors in both quantitative as well as qualitative information on the loans and the borrowers. The model uses historical empirical data to arrive at factors that are indicative of future credit risk and segments the portfolio on the basis of combinations of these parameters into smaller homogenous portfolios from the perspective of credit behaviour.

3(a)(3)(vii) Risk assessment for COVID-19

The Group has used the principles of prudence in applying judgments, estimates and possible forward looking scenarios to assess and provide for the impact of the COVID-19 pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying the customer profiling within salaried and self-employed portfolio and management overlays, approved by its Board of Directors. This has resulted in an additional provision of ₹ 1,458.87 lakh (P.Y. ₹ 443.75 lakh) against financial assets during the year, taking the overall additional provision of INR 1,902.62 lakh as of March 31, 2021.

3(a)(4) Collateral

The Group holds collateral to mitigate credit risk associated with financial assets.The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at amortised cost.

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Registered/equitable mortgage property	7,57,286.55	6,20,186.67

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at March 31, 2021. There was no change in the Group's collateral policy or collateral quality during the year.

Refer note 44(C) for risk concentration based on Loan to value(LTV).

4. Other financial assets

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued on Bank Deposits	1,656.42	839.75
Security Deposit	320.01	273.25
EIS Receivable (Refer note 4(a))	19,216.70	17,066.15
Other financial assets	1,493.21	-
Total Gross	**22,686.34**	**18,179.15**
Less: Impairment loss allowance (on EIS Receivable assets)	(79.09)	(41.46)
Total Net	**22,607.25**	**18,137.69**

4(a) Under Ind AS, with respect to Assignment deals, Group has created an Excess Interest Spread (EIS) receivable , with corresponding credit to Statement of Proft and loss for the year, which has been computed by discounting EIS to present value.

5(a). Property, plant and equipment

(₹ in lakh)

	Building and premises	Computers and printers	Furniture and fixtures	Motor vehicles	Office equipment	Land	Total
Cost							
At March 31, 2019	474.26	1,154.67	1,221.67	398.76	497.51	4.95	3,751.82
Purchase	567.27	239.64	448.74	218.75	196.66	-	1,671.06
Disposals	-	(8.15)	(4.50)	(17.68)	(15.18)	-	(45.51)
At March 31, 2020	**1,041.53**	**1,386.16**	**1,665.91**	**599.83**	**678.99**	**4.95**	**5,377.37**
Purchase	-	366.09	94.19	118.58	79.66	-	658.52
Disposals	-	(36.81)	(5.24)	(50.57)	(4.63)	-	(97.25)
At March 31, 2021	**1,041.53**	**1,715.44**	**1,754.86**	**667.84**	**754.02**	**4.95**	**5,938.64**
Depreciation							
At March 31, 2019	119.28	787.78	530.91	108.01	282.88	-	1,828.86
Charge for the year	30.94	284.98	277.01	124.11	161.53	-	878.57
Disposals	-	(7.44)	(4.31)	(8.03)	(11.25)	-	(31.03)
At March 31, 2020	**150.22**	**1,065.32**	**803.61**	**224.09**	**433.16**	**-**	**2,676.40**
Charge for the year	43.40	275.04	252.97	127.06	131.79	-	830.26
Disposals	-	(35.60)	(4.50)	(30.69)	(4.31)	-	(75.10)
At March 31, 2021	**193.62**	**1,304.76**	**1,052.08**	**320.46**	**560.64**	**-**	**3,431.56**
Net Block							
At March 31, 2020	**891.31**	**320.84**	**862.30**	**375.74**	**245.83**	**4.95**	**2,700.97**
At March 31, 2021	**847.91**	**410.68**	**702.78**	**347.38**	**193.38**	**4.95**	**2,507.08**

5(b) Capital work-in-progress

(₹ in lakh)

	PPE	Total
Gross block		
At March 31, 2019	-	-
Capitalised during the year	-	-
Purchase	30.99	30.99
At March 31, 2020	**30.99**	**30.99**
Capitalised during the year	37.81	37.81
Purchase	6.82	6.82
At March 31, 2021	-	-

5(c) Intangible assets under development

(₹ in lakh)

	Software	Total
Gross block		
At March 31, 2019	9.08	9.08
Capitalised during the year	9.08	9.08
Purchase	39.90	39.90
At March 31, 2020	**39.90**	**39.90**
Capitalised during the year	24.84	24.84
Purchase	25.48	25.48
At March 31, 2021	**40.54**	**40.54**

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

5(d) Other Intangible assets

(₹ in lakh)

	Software/Other intangible assets	Total
Gross block		
At March 31, 2019	586.15	586.15
Purchase	222.57	222.57
Disposals	-	-
At March 31, 2020	**808.72**	**808.72**
Purchase	131.90	131.90
Disposals	-	-
At March 31, 2021	**940.62**	**940.62**
Amortization		
At March 31, 2019	227.03	227.03
Charge for the year	166.85	166.85
At March 31, 2020	**393.88**	**393.88**
Charge for the year	201.18	201.18
At March 31, 2021	**595.06**	**595.06**
Net block		
At March 31, 2020	**414.84**	**414.84**
At March 31, 2021	**345.56**	**345.56**

6. Right-of-use assets

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Value of Right of Use Asset	3,785.03	2,302.98
Addittion	1,129.14	1,482.05
Disposal	-	
Gross Carrying Value	4,914.17	3,785.03
Depreciation		
Opening Accumulated Depreciation	910.83	-
Depreciation for the year	1,029.64	910.83
Closing Accumulated Depreciation	1,940.47	910.83
Net Carrying value	**2,973.70**	**2,874.20**

7. Other non-financial assets

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Prepaid Expenses	288.91	134.39
Advance to staff	136.16	218.99
Advance to vendors	172.18	191.96
GST Input	0.92	0.62
Other Recoverable	76.30	57.93
Total	**674.47**	**603.89**

8. Assets held for sale

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Assets held for sale (Refer note 8(a))	2,220.77	1,804.30
Total Gross	**2,220.77**	**1,804.30**
Less: Impairment loss allowance	(381.19)	(98.93)
Total Net	**1,839.58**	**1,705.37**

8(a) **Assets obtained by taking possession of collateral**

The Group obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Residential properties	2,220.77	1,804.30
Total assets obtained by taking possession of collateral	**2,220.77**	**1,804.30**

9. Payables

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Trade Payables		
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	285.40	1,738.64
Total	**285.40**	**1,738.64**

10. Debt Securities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Debentures (Refer note 10(a))	1,26,568.97	96,978.28
Unsecured		
Debentures (Refer note 10(a))	19,897.18	19,868.26
Total	**1,46,466.15**	**1,16,846.54**
Debt securities in India	1,26,568.97	96,978.28
Debt securities outside India	19,897.18	19,868.26
Total	**1,46,466.15**	**1,16,846.54**

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

10(a) Detail of Redeemable Non-Convertible Debentures

(₹ in lakh)

ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest	Face value	As at March 31, 2021	As at March 31, 2020	Secured/ Unsecured	Terms of redemption
INE216P07126	20-Dec-16	19-Oct-20	10	500	9.15%	5,000	-	4,995.05	Secured	Redeemed at par during the year
INE216P07134	18-Jul-17	18-May-22	10	1,300	8.43%*	13,000	12,952.93	12,915.12	Secured	Redeemable at par
INE216P07159	17-Apr-18	17-Apr-23	10	100	8.90%*	1,000	998.01	997.18	Secured	Redeemable at par
LRN-201812124	20-Dec-18	20-Dec-25	100	200	8.93%**	20,000	19,897.18	19,868.26	Unsecured	Redeemable at par
INE216P07167	16-Sep-19	15-Sep-24	100	345	8.39%*	34,500	34,208.65	34,139.81	Secured	Redeemable at par
INE216P07175	30-Mar-20	30-Mar-28	10	4,444	8.65%*	44,440	43,976.39	43,931.12	Secured	Redeemable at par
INE216P07183	22-Jun-20	22-Dec-21	10	1,500	6.60%*	15,000	14,999.08	-	Secured	Redeemable at par
INE216P07191	04-Nov-20	04-Nov-25	10	1,000	6.70%	10,000	9,942.56	-	Secured	Redeemable at par
INE216P07209	31-Dec-20	31-Dec-25	10	1,000	6.63%	10,000	9,491.35	-	Secured	Redeemable at par
Total							1,46,466.15	1,16,846.54		

*ROI p.a (payable half yearly)

**ROI p.a (payable quarterly)

Terms of repayment of Debentures outstanding as at March 31, 2021

(₹ in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Quarterly											
Above 3 years	6%-8%	4	1,980.05	8	3,975.87	7	3,478.89	-	-	19	9,434.81
Half yearly											
Above 3 years	8%-10%	1	3,384.35	8	23,531.05	8	23,531.05	4	13,591.37	21	64,037.82
Bullet end											
Less than 3 years	6%-8%	1	14,850.33	-	-	-	-	-	-	1	14,850.33
Above 3 years	6%-8%	-	-	-	-	1	9,939.68	-	-	1	9,939.68
	8%-10%	1	990.02	1	12,921.59	1	34,291.90	-	-	3	48,203.51
Total		7	21,204.75	17	40,428.51	17	71,241.52	4	13,591.37	45	1,46,466.15

11. Borrowings

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
At amortised cost		
Secured		
Term loans (refer note 11(h))		
From National Housing Bank (NHB) (Refer note 11(a))	1,87,239.16	95,129.03
From Banks (Refer note 11(b))	2,73,719.91	2,87,113.25
From Financial institutions (Refer note 11(c))	61.07	89.78
From Insurance Companies (Refer note 11(d))	8,117.44	9,365.27
Others		
Cash Credit (refer note 11(e))	0.01	5,570.90
Others (refer note 11(f))	8,964.90	11,123.17
Total	**4,78,102.49**	**4,08,391.40**
Borrowings in India	4,78,102.49	4,08,391.40
Borrowings outside India	-	-
Total	**4,78,102.49**	**4,08,391.40**

11(a) Secured term loans from National Housing Bank carry rate of interest in the range of 3.00% to 8.50% p.a. The loans are having tenure of 1 to 15 years from the date of disbursement and are repayable in quarterly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Group.

11(b) Secured term loans from Banks include loans from various banks and carry rate of interest in the range of 7.20% to 9.05% p.a. The loans are having tenure of 5 to 10 years from the date of disbursement and are repayable in monthly or quarterly or yearly instalments. These loans are secured by hypothecation (exclusive charge) of the loans given by the Group. Secured term loan from banks include auto loans of ₹ 240.63 lakh (P.Y. ₹ 260.46 lakh) carrying rate of interest in the range of 7.35% to 9.20% p.a. which are secured by hypothecation of Group's vehicles.

11(c) Loans from financial institutions include auto loans of ₹ 61.07 lakh (P.Y. ₹ 89.78 lakh) carrying rate of interest in the range of 8.46% to 9.26% p.a. which are secured by hypothecation of Group's vehicles.

11(d) Secured term loan from Insurance Group carry rate of interest of 7.60% p.a. The loan is having tenure of 8 years from the date of disbursement and is repayable in half yearly instalments. The Loan is secured by hypothecation (exclusive charge) of the loans given by the Group.

11(e) Cash credit borrowings from bank are secured against hypothecation of housing loans given by the Group, are repayable on demand and carry interest rates ranging from 7.75% to 10.20%

11(f) Other borrowings includes associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS.

11(g) Changes in liabilities arising from financing activities

(₹ in lakh)

Particulars	As at March 31, 2020	Cash flows	Other*	As at March 31, 2021
Debt securities	1,16,846.54	29,500.00	119.61	1,46,466.15
Borrowings	4,08,391.40	71,168.13	(1,457.04)	4,78,102.49
Subordinate liabilities	9,965.61	(0.00)	8.04	9,973.65
Total	**5,35,203.55**	**1,00,668.13**	**(1,329.39)**	**6,34,542.29**

*Other column includes amortisation of transaction cost.

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

11(h) Terms of repayment of long term borrowings outstanding as at March 31, 2021

(₹ in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Due 3 to 5 years		Due 5 to 10 years		Above 10 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
Monthy repayment schedule													
Above 3 years	6%-8%	304	7,497.94	551	21,362.62	303	17,192.43	363	28,982.34	9	-	1,530	75,035.33
	8%-10%	426	3,122.86	443	6,662.33	91	9.74	-	-	-	-	960	9,794.93
Quarterly repayment schedule													
Above 3 years	2%-4%	6	2,809.53	16	7,495.68	16	7,495.68	13	6,674.31	-	-	51	24,475.20
	4%-6%	39	6,424.47	104	17,140.17	100	15,924.52	113	16,033.49	16	2,039.58	372	57,562.23
	6%-8%	175	19,155.14	477	66,191.10	367	56,374.49	393	66,397.10	4	316.91	1,416	2,08,434.74
	8%-10%	66	1,571.83	136	15,496.36	132	14,914.13	137	17,195.66	-	-	471	49,177.98
Half yearly repayment schedule													
Above 3 years	6%-8%	2	1,248.01	4	2,497.23	4	2,497.23	3	1,872.92	-	-	13	8,115.39
At the end of tenure													
Less than 3 years	4%-6%	1	36,541.80	-	-	-	-	-	-	-	-	1	36,541.80
Total		1,019	78,371.58	1,731	1,36,845.49	1,013	1,14,408.22	1,022	1,37,155.82	29	2,356.49	4,814	4,69,137.60

The above table doesn't include associated liabilities to securitized asset that has been re-recognised due to non fulfillment of derecognition criteria as per Ind AS amounting to ₹ 8,964.90 lakh (Due within 1 year ₹ 827.78 lakh and due more than 1 year ₹ 8,137.12 lakh)

12. Subordinated Liabilities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
At Amortised cost		
Debentures (Refer note 12(a))	9,973.65	9,965.61
Total	**9,973.65**	**9,965.61**
Subordinated Liabilities in India	9,973.65	9,965.61
Subordinated Liabilities Outside India	-	-
Total	**9,973.65**	**9,965.61**

12(a). Detail of Subordinated Liabilities

(₹ in lakh)

ISIN No.	Date of allotment	Date of redemption	Nominal value per debenture	Total number of debentures	Rate of Interest p.a.	Face value	As at March 31, 2021	As at March 31, 2020	Secured/ Unsecured	Terms of redemption
INE216P08017	22-Dec-17	22-Dec-23	10	1,000	9.49%	10,000	9,973.65	9,965.61	Unsecured	Redeemable at par

Terms of repayment of Subordinated liabilities outstanding as at March 31, 2021 (₹ in lakh)

Particulars		Due within 1 year		Due 1 to 3 years		Total	
Original maturity of loan	Interest rate	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount
At the end of tenure							
Above 3 years	8%-10%	-	(8.86)	1	9,982.51	1	**9,973.65**

13. Lease liabilities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Lease liabilties	3,229.82	3,012.91
Total	**3,229.82**	**3,012.91**

Disclosures as required by Ind AS 116 'Leases' are stated below

A Lease Liability Movement (₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	3,012.91	2,302.98
Add: Addition during the year	1,129.14	1,482.05
Interest on Lease Liability	217.95	249.58
Less: Lease rental Payment	(1,130.18)	(1,021.70)
Closing Balance	**3,229.82**	**3,012.91**

The following is the breakup of current and non-current portion of lease liability as on March 31, 2021 (₹ in lakh)

Particulars	Amount
Current	885.78
Non-Current	2,344.04
Total lease liability as on March 31, 2021	**3,229.82**

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

14. Other financial liabilities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued but not due		
From non convertible debentures	1,143.24	731.94
From unsecured non convertible debentures	316.43	326.21
From Bank- term Loan	154.98	1,896.93
From Financial Institution- term Loan	0.30	0.45
Due to assignees towards collections in derecognised assets	2,569.98	3,219.41
Employee benefits payable	2,291.81	964.09
Others	7,009.89	3,555.75
Total	**13,486.63**	**10,694.78**

Break up of total financial liabilities carried at amortised cost

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Payables (note 9)	285.40	1,738.64
Debt Securities (note 10)	1,46,466.15	1,16,846.54
Borrowings (note 11)	4,78,102.49	4,08,391.40
Subordinated Liabilities (note 12)	9,973.65	9,965.61
Lease liabilities (note 13)	3,229.82	3,012.91
Other financial liabilities (note 14)	13,486.63	10,694.78
Total	**6,51,544.14**	**5,50,649.88**

15. Provisions

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Leave availment	214.23	162.23
Gratuity	63.14	517.23
ECL on undisbursed loan commitment	95.03	48.65
Total	**372.40**	**728.11**

16. Tax Expenses

The major components of income tax expense for the Year ended March 31, 2021

Profit or loss section

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current income tax:		
Current income tax charge	6,701.45	6,397.21
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(338.01)	(1,107.73)
Income tax expense reported in the statement of profit or loss	**6,363.44**	**5,289.48**

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

OCI

Deferred tax related to items recognised in OCI during the year: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net loss/(gain) on re-measurements of defined benefit plans	28.05	(1.75)
Income tax charged to OCI	**28.05**	**(1.75)**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2021 (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Accounting profit before tax from continuing operations	35,255.36	30,193.64
Accounting profit before income tax	35,255.36	30,193.64
Tax at statutory Income Tax rate of 25.17% (P.Y. 25.17%)	8,873.07	7,599.14
Expenses Disallowed in Income tax Act	206.78	116.30
Other permanent difference	(867.25)	(207.94)
Expenses Disallowed u/s 43B of Income tax Act	13.09	16.36
Provision for special reserve u/s 29C of NHB Act read with section 36 (1) (viii) of IT Act, 1961	(1,242.71)	(1,052.27)
Incremental defered tax liabilities /(assets) on account of Financial assets and other items	(619.54)	(1,182.11)
Tax at effective Income Tax rate of 18.05% (P.Y. 17.52%) (a)	6,363.44	5,289.48
Tax on Other comprehensive income (b)	28.05	(1.75)
Total Tax expenses at effective tax rate of 18.13% (P.Y. 17.51%) (a+b)	**6,391.49**	**5,287.73**

Deferred Tax liabilities / (assets) (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Deferred tax liability		
Unamortized Borrowings cost	392.32	392.55
Upfront EIS income	4,836.46	4,295.21
Gross deferred tax liability	**5,228.78**	**4,687.76**
Deferred tax asset		
Expected credit loss (ECL)	(906.01)	(413.26)
Unamortized Processing fee	(1,028.93)	(653.72)
Fair Valuation of SARFAESI	(83.01)	(68.08)
Provision for gratuity and Leave availment	(69.81)	(171.01)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(247.37)	(176.48)
Other adjustments	(64.46)	(38.01)
Gross deferred tax asset	**(2,399.59)**	**(1,520.56)**
Net Deferred Tax Liability	**2,829.19**	**3,167.20**

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

Deferred Tax charged to statement of profit and loss account (₹ in lakh)

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	Profit and Loss	OCI	Profit and Loss	OCI
Unamortized Borrowings cost	(0.23)	-	263.48	-
Upfront EIS income	541.25	-	(915.50)	-
Expected credit loss (ECL)	(492.74)	-	(68.36)	-
Unamortized Processing fee	(375.21)	-	(256.24)	-
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(70.90)	-	(33.79)	-
Other adjustments	59.82	28.05	(97.32)	(1.75)
Deferred Tax charged to statement of profit and loss account	**(338.01)**	**28.05**	**(1,107.73)**	**(1.75)**

17. Other Non-financial Liabilities

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory Dues Payable	206.86	251.19
Provision for Expenses	816.96	914.08
Others	75.21	201.46
Total	**1,099.03**	**1,366.73**

18. Equity share capital

Details of authorized, issued, subscribed and paid up share capital (₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Authorized share Capital		
85,000,000 (P.Y. 85,000,000) Equity Shares of ₹ 10/- each	8,500.00	8,500.00
	8,500.00	**8,500.00**
Issued, Subscribed & Paid up capital		
Issued and Subscribed Capital		
78,504,551 (P.Y. 78,322,661) Equity Shares of ₹ 10/- each	7,850.46	7,832.27
Called-Up and Paid Up Capital		
Fully Paid-Up		
78,504,551 (P.Y. 78,322,661) Equity Shares of ₹ 10/- each	7,850.46	7,832.27
Total	**7,850.46**	**7,832.27**

18(a) The reconciliation of equity shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of shares	₹ In lakh	No. of shares	₹ In lakh
Equity Share at the beginning of year	7,83,22,661	7,832.27	7,81,07,901	7,810.79
Add:				
Equity Share Allotted during year				
Shares issued under ESOP	1,81,890	18.19	2,14,760	21.48
Equity share at the end of year	**7,85,04,551**	**7,850.46**	**7,83,22,661**	**7,832.27**

18(b) Details of Shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% of holding	No. of shares	% of holding
Lake District Holdings Limited	2,31,40,827	29.48%	2,31,40,827	29.55%
23,140,827 Equity Shares of ₹ 10/- each fully paid				
Partners Group ESCL Limited	1,12,40,151	14.32%	1,30,18,256	16.62%
11,240,151 Equity Shares of ₹ 10/- each fully paid				
Smallcap World Fund, Inc	54,97,038	7.00%	NA	NA
5,497,038 Equity Shares of ₹ 10/- each fully paid				
Partners Group Private Equity Master Fund LLC	49,32,728	6.28%	57,13,047	7.29%
4,932,728 Equity Shares of ₹ 10/- each fully paid				
AU Small Finance Bank Limited	NA	NA	49,65,757	6.34%
3,383 Equity Shares of ₹ 10/- each fully paid				
Total	**4,48,10,744**	**57.08%**	**4,68,37,887**	**59.80%**

As per records of the Group, including its register of Shareholders/ members and other declarations received from Shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

18(c) Rights, preferences and restrictions attached to shares

Equity shares:

The Group has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity Shareholders are eligible to receive the remaining assets of the Group after distribution of all preferential amounts, in proportion to their shareholding.

18(d) Aggregate number of bonus shares issued during the year of five years immediately preceding the reporting date

Particulars	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Equity shares allotted as fully paid bonus shares by capitalization of securities premium	-	-	-	-	53,66,658

18(e) For details of shares reserved for issue under the employee stock option plan (ESOP) of the Group, refer note 31

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

19. Other equity

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Securities premium Account (refer note 19(a))	1,33,403.29	1,32,743.79
Special reserve u/s 29C of The National Housing Bank Act, 1987 read with 36 (1) (viii) of income tax Act. 1961(refer note 19(a))	19,131.35	13,324.80
Share Based Payments Reserve (refer note 19(a))	1,808.00	1,169.29
Retained earnings	77,887.45	54,718.68
Share Application money received	0.48	2.69
Total	**2,32,230.57**	**2,01,959.25**

19(a) Nature and purpose of reserve

Securities premium Account

Securities premium Account is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Special reserve

Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Group shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose any special reserve created by the Group under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer. During the year ended March 31, 2021, The Group has transferred an amount of ₹ 4,937.65 lakh (P.Y. ₹ 4,181.00 lakh) to special reserve in terms of Section 36(1) (viii) of the Income Tax Act 1961 considered eligible for special reserve u/s 29C of NHB Act 1987 and also transferred an amount of ₹ 868.89 lakh (P.Y. ₹ 800.38 lakh) to the Reserve in terms of Section 29C of the National Housing Bank ("NHB") Act, 1987.

Share Based Payments Reserve

This Reserve relates to stock options granted by the Group to employees under various ESOP Schemes. This Reserve is transferred to Securities Premium Account on exercise of vested options.

20. Interest income

(₹ in lakh)

Particulars	Year ended March 31, 2021			Year ended March 31, 2020		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss	On financial assets measured at fair value through OCI	On financial assets measured at Amortised cost	Interest income on financial assets classified at fair value through profit and loss
Interest on Loans (Refer note 20(a))	-	89,939.42	-	-	73,676.40	-
Interest on deposits with Banks	-	7,320.26	-	-	4,991.27	-
Interest on deposits with Corporates	-	398.24	-	-	-	-
Total	-	**97,657.92**	-	-	**78,667.67**	-

20(a) Loan origination income included in Interest income on Loan is disclosed net of the direct incremental costs of ₹ 2,457.61 lakh for year ended March 31, 2021 (P.Y. ₹ 2,647.40 lakh) associated with the origination of the underlying loans.

21. Fees and commission Income

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Insurance commission	311.46	331.10
Other fee income	3,343.91	2,996.50
Total	**3,655.37**	**3,327.60**

22. Net gain on fair value changes

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
a) Net gain on financial instruments at fair value through profit and loss		
i) On trading portfolio		
Investments	387.16	597.20
b) Others		
Derivatives	-	3.23
Total Net gain on fair value changes	**387.16**	**600.43**
Fair value changes		
Realised	387.16	600.43
Unrealised- MTM gain	-	-
Total Net gain on fair value changes	**387.16**	**600.43**

23. Other income

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Net gain on derecognition of property, plant and equipment	9.10	-
Other income	206.95	79.99
Total	**216.05**	**79.99**

24. Finance Costs

(₹ in lakh)

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost	On financial liabilities measured at fair value through Profit or loss	On financial liabilities measured at Amortised cost
Interest on borrowings, debt securities and Subordinated liabilities	-	44,876.46	-	34,438.64
Interest on Securitised pool	-	729.86	-	918.93
Interest on lease liability	-	217.95	-	249.58
Total	**-**	**45,824.27**	**-**	**35,607.15**

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

25. Fees and commission expense

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Resource mobilisation expenses	302.30	263.88
Bank charges and commission	133.50	98.87
Brokerage Commission	182.66	127.30
Total	**618.46**	**490.05**

26. Impairment on financial instruments

(₹ in lakh)

Particulars	Year ended March 31, 2021		Year ended March 31, 2020	
	On financial instruments measured at fair value through OCI	On financial liabilities measured at Amortised cost	On financial instruments measured at fair value through OCI	On financial liabilities measured at Amortised cost
Loan Assets	-	3,347.34	-	1,145.52
Write offs	-	269.29	-	128.37
Assets acquired under SARFAESI	-	97.23	-	259.89
Total	**-**	**3,713.86**	**-**	**1,533.78**

27. Employee Benefits Expenses

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Salaries and wages	15,448.58	13,148.26
Contribution to provident and other funds	826.87	671.90
Share Based Payments to employees	850.84	647.14
Staff welfare expenses	178.85	273.49
Total	**17,305.14**	**14,740.79**

Gratuity and other post-employment benefit plans

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to such limit as prescribed by The Payment of Gratuity Act, 1972 as amended from time to time.

The following tables summarize the components of net benefits expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current service cost	209.61	198.76
Interest cost	34.91	22.78
Expected Return on plan assets	-	-
Net remeasurement (gain) / loss recognized in the year	-	-
Net expense	**244.52**	**221.54**

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

Remeasurement (gains)/ loss recognised in other comprehensive income: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Remeasurement (gain) / loss on obligations arising from changes in experience adjustments	(111.45)	6.97
Remeasurement (gain) / loss arising during the year	**(111.45)**	**6.97**

Actual Return on plan asset (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Expected return on plan asset	-	-
Interest Income on Plan Asset	-	-
Acturial gain/loss	21.22	-
Actual Return on plan asset	-	-

Balance Sheet

Net defined benefit liability (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Present value of defined benefit obligation	659.25	517.23
Fair value of plan assets	(604.95)	-
Plan liability	**54.30**	**517.23**

Changes in the present value of the defined benefit obligation are as follows: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Opening defined benefit obligation	517.23	293.96
Current service cost	209.61	198.76
Interest cost	34.91	22.78
Benefits paid during the year	(12.27)	(5.24)
Remeasurement (gain)/loss on obligation	(90.23)	6.97
Closing defined benefit obligation	**659.25**	**517.23**

Changes in the present value of the plan assets are as follows: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Fair value of plan asset at the beginning	-	-
Expected return on plan asset	-	-
Contribution made	596.00	-
Benefit paid during the year	(12.27)	-
Acturial Gain/(Loss) on plan assets	21.22	-
Fair value of plan asset at the the end of the year	604.95	-

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

The principle assumptions used in determining gratuity obligations for the Company are shown below:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Discount rate	6.73%	6.75%
Salary escalation rate	6.00%	6.00%
Employee Turnover	age 30 = 5%	age 30 = 5%
	age 31-40 = 3%	age 31-40 = 3%
	age 41-50 = 2%	age 41-50 = 2%
	age 51 & above=1%	age 51 & above=1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience adjustment for the reported years are as below: (₹ in lakh)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined benefit obligation	659.25	517.23	293.96	187.74	112.44
Plan assets	(604.95)	-	-	-	-
(Surplus)/Deficit	54.30	517.23	293.96	187.74	112.44
Experience adjustments on plan liabilities(Gain)/ Loss	(91.54)	6.97	(35.07)	(10.82)	(16.81)
Experience adjustments on plan assets	-	-	-	-	-

Sensitivity Analysis:

A quantitative sensitivity analysis for significant assumption is as shown below: (₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Effect of 1% change in assumed discount rate		
- 1% increase	570.28	446.36
- 1% decrease	768.75	604.81
(b) Effect of 1% change in assumed salary escalation rate		
- 1% increase	768.44	604.59
- 1% decrease	568.97	445.30

Other Benefits

The Group has provided for compensatory leaves which can be availed and not encashed as per policy of the Group as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation.

The Code on Social Security, 2020

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

28. Other expenses

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Advertisement and publicity	198.08	864.82
AMC charges	123.25	87.75
Auditor's remuneration (note 28(a))	51.78	51.79
Directors' fees and commission	119.90	70.85
Communication costs	397.52	300.40
CSR expenses	458.52	312.74
Donation	-	21.00
Electricity and water	269.58	247.22
General office expenses	265.46	315.44
Legal and professional charges	439.34	464.62
Collection and legal recovery expenses	119.30	183.14
IT and analytics Expenses	239.59	108.15
Manpower management cost	2,236.89	1,828.81
Postage and courier expenses	156.93	132.93
Printing and stationery	87.56	70.79
Rent, rates and taxes Expenses	58.00	53.75
Repairs and maintenance	212.67	149.22
Travelling and conveyance	339.48	549.48
Total	**5,773.85**	**5,812.90**

28(a) Auditor's remuneration

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Audit fees	45.51	43.33
Tax audit fees	2.18	2.18
Other services	4.09	6.28
	51.78	**51.79**

29. Earning per share

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Following reflects the profit and share data used in EPS computations:		
Basic		
Weighted average number of equity shares for computation of Basic EPS (in lakh)	783.72	781.90
Net profit for calculation of basic EPS (₹ in lakh)	28,891.92	24,904.16
Basic earning per share (In ₹)	**36.86**	**31.85**
Diluted		
Weighted average number of equity shares for computation of Diluted EPS (in lakh)	790.64	791.22
Net profit for calculation of Diluted EPS (₹ in lakh)	28,891.92	24,904.16
Diluted earning per share (In ₹)	**36.54**	**31.48**
Nominal value of equity shares (In ₹)	**10.00**	**10.00**

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

30. Maturity analysis of assets and liabilities

The following tables set forth, for the periods indicated, the assets and liabilities line items expected to be recovered or settled within and after twelve months after factoring prepayment assumptions.

(₹ in lakh)

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	2,209.81	-	2,209.81	35,059.39	-	35,059.39
Bank balance other than cash and cash equivalents	1,10,307.11	-	1,10,307.11	84,613.13	-	84,613.13
Loans	1,27,660.89	6,24,667.74	7,52,328.63	88,012.03	5,30,067.80	6,18,079.83
Other financial assets	12,381.65	10,225.60	22,607.25	8,363.82	9,773.87	18,137.69
Non-financial assets						
Current tax assets (net)	92.06	-	92.06	1,443.24	-	1,443.24
Property, plant and equipment	-	2,507.08	2,507.08	-	2,700.97	2,700.97
Capital work-in-progress	-	-	-	-	30.99	30.99
Intangible assets under development	-	40.54	40.54	-	39.90	39.90
Other intangible assets	-	345.56	345.56	-	414.84	414.84
Right-of-use assets		2,973.70	2,973.70		2,874.20	2,874.20
Other non-financial assets	496.31	178.16	674.47	567.99	35.90	603.89
Assets held for sale	1,839.58	-	1,839.58	1,705.37	-	1,705.37
Total Assets	**2,54,987.41**	**6,40,938.38**	**8,95,925.79**	**2,19,764.97**	**5,45,938.47**	**7,65,703.44**
LIABILITIES						
Financial liabilities						
Payables						
(I) Trade payables	-	-	-	-	-	-
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	285.40	-	285.40	1,738.64	-	1,738.64
Debt securities	21,204.75	1,25,261.40	1,46,466.15	4,815.32	1,12,031.22	1,16,846.54
Borrowings (other than debt securities)	79,199.36	3,98,903.13	4,78,102.49	60,118.51	3,48,272.89	4,08,391.40
Subordinated liabilities	(8.86)	9,982.51	9,973.65	(8.04)	9,973.65	9,965.61
Lease liabilties	885.78	2,344.04	3,229.82	899.55	2,113.36	3,012.91
Other financial liabilities	13,405.40	81.23	13,486.63	10,612.53	82.25	10,694.78
Non-financial liabilities						
Provisions	38.90	333.50	372.40	46.62	681.49	728.11
Deferred tax liabilities (net)	1,914.42	914.77	2,829.19	1,415.92	1,751.28	3,167.20
Other non-financial liabitilies	1,099.03	-	1,099.03	1,366.73	-	1,366.73
Total Liabilities	**1,18,024.18**	**5,37,820.58**	**6,55,844.76**	**81,005.78**	**4,74,906.14**	**5,55,911.92**
Net Assets	**1,36,963.23**	**1,03,117.80**	**2,40,081.03**	**1,38,759.19**	**71,032.33**	**2,09,791.52**

31. Stock options

I The Company has formulated various share-based payment schemes for its employees (Plan I), management team (Plan II) and directors (Plan III). Details of all grants in operation during the Year ended March 31, 2021 are as given below:

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 II	ESOP 2016 III	ESOP 2019
Scheme Name	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Employees 2016 (ESOP 2016 I)	Equity stock option plan for Management team 2016 (ESOP 2016 II)	Equity stock option plan for Directors 2016 (ESOP 2016 III)	Equity stock option plan for Employees 2019 (ESOP 2019)
No. of options approved*	12,87,901		34,45,610	7,19,084	3,00,000
Date of grant	23-Feb-17	24-Jan-18	23-Feb-17	23-Feb-17	03-Oct-19
No. of options granted	9,80,118	4,24,687	34,45,610	7,19,084	3,00,000
Exercise price per option (in ₹)	215.25	328	215.25	215.25	1580.20
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting year and conditions	A) 50% options to vest as per stipulated vesting schedule (“Fixed Vesting”) B) 50% options to vest as per stipulated vesting schedule on fulfillment of stipulated conditions (“Conditional Vesting”)				
A) Fixed Vesting year is as follows on following dates :-					
1st vesting "12 months from the date of grant	98,012	42,469	Refer note A	71,908	30,000
2nd vesting "On expiry of four months from the 1st vesting date"	98,012	NA	-	71,908	NA
2nd vesting "On expiry of one year from the 1st vesting date"	NA	42,469	-	NA	30,000
3rd vesting "On expiry of one year from the 2nd vesting date"	98,012	42,469	-	Refer note B	30,000
4th vesting "On expiry of one year from the 3rd vesting date"	98,012	42,469	-	-	30,000
5th vesting "On expiry of one year from the 4th vesting date"	98,011	42,469	-	-	30,000
B) Conditional Vesting	Linked with conditions over the next five years as stipulated in respective stock option plan		Refer note A	Linked with conditions over the next five years as stipulated in respective stock option plan (Refer note B)	Linked with conditions over the next five years as stipulated in respective stock option plan
Exercise year	Four years from the date of each vesting				

*After adjusting subsequent cancellations, if any

Note:

A. During year ended March 31, 2018, pursuant to the the Board approval dated January 25, 2018, all options granted under Management team 2016 (ESOP 2016 II) plan were vested with immediate effect with no further conditions attached to them.

B. During Year ended March 31, 2019, pursuant to the the Board approval dated June 08, 2018, last three tranches of options related to fixed vesting (2,15,724 options) and 25% of performance options (89,886 options) granted under Directors 2016 (ESOP 2016 III) plan were vested on June 30, 2018 subject to lock in conditions as prescribed in stock plan.

C. During Year ended March 31, 2020, pursuant to the the Board approval dated August 01, 2019, options granted for employees 2019 (ESOP 2019) plan.

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

II Computation of fair value of options granted during the year ended March 31, 2021

Nil options granted during the Year ended March 31, 2021.

III Reconciliation of options

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 III	ESOP 2019
Year ended March 31, 2021				
Options outstanding at April 1, 2020	3,13,321	2,93,155	2,69,656	3,00,000
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	1,15,784	66,106	-	-
Expired / lapsed during the year	4,075	3,000	-	-
Outstanding at March 31, 2021	1,93,462	2,24,049	2,69,656	3,00,000
Exercisable at March 31, 2021	48,082	84,471	2,69,656	60,000
Weighted average remaining contractual life (in years)	0.98	2.84	1.59	5.49
Weighted average share price at the time of exercise*	2,141.00	1,487.25	-	-

Particulars	ESOP 2016 I (a)	ESOP 2016 I (b)	ESOP 2016 III	ESOP 2019
Year ended March 31, 2020				
Options outstanding at April 1, 2019	4,76,461	4,22,187	2,69,656	-
Granted during the year	-	-	-	3,00,000
Forfeited during the year	800	11,700	-	-
Exercised during the year	1,41,628	73,132	-	-
Expired / lapsed during the year	20,712	44,200	-	-
Outstanding at March 31, 2020	3,13,321	2,93,155	2,69,656	3,00,000
Exercisable at March 31, 2020	12,744	80,791	2,69,656	-
Weighted average remaining contractual life (in years)	1.87	4.16	1.96	6.51
Weighted average share price at the time of exercise*	1,787.48	1,582.87	-	-

* Disclosure of weighted average share price at the time of exercise is applicable only for plans where there has been an exercise of options in current financial year.

32. Segment information

The Group has only one reportable business segment, i.e. lending to borrowers, which have similar nature of products and services, type/class of customers and the nature of the regulatory environment (which is banking), risks and returns for the purpose of Ind AS 108 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts] Rules, 2014 . Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment.

33. The Company has been granted Certificate of Registration (No. 08.0095.11) to commence/carry on the business as a housing finance company without accepting public deposits by National Housing Bank on August 04, 2011 and got a revised Certificate of Registration (02.0104.13) after conversion of Company from a private limited company to a public limited company on February 08, 2013. Further, the name of our company was changed to AAVAS FINANCIERS LIMITED, pursuant to a Shareholders resolution passed at the EOGM held on February 23, 2017. A fresh certificate of incorporation consequent to such change of name was issued on March 29, 2017 by the Registrar of companies, Jaipur and subsequently the revised certificate of Registration (No.04.0151.17) was issued on April 19, 2017 by National Housing Bank.

34. Related party

a. Names of related parties identified in accordance with Ind AS -24 "Related Party Disclosures"

1. Entities where control exists:

Holding Company

NA

Shareholders having Substantial interest

Lake District Holdings Limited

2. Key Management Personnel

Mr. Sandeep Tandon	Chairperson and Independent Director
Mr. Sushil Kumar Agarwal	Managing Director and Chief Executive Officer
Mrs. Kalpana Iyer	Independent Director
Mrs. Soumya Rajan	Independent Director (Appointed in the Annual General Meeting of the Company held on July 22, 2020 as an Independent Director w.e.f. August 29, 2019)
Mr. Ramachandra Kasargod Kamath	Non-Executive Nominee Director
Mr. Vivek Vig	Non-Executive Nominee Director
Mr. Nishant Sharma	Non-executive Promoter Nominee Director
Mr. Manas Tandon	Non-executive Promoter Nominee Director
Mr. Kartikeya Dhruv Kaji	Non-executive Promoter Nominee Director
Mr. Ghanshyam Rawat	Chief Financial Officer
Mr. Sharad Pathak	Company Secretary & Compliance Officer

3. Post Employment Benefit Plan

Aavas Gratuity Trust

4. Enterprises under significant influence of the Key Management Personnel

Aavas foundation (From March 26, 2019)

5. Relatives of Key Managerial Personnel

None

b. The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows :

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2021			March 31, 2020		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Mr. Krishan Kant Rathi	Sitting fees	-	-	-	-	2.73	-
	Commission	-	-	-	-	2.73	-
Mr. Sandeep Tandon	Sitting fees	-	2.45	-	-	6.00	-
	Commission	-	16.08	-	-	4.91	-
Mr. Sushil Kumar Agarwal	Remuneration	-	199.40	-	-	240.06	-
Mrs. Kalpana Iyer	Sitting fees	-	2.18	-	-	4.63	-
	Commission	-	16.35	-	-	6.27	-
Mrs. Soumya Rajan	Sitting fees	-	1.09	-	-	1.09	-
	Commission	-	37.06	-	-	-	-

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

(₹ in lakh)

Name of related party	Nature of transactions	March 31, 2021			March 31, 2020		
		Amount received	Amount paid	Receivable	Amount received	Amount paid	Receivable
Mr. Ramachandra Kasargod Kamath	Share based Payment	-	11.87	-	-	11.91	-
	Sitting fees	-	1.09	-	-	2.73	-
	Commission	-	25.07	-	-	28.89	-
Mr. Vivek Vig	Share based Payment	-	59.37	-	-	59.54	-
	Sitting fees	-	1.09	-	-	2.73	-
	Commission	-	17.44	-	-	8.18	-
Mr. Ghanshyam Rawat	Remuneration	-	147.04	-	-	182.03	-
Mr. Sharad pathak	Issue of Equity shares	8.90	-	-	7.59	-	-
	Remuneration	-	16.77	-	-	18.69	-
	Share based Payment	-	3.19	-	-	3.24	-
Aavas Foundation	Contribute as a Settler (CSR)	-	344.00	-	-	180.36	-
Aavas Gratuity Trust	Gratuity Contribution	-	596.11	-	-	-	-

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

35. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises for the year ended March 31, 2021.

36. The Group's pending litigations comprise of claims against the Group primarily by the customers. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a material adverse effect on its financial statements of the Group as at March 31, 2021.

37. Commitments and contingencies

a **Capital and other commitments:** (₹ in lakh)

Particulars	As at March 31, 2021		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	62.69	20.88	41.81
Other intangible assets	43.89	37.37	6.52

Particulars	As at March 31, 2020		
	Estimated Project cost	Paid during the year	Balance Payable
Property, plant and equipment	3.11	-	3.11
Other intangible assets	15.68	-	15.68

Refer note 3(iii) for undisbursed commitment relating to loans.

b There are no Contingent Liability as on March 31, 2021 (March 31, 2020 ₹ Nil)

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

38. Expenditure in Foreign currency

(₹ in lakh)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Interest paid	1,796.18	1,786.39
Other Expenses	33.08	53.38

39. CSR expenses

Operating expenses include ₹ 475.80 lakh for the Year ended March 31, 2021 (P.Y. ₹ 312.74 lakh) towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. Gross Amount (including deficit of previous year) required to be spent by the Group during the year is ₹ 475.51 lakh. (P.Y. ₹ 449.23 lakh).

The details of amount spent during the respective year towards CSR are as under: (₹ in lakh)

Particulars	March 31, 2021			March 31, 2020		
	Amount Spent	Yet to be paid	Total	Amount Spent	Yet to be paid	Total
Construction/acquisition of any asset	Nil	Nil	Nil	Nil	Nil	Nil
On purposes other than above	475.80	0.00	475.80	431.97	17.26	449.23

40. Statutory Company information

(₹ in lakh)

Name of the entity in the Group	As at March 31, 2021		For the year ended March 31, 2021					
	Net Assets, i.e., total assets minus total liabilities		Share in profit and Loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total other comprehensive income	Amount
Parent								
Aavas Financiers Limited		2,40,140.48		28,949.52		83.40		29,032.92
Less: Inter Company elimination		(450.00)		-		-		-
Net of Elimination	**99.84%**	**2,39,690.48**	**100.20%**	**28,949.52**	**100.00%**	**83.40**	**100.20%**	**29,032.92**
Subsidiary								
Indian								
Aavas Finserv Limited	0.16%	390.55	-0.20%	(57.60)	0.00%	-	-0.20%	(57.60)
Total	**100.00%**	**2,40,081.03**	**100.00%**	**28,891.92**	**100.00%**	**83.40**	**100.00%**	**28,975.32**

(₹ in lakh)

Name of the entity in the Group	As at March 31, 2020		For the year ended March 31, 2020					
	Net Assets, i.e., total assets minus total liabilities		Share in profit and Loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit & loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total other comprehensive income	Amount
Parent								
Aavas Financiers Limited		2,09,793.36		24,912.09		(5.22)		24,906.87
Less: Inter Company elimination		(450.00)		-		-		-
Net of Elimination	**99.79%**	**2,09,343.36**	**100.03%**	**24,912.09**	**100.00%**	**(5.22)**	**100.03%**	**24,906.87**
Subsidiary								
Indian								
Aavas Finserv Limited	0.21%	448.16	-0.03%	(7.93)	0.00%	-	-0.03%	(7.93)
Total	**100.00%**	**2,09,791.52**	**100.00%**	**24,904.16**	**100.00%**	**(5.22)**	**100.00%**	**24,898.94**

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

41. Fair value measurement

41(a) Valuation Principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly/ indirectly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

41(b) Fair Value of financial instruments which are not measured at Fair Value

The carrying amounts and fair value of the Group's financial instruments are reasonable approximations of fair values at financial statement level.

Valuation methodologies of financial instruments not measured at fair value

Loans

Most of the loans are repriced frequently, with interest rate of loans reflecting current market pricing. Hence carrying value of loans is deemed to be equivalent of fair value.

Borrowings

The Group's most of the borrowings are at floating rate which approximates the fair value.

Debt securities and subordinate liabilities are fixed rate borrowings and fair value of these fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rates charged for similar new loans and carrying value approximates the fair value for fixed rate borrowing at financial statement level.

Short Term and Other Financial Assets and Liabilities

The management assessed that cash and cash equivalents, investments, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Assets held for sale

Real estate properties are valued based on a well progressed sale process with price quotes from real estate agents.

42. Transfer of Financial assets

Transfers of financial assets that are not derecognised in their entirety

Securitisation:

The Group uses securitisations as a source of finance. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisation has resulted in the continued recognition of the securitised assets.

The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

(₹ in lakh)

Loans and advances measured at amortised cost	As at March 31, 2021	As at March 31, 2020
Carrying amount of transferred assets measured at amortised cost	9,303.97	10,684.14
Carrying amount of associated liabilities	(8,930.71)	(10,251.62)

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

Assignment Deal:

During the year ended March 31, 2021, the Group has sold some loans and advances measured at amortised cost as per assignment deals, as a source of finance. As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been derecognised from the Group's balance sheet.

The management has evaluated the impact of assignment transactions done during the year for its business model. Based on the future business plan , the Group business model remains to hold the assets for collecting contractual cash flows.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain on derecognition.

(₹ in lakh)

Loans and advances measured at amortised cost	Year ended March 31, 2021	Year ended March 31, 2020
Carrying amount of derecognised financial assets	62,454.90	73,859.15
Gain from derecognition	8,635.53	7,658.88

43. Capital management:

For the purpose of the Group's capital management, capital includes issued equity capital, Securities premium and all other equity reserves attributable to the equity holders of the Group net of intangible assets. The primary objective of the Group's capital management is safety and security of share capital and maximize the shareholder value.

The Group manages its capital structure in light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is total debt divided by net worth. The Group's policy is to keep the gearing ratio at reasonable level of 6-8 times in imminent year while Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 currently permits HFCs to 13 times of their net owned funds ("NOF"). The Group includes with in debt, its all interest bearing loans and borrowings.

Debt to net worth ratio (₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Debts	6,36,157.24	5,38,159.07
Net worth	2,39,694.92	2,09,336.78
Debt to Net worth (in times)	**2.65**	**2.57**

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

44. Financial risk management objectives and policies

The Group's Principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. At the other hand Group's Principal financial assets include loans and cash and cash equivalents that derive directly from its operations.

As a lending institution, Group is exposed to various risks that are related to lending business and operating environment. The Principal Objective in Group's risk management processes is to measure and monitor the various risks that Group is subject to and to follow policies and procedures to address such risks. Group's risk management framework is driven by Board and its subcommittees including the Audit Committee, the Asset Liability Management Committee and the Risk Management Committee. Group gives due importance to prudent lending practices and have implemented suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of a customer's business and residence, technical and legal verifications, conservative loan to value, and required term cover for insurance. The major types of risk Group face in businesses are liquidity risk, credit risk, interest rate risk.

(A) Liquidity risk

Liquidity Risk refers to the risk that the Group can not meet its financial obligations. The objective of Liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirement. The unavailability of adequate amount of funds at optimum cost and co-terminus tenure to repay the financial liabilities and further growth of business resultantly may face an Asset Liability Management (ALM) mismatch caused by a difference in the maturity profile of Group assets and liabilities. This risk may arise from the unexpected increase in the cost of funding an asset portfolio at the appropriate maturity and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The Group manages liquidity risk by maintaining adequate cash reserves and undrawn credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

The Group has given cash collateral for the securitisation transactions and do not expect any net cash outflow and hence guarantees given for securitisation transactions have not been shown as part of below table. Further, undisbursed loan amount being cancellable in nature are not disclosed as part of below mentioned maturity profile.

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial liabilities.

Maturity profile of Financial liabilities as on March 31, 2021 (₹ in lakh)

Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	1,41,269.45	285.40	11,790.45
Over 1 year to 3 years	2,53,845.79	-	81.23
Over 3 year to 5 years	2,26,580.56	-	-
Over 5 year to 7 years	1,13,377.06	-	-
Over 7 year to 10 years	57,006.12	-	-
Over 10 years	3,022.38	-	-
Total	**7,95,101.36**	**285.40**	**11,871.68**

Maturity profile of Financial liabilities as on March 31, 2020 (₹ in lakh)

Particulars	Borrowings	Payables	Other Financial liabilities
1 Day to 1 year	1,07,861.53	1,737.64	10,612.53
Over 1 year to 3 years	2,07,214.96	-	82.25
Over 3 year to 5 years	2,10,922.09	-	-
Over 5 year to 7 years	1,08,327.16	-	-
Over 7 year to 10 years	62,532.14	-	-
Over 10 years	5,856.11	-	-
Total	**7,02,713.99**	**1,737.64**	**10,694.78**

(B) Credit risk

Credit Risk arises from the risk of loss that may occur from the default of Group's customers under loan agreements. Customer defaults and inadequate collateral may lead to higher credit impaired assets. Group address credit risks by using a set of credit norms and policies, which are approved by Board and backed by analytics and technology. Group has implemented a structured and standardized credit approval process, including customer selection criteria, comprehensive credit risk assessment and cash flow analysis, which encompasses analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of a potential customer. Actual credit exposures, credit limits and asset quality are regularly monitored and analysed at various levels. Group has created a robust credit assessment and underwriting practice that enables to fairly price credit risks.

The Group has created more than 60 templates of customer profiles through its experience over the years, with risk assessment measures for each geography in which it operates. The Group continuously seek to develop and update such profiles in order to identify and source reliable customers and improve efficiencies. The Group also conduct an analysis of the existing cash flow of customer's business to assess their repayment abilities. The Group has implemented a four prong system of credit assessment comprising underwriting, legal assessments, technical assessments and a risk containment unit.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 7,76,503.25 lakh and ₹ 637,252.82 lakh as of March 31, 2021 and March 31, 2020 respectively, being the total of the carrying amount of Loan assets and EIS receivable.

(C) Analysis of risk concentration

The Group's concentrations of risk are managed based on Loan to value (LTV) segregation as well as geographical spread. The following tables stratify credit exposures from housing and other loans to customers by range of loan-to-value (LTV) ratio .LTV is calculated as the ratio of gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral.

Loans to customers:

LTV wise bifurcation:

As at March 31, 2021 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,83,044.17	4,554.31	1,415.06	1,89,013.54
41%-60%	2,62,339.39	7,166.52	2,189.00	2,71,694.91
61%-80%	2,37,807.21	8,053.61	3,182.19	2,49,043.01
More than 80%	44,610.28	2,319.70	605.11	47,535.09
Total	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**

As at March 31, 2020 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	1,67,254.42	1,434.12	382.16	1,69,070.70
41%-60%	2,17,085.38	2,326.45	944.08	2,20,355.91
61%-80%	1,93,723.67	2,540.09	1,396.93	1,97,660.69
More than 80%	32,774.79	206.57	118.01	33,099.37
Total	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Customer profile

As at March 31, 2021 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	2,45,304.46	3,653.91	1,107.99	2,50,066.36
Self employed	3,00,342.82	11,336.11	4,560.28	3,16,239.21
NON-HOUSING:				
Salaried	54,076.65	1,128.74	233.18	55,438.57
Self employed	1,28,077.12	5,975.38	1,489.91	1,35,542.41
Total	**7,27,801.05**	**22,094.14**	**7,391.36**	**7,57,286.55**

As at March 31, 2020 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
HOUSING:				
Salaried	1,76,197.40	1,073.49	437.81	1,77,708.70
Self employed	2,82,184.37	3,694.34	1,989.60	2,87,868.31
NON-HOUSING:				
Salaried	37,689.31	331.87	70.46	38,091.64
Self employed	1,14,767.18	1,407.53	343.31	1,16,518.02
Total	**6,10,838.26**	**6,507.23**	**2,841.18**	**6,20,186.67**

Loan Commitments:

LTV wise bifurcation:

As at March 31, 2021 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	8,785.08	35.39	12.99	8,833.46
41%-60%	14,424.72	44.23	64.62	14,533.57
61%-80%	7,269.16	103.11	68.44	7,440.71
More than 80%	1,308.66	59.08	13.72	1,381.46
Total	**31,787.62**	**241.81**	**159.77**	**32,189.20**

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

As at March 31, 2020 (₹ in lakh)

LTV bucket	Stage 1	Stage 2	Stage 3	Total
0%-40%	7,275.64	2.18	-	7,277.82
41%-60%	11,534.90	4.82	5.14	11,544.86
61%-80%	6,422.46	52.67	3.21	6,478.34
More than 80%	927.43	9.43	2.74	939.60
Total	**26,160.43**	**69.10**	**11.09**	**26,240.62**

Customer profile

As at March 31, 2021 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	13,736.27	52.79	45.10	13,834.16
Self employed	18,051.35	189.03	114.66	18,355.04
Total	**31,787.62**	**241.82**	**159.76**	**32,189.20**

As at March 31, 2020 (₹ in lakh)

Customer profile	Stage 1	Stage 2	Stage 3	Total
Salaried	9,203.91	29.28	6.38	9,239.57
Self employed	16,956.52	39.82	4.71	17,001.05
Total	**26,160.43**	**69.10**	**11.09**	**26,240.62**

(D) Market Risk

"Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Group's exposure to market risk is primarily on account of interest rate risk.

(I) Interest Rate Risk:-

The Group is subject to interest rate risk, primarily since it lends to customers at rates and for maturity years that may differ from funding sources. Interest rates are highly sensitive to many factors beyond control, including the monetary policies of the Reserve Bank of India, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. In order to manage interest rate risk, the Group seek to optimize borrowing profile between short-term and long-term loans. The Group adopts funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. Assets and liabilities are categorized into various time buckets based on their maturities and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks.

Due to the very nature of housing finance, the Group is exposed to moderate to higher Interest Rate Risk. This risk has a major impact on the balance sheet as well as the income statement of the Group. Interest Rate Risk arises due to:

i) Changes in Regulatory or Market Conditions affecting the interest rates

ii) Short term volatility

iii) Prepayment risk translating into a reinvestment risk

iv) Real interest rate risk.

In short run, change in interest rate affects Group's earnings (measured by NII or NIM) and in long run it affects Market Value of Equity (MVE) or net worth. It is essential for the Group to not only quantify the interest rate risk but also to manage it proactively. The Group mitigates its interest rate risk by keeping a balanced portfolio of fixed and variable rate loans and borrowings. Further Group carries out Earnings at risk analysis and maturity gap analysis at quarterly intervals to quantify the risk.

Interest Rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Group's statement of profit and loss:

(₹ in lakh)

Particulars	Basis Points	Effect on Profit before tax
Loans		
Increase in basis points	50	2,342.03
Decrease in basis points	-50	(2,339.13)
Borrowings		
Increase in basis points	50	(1,438.19)
Decrease in basis points	-50	1,438.19

(II) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign exchange rates relates primary to the foreign currency borrowings taken from bank.

(E) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities.

The Group recognizes that operational risk event types that have the potential to result in substantial losses includes Internal fraud, External fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and finally execution, delivery and process management.

The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

45. Impact of COVID-19

"COVID-19 pandemic had led to a significant volatility in global and Indian financial markets and a significant decrease in global & local economic activities, which may persist. Based on the information available till date, the Group has used the principles of prudence to provide for the impact of pandemic on the Financial Statements specifically while assessing the expected credit loss on financial assets by applying management overlays, approved by its Board of Directors. This has resulted in an additional provision of ₹ 1458.87 lakh (P.Y. ₹ 443.75 lakh) against financial assets during the year, taking the overall additional provision of INR 1,902.62 lakh as of March 31, 2021. The extent to which COVID-19 pandemic will continue to impact the Group's operations and financial metrics will depend on future developments, which are highly uncertain.

In accordance with the COVID-19 Regulatory Packages announced by RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Group has offered moratorium on the payment of all installments and/or interest, as applicable, falling due between March 01, 2020 and August 31, 2020 to all eligible borrowers. For all such accounts that were granted moratorium, the prudential assets classification remained standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under Income Recognition, Asset Classification and Provisioning Norms).

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

46. Disclosures as required by RBI circular dated April 17, 2020 'COVID-19 Regulatory Package-Asset Classification and Provisioning' are given below:

(₹ in lakh)

Particulars	As at March 31, 2021	As at March 31, 2020
Amount in SMA/Overdue categories as of February 29, 2020*	16,767.30	16,767.30
Advances outstanding in SMA/overdue categories, where the moratorium/ deferment was extended, in terms of paragraph 2 and 3 of the circular (as of February 29, 2020)	16,516.30	15,486.39
Respective amount where asset classification benefit is extended (as of March 31, 2021 /March 31, 2020)	7,837.23	722.44
Provision made in terms of paragraph 5 of the circular (As per para 4, applicable to HFC's covered under Ind AS) (as of March 31, 2021 /March 31, 2020) **	1,902.62	443.75
Provisions adjusted against slippages in terms of paragraph 6 of the circular	-	-
Residual provisions as of March 31, 2021 /March 31, 2020 in terms of paragraph 6 of the circular	1,902.62	443.75

*SMA/Overdue category includes - Cases {1-90 days past due (DPD)}

**This includes overall additional provision on account of COVID-19

47. The Group has not invoked or implemented resolution plan under the "Resolution Framework for COVID-19 related Stress" as per RBI circular dated August 6, 2020 for any of its borrower accounts.

48. In accordance with the instructions of RBI circular no. DOR.STR.REC.4/21.04.048/2021-22 dated April 07, 2021, the Group shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been recently circulated by the Indian Banks Association (IBA). The Company is in the process of suitably implementing this methodology and has created a liability of Rs 13.47 lakh towards estimated interest relief and reduced the same from the interest income for the year ended March 31, 2021.

49. Previous year figures have been regrouped/ reclassified wherever applicable.

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No. 101049W/E300004
Chartered Accountants

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: April 29, 2021

For and on behalf of the Board of Directors of
AAVAS FINANCIERS LIMITED

Manas Tandon
(Non-executive Promoter Nominee Director)
Place: Mumbai

Sushil Kumar Agarwal
(Managing Director and CEO)
Place: Jaipur

Ghanshyam Rawat
(Chief Financial Officer)
Place: Jaipur

Sharad Pathak
(Company Secretary & Compliance Officer)
Place: Jaipur

AAVAS FINANCIERS LIMITED

CIN: L65922RJ2011PLC034297
Registered and Corporate Office: 201-202, 2nd Floor, South End Square,
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Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
E-mail: investorrelations@aavas.in | Website: www.aavas.in

Notice to Members

NOTICE is hereby given that the **Eleventh Annual General Meeting** of the Members of Aavas Financiers Limited will be held on Tuesday, August 10, 2021 at 3:30 P.M., Indian Standard Time ("IST") through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") Facility to transact the following businesses:

ORDINARY BUSINESSES

1. **To consider and adopt:**

   (a) the audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2021 together with the reports of the Board of Directors and Auditors thereon; and

   (b) the audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2021 together with the report of the Auditors thereon.

2. To appoint a Director in place of Mr. Nishant Sharma (DIN:03117012), who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Mr. Vivek Vig (DIN:01117418), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESSES

4. **To reappoint Mrs. Kalpana Iyer (DIN: 01874130) as an Independent Director of the Company**

   To consider and, if thought fit, to pass the following resolution as a **Special Resolution:**

   "**RESOVLED THAT** pursuant to the provisions of Section 149, 152 read with Schedule IV of the Companies Act, 2013, Companies (Appointment and Qualification of Directors) Rules, 2014, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as 'SEBI LODR Regulations') and Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 ("RBI Master Directions") (including any statutory modification(s) or re-enactment thereof for the time being in force) and as per the provisions of Articles of Association of the Company, Mrs. Kalpana Iyer (DIN: 01874130) who was appointed as an Independent Director of the Company on June 23, 2016 and who has submitted declaration that she meets the criteria for independence as provided under Section 149(6) of the Act and Regulation 16(1) (b) & 25 (8) of the SEBI LODR Regulations and is not debarred from holding the office of Director by virtue of any SEBI order or any other such authority and who is eligible for re- appointment, be and is hereby re-appointed as an Independent Director (Non-Executive) not liable to retire by rotation, on the Board of the Company for a second term of 5 (five) consecutive years effective from June 23, 2021 to June 22, 2026 as approved by the Board of Directors in their Meeting held on April 29, 2021.

   RESOLVED FURTHER THAT pursuant to the provisions of sections 149, 197 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mrs. Kalpana Iyer be paid such fees as the Board may approve from time to time and subject to such limits as approved by the Shareholders of the Company on August 01, 2019 or within such other limit as may be approved by the Members of the Company from time to time.

   RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

5. **To approve increase in the borrowing powers in excess of Paid-up Share Capital, Free Reserves and Securities Premium of the Company under Section 180(1)(c) of the Companies Act, 2013**

   To consider and, if thought fit, to pass the following resolution as a **Special Resolution:**

   "**RESOLVED THAT** in supersession of all the earlier resolution(s) passed in this regard and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and as per the applicable directions/ guidelines issued by the Reserve Bank of India ("RBI") or National Housing Bank ("NHB") and the relevant provisions of the Articles of Association of the Company and all other applicable rules, laws and acts (if any) and subject to all other requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities (if any), the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "the Board" which term shall be deemed to include any Committee of the Board constituted / to be constituted / reconstituted by the Board to exercise its powers including the powers conferred by this resolution) for borrowing from time to time as they may think fit, any sum or sums of money not exceeding Rs. 14,000 crore (Rupees Fourteen thousand crore only) (including the money already borrowed by the Company) in Indian Rupees or in any equivalent foreign currency(ies) on such terms and conditions as the Board may deem fit, whether the same may be secured or unsecured and if secured, whether domestic or international, whether by way of charge by way of mortgage or hypothecation, pledge or otherwise in any way whatsoever, on, over or in any respect of all, or any of the Company's assets and effects or properties including stock in trade (receivables), notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) and remaining un-discharged at any given time, exceed the aggregate, for the time being, of the paid up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, and securities premium provided that the total borrowing limit shall be within the limits prescribed under the RBI Master Directions.

   RESOLVED FURTHER THAT the Board be and is hereby authorized for borrowing from time to time as it may think fit, any sum or sums of money not exceeding Rs. 14,000 crore (Rupees Fourteen thousand crore only) in Indian Rupees or equivalent thereof in any foreign currency(ies) in aggregate (including the monies already borrowed by the Company) on such terms and conditions as the Board may deem fit, by way of loans, or in any other form whatsoever, or issue of Bonds and/or Non-Convertible Debentures or other Securities or Term Loans, Cash Credit facilities or other facilities in form of debt in the nature of Debentures, Commercial Papers and the like to Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or any other person(s), body(ies) corporate, etc., whether Securities holder of the Company or not.

   RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorized to arrange or finalise the terms and conditions of all such borrowings, from time to time, viz. terms as to interest, repayment, security or otherwise as it may deem fit and to sign and execute all such documents, agreements and writings and do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

6. **To approve creation of charges on assets of the Company under Section 180(1)(a) of the Companies Act, 2013 to secure borrowings made/to be made under section 180(1)(c) of the Companies Act, 2013**

   To consider and, if thought fit, to pass the following resolution as a **Special Resolution:**

   "**RESOLVED THAT** in supersession of all the earlier resolution(s) passed in this regard and pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and as per the directions/guidelines issued by the Reserve Bank of India ("RBI") or National Housing Bank ("NHB") and relevant provisions of the Articles of Association of the Company, and all other applicable rules, laws and acts (if any) and subject to all other requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities (if any), the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "the Board" which term shall be deemed to include any Committee of the Board, constituted/ to be constituted / reconstituted to exercise its powers including the powers conferred by this resolution) to create charge by way of mortgage (s) and/or hypothecate and/or lien or otherwise on any of movable and / or immovable properties / assets of the Company including receivables in the form of book debts, wherever situated both present and future or on whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking(s), on such terms and conditions at such time(s) and in such form and manner, and with such ranking as to priority as the Board in its absolute discretion thinks fit, to or in favor of any bank(s) or Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or body(ies) corporate or person(s), whether Securities holders of the Company or not, to secure the borrowing facility together with interest, cost, charges and expenses thereon for amount not exceeding Rs. 14,000 crore (Rupees Fourteen thousand crore only) at any point of time (including the money already borrowed by the Company and in excess of the aggregate of the paid up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, and securities premium).

RESOLVED FURTHER THAT the securities to be created by the Company as aforesaid may rank exclusive/prior/ pari-passu/subsequent with/to the hypothecation/ mortgages/lien and/or charges already created or to be created by the Company as may be agreed to between the concerned parties.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

7. **To approve issuance of Non-Convertible Debentures, in one or more tranches /issuances on Private Placement Basis**

To consider and, if thought fit, to pass the following resolution as a **Special Resolution:**

"**RESOLVED THAT** pursuant to the provisions of Sections 42, 71 and all other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and Rules made thereunder, Guidelines on Private Placement of Non-Convertible Debentures (NCDs) prescribed under the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 ("RBI Master Directions"), Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) notification, 2012 and 2014, SEBI circular dated November 26, 2018 on Fund raising by issuance of Debt securities by large entities and other applicable RBI and SEBI Regulations and guidelines (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the provisions of Articles of Association of the Company and subject to applicable laws, rules and regulations and guidelines, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "the Board" which term shall be deemed to include any Committee of the Board, constituted / to be constituted / reconstituted including the powers conferred by this resolution) for making offers and / or invitations and / or issue, in one or more tranches, Non-convertible Debentures (NCDs), whether secured or unsecured and/or listed or unlisted including but not limited to subordinate debentures, bonds, and/or other debt securities as per section 2(30) of the Act on private placement basis, during the period of one year from the date of passing of the Special Resolution by the Members in this Annual General Meeting, for amount not exceeding Rs. 4,000 crore (Rupees Four thousand crore only) on such terms and conditions and at such times at par or at such premium, as may be decided by the Board to such person(s) , including to one or more Company(ies), bodies corporate(s), statutory corporations, commercial banks, lending agencies, financial institutions, insurance companies, mutual funds, pension/provident funds and individuals, as the case may be or such other person(s) as the Board may decide so for onward lending business of the Company and general corporate purposes and on the following terms:

(i) The Board shall have the sole discretion to deal with the unsubscribed portion of the Debenture Issue on such terms and conditions as it may deem fit.

(ii) The Company shall issue the NCDs for deployment of funds for creation of its own assets and not to facilitate the resource requests of or utilisation by group entities/parent Company/ associates of the Company.

RESOLVED FURTHER THAT the aggregate amount of funds to be raised by issue of NCDs, subordinate debentures, bonds, and/or other debt securities etc. shall not exceed the overall borrowing limits of the Company, as approved or may be approved by the Members of Company from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

8. **To approve "Equity Stock Option Plan For Employees 2021" ("ESOP-2021") of Aavas Financiers Limited**

To consider and, if thought fit, to pass the following resolution as a **Special Resolution:**

"**RESOLVED THAT** pursuant to provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with the rules made thereunder, provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), as per the provisions of Memorandum of Association and Articles of Association of the Company, and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed while granting such approvals, permissions and sanctions, the consent of the Members of the Company be and is hereby accorded to approve, adopt and implement "Equity Stock Option Plan for Employees 2021" (hereinafter referred to as "ESOP-2021") of Aavas Financiers Limited for formulation and implementation, and the Board of Directors of the Company (hereinafter referred to as "the Board" which terms shall be deemed to include the Nomination & Remuneration Committee of the Board) be and is hereby authorized to create, grant, offer, issue and allot, at any time, to the benefit of such eligible person(s), who are permanent employees of the Company (present or future), options exercisable into not more than 3,00,000 (Three lakh) Equity Shares of Rs. 10/- each of the Company under the ESOP-2021, on such terms and conditions as detailed in explanatory statement and as may be fixed by the Board in accordance with applicable laws.

RESOLVED FURTHER THAT each option would be exercised for one Equity Share of the face value of Rs. 10/- each fully paid-up on payment of the requisite exercise price to the Company, provided that in case the Equity Shares are either sub-divided or consolidated or any other corporate actions done in the Company, then the number of shares to be allotted under the Scheme shall automatically be adjusted to ensure there is no change in the economic value for the option holder, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the number of Equity shares to be allotted under the ESOP-2021 shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10/- per Equity Share bears to the revised face value of the Equity Shares consequent to any corporate action(s) such as Right Issue/ Bonus Issue/ Merger/ De-Merger/ Sub-Division/ Splitting etc. of Equity Shares of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot Equity Shares upon exercise of options from time to time in accordance with the ESOP-2021 and such Equity Shares shall rank pari- passu with all the existing Equity Shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorized to take necessary steps for listing of the shares allotted under the Scheme on the Stock Exchanges and to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

By Order of the Board of Directors
For Aavas Financiers Limited

Sharad Pathak
Company Secretary and Compliance Officer
Membership No.: FCS- 9587

Jaipur, July 13, 2021

Registered and Corporate Office:
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CIN: L65922RJ2011PLC034297
Tel: +91 14 1661 8800 Fax: +91 14 1661 8861
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NOTES:

1. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("the Act") setting out material facts concerning the special business under Item Nos. 4 to 8 of the accompanying Notice, is annexed hereto. The Board of Directors of the Company on July 13, 2021 considered that the special business under Item Nos. 4 to 8, being considered unavoidable, be transacted at the 11th AGM of the Company.

2. In view of the COVID-19 pandemic, continuing restriction on gathering of persons in the country to maintain social distancing and pursuant to General Circular Nos. 14/2020, 17/2020, 20/2020 and 02/2021 dated April 08, 2020, April 13, 2020, May 05, 2020 and January 13, 2021 respectively, issued by the Ministry of Corporate Affairs (MCA) and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 issued by the Securities and Exchange Board of India (SEBI) (hereinafter collectively referred to as "the Circulars") and in compliance with the provisions of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), the 11th AGM of the Company is being conducted through VC/OAVM Facility, which does not require physical presence of Members at a common venue. The deemed venue for the 11th AGM shall be the Registered Office of the Company.

3. This is to inform that as physical presence of Members has been dispensed with for attending the Meeting through VC/OAVM Facility, therefore there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by Members under Section 105 of the Act will not be available for the 11th AGM. However, the Body Corporates are entitled to appoint authorized representatives to attend the 11th AGM through VC/OAVM Facility and participate there at and cast their votes through e-voting.

4. Attendance of the Members participating in the 11th AGM through VC/OAVM Facility shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

5. Since the AGM will be held through VC/OAVM Facility, the Route Map, proxy form and attendance slip are not annexed to this Notice.

6. In compliance with the Circulars, the Annual Report 2020-21, the Notice of the 11th AGM, and instructions for e-voting are being sent only through electronic mode to those Members whose e-mail addresses are registered with the Company / depository participant(s).

7. In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of the SEBI LODR Regulations and the circulars, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the 11th AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a Member using remote e-voting system as well as voting on the date of the 11th AGM will be provided by NSDL.

8. The manner of voting remotely by Members including the Members who have not registered their e-mail addresses is provided in the instructions for e-voting section which forms part of this Notice.

9. Members may please note that the Notice of the 11th AGM will also be available on the website of the Company at www.aavas.in, websites of the Stock Exchanges, i.e. BSE Limited and National Stock Exchange of India Limited, at www.bseindia.com and www.nseindia.com respectively and also on the website of NSDL at www.evoting.nsdl.com.

10. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Act will be available electronically for inspection by the Members during the 11th AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the Members from the date of circulation of this Notice up to the date of AGM, i.e. August 10, 2021. Members seeking to inspect such documents can send an e-mail to investorrelations@aavas.in.

11. The certificate from Statutory Auditors of the Company certifying that the Company's Employees Stock Option Schemes are being implemented in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") and in accordance with the resolutions passed by the Members of the Company, will be available for electronic inspection without any fee by the Members

from the date of circulation of this Notice up to the date of AGM, i.e August 10, 2021. Members seeking to inspect such document can send an e-mail to investorrelations@aavas.in.

12. The Board of Directors of the Company ("the Board") has appointed Mr. Rupesh Agarwal (Membership No. ACS A16302), failing him, Mr. Shashikant Tiwari (Membership No. ACS 28994) Practicing Company Secretaries and Partners of M/s Chandrasekaran Associates, as the Scrutinizer ("Scrutinizer") to scrutinize the casting vote through remote e-voting and casting vote through the e-voting system during the Meeting process in a fair and transparent manner.

13. The Scrutinizer shall after the conclusion of e-voting at the 11th AGM shall make a scrutinizer's report of the total votes cast in favour or against, invalid votes, if any, and whether the resolution has been carried or not, and such Report shall then be sent to the Chairperson or a person authorized by him, within 2 working days from the conclusion of the 11th AGM, who shall then countersign and declare the result of the voting forthwith.

14. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company at www.aavas.in and on the website of NSDL at www.evoting.nsdl.com immediately after the declaration of Results by the Chairperson or a person authorized by him. The results shall also be displayed on the notice board at the registered office of the Company and shall be immediately forwarded to the Stock Exchanges, i.e. BSE Limited and National Stock Exchange of India Limited.

15. Details as required in sub-regulation (3) of Regulation 36 of the SEBI LODR Regulations and Secretarial Standard on General Meeting ("SS-2") of ICSI, in respect of the Directors seeking appointment/ re-appointment at the 11th AGM, forms integral part of the Notice of the 11th AGM as Annexure. Requisite declarations have been received from the Directors for seeking appointment/ re-appointment.

16. As an eco-friendly measure intending to benefit the society at large, we request you to be part of the e-initiative and register your e-mail address to receive all communication and documents including Annual Reports from time to time in electronic form to the e-mail address provided by you. Members may send such communication to their respective Depository Participants (DPs).

17. Members can avail the facility of nomination in respect of shares held by them pursuant to the provisions of Section 72 of the Act read with Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014. Members desiring to avail this facility may contact their respective DPs for recording their Nomination.

18. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members are, therefore, requested to submit their PAN details to their DPs with whom they are maintaining their demat accounts.

19. Members are requested to intimate changes, if any, pertaining to their name, postal address, e-mail address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs.

20. Members desirous of obtaining any information / clarification relating to the accounts are requested to submit their query in writing to the Company well in advance so as to enable the Management to keep the information ready.

21. **Instructions for Members for Remote e-Voting are as under:-**

    a. The remote e-voting period will commence on Thursday, August 05, 2021 (9:00 a.m. IST) and end on Monday, August 09, 2021 (5:00 p.m. IST). During this period, Members of the Company, holding shares as on the cut-off date i.e. as on Tuesday, August 03, 2021, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. The voting rights of Members shall be in proportion to their share in the paid up equity share capital of the Company as on the cut- off date.

    b. A person who is not a Member as on the cut-off date should treat this Notice of 11th AGM for information purpose only.

    c. Any person, who acquires shares of the Company and becomes Member of the Company after the Company sends the Notice of the 11th AGM by e-mail and holds shares as on the cut-off date i.e. on August 03, 2021, may obtain the User ID and password by sending a request to e-mail address evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing user ID and password for casting his/her vote. In the case of forgot password, the same can be reset by using "Forgot User Details/Password?" or "Physical User Reset Password" option available on www.evoting.nsdl.com.

d. The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

e. Institutional (i.e. other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/ Authorization etc., authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/ Authorization shall be sent to the Scrutinizer by e-mail through its registered e-mail address to shashikant@cacsindia.com / rupesh@cacsindia.com with a copy marked to evoting@nsdl.co.in.

f. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

g. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 18001020990 and 1800224430 or send a request at evoting@nsdl.co.in. or contact Mr. Amit Vishal, Senior Manager or Ms. Pallavi Mhatre, Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated e-mail IDs: evoting@nsdl.co.in or AmitV@nsdl.co.in or pallavid@nsdl.co.in or at telephone nos. : +91-22-24994360 or +91-99202 64780 or +91-22-24994545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the Company's e-mail address investorrelations@aavas.in.

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

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

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

Details on Step 1 are mentioned below:

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

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual Shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their Mobile Number and email Id in their demat accounts in order to access e-Voting facility.

- Login method for Individual Shareholders holding securities in demat mode is given below:

Type of Shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	1. If you are already registered for **NSDL IDeAS facility**, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "**Beneficial Owner**" icon under "Login" which is available under "**IDeAS**" section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on options available against Company name or **e-Voting service provider - NSDL** and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the Meeting. 2. If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "**Register Online for IDeAS**" Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp

Type of Shareholders	Login Method
	3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on options available against company name or **e-Voting service provider - NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual Meeting & voting during the Meeting.
Individual Shareholders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL**. Click on **NSDL** to cast your vote. 3. If the user is not registered for Easi / Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-Voting is in progress.
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against company name or **e-Voting service provider-NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the Meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43

- Login Method for Shareholders other than Individual Shareholders holding securities in demat mode and Shareholders holding securities in physical mode.

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

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.

3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Password details for Shareholders other than Individual Shareholders are given below:

   a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c) How to retrieve your 'initial password'?

      (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

      (ii) If your email ID is not registered, please follow steps mentioned below in **process for those Shareholders whose email ids are not registered**

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:

   a) Click on **"Forgot User Details/Password?"** (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b) **Physical User Reset Password?"** (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address etc.

   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

   Details on Step 2 are mentioned below:

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

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

      Process for those Shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this Notice:

      - In case shares are held in physical mode please provide Folio No., Name of Shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to investorrelations@aavas.in.
      - In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to investorrelations@aavas.in. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.
      - Alternatively Shareholder/Members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.
      - In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual Shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

22. **Instructions for Members for attending the 11th AGM through VC/OAVM Facility are as under:**

    a. Members may join the 11th AGM through VC/OAVM Facility which shall be kept open for the Members from 3:00 p.m. IST i.e. 30 minutes before the time scheduled to start the 11th AGM and the Company may close the window for joining the VC/OAVM Facility 30 minutes after the scheduled time to start the 11th AGM.

    b. Member will be provided with a facility to attend the 11th AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for Access to NSDL e-Voting system. After successful login, you can see link of "VC/OAVM link" placed under "Join General Meeting" menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

c. Members may note that the VC/OAVM Facility, provided by NSDL, allows participation of atleast 1,000 Members on a first-come-first-served basis. The large Shareholders (i.e. Shareholders holding 2% or more shareholding), promoters, institutional investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the 11th AGM without any restriction on account of first-come- first-served principle.

d. Members are encouraged to join the Meeting through Laptops for better experience.

e. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the Meeting.

f. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

g. Members who would like to express their views/ask questions as a speaker during the Meeting may register themselves as a speaker from August 03, 2021 to August 05, 2021 by sending their request mentioning their name, demat account number/folio number, e-mail ID, mobile number at investorrelations@aavas.in.

h. Members who would like to express their views/have questions may send their questions in advance from August 03, 2021 to August 05, 2021 by mentioning their name demat account number/folio number, e-mail ID, mobile number at investorrelations@aavas.in. The same will be replied by the Company suitably.

i. Those Members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the Meeting.

23. The instructions for Members for e-voting on the day of the 11th AGM are as under:-

a. The procedure for e-voting on the day of the 11th AGM is same as the instructions mentioned above for remote e-voting.

b. Only those Members/ Shareholders, who will be present in the AGM through VC/OAVM Facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system in the AGM.

c. Members who have voted through Remote e-voting will be eligible to attend the 11th AGM. However, they will not be eligible to vote at the AGM again.

d. The details of the person who may be contacted for any grievances connected with the facility for e-voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

EXPLANATORY STATEMENT PURSUANT TO THE SECTION 102 OF THE COMPANIES ACT, 2013 (“the Act”)

The following Statement sets out all material facts relating to the Special Businesses mentioned in the accompanying Notice:

ITEM NO. 4

The Members of the Company had appointed Mrs. Kalpana Iyer as an Independent Director of the Company for a period of 5 (five) years with effect from June 23, 2016. Mrs. Kalpana Iyer is a Chartered Accountant and has rich and vast experience in the field of Finance. She is a Non-Executive Independent Director of the Company. She holds a Bachelor’s Degree in Commerce from the Madurai Kamaraj University. She was previously associated with Citibank N.A., India as its Senior Vice-President, during which she was responsible for women’s banking and microfinance. She has also been part of Indian Institute of Management’s (IIM) study on Women on Boards in India in collaboration with Federation of Indian Chambers of Commerce and Industry (FIICI). She has also previously held the position of a Director at IncValue Advisors Private Limited. At present, she is acting as a Managing Director of Svakarma Finance Private Limited. She has been on the Board of Aavas Financiers Limited since June 23, 2016. She is Chairperson of the Audit Committee and Member of Corporate Social Responsibility Committee. In terms of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and Sections 149, 152, read with Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mrs. Iyer is not disqualified from being appointed as an Independent Director under provisions of Section 164 of the Act, nor debarred from holding the office of Director by virtue of any SEBI order, NHB/RBI or any other such authority and has given her declaration of independence, fit and proper criteria and consent to act as a Director of the Company.

The Company has also received candidature letter under Section 160 of the Act. A copy of appointment letter setting out terms and conditions of her appointment and all other documents referred to in the accompanying Notice and this statement are available for inspection through electronic mode.

Hence, on the recommendation of the Nomination and Remuneration Committee of the Company, after taking into account the performance evaluation during her first term of five years, the Board of Directors ("Board") has appointed, subject to the approval of the Members, Mrs. Kalpana Iyer (DIN 01874130) as an Independent Director of the Company for a second term of five consecutive years, not liable to retire by rotation to hold the office for a period of 5 years with effect from June 23, 2021 to June 22, 2026, subject to approval of Shareholders.

A brief profile and other details required as per SEBI Listing Regulations and Secretarial Standards-2 of Institute of Company Secretaries of India is given as an annexure to this Notice.

In the opinion of the Board, Mrs. Kalpana Iyer, proposed to be re-appointed as an Independent Director, fulfils the conditions specified in the Act and rules made thereunder. The Board considers that her continued association would be immense benefit to the Company and it is desirable to continue to avail the services as an Independent Director.

None of the Directors or Key Managerial Personnel and their relatives, except Mrs. Iyer and her relatives, are concerned or interested, financially or otherwise in this Resolution, except to the extent of their shareholding in the Company, if In terms of provisions of Section 149(10) of the Companies Act, 2013, re-appointment of an Independent Director requires passing of a special resolution. Accordingly, the Board of Directors recommends the resolution set out at item no. 4 for the approval of Members as a Special Resolution.

ITEM NO. 5 & 6

The Board of Directors of the Company ("Board") envisages requirements of funds in future. As per the provisions of Section 180(1)(c) of the Companies Act, 2013 ("Act"), the Board can borrow money subject to the condition that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed the aggregate, for the time being, of the paid-up share capital and free reserves, that is to say, reserves not set apart for any specific purpose and securities premium unless the Members have authorized the Board to borrow the monies up to some higher limits.

Further as per Paragraph 27.2 of RBI Master Directions, No housing finance company can have its total Borrowing limit in aggregate, in excess of twelve times of its Net Owned Fund (NOF).

Hence, it is proposed to empower and authorize the Board to borrow money from any Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or any other person(s),or entity/ies etc. excess of paid up share capital and free reserves and securities premium of the Company by a sum not exceeding Rs. 14,000 crore (Rupees Fourteen thousand crore only) (including the money already borrowed by the Company) for the purposes of lending business of the Company and general corporate purposes, provided that the total borrowing limit shall always be within the limits as prescribed under the RBI Master Directions.

The resolution as set out at item no. 5 of the Notice is placed for your approval by way of Special Resolution of the aforesaid limits of borrowing by the Board up to an amount not exceeding Rs. 14,000 crore (Rupees Fourteen thousand crore only) or equivalent thereof in any foreign currency(ies) (including the money already borrowed by the Company).

With a view to meet fund requirements for the aforesaid purpose, the Company would be required to borrow funds from time to time by way of loans or in any other form whatsoever including but not limited to issue of bonds, debentures or other securities as detailed in the resolution as set out at item no. 5.

The said borrowings by way of loan or issue of securities may be required to be secured by way of charge through lien / hypothecation / mortgage over all or any part of the movable and / or immovable properties of the Company and as per the provisions of Section 180 (1) (a) of the Act, the mortgage or charge on all or any part of the movable and /or immovable properties of the Company, may be deemed as disposal of the whole, or substantially the whole, of the undertaking of the Company and hence the approval of the Members of the Company is required by way of an Special Resolution as set out at Item No. 6 of the Notice.

As per Section 180(1)(a) and 180(1)(c) and other applicable provisions of the Act, approval of the Members is being sought by way of passing Special Resolution. Hence, the Board recommends passing of the enabling Special Resolutions set out at item No. 5 and 6 of the Notice.

None of the Directors or Key Managerial Personnel of the Company or their relatives is in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item No. 5 and 6 of the accompanying Notice.

ITEM NO. 7

Your Company has been issuing debentures, which may be referred to as one of the option for raising money from time to time, for onward lending business of the Company and general corporate purposes, on terms and conditions as are appropriate and in the best interest of the Company and in due compliance with the applicable provisions of the Companies Act, 2013 (“the Act”), SEBI (Issue and Listing of Debt Securities) Regulation 2008, Debt Listing Agreement and Guidelines as issued by Reserve Bank of India, National Housing Board etc. Accordingly, the Company, subject to the approval of Members, proposes to issue Non-convertible Debentures (including bonds, and/or other debt securities as per Section 2(30) of the Act to various person(s) on private placement basis, at such terms and conditions and at such price(s) in compliance with the requirements of regulatory authorities, if any and as may be finalized by the Board and/or Committee of Board. The amount to be raised by way of issue of listed or unlisted, secured/unsecured redeemable Non-convertible Debentures on a private placement basis however shall not exceed Rs. 4,000 crore (Rupees Four thousand crore only) in aggregate, in one or more series/ tranches on private placement basis. The aforesaid borrowings are within overall borrowing limits authorized by Members, from time to time. It may be noted that that as per Rule 14 of Companies (Prospectus and Allotment of Securities) Second amendment Rules, 2018 read with Section 42 of the Act, allows a company to pass a Special Resolution once in a year for all the offer or invitation for Non-Convertible Debentures to be made during the year through a private placement basis in one or more tranches.

Therefore, consent of the Members is accordingly sought in connection with the aforesaid issue of debentures/bonds from time to time and they are requested to enable and authorize the Board (including any Committee of the Board) to issue Non-convertible Debentures on private placement basis of Rs. 4,000 crore (Rupees Four thousand crore only) as stipulated above, in one or more tranches, during the period of one year from the date of passing of the Resolution set out at Item No. 7 of this Notice, within the overall borrowing limits of the Company, as approved by the Members from time to time.

The Board accordingly recommends the Special Resolution as set out at Item No. 7 of the Notice for the approval of the Members.

None of the Directors or Key Managerial Personnel of the Company or their relatives is in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item No. 7 of the accompanying Notice.

ITEM NO.8

The Company intends to formulate and implement Equity Stock Option Plan for Employees 2021” (“ESOP-2021”) of Aavas Financiers Limited.

The principle object of ESOP-2021 is to promote the culture of employee ownership and to attract, retain, motivate senior management as well as critical talent of the Company and to give them opportunity to participate and gain from the Company’s performance, thereby, acting as a retention tool as well as to align the efforts of such talent towards long term value creation in the organization. Under the ESOP-2021, options are proposed to be issued to employees fulfilling the criteria; each stock option would give right to the option holder to subscribe one Equity Share.

The Members are informed that the Company intends to offer not more than 3,00,000 (Three lakh) Equity Shares of face value Rs. 10 each of the Company under the ESOP-2021 by way of grant of Options which will be granted directly by the Company. The Plan will be administered by the Nomination & Remuneration Committee of Board of Directors (“Board”). ESOP grants to Employees of subsidiary of the Company shall be subject to the Shareholder’s approval in terms of applicable laws.

ESOP-2021 has been prepared and formulated in compliance with provisions of the Companies Act, 2013 (“the Act”) and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“SEBI SBEB Regulations”)

Particulars of disclosures as required under Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 and SEBI SBEB Regulations and circulars issued by SEBI are given below:

a) **Total number of Options to be granted**

1. A total of 3,00,000 (Three lakh) options would be available for grant to the eligible employees of the Company under the ESOP-2021.
2. Each option when exercised would give the option holder a right to get one fully paid Equity Share of the Company.
3. In cases where options, whether vested or unvested, lapse or expire or are forfeited for any reason under the applicable laws, the Nomination & Remuneration Committee may re-issue the options to other eligible employees. The options so issued shall be subject to the terms and conditions of the ESOP-2021.

b) **Identification of Classes of employees entitled to participate in the ESOP-2021**

For the purpose of the ESOP-2021, the eligible employees shall be amongst from the following persons:

1. A permanent employee of the Company working in India or outside India; or
2. A Director of the Company, whether Managing Director or not but excluding an Independent Director; or
3. An employee as defined in above clause (1) or (2) of a subsidiary of the Company, in India or outside India, or of a Holding Company of the Company, if any;

Further, the following persons are not eligible to be categorized as eligible employees under the ESOP–2021:

1. An employee who is a promoter of the Company or belongs to the promoter group; or
2. A Director of the Company, who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding Equity Shares of the Company.

Following the above conditions, the eligibility to participate in the Plan is further subject to such criteria as may be decided by the Nomination & Remuneration Committee at its own discretion, including, but not limited to the date of joining of the Employee with the Company, grade of the Employee, performance evaluation, period of service with the Company, criticality or any other criteria, as the Nomination & Remuneration Committee determines.

c) **Requirements of Vesting and period of Vesting (not less than 1 year)**

The options granted shall vest so long as the employee continues to be in the employment of the Company.

The vesting period shall not be less than 1 year from date of grant of options. The vesting may happen in one or more tranches. The detailed terms and conditions of vesting are mentioned in the ESOP-2021.

The Nomination & Remuneration Committee may, at its sole & absolute discretion, lay down performance metrics which shall inter-alia include business performance and achievement of set business targets on the achievement of which such options would vest, the detailed terms and conditions relating to such performance-based vesting and the proportion in which options granted would vest.

d) **Maximum Period within which the options shall be vested**

Under the "ESOP–2021", the vesting will occur in not more than 5 years from the date of grant of option.

e) **Conditions under which Vested Options may lapse**

In case of termination of employment of the employee 'for cause', the vested options may lapse. The events included under 'for cause' are specifically mentioned in the ESOP-2021.

f) **Exercise Price or pricing formula**

Exercise Price means the price determined by the Nomination and Remuneration committee payable by the Option Grantee in order to exercise the Options granted to him or as set out in his Letter of Grant.

g) **Exercise Period and process of exercise**

The vested options shall be eligible for exercise on and from the date of vesting. The exercise period shall be four (4) years from the date of vesting of options except in case of termination without cause and resignation by the employee.

The employee can exercise stock options at any time after the vesting date either in full or in tranches by making full payment of exercise price and applicable taxes and by execution of such documents as may be prescribed by the Nomination & Remuneration Committee, from time to time. The options shall lapse if not exercised within the specified exercise period.

h) Exercise Period for Vested Options in Case of Termination of or Resignation from Employment

The exercise period for vested options in case of termination of employment 'without cause' or resignation from employment is 90 days from the date of termination or resignation as the case may be.

i) **Appraisal process for determining the eligibility of the Eligible Employees**

The process for determining the eligibility of the Eligible Employees will be specified by the Nomination & Remuneration Committee and will be based on designation; period of service, loyalty, value addition, present & past contribution, band, performance linked parameters such as work performance and such other criteria as may be determined by the Nomination & Remuneration Committee at its sole discretion, from time to time.

j) **Maximum number of options to be granted per Eligible Employee and in aggregate**

Maximum number of options to be granted to an Eligible Employees will be determined by the Nomination & Remuneration Committee on a case to case basis and shall not exceed the limit prescribed under the applicable laws.

k) **Maximum quantum of benefits to be provided per Employee:**

The maximum quantum of benefits underlying the options issued to an employee shall be equal to the difference between the option exercise price and the market price of the shares on the exercise date.

l) **Lock in Period**

The Equity Shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise unless the Nomination & Remuneration Committee decides otherwise.

m) **Implementation and Administration of ESOP-2021**

ESOP-2021 shall be implemented directly by the Company through the Nomination & Remuneration Committee of the Board. Further, all acts, deeds, things and matters in connection to ESOP-2021 shall be administered by the Nomination & Remuneration Committee of the Board.

n) **Source of acquisition of shares under the ESOP-2021 i.e. new issue of shares by the company or secondary acquisition by the trust or both;**

Equity Shares shall be allotted to the eligible employees exercising their Options by way of a new issue by the company directly to the Employees.

o) **Amount of loan to be provided for implementation of the Scheme(s) by the Company to the trust, its tenure, utilization, repayment terms, etc.**

Not applicable

p) **Maximum percentage of secondary acquisition:**

Not applicable

q) **Compliance with Accounting Policies**

The Company shall comply with the disclosures, the accounting policies and other requirements as may be prescribed under the applicable laws from time to time.

r) **Method of valuation of options**

The Company shall adopt the fair value Method by using Black- Scholes Option Pricing Formula for determining the value of an option granted under the ESOP-2021.

As the ESOP-2021 would require issue of further Equity Shares, in terms of Sections 62(1)(b) and rules made thereunder and all other applicable provisions, if any, of the Act, as amended and the SEBI SBEB Regulations, consent of the Members of the Company is required by passing a Special Resolution in a General Meeting.

A draft copy of the ESOP-2021 is available for inspection as per details mentioned in note no. 8 to the accompanying Notice of the Annual General Meeting.

None of the Directors or Key Managerial Personnel (KMP) of the Company and their relatives is in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 08 of the accompanying Notice, except to the extent of the stock options that may be granted to them under ESOP-2021.

The Board of Directors recommends resolution set out at Item No. 08 for your consideration and approval by way of Special Resolution.

By Order of the Board of Directors
For Aavas Financiers Limited

Sharad Pathak
Company Secretary and Compliance Officer
Membership No.: FCS- 9587

Jaipur, July 13, 2021

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Annexure

Details of Directors seeking appointment/re-appointment vide this Notice pursuant to Regulation 36 (3) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and Secretarial Standards on General Meetings issued by Institute of Company Secretaries of India (ICSI):

Name of Director	Mr. Nishant Sharma	Mr. Vivek Vig	Mrs. Kalpana Iyer
Date of Birth	19.06.1978	06.12.1962	01.06.1965
DIN	03117012	01117418	01874130
Age	42 yrs	58 yrs	55 yrs
Qualification	B.Tech & M.Tech and MBA	MBA	Chartered Accountant
Brief Resume and Experience	Mr. Sharma is a Promoter Nominee Director appointed on the Board of Aavas by one of our promoters, Lake District Holdings Limited. He is the Co-Founder and Partner of Kedaara Capital, a leading India focused private equity firm. Mr. Sharma has over 14 years of investment experience, encompassing the full lifecycle of private equity from sourcing investments across sectors, driving value creation to successfully divesting investments over this period. Before cofounding Kedaara, Mr. Sharma was at General Atlantic ("GA") and co-led GA's investments across financial services, healthcare, business services and technology including investments in IndusInd Bank, Jubilant Lifesciences, IBS Software among others. Prior to GA, Mr. Sharma worked as a management consultant with McKinsey & Company, serving clients across IT/BPO, financial services, healthcare and public policy. In addition, Mr. Sharma worked at the Bill & Melinda Gates Foundation in setting up the largest HIV/AIDS prevention program in India. Mr. Sharma holds the Economic Times 40 under 40 Award given to business leaders in India. Mr. Sharma holds an M.B.A. from Harvard Business School, and a Dual Degree (B.Tech. and M.Tech) in Biochemical Engineering and Biotechnology from Indian Institute of Technology, Delhi.	Mr. Vig is a Non-executive Nominee Director appointed on the Board of Aavas by Partners Group ESCL and Partners Group Master Fund. He holds a post-graduate diploma in management from Indian Institute of Management at Bangalore. Mr. Vivek Vig has previously served as the Managing Director and Chief Executive Officer of Destimoney Enterprises Limited. Further, he was previously associated with the Centurion Bank of Punjab (which was subsequently merged with HDFC Bank) as its country head - retail bank and has also acted as a director on the board of PNB Housing Finance Limited. Additionally, in the past, he has also been associated with Citibank N.A., India, where he has held various positions across the consumer bank.	Mrs. Iyer is an Independent Director of Aavas. She holds a Bachelor's Degree in Commerce from the Madurai Kamaraj University. She is a qualified Chartered Accountant having more than 25 yrs of experience and is a member of the Institute of Chartered Accountants of India. Kalpana Iyer was previously associated with Citibank N.A., India as its Senior Vice-President, during which she was responsible for women's banking and microfinance. She has also previously held the position of Director at IncValue Advisors Private Limited. At present, she is acting as Managing Director of Svakarma Finance Private Limited.

Nature of expertise in specific functional areas	Finance and Risk Management.	Accounting and Finance, Risk Management.	Accounting and Finance, Risk Management.
Relationships with other directors and Key Managerial Personnel inter-se	None	None	None
Directorship held in other Companies in India	7	5	2
Membership / Chairmanship of Committees in other Companies in India	Nil	1	2
No. of Equity shares held in the Company (As on March 31, 2021)	Nil	2,88,246	7,608
Key terms and conditions of re-appointment	Re-appointment as Promoter Nominee Director liable to retire by rotation	Re-appointment as Promoter Nominee Director liable to retire by rotation	Copy of the appointment letter, setting out terms and conditions of her appointment is available for inspection electronically as per details mentioned in note no. 10 to the accompanying Notice of the Annual General Meeting.
Remuneration proposed to be paid	Nil	Profit related commission as approved by the Members from time to time	Profit related commission as approved by the Members from time to time.
Date of first appointment on Board, last drawn remuneration and number of board meetings attended	Mr. Sharma has been associated with the Company as Promoter Nominee Director from June 23, 2016. He was not paid any remuneration during the Financial Year. During the Financial Year 2020-21, 4 (Four) Board Meetings were convened and held and all 4 (Four) Meetings were attended by Mr. Sharma.	Mr. Vig has been associated with the Company as Nominee Director from July 14, 2016. During the Financial Year 2020-21 Mr. Vig was paid sitting fees and commission amounting to Rs. 17 lakh. During the Financial Year 2020-21, 4 (Four) Board Meetings were convened and held and all 4 (Four) Meetings were attended by Mr. Vig.	Mrs. Iyer has been associated with the Company as an Independent Director since June 23, 2016. During the Financial Year 2020-21 Mrs. Iyer was paid sitting fees and commission amounting to Rs. 17 lakh. During the Financial Year 2020-21, 4 (Four) Board Meetings were convened and held and all 4 (Four) Meetings were attended by Mrs. Iyer.

NOTES

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SAPNE AAPKE, SAATH HAMAARA

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CIN No. L65922RJ2011PLC034297

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