



**SPANDANA**

ANNUAL REPORT  
**2019-20**



**Steadfastly Growing**  
**Firmly Rooted**





## What's Inside...

### Corporate Overview

|                                     |    |
|-------------------------------------|----|
| ➤ Know Us                           | 02 |
| ➤ MD's Communiqué                   | 04 |
| ➤ Our Growth Journey                | 06 |
| ➤ Our Growth-led Transformations    | 08 |
| ➤ Stories of Growth and Aspirations | 11 |
| ➤ Corporate Information             | 12 |

### Statutory Reports

|   |    |
|---|----|
| ➤ Management Discussion & Analysis            | 13 |
| ➤ Staff Code of Conduct                       | 20 |
| ➤ Corporate Social Responsibility Initiatives | 23 |
| ➤ Board of Directors                          | 26 |
| ➤ Board's Report                              | 29 |
| ➤ Business Responsibility Report              | 45 |
| ➤ Corporate Governance Report                 | 52 |

### Financial Statements

|                |     |
|----------------|-----|
| ➤ Standalone   | 82  |
| ➤ Consolidated | 153 |

### Investor Information

|                                 |   |
|---------------------------------|---|
| ➤ Current Market Capitalisation | : ₹ 3,770.08 Cr*  |
| ➤ BSE Code                      | : 542759  |
| ➤ NSE Symbol                    | : SPANDANA  |
| ➤ AGM Date                      | : September 30, 2020  |
| ➤ AGM Time                      | : 3.00 pm   |
| ➤ AGM Mode                      | : Video Conferencing (VC) and Other Audio Visual Means (OAVM) |

\*As on March 31, 2020

**Forward looking statement:** This document contains statements about expected future events of Spandana Spoority Financial Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make certain assumptions and are subject to inherent risks and uncertainties. Accordingly, these assumptions, may not prove to be accurate. Readers are advised that the actual future results and events may differ from those expressed in the forward-looking statements.



# Steadfastly Growing Firmly Rooted

Every story of growth is a demonstration of undying efforts, enduring patience, precise strategies, and perpetual resilience. And to sustain such progress, a strong foundation built on roots of values becomes imperative.

At Spandana, we have always believed that while growth shapes our today, our values shape our tomorrows.

Time and again, through the most difficult crises and headwinds, we have evinced a strong resolve through our consistent performance. Despite the challenges, we have been amongst the best performing entities in the Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI) space for the last couple of years. Our strong comebacks testify our ability to emerge and beat our own benchmarks. We have clocked stellar numbers, disbursed higher, recorded better AUMs, and improved asset quality – making us one of the most profitable players.

As we walk this path, growing at a brisk pace, our primary purpose of touching the lives of millions remains at the core. We have been traversing on this route as we provide capital to low-income households, fostering a spirit of entrepreneurship. Our offerings help our customers diversify their businesses while increasing their income-earning potential. Our diverse services not only help in asset creation but also in reducing poverty by bringing economic stability. Hence, growing with our stakeholders while being firmly rooted as we play our part in nation-building.

**₹ 6,829 Cr**

**Assets Under Management**

(56.2% growth over the previous year)

**₹ 8,004 Cr**

**Disbursements**

(61.1% growth over the previous year)

**₹ 906 Cr**

**Net Interest Income**

(45.4% growth over the previous year)

**0.36% /  
0.07%**

**GNPA / NNPA**

**19.9%**

**Cost to Income %**

(500 bps reduction over the previous year)

**25.7 lakhs**

**No. of Borrowers as on Date**

(4.4% growth over the previous year)

**1,010**

**No. of Branches**

(9.2% growth over the previous year)

**₹ 1,190 Cr**

**Successful IPO Size**





# Know Us

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

## Bridging the Gap

### Guntur Town, Andhra Pradesh, India

During a hot summer afternoon of 1997, Mrs. Padmaja Reddy saw a woman rag-picker on the street, buying household reject items on a pushcart. The curious entrepreneur in Mrs. Reddy realized that the lady, who was working very hard, was not getting commensurate returns and lived in poverty. With an exploitative daily cart rent, the lady was cumulatively spending far more than the cost of buying scores of such carts. The rag picker's rented pushcart was costing her a hefty amount for the past twenty years. Even after paying almost ₹ 60,000 over the years, the lady still did not own the cart. It was evident that the woman's inability to pay a lump sum to buy a cart had denied her the control of her own livelihood. The lack of access to affordable and serviceable capital left no alternative for the ragpicker. Sure, a bank would have never provided credit to the lady on many counts, the moneylender was far too exploitative. Mrs. Reddy decided to lend her a little money, enough to buy a cart, with a promise of timely and reasonable repayments. The hard-working woman started using her newly-bought and self-owned pushcart, saving a handsome amount on the rent cost. She not only repaid the money conveniently from her increased returns but also saved some to improve her well-being. A word was spread about a lady helping economically active women with loans. This struck the right chord with several low-income people, and soon there were many waiting to meet Mrs. Reddy at her doorstep.

**Seldom an everyday experience, so profound and timely, stirs the courage in a person to set things right.**

**Largest  
Player**

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

**2nd  
Largest**

in terms of  
Market cap

**3rd  
Largest**

NBFC MFI in  
terms of AUM

This is how Spandana was born with a thought of helping the economically weaker sections of society. Gradually we progressed and have today catapulted into one of the largest and the most seasoned MFI in India. Through our 23-year history, we have been committed to strengthening the socio-economic status of low-income households – particularly women – that are unbanked and under-banked in rural and urban areas. In a general scenario, the products offered by the banks may not meet the banking requirements of low-income households and individuals. This is where we step in to fill the demand gap by providing services at the doorstep.

Our financial services are helping improve livelihoods, establish identity, enhance self-image, and enabling our customers to be a part of decision-making at the household level. Thereby, helping women to manage and grow their microenterprises with access to capital through MFI loans.



## Lending model

Spandana follows both, the group-based and the individual micro-credit lending model, wherein, the loans are given to individuals based on their household economics. Besides microcredit, we have offered various other loan products in our journey as an MFI. This includes the Agri-family loans, Farm equipment loans, Small mortgages, and Loans against gold jewellery, among others.

## Product Offerings



### Abhilasha (JLG Loans)

Abhilasha stands for 'Aspiration'. This unique loan is designed especially for low-income households.



### Loans Against Property (LAP)

These are given against the mortgage of Residential Properties/Commercial Shops (excluding any open plots on agriculture land).



### Personal Loans

These loans are given exclusively for Business Development, Purchase of Livestock, House Construction / Renovation, or any other emergency needs.



### Gold Loans (Keertana)

Gold loans are given against the mortgage of jewellery.



### Interim Loans

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



## Mission

We want to be one of the most significant microfinance service providers by offering a range of financial and non-financial products and services to low-income households and individuals to improve the quality of life. We constantly endeavour to deliver quality services to our clients and remunerative returns to our investors by maintaining the highest levels of transparency and integrity. We strive to be the most preferred employer in the Industry.

## ₹ 430 Bn

Through our history of Microfinance Programme of over 23 years, first as SRUDO and later as Spandana, we have done a gross loan disbursement of over ₹ 430 Bn



## Core Values

**TRICS** exemplifies our core values:

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



# MD's Communiqué



“Even while sailing through these tough times, our strong resolve helped us deliver value for all our stakeholders. This approach, backed by our undeterred grit and spirit to bounce back, pushed us to propel onto a steady growth orbit. With our firmly rooted values and belief in our mission of serving low-income households and individuals, we steadfastly kept growing to improve the quality of life for our customers.”

## Dear Members,

With immense pleasure, I present to you the first annual report of Spandana Spahoorty Financial Limited, post our listing on the Indian stock exchanges on August 19, 2019. I am glad to share that our Company extended its growth trajectory to reach a Consolidated AUM of ₹ 68,291 Mn as on March 2020 (year-on-year growth of 56%). With this, we clocked the highest AUM in our history. The year witnessed multiple external events which impacted the NBFC industry in general and MFIs, in specific cases. While these exogenous events have created certain hurdles for the NBFC industry, Spandana has displayed a proven track record of emerging stronger and, as a result, more resilient time and again.

## Reaching new summits

We expanded our operations to Haryana in FY 2019-20, in addition to the existing presence in 16 states and 1 union territory. The branch network grew by 85, taking the total from 925 branches at the end of FY 2018-19 to 1,010 at the end of FY 2019-20. More importantly, Spandana entered 16 new districts, taking our total district count to 280 as on March 31, 2020. This was in line with our philosophy of penetrating deeper in our operating areas and serving most of the potential borrowers. The branch expansion was supported by the addition of 1,430 Loan Officers, taking their total count to 6,103 as on March 31, 2020.

On August 19, 2019, Spandana successfully completed its public listing on the Indian stock exchanges via an Initial Public Offering (IPO). Due to events such as the abrogation of Article 370 and 35A, the stock market indices were turbulent and sharply fell by 38% on an annualized basis,

a month prior to our listing date. Despite such challenging market conditions, the IPO was subscribed 1.05 times. The ₹1,200-Cr issue received bids for 1,03,27,585 shares against 98,22,367 units on offer.

We endeavour to become a one-stop-shop for our borrowers' financial requirements. This led us to launching and expanding a new product known as Blue Lemon, a consumer goods financing product. Besides, we have always put a special emphasis on technology integration to make our systems and processes more efficient and convenient, to eventually make our systems and processes leaner.

Another focus area for our Company was to improve efficiency at the field level, considering a significant expansion of the branch network. Often, expansion and efficiency are not spoken about in the same breath, however, we managed to tick all the boxes on both the counts. Operational improvements resulted in beating our own record for the lowest Opex ratio (operating expense to average AUM) in the industry at 3.9% as on March 31, 2020. Nevertheless, I strongly believe there is immense scope to further improve this ratio, as the productivity of lower AUM per branch and AUM per borrower improves as compared to the industry.

To our credit, we recorded our highest-ever total revenue and profits before tax during FY 2019-20 of ₹ 14,695.1 Mn and ₹ 6,184.5 Mn, respectively. Continuous focus on bringing down the borrowing costs also contributed to this performance. Today, we have 32 lender partners as compared to 3 partners around three years ago. Their incredible support has exceeded our expectations.

In our experience, elections have a very limited impact on microfinance operations in general. Every single year, there

are elections at multiple levels of governance – Panchayat, Mandal, Municipality, State, and Central, among others. However, there has been negligible to marginal impact on the industry across the 20+ years of microfinance operations in India. As a result of a consistent focus on operations and various system-based controls, our asset quality continues to be an industry-defining one. The GNPA and NNPA as on March 31, 2020 was 0.36% and 0.07%, respectively.

### Braving the rough seas

Following the Central Government's announcement of a complete lockdown from March 24, 2020, we closed down all our branch and head office operations. We suspended collections and other operations not only for compliance with the order but also to ensure the health and safety of our employees. Guided by the Covid-19 Regulatory Package announced by the Reserve Bank of India, we extended the moratorium to our borrowers. 95% of our borrowers are situated in the rural areas (which fortunately had relatively lesser Covid-19 impact), and 57% engage in 'essential services' like dairy or agricultural activities. Hence, their cashflows and repayment capabilities remained largely intact. The average loan outstanding per borrower for us is ₹ 26,610 v/s ₹ 37,465 for the industry – a clear indication of our borrowers' better position in terms of repayment. Later, according to the order issued by the Ministry of Home Affairs on April 15, 2020, 79% of our branches became operational by April-end, in compliance with the regulatory guidelines on businesses, and social distancing, among others. We were the first in the industry to recommence operations on April 20, 2020. We started with approximately 30% field staff, gradually increased it to approximately 50% by April end and 92% by the third week of May 2020. The field staff educated the borrowers on the impact of the moratorium and started collecting from those unwilling to avail it. By May-end, all our branches became fully operational.

Even while sailing through these tough times, our strong resolute helped us deliver value for all our stakeholders. This approach, backed by our undeterred grit and spirit to bounce back, pushed us to propel onto a steady growth orbit. With our firmly rooted values and belief in our mission of serving low-income households and individuals, we steadfastly kept growing to improve the quality of life for our customers.

Our lenders have shown unceasing faith in us, even amidst such challenging times. They continued lending to us through various modes including direct assignments, even during the lockdown. Based on our healthy financial condition, a rating agency has upheld our rating with a stable outlook.

### A note of gratitude

We thank our borrowers for continuously preferring us for their financial requirements. We are glad to be able to positively impact the lives of more than 2.5 Mn households. This motivates us to further reach out to more people. We can't thank our employees enough for all the hard work and dedication they show in the field while being the face of

Spandana. We are also thankful to our lenders and investors who continuously support us in furthering our financial inclusion goal.

Fostering a spirit of entrepreneurship and helping the overall value creation process, we endeavour to continue serving women to help them realize their dreams. This goes a long way in participating in nation-building while supporting our goal of uplifting the quality of our borrowers' lives. Because, when women prosper, the society prospers and the overall welfare of the state happens.

With my best wishes and my prayers that you and your family stay safe.

**Padmaja Reddy**

Founder & Managing Director



# Our Growth Journey

At Spandana, our journey of growth has been nothing short of spectacular. It speaks volumes of our strength and resolve. Throughout our history, we have experienced three very large and debilitating crises on our operations and each time, we have emerged back with strong resilience and an even stronger commitment. Wading through these headwinds, we have always been firmly rooted in our belief that the low-income community is creditworthy. We have always thought that lending to them can be a good business proposition. Following this belief as our guiding light has resulted in us growing steadfastly and achieving milestones on the way.



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

**1997-98**

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

**2002-03**

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

**2010-11**

**1998-99**

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

**2005-06**

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





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

## 2018-19



## 2019-20

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

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

## 2013-14

## 2016-17

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

## 2011-12

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





# Our Growth-led Transformations

Growth and transformation go hand-in-hand just like the two sides of the same coin. As we grow along our way to the goal, it is equally crucial to constantly evolve keeping our borrowers' and markets' demands and requirements in mind.

At Spandana, we are backed by our well-balanced business model which is not only resilient but also adaptive. Our well spread out footprints, appropriately accompanied by a highly skilled team, is what builds our strength. Further, our strong cash position, well-capitalized business, and a robust risk management framework solidifies our foundation. Together, these help us embrace business transformation in a big way, year-on-year. So even in the face of crises, when the industry is tackling the challenges, we are prepared to overcome the trials while laterally adapting to our growth-led transformations.





1

## Deep borrower understanding leading to creation of new products

### Blue Lemon Product

Taking a step further towards our vision of becoming a one-stop solution provider for all the financial requirements of a borrower, we launched Blue Lemon - a consumer goods finance product to enable our clients to purchase mobile phones, refrigerators, sewing machines, and televisions, among others. Our borrowers being our top priority, we provide these loans with zero down payment to address their unplanned cash unavailability. The loan size of the product ranges from ₹ 500 to ₹ 80,000 with a tenure ranging from 1-24 months, based on the clients' requirements.

2

## Continuous focus on improving the service

### Loan Cycle Caps

Catering the need of different strata of borrowers from different regions, loan amount caps have been revised for borrowers with different cycles.

### Rate of Interest

We revised the rate of interest from 24% to 21.87% per annum. A lesser rate of interest has helped improve our position in the Micro Finance industry. Also, it helped capture new clients, while retaining the existing ones. We continue to pass on the benefits of changes in the interest rates to our borrowers on a quarterly basis.

### Immediate Family Member Insurance

Being a borrower-centric Company, we have now introduced an immediate family member insurance for widowed and separated borrowers, insuring their blood relatives along with them.

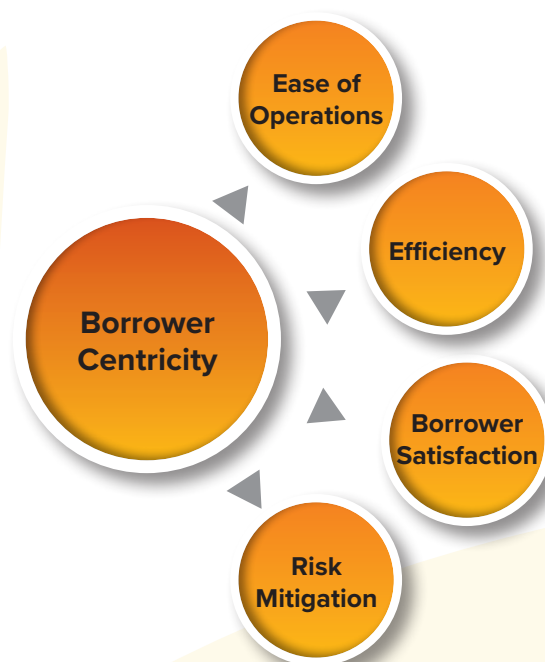


## Leveraging Technology

Driving towards digital expansion and transportation, we have always given precedence to borrower-centricity. We have always envisioned a system that facilitates optimized, seamless, and secured transactions along with the smooth flow of information across all functional units.

**We leverage in-house technology for delivering digitization solutions across various processes listed below:**

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



## Benefits of the technological advancements

- Leveraging technology in borrower-facing business transactions has enhanced brand image and credibility
- The mobile platform has enabled bridging down the information gap and as a result, enabled our representatives to instantly address any concerns
- Process digitization has empowered our workforce to converge their efforts towards business excellence

Apart from borrower-facing initiatives, we have emphasized on leveraging IT to create robust internal systems and processes. These will further improve operational efficiency using our in-house-developed ERP product – FinS.

### Convenience

Marking attendance from Mobile app; FinS web for Loan and BL products

### Efficiency

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



# Stories of Growth and Aspirations

When we strive to help others grow, we reinforce goodness and faith.

Over the years, we have been instrumental in uplifting the lives of many women across the country. Here are a few compelling stories showcasing how we have helped women improve their means and prospects of livelihoods.

## Case Study 1



### Mrs. Leela Shakya W/o Naresh Shakya

Mrs. Leela Shakya lives in the Karondi village of Shivpuri district in Madhya Pradesh with her husband and 3 children. In 2014, Leela and her husband were struggling to make ends meet with a 4-year-old son and a 5-month-old daughter. It was then that she learnt, from a neighbourhood friend, about Spandana providing loans to borrowers without any collateral to pledge and access to formal credit. In her testimony, Mrs. Shakya mentioned that even when her family and friends were reluctant to support her, Spandana supported her with the first loan of her life for an amount ₹ 14,000. She used the loan proceeds to buy a second-hand auto-rickshaw along with her husband. After successfully repaying the loan, Mrs. Shakya availed yet another loan to set up a grocery store and used the subsequent loans to expand her business. With the income from her store, Mrs. Shakya has been able to get her 3 children educated in good schools. Currently, she is eligible for a 5<sup>th</sup> cycle loan of ₹ 70,000.

## Case Study 2



### Mrs. Lakum Pannaben W/o Maheshbhai

Mrs. Lakum Pannaben and her family belong to the Limbdi town in central Gujarat. The family moved to Surat in 2013 with dreams to earn a good living. In Surat, her husband – Maheshbhai, was engaged in cloth business. However, even after 4 years, the business wasn't doing well. Hence, the family decided to move to their hometown in Limbdi. Upon returning, Maheshbhai started driving auto-rickshaw to earn his daily bread. But with growing children and increasing family needs, the earning was not enough to make the ends meet. In October 2018, Pannaben came to know about the 'Abhilasha Loan' offered by Spandana and the couple decided to buy cattle to generate some additional income. With the ₹ 36,000-loan from Spandana and few household savings, they bought a buffalo worth ₹ 45,000. Since then, Pannaben and Maheshbhai have added an average of one cattle every quarter with their earnings. As on date, they own 10 adult buffaloes and 9 calves, earning a monthly income of ₹ 80,000, with a net profit of ₹ 55,000. The couple is very grateful to Spandana for the financial assistance at the lowest point of their lives. This farm earning is helping them raise their kids while giving them a good life. In her testimony, she mentioned her dream of building a large cattle farm with advanced facilities for buffaloes. Currently, they don't have a permanent shed, for which she has applied for a 'Personal Loan' from Spandana.

# Corporate Information

## Company Name

**Spandana Sphoorty Financial Limited**  
(Formerly 'Spandana Sphoorty Innovative Financial Services Limited', name changed in January 2008)

## Corporate Identity Number

L65929TG2003PLC040648

## RBI Registration Number

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

## Website

[www.spandanaindia.com](http://www.spandanaindia.com)

## Registered and Corporate Office

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

## Chief Financial Officer

**Sudesh Chandrasekar\***

**Satish Kottakota\*\***

## Company Secretary

**Rakesh Jhinharia\***

E-mail: [secretarial@spandanaindia.com](mailto:secretarial@spandanaindia.com)

## Statutory Auditors

**S.R. Batliboi & Co. LLP**

Chartered Accountants  
(FRN-301003E/E300005)

## Registrars and Transfer Agents

**KFin Technologies Pvt. Ltd.**

(Earlier known as Karvy Fintech Pvt. Ltd.)  
(SEBI Registration No.: INR000000221)  
Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 Telangana, India  
Ph: +91 40 6716 2222 | Fax: +91 40 2343 1551  
Investor grievance e-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.kfintech.com](http://www.kfintech.com)

\*Resigned w.e.f. June 05, 2020

\*\*Appointed w.e.f. June 01, 2020

## Current Composition of the Board of Directors

### > Deepak Calian Vaidya

Non-Executive Chairman  
& Independent Director  
DIN: 00337276

### > Padmaja Gangireddy

Managing Director  
DIN: 00004842

### > Jagdish Capoor

Independent Director  
DIN: 00002516

### > Bharat Dhirajlal Shah

Independent Director  
DIN: 00136969

### > Abanti Mitra

Independent Director  
DIN: 02305893

### > Ramachandra K. Kamath

Non-Executive Director\*  
DIN: 01715073

### > Amit Sobti

Non-Executive Director\*  
DIN: 07795874

### > Kartikeya Dhruv Kaji

Non-Executive Director\*  
DIN: 07641723

### > Darius Dinshaw Pandole

Non-Executive Director\*\*  
DIN: 00727320

### > Sunish Sharma

Non-Executive Director\*  
DIN: 00274432

\* Nominee of Kedaara Capital I Limited

\*\* Nominee of JM Financial Products Limited

## Lenders

- > Aditya Birla Sun Life Asset Management Company (NCD)
- > AU Small Finance Bank
- > Bandhan Bank
- > Bank of Baroda
- > Bank of Maharashtra
- > Catholic Syrian Bank
- > Clix Finance India
- > Equitas Small Finance Bank
- > Hero Fincorp
- > Hinduja Leyland Finance
- > Hong Kong Shanghai Banking Corporation
- > IDFC First Bank
- > Incred Capital Financial
- > IndusInd Bank
- > JM Financial Capital
- > Kotak Mahindra Bank
- > Maanaveeya Development & Finance
- > Mahindra & Mahindra Financial Services
- > Manappuram Finance
- > MAS Financial Services
- > RBL Bank
- > Reliance Commercial Finance
- > Responsibility India Business Advisors (NCD)
- > Shriram City Union Finance
- > Standard Chartered Bank
- > State Bank of India
- > Sundaram Finance
- > Ujjivan Small Finance Bank
- > Woori Bank
- > Yes Bank



# MANAGEMENT DISCUSSION & ANALYSIS

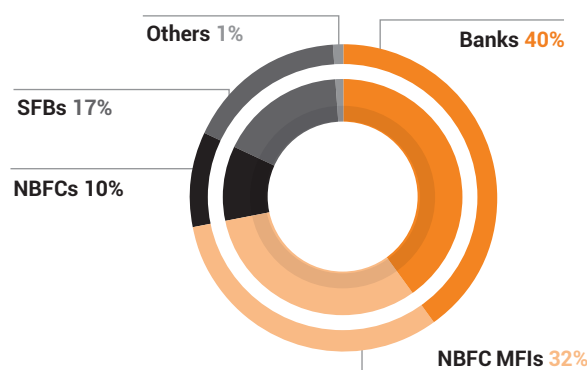
## 1. INDUSTRY OVERVIEW

### Driving financial inclusion in India

The MFI industry in India has seen promising growth in the previous few years on account of the rapid economic progress. The industry not only aids the financial inclusion of millions of people living in rural India but has also been instrumental in increasing the GDP contribution of lower and middle-income households and MSMEs.

MFIs have an extensive presence across 599 districts of 36 states and Union Territories with an aggregate Gross Loan Portfolio (GLP) of ₹ 73,447 Cr as on March 31, 2020. Out of these, agriculture loans account for 55.8%, non-agriculture loans account for 41.4% and household finance loans account for 2.8%. In terms of the geographical spread, East and North-East India have witnessed the maximum penetration, accounting for 34% of GLP. The top 5 states in terms of outstanding loan amount are Bihar, Karnataka, Tamil Nadu, Maharashtra, and Odisha.

**Market Share of Financial Institutions  
in Outstanding Loan Portfolio\*:**



\*as per MFIN Micrometer, March 2020

## 2. OPERATIONAL GROWTH

### Closely monitored expansion

#### Geographic Expansion:

We expanded our operations to 1 new state and 16 new districts in FY 2019-20, marking our presence in a total of 18 states and 280 districts. There has been a 9% increase in the number of branches as compared to the previous year.

#### Borrower Acquisition:

We have added a total of 0.11 Mn borrowers in FY 2019-20, an increase of 4% in the borrower base as compared

to the previous year. We disbursed 2.3 Mn loans in FY 2019-20, displaying a growth of 23% compared to FY 2018-19. In terms of value, disbursement increased by 61% on a year-on-year basis.

#### Staff-wise Growth:

Spandana has a total of 8,224 employees. During the year, the employee base increased by 24%, which led to an increase in the staff-per-branch ratio from 7.2 in 2019 to 8.1 in 2020. Despite this, we have the least number of employees per branch among major MFIs, indicating high levels of automation and efficiency. The field staff base has already been strengthened to support future growth.

## 2. PORTFOLIO MIX

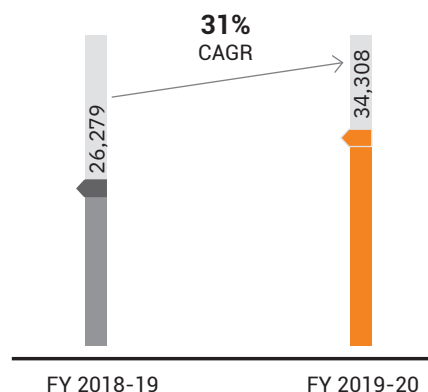
### Containing risks at state, district and branch level

Spandana has been consistently maintaining a good portfolio mix across ticket sizes, loan cycles, and rural/urban portfolio mix. These are presented in the graphs below. The vintage of business has helped us maintain a higher share of the portfolio in advanced loan cycles showing seasoned business. A higher rural penetration gives us better asset quality.

#### Ticket Size:

As we continue our product simplicity, we have been successful in maintaining a diverse mix of ticket sizes. We have been able to meet borrowers' needs and at the same time, limit the lending within overall caps set for borrowers, depending on local demographics. The average ticket size for the loans disbursed this year has increased by 31% to ₹ 34,308 during FY 2019-20 from ₹ 26,279 during FY 2018-19.

**Average Ticket Size (₹)**

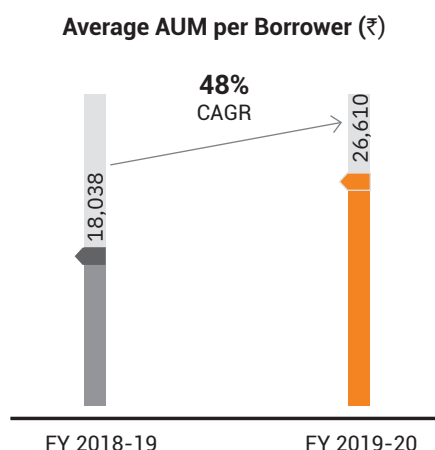


#### Loan Outstanding:

The AUM increased at a CAGR of 56% from ₹ 4,372 Cr at the end of FY 2018-19 to ₹ 6,829 Cr at

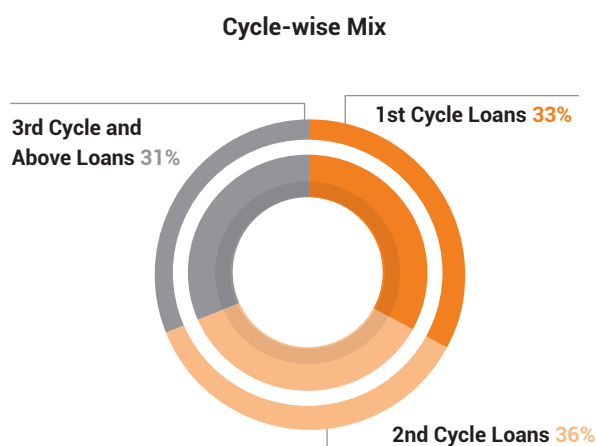
## MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

the end of FY 2019-20. The biggest driver for this growth resulted from the increase in the average loan outstanding per borrower from ₹ 18,038 at the end of FY 2018-19 to ₹ 26,610 at the end of FY 2019-20. The increase in the average loan outstanding was predominantly due to borrowers repaying their loans and availing higher ticket sizes with every next loan cycle.



### Cycle-wise Mix:

We have a much-diversified portfolio across loan cycles. Rolling on the path of growth, we had 33% of our borrowers with first cycle loans, indicating our ease of access to the under-served borrowers. Also, more than 31% of our borrowers are in the 3rd cycle and above, showing our continual bond with borrowers year after year and a seasoned portfolio. Our borrower-focused service has allowed us to retain borrowers and, at the same time, acquire new borrowers.



### Rural Focus:

In the changing market dynamics, understanding the fact that the rural market has immense potential and

exhibits better asset quality, we, at Spandana, are focussing on the rural outreach. Working in urban areas has always been easy, provided the connectivity and infrastructure, but targeting the rural regions as our area of operations, gives us a good competitive advantage. Currently, our exposure is divided into 95% rural and 5% urban. Also, we have observed that rural borrowers are more disciplined about managing their finances and using their money judiciously.

## 4. PRODUCT MIX

The Company's operations focus on women from low-income groups in Rural Areas who aspire to improve their financial well-being. Its main lending product is 'Abhilasha' loans, which are income generation loans designed to empower women. Under the joint liability group (JLG) model, loans are provided to individual clients. However, the group guarantees the repayment of loans given to individual members of the group. Through this model, the clients, who typically do not have collateral to avail loans, can gain access to credit. The focus areas of these loans are agriculture, agriculture allied activities, 125 small-scale activities, and emergent needs. Abhilasha loans amounted to 88% of the Gross AUM as of March 31, 2020.

The other categories of loans include loans against property to clients who run businesses, are self-employed or salaried; 'Shree' loans for low/lower-middle-income women in AP; gold loans are given to individuals against the mortgage of gold jewellery for agriculture, business, and short-term liquidity needs; and interim loans, which are top-up loans given to existing clients (on a group guarantee) to use for their capital working needs, seasonal requirements or emergency needs.

## 5. PORTFOLIO DIVERSIFICATION

### Containing risks at state, district and branch level

We have been very conscious of the risks associated with the geographical concentration of the portfolio. We have been making efforts to diversify our exposures at every level possible while leveraging on the knowledge gained in each territory we have entered. Our geographical diversification penetrates deep down starting from the state level to as precise as the branch level. Additionally, our major focus has always been on increasing rural exposure.

### State-level:

Our journey to diversify portfolio began as we started growing the portfolio gradually over the years:



## MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

- By 2012, most of the impact of the AP-microfinance crisis on the portfolio was provided for. AP constituted 7% of the performing portfolio while Karnataka constituted 40% of the performing portfolio. The top-7 states included AP & Telangana (7%), Karnataka (40%), Madhya Pradesh (19%), Maharashtra (15%), Odisha (13%), and Chattisgarh (2%), while remaining states comprised 4% of the portfolio.
- By 2020, portfolio diversification improved further with none of the states comprising more than 18% of the total portfolio, an internal benchmark used to minimize portfolio concentration risk.
- As can be seen above, we have been consistently diversifying ourselves geographically. At each State level, besides capping our exposure at 18% of AUM, we also cap it at the level of our total net worth
- Most significantly, the portfolio outside the top-7 states now is 18% of the total portfolio compared to 16% in 2019 and 4% earlier in 2012
- State-wise disbursements are also within the limit of 16%. The highest disbursement in FY20 was in Madhya Pradesh at 15.9% of total disbursements followed by Orissa (15.7%), Karnataka (13.7%), and Maharashtra (13.2%).

### District-level:

Besides state level concentration risk caps, we also have internal caps operating at the district level within the states where none of the districts comprise more than 2% of the total AUM.

| Exposure of Districts       | as of Mar-20     |                      |
|-----------------------------|------------------|----------------------|
| % Contribution to Gross AUM | No. of Districts | % of Total Districts |
| < 0.5%                      | 211              | 75                   |
| 0.5% - 1%                   | 56               | 20                   |
| 1% - 2%                     | 13               | 5                    |
| >2%                         | -                | -                    |
| <b>Total</b>                | <b>280</b>       | <b>100</b>           |

| Exposure of Districts                 | FY 2019-20       |                                   |
|---------------------------------------|------------------|-----------------------------------|
| The Proportion of Total Disbursements | No. of Districts | The Proportion of Total Districts |
| < 0.5%                                | 215              | 76.34%                            |
| 0.5% - 1%                             | 53               | 19.00%                            |
| 1% - 2%                               | 10               | 3.58%                             |
| >2%                                   | 3                | 1.08%                             |
| <b>Total</b>                          | <b>280</b>       | <b>100.00%</b>                    |

95% of our districts contribute to less than 1% of the

total AUM individually showing lesser concentration risk. Exposure to the top-10 districts is only 13.2% of the total AUM for Spandana, while it is much higher for other large MFIs/ SFBs.

| Exposure of Districts | as of Mar-20 |                             |
|-----------------------|--------------|-----------------------------|
| Buckets               | AUM (₹ Mn)   | The Proportion of Total AUM |
| Top 5 Districts       | 5,161.0      | 7.6%                        |
| Top 10 Districts      | 9,029.1      | 13.2%                       |
| Top 50 Districts      | 30,595.2     | 44.8%                       |
| Remaining Districts   | 37,696.0     | 55.2%                       |

### Branch-level:

Within districts, at each branch level too, the exposure risk cap applies with no branch to exceed 0.65% of the total AUM.

| Exposure of Districts       | FY20            |                                  |
|-----------------------------|-----------------|----------------------------------|
| The Proportion of Gross AUM | No. of Branches | The Proportion of Total Branches |
| < 0.15%                     | 905             | 90%                              |
| 0.15% - 0.25%               | 105             | 10%                              |
| 0.25% - 0.35%               | -               | -                                |
| >0.35%                      | -               | -                                |
| <b>Total</b>                | <b>1,010</b>    | <b>100%</b>                      |

We have been very particular about proactively and dynamically monitoring not just the performance but the limits as well. This ensures that the portfolio diversification is continuously improved. Out of a total of 1,010 branches, 905 branches have less than 0.15% of the total AUM in FY 2019-20.

## 6. PRODUCTIVITY METRICS

### Borrower satisfaction resulting in efficient operations

We expanded our operations by 119 branches during FY 2019-20. On average, our branches have an AUM of ₹ 67.62 Mn which is lower than the large players' in the MFI Industry. As these branches mature, there is tremendous potential for growth and efficiency improvement.

To leverage our branch network, we strengthened our feet on the street – loan officer base. As this salesforce starts to operate at an optimum level, the efficiency will further improve. Also, due to the lack of funds during the CDR and disciplined approach post-CDR exit, the AUM per borrower is lower compared to the industry. As we improve this metric, the opex ratio will further come down.

## MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

### 7. HUMAN RESOURCE MANAGEMENT

The Company believes in fostering the personal as well as professional growth of all its employees. In line with that, regular training sessions are conducted at both the head office and field levels. Recruits are provided induction training coupled with role-specific knowledge transfer to ensure maximum productivity. The HR team constantly works towards aligning the goals of the employees with that of the Company. Timely performance reviews are conducted and a culture of meritocracy is fostered. Several checks such as periodical transfers, non-home placements, and role rotations are in place to negate any chances of fraud. The total number of employees and loan officers at the end of FY 2019-20 was 8,224 and 6,103, respectively.

### 8. OPPORTUNITIES AND POTENTIAL FOR GROWTH

#### **Leverage income generation loan products to derive organic business growth**

Through a client-centric business model, clients can be provided funding on a speedy and continual basis (while always adhering to strict risk management policies), according to their life-cycle needs. By leveraging the income generation loan products, the business can achieve further rural penetration and increase borrower base.

#### **Leverage existing branch network by increasing loan portfolio and enhancing employee productivity**

The large branch network which is further leveraged since the exposure levels per branch so far has been maintained as low compared to the industry. The potential to further increase the loan portfolio and enhance employee productivity is a major strength.

#### **Focus on the high potential and under-served rural segment**

Rural areas in India are a highly under-served market for formal banking services in terms of access, availability, and suitability of products and services. Therefore, a strategic focus on the rural markets of the country is a huge potential growth driver. Currently, 95% of the Company's portfolio is in the rural sector.

#### **Improving digital penetration**

The Government of India announced an ₹ 6,000 Cr package for the Bharat Net program in FY 2020-21, boosting the scope of cashless disbursements and collections. It can also be expected to increase the borrowers' accessibility to microcredit and in turn, enhance the Company's outreach.

### 9. THREATS

#### **The unpredictability of the Pandemic**

The coronavirus pandemic has left the global economy in a volatile situation. Though the Company has been witnessing significant improvements in its operations post the pandemic shock, constant vigilance and immediately implementable mitigation measures need to be in place.

#### **The emergence of new competition**

There has been an increase in the number of banks and fintech companies offering customized products to the unbanked and underbanked population of the country. Consequently, the competitive environment has become more aggressive.

### 10. RISK AND CONCERNS

#### **Myriad risks countered with seasoned systems and processes**

**Credit risk due to Covid-19 pandemic:** The novel Coronavirus (COVID-19) pandemic (declared as such by the World Health Organisation on March 11, 2020), has contributed to a significant decline and volatility in economic activity. The nationwide lockdown which followed caused significant disruption of the business activities including lending and collection. According to RBI circulars dated March 27, 2020 and May 23, 2020, the Company extended the moratorium to all its borrowers following its board approved policy. In management's view, providing moratorium to borrowers at a mass scale based on RBI directives, by itself is not considered to result in a significant increase in credit risk ('SICR') for such borrowers. Accordingly, considering the unique and widespread impact of the Covid-19 pandemic, the Company has estimated and recorded a management overlay allowance in its provision for expected credit loss, based on information available at the point in time to reflect, among other things, the deterioration in the macroeconomic factors. Given the dynamic nature of the pandemic situation, these estimates are based on early indicators, subject to uncertainty, and may be affected by the severity and duration of the pandemic and the actual impact of the pandemic, including governmental and regulatory measures, on the business and financial metrics of the Company (including credit losses) could be different from that estimated by the Company.

**Liquidity Risk:** The Company consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions, and capital markets to maintain



## MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks, and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions, and rating agencies to ensure the liquidity risk is well addressed. To reduce dependence on a single lender, the Company has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. The Company has an Asset-Liability Management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure compliance with the prescribed regulatory requirement.

**Market Risk:** The Company has an exposure to market risk as the fair value or future cash flows of a financial instrument may change due to changes in market factors such as interest rates and credit liquidity.

**Interest Rate Risk:** The Company is subjected to interest rate risk, principally because it lends to clients at fixed interest rates and for periods that may differ from its funding sources, while its borrowings are at both fixed and variable interest rates for different periods. To manage this risk, the Asset Liability Management Committee evaluates asset-liability management (ALM) and ensures that all significant mismatches, if any, are being managed appropriately.

**Price Risk:** The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surplus in the highly liquid debt funds for very short durations. The Company has a

board-approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk-bearing instruments.

### 11. INTERNAL CONTROL SYSTEMS

#### Combination of system-based and manual control over operations

Internal Audit department's objective is to keep a check across all the branches in terms of process compliance and at the same time, identify any possible financial misappropriations.

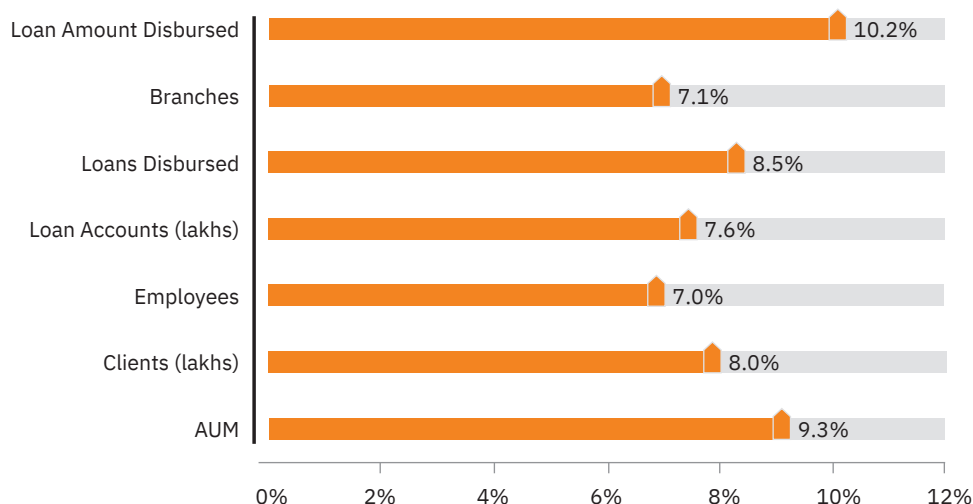
- The intensity of IA is increasing with an increase in headcount – we have 1 internal Auditor for every 5 branches compared to more than 8, a year ago. We are targeting to have an IA intensity of 4 branches per IA and continue hiring, training and deploying
- Apart from general branch audits, other audits are diligently done based on internal triggers which helps us in identifying any possible mishaps at branch level

### 12. COMPARISON WITHIN INDUSTRY

#### Outshining peers

Spandana has a 9.25% market share among all NBFC-MFIs (in terms of AUM), capturing an additional 3%+ market share in FY 2019-20. Also, 8.05% of the total borrowers (not unique) are Spandana borrowers. Spandana's share amongst NBFC-MFIs across various parameters is presented below:

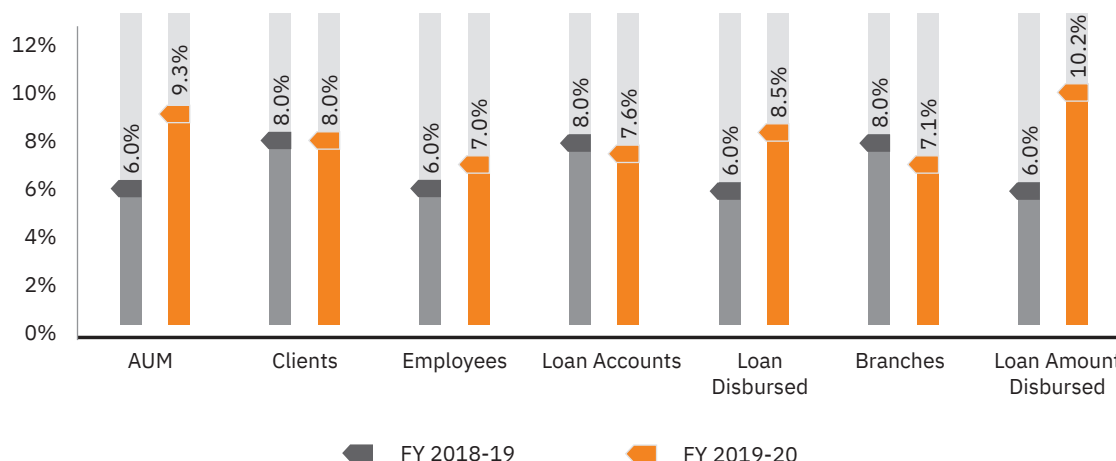
Industry Comparison Market Share – March 2020



## MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

On most parameters, Spandana's market share has grown in FY 2019-20 as compared to FY 2018-19 as below.

**Spandana's Market Share among NBFC-MFIs**



Further, Spandana's market share has grown constantly over the years from 4% in FY 2016-17 to 9% in FY 2019-20.

During FY 2019-20, Spandana focussed on improving its footprint and feet on the street which can be leveraged in the future. Also, due to its cautious disbursements in the states where elections happened, i.e. Madhya Pradesh, Karnataka, Chhattisgarh, and Rajasthan, the growth in disbursements and AUM was moderate as compared to the industry.

### 13. FINANCIAL PERFORMANCE (IND-AS)

#### **Stellar growth despite maintaining high profitability and low delinquency**

During FY 2019-20, Spandana recorded Revenue from Operations of ₹ 14,353 Mn which is highest in history. Also, Spandana recorded its highest Profit after Tax of ₹ 3,518 Mn during FY 2019-20. Across all the financial metrics, Spandana has shown improvement. The below graphs compare the FY2017-18 and 2018-19 position with the current FY 2019-20 position on various financial parameters.

During FY 2019-20, we raised fresh capital of ₹ 3,889.14 Mn through the Initial Public Offering to augment the growth of Spandana. Along with the profits generated during FY 2018-19, our equity base became stronger at ₹ 2,626 Cr as of March 31, 2020.

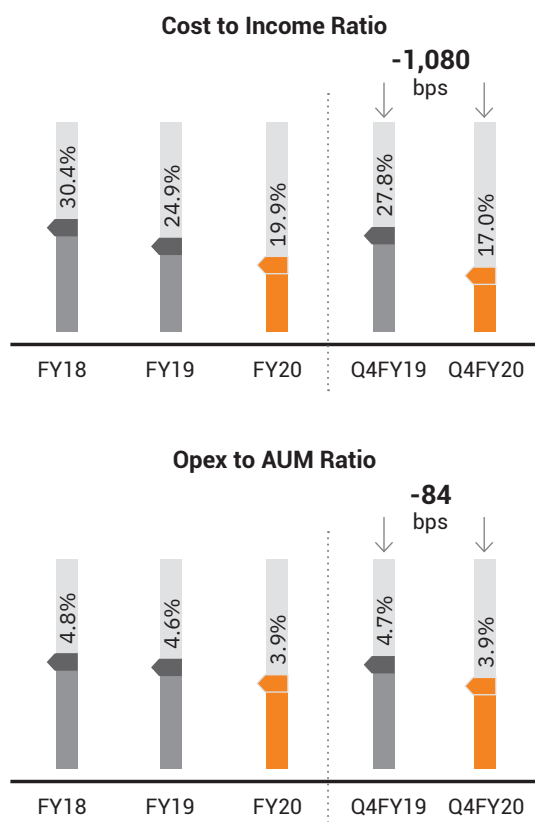
During FY 2019-20, we further diversified our borrowing base wherein we added multiple new banks, NBFCs, and other institutions. As of March 31, 2020, we had a relationship with 32 institutions (16 banks, 13 NBFCs, 2 Foreign Portfolio Investors, and 1 Mutual Fund). Our aggregate borrowings increased from ₹ 29,677 Mn in March 2019 to ₹ 30,253 Mn in March 2020. We also completed multiple securitization transactions and assignment transactions during FY 2019-20, where the cost of borrowing was lower. Despite increased borrowings, the debt-to-equity ratio remained very comfortable at 1.15 times with a Capital Adequacy Ratio of 47.44% (on a standalone basis).

Our credit rating remained as A- (Stable) by ICRA despite the challenging environment induced by Covid-19.

Optimal utilization of our existing infrastructure has been the major reason behind our operational excellence. We have always been known to maintain the lowest Opex ratio in the industry and we have been successful in further bringing down our operating expense ratio (i.e. opex to AUM ratio) down to 3.9% in FY 2019-20 from 4.6% in FY19 which further adds to our increased profitability. Also, we have been able to further bring down our Cost to Income ratio from 24.9% to 19.9%.



## MANAGEMENT DISCUSSION & ANALYSIS (Contd.)



As a result of our focused growth and optimal operations, we have been able to generate industry-leading return ratios. Our return on average AUM during FY 2019-20 was 6.3% and return on average equity was 15.6%. With an increase in financial leverage going forward, we expect the return on equity to improve further going forward.

### 14. OUTLOOK

#### Trendsetting industry benchmarks

Riding on its strong performance in the past year, the Company expects to revamp its growth efforts at full pace. Maintaining portfolio quality and low delinquency levels will continue to be the primary aim while capitalizing on the existing borrower base. The Company has a diversified geographical presence and

dilutes potential concentration risks by capping the per state exposure at <20% and per district exposure at <2% of the AUM. The Company's GNPA stood at a mere 0.36% as on March 31, 2020 and the focus would continue to remain on robust growth in unison with quality.

|                           |                              |                                 |                            |
|---------------------------|------------------------------|---------------------------------|----------------------------|
| BEST PROFIT AFTER TAX*    | BEST PROFIT BEFORE TAX*      | LOWEST GROSS NPA*               | LOWEST OPEX %*             |
| HIGHEST CAPITAL ADEQUACY* | LOWEST COST TO INCOME RATIO* | HIGHEST GROSS AUM/LOAN OFFICER* | HIGHEST RURAL PENETRATION* |

\*amongst NBFC-MFI leaders

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

- Interest Coverage Ratio: 4.02x in FY 2018-19 to 5.03x in FY 2019-20 (+25.3%)**  
The improvement in the ratio is attributed to improvement in operating efficiency. Also, the loan outstanding per borrower increased substantially from ₹ 18,038 to ₹ 26,610 (48% growth YOY) and a field staff managed a larger AUM with the same operating efforts.
- Debt Equity Ratio: 1.57x in FY 2018-19 to 1.15 in FY 2019-20 (-26.7%)**  
The decrease is primarily due to equity infusion in the Company via IPO i.e. ₹ 389 Cr.
- Net Profit Margin: 29.7% in FY 2018-19 to 23.9% in FY 2019-20 (-19.5%)**
- Pre-Provision Operating Profit (PPOP) Margin: 49.5% in FY 2018-19 to 60.7% in FY 2019-20 (+22.7%)**
- Return on Equity (ROE): 19.0% in FY 2018-19 to 15.6% in FY 2019-20 (-18.1%)**
- Current Ratio: 1.87 in FY 2018-19 to 1.63 in FY 2019-20 (-12.51%)**

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

Asset Under Management (AUM) = Loan Portfolio including portfolio assigned and excluding Old AP Portfolio

Net Interest Income = (Interest income on the loan portfolio + retained interest income on derecognised loan portfolio) - (Finance Cost - Interest on Lease Liability)

Cost to Income Ratio = (Employee benefit expenses + Depreciation and amortization expense + Other Expenses) / (Total Income - Finance Cost)

Opex to AUM Ratio = (Employee benefit expenses + Depreciation and amortization expense + Other Expenses) / Quarterly Average AUM (Annualised)

GNPA % = Gross NPA/AUM

NNPA % = (Gross NPA - Provisions)/AUM

# STAFF CODE OF CONDUCT

## COMMITMENT TO TRANSPARENCY AND CODE OF CONDUCT

Spandana believes in maintaining complete transparency. In its business transactions, it maintains complete transparency including disclosure of all charges for the services it provides. In this process, it also complies with the Fair Practices Code of RBI for NBFCs, Industry Code of Conduct as laid down by the Industry associations - viz - Sa-Dhan and MFIN and also its own Code of Conduct specifically for its staff. The code of conduct for its staff clearly lays down the Do's and Don't's of staff behavior towards the clients. **Spandana's Code of Conduct for its staff** is presented here.

## SPANDANA CODE OF CONDUCT FOR ITS STAFF

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

| DOs  | DON'Ts   |
|--|--|
| <ul style="list-style-type: none"> <li>While addressing them, use "Garu/Ji" or equivalent respectful salutation. We shall give similar respect to the family members and neighbors of our clients. Treat everybody with respect irrespective of their age (including very young borrowers and kids).</li> <li>When talking to the borrower, body language should be appropriate, we should not get restless, always keep smiling.</li> </ul> | <ul style="list-style-type: none"> <li>If there are minors and aged people in the family, avoid discussing loan default/ over-dues before them.</li> </ul> |

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

| DOs  | DON'Ts  |
|--|---|
| <ul style="list-style-type: none"> <li>In case any unethical methods of collection and recovery efforts are observed from other MFIs, we shall report that to Head Office for reporting to the Code of Conduct enforcement.</li> <li>In case of any policy change, please communicate with the borrowers properly and ensure that they have understood the revisions and their impact on their transactions with the company.</li> <li>Inform clients about the Feedback and Grievance redressal mechanism and re-affirm the same every once in 6 months and always at the time of new loan disbursement.</li> <li>Even after the group training and loan disbursement, if any queries come on charges or loan features, these should be addressed with proper explanation to the satisfaction of clients. If they still have doubts, you should use the guidance of senior officers in explaining the details.</li> </ul> | <ul style="list-style-type: none"> <li>We shall not promote nor allow any unethical methods of collection and recovery efforts by ourselves and our colleagues. In case any such incident is observed, we shall immediately report to the complaints cell.</li> <li>Never discriminate based on caste and religion</li> <li>Never insist on repayments during events of distress like a bereavement in the family.</li> <li>Never visit clients at odd hours for repayments</li> <li>Without the borrower's permission, we should not enter his/her premises. We should also not be standing outside the borrower's house and make the borrower and his/her family uncomfortable. Never resort to any forcible entry into the house/ workplace of clients and do any forced seizure of any assets for unsecured loans.</li> </ul> |



## STAFF CODE OF CONDUCT (Contd.)

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

| DOs   | DON'Ts   |
|---|--|
| <ul style="list-style-type: none"> <li>Conduct meetings at pre-agreed location and time</li> <li>Ensure punctuality in attending center meetings for the staff (all staff including BMs, RMs, and others from HO who visit centers)</li> <li>Should practice good manners and respect all members</li> <li>Ensure that group stays cohesive and members regularly attend the meetings</li> <li>Record and monitor attendance: Promote attendance in group meetings – except genuine cases where the members have informed the group in advance. Any member not attending for more than 6 weeks without any intimation to any of her group members, her house should be visited and details gathered.</li> <li>Try to conduct the meeting peacefully and cordially – in case any member/s are agitated against each other, make efforts to diffuse/ resolve the situation. Never get emotional or agitated in the meetings. Always keep patience.</li> <li>Administer the pledge and promote productive use of loans</li> <li>Collect loan repayments, ensure that every borrower's loan card is updated fully with date and signatures; Or issue the receipt – as the case may be.</li> <li>Collect feedback from members on products and procedures. Address borrower feedback and complaints</li> <li>Collect loan applications</li> <li>Record loans in the Centre Register &amp; member loan cards</li> </ul> | <ul style="list-style-type: none"> <li>Should not maintain a personal relationship with members</li> <li>Should not accept any gifts/offerings from members</li> <li>Do not refuse pre-payments. Do not charge anything beyond what is mentioned on the loan card/ repayment schedule and what is approved as per policy.</li> </ul> |

## STAFF CODE OF CONDUCT (Contd.)

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

| DOs  | DON'Ts  |
|--|---|
| <ul style="list-style-type: none"> <li>○ We should give a patient hearing to the borrower and offer solutions to the borrower's problems. We should counsel the borrowers and improve our repayment culture.</li> <li>○ <b>The recovery mechanism should always be smooth. When faced with recovery problems, the CAs should approach the BMs and RMs and act as per their suggestions. The CA along with the BM and wherever required, other officers, will visit the defaulting member along with the other group members and motivate them to repay.</b></li> <li>○ <b>In case there are genuine reasons</b> of the cash-flow shortfall at the borrower household level, branch staff is empowered to defer the repayment collection by a few days up to the end of the week (for weekly loans)/ and end of the month (for monthly loans) depending upon the frequency of repayments. Any deferment of demand beyond that requires approval by the Regional Manager/ Zonal Manager. In case of genuine instances, e.g. flooding due to heavy rainfall affecting income-generating activities of some borrowers, for such borrowers, the collections can be deferred by 1 to 2 weeks with approvals as per policy.</li> <li>○ <b>In all cases of wilful defaults</b>, visit the borrower regularly and motivate them to repay with soft persuasion. <ul style="list-style-type: none"> <li>○ Inform the borrowers about the fallout of their credit histories getting affected - which in turn would affect their ability to take further loans.</li> <li>○ The peer group members of the wilful defaulters should also be requested to motivate the defaulters to repay.</li> </ul> </li> <li>○ <b>In all cases of wilful defaults pursuant to any fraudulent borrower behavior</b> – e.g. faking KYC documents, misrepresentation of any other facts, misappropriation of money of group members, and misleading group members not to repay – we should gather proper evidence and pursue legally by filing a police complaint and helping the police in investigations</li> <li>○ For Secured loans, following additional efforts need to be made – as per the terms of the loan agreement, probability and right of repossession of assets need to be informed to the borrower after issuing due notices as per the loan agreements. We must release all securities on the successful repayment of all dues associated with the loan.</li> </ul> | <ul style="list-style-type: none"> <li>○ We shall not use any physical violence in our interactions with our clients and non-clients when faced with recovery problems. We should never enter into any kind of physical assault with the borrower nor use unparliamentary words.</li> <li>○ <b>The group is always made responsible to look for solutions to repay loans and members are always given the understanding that it is their responsibility and they should find a solution for that. However, to recover the installment amount of members who have exited the group, we should not put pressure on the rest of the borrowers in the group.</b></li> <li>○ We should inform the group leaders too that they should not apply pressure on the borrowers who are unable to repay.</li> <li>○ We should not visit the borrowers at odd hours.</li> <li>○ Forcible entry into a dwelling, use of muscle power for recovery of loans and forced seizure of property without legal orders is strictly prohibited – except in case of secured loans where the security can be enforced within the boundaries of the legal process.</li> </ul> |

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



## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

We continuously strive to improve the economic conditions and standard of living of our borrowers. Our significant presence in rural areas and interaction with each of our borrowers on a fortnightly basis has helped us observe and understand some of the key requirements of our borrowers. One consistent problem that our borrowers face across multiple states is the lack of reliable power. While this is a basic necessity, the lack of it reduces the productivity and income of our borrowers.

To assist the people in these areas to address this problem, we offered subsidized solar lighting solutions to our borrowers in Gujarat, Rajasthan, Bihar, Jharkhand, and Andhra Pradesh. Within a short period, we were able to reach out to 663 villages and 5,083 households benefited from this initiative.

### Spandana Providing Free Tailoring Training to Household Women and Girls

Skill Training Centre provides 6 months of free tailoring courses for young girls and women from the locality with all amenities included. The aim of this unique CSR initiative of our organization is to equip girls and women from low-income households with expertise in tailoring for the betterment of their livelihood and help them set up an income-generating activity of their own.



### Lighting – For a brighter future

Provided 8,310 subsidized solar lights



## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES (Contd.)

Provided subsidized cycles to households in AP, BH, CG, GJ, JH, KA, KL, MP, MH, OR, PY, TN and UP



Distributed Vegetable Seeds for the Home growing of Vegetables

Provided 11,557 subsidized cycles



## SKILL Training Centres – For Betterment of Livelihood





## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES (Contd.)

We continued our financial literacy programs which are designed to enable and equip the women from low-income segments to understand household cash flows, understand various sources of saving and actively participate in financial planning and decision-making at the household level. These financial literacy programs were conducted in different states in their local language within the local context. The events also encourage cross-learning among the participants by giving them a platform to share their experiences, successes, and challenges.

During the year, unfortunately, there were natural calamities in the form of floods in Kerala, Odisha, Andhra Pradesh, and Telangana. As always, we immediately reached out to the people who got affected and extended our support in the form of clothes, utensils, food items, and in any other way possible.

We never limit ourselves to only financial support to people from low-income households and try to address any other requirement that they might have and the above are examples of this DNA running through Spandana.

**Q1**

- Flood Relief - Undertook flood relief activities in Odisha
- Provided **1,633** solar panels to households in BH, JH and RJ

**Q2**

- Opened 3 skill training Centres in AP to provide 6 months of free tailoring course for young girls and women
- Provided **1,038** solar panels to households in BH, CG, JH, OR, and RJ
- Distributed Tarpaulins in Orissa to **8,351** Cyclone Affected People

**Q3**

- Provided **367** subsidized solar panels to households in BH, CG, JH, and RJ
- Provided **5,463** subsidized solar lights to households in BH, CG, GJ, JH, KA, MP, MH, OR, RJ, UP and WB
- Provided **7,747** subsidized cycles in AP, BH, CG, GJ, JH, KA, KL, MP, MH, OR, PY, TN and UP
- Distributed seeds for Kitchen Gardening in Nandyal

**Q4**

- Opened **3** more skill training centres in AP to provide 6 months of free tailoring course for young girls and women
- Provided **3,810** subsidized cycles in BH, CH, RJ, JH, KA, MH, OR, TA & UP
- Provided solar home systems to **176** households in Karnataka

## BOARD OF DIRECTORS

### Brief Biographies of Directors

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

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

#### ● **Padmaja Gangireddy**, Founder and Managing Director

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

#### ● **Jagdish Capoor**, Independent Director

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

#### ● **Bharat Dhirajlal Shah**, Independent Director

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

## BOARD OF DIRECTORS (Contd.)

### ○ **Abanti Mitra**, Independent Director

**Ms. Abanti Mitra** is an Independent Director of our Company. She holds a post-graduate diploma in rural management from Institute of Rural Management, Anand. She has previously worked as an executive with Astra Marine Private Limited for one year, a management executive at Micro-Credit Ratings International Limited for two years, and a manager with ICICI Bank Limited for approximately three years. She also serves as a director on the board of directors of Development Equities Private Limited, Positron Consulting Services Private Limited, and Criss Financial. She has served as a Director on our Board previously from 2012 to 2016. She has been a Director on our Board since August 24, 2017.

### ○ **Ramachandra Kasargod Kamath**, Nominee Director of Kedaara Capital

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

### ○ **Amit Sobti**, Nominee Director of Kedaara Capital

**Mr. Amit Sobti** is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelor of arts degree (magna cum laude) in business economics and computer science from Brown University. He is currently a senior principal at Ontario Teachers' Pension Plan (Asia) Limited where he leads in advising on private capital investments in India. He has been in this role since 2016. He has over 15 years of experience in private equity, including over two years with Unitas Capital Private Limited, nine years with Warburg Pincus LLC, and two years with Rhone Group LLC. He also serves as Director and President of 2669561 Ontario Limited and 2685018 Ontario Limited. He has been a Director on our Board since May 29, 2017.

### ○ **Kartikeya Dhruv Kaji**, Nominee Director of Kedaara Capital

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

### ○ **Darius Dinshaw Pandole**, Nominee Director of JM Financial Products

**Mr. Darius Dinshaw Pandole** is a Nominee Director of our Company and is appointed by JM Financial Products Limited. He holds a bachelors' degree in Arts from Harvard University and a masters' degree in Business Administration from the University of Chicago. He is the managing director and chief executive officer – PE and Equity AIFs at JM Financial Limited. Prior to this, he was a partner at New Silk Route Advisors, a private equity advisory firm primarily focussed on India. He was also an executive director at IDFC Asset Management Company Limited, which managed the India Development Fund, an infrastructure-focused private equity fund. He also serves as a director on the board of directors of Credibility Financial Services Private Limited, Fairchem Speciality Limited, JM Financial Asset Management Limited, and Mahindra Logistics Limited. He has been a Director on our Board since July 18, 2017.



## BOARD OF DIRECTORS (Contd.)

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

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

## BOARD'S REPORT

To

The Members of **Spandana Sphoorty Financial Limited**,

Your Directors have pleasure in presenting their Seventeenth Annual Report on the business and operations of the Company together with the Audited Consolidated and Standalone Financial Statements for the financial year ended March 31, 2020.

### 1. FINANCIAL SUMMARY / PERFORMANCE OF THE COMPANY :

The standalone and consolidated financial statements for the financial year ended March 31, 2020, forming part of this Annual Report, have been prepared in accordance with the Indian Accounting Standards (Ind AS) as notified by the Ministry of Corporate Affairs.

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

(₹ in Crore)

| Particulars   | Standalone    |               | Consolidated  |               |
|---|---------------|---------------|---------------|---------------|
|   | 31-Mar-20     | 31-Mar-19     | 31-Mar-20     | 31-Mar-19     |
| Income from Operations                                      | 1,409.49      | 1,036.28      | 1,435.30      | 1043.10       |
| Other Income  | 31.93         | 5.43          | 34.21         | 5.43          |
| <b>Profit before Depreciation, Interest and Tax (PBDIT)</b> | <b>960.99</b> | <b>832.77</b> | <b>983.62</b> | <b>838.30</b> |
| Depreciation  | 8.74          | 6.92          | 8.83          | 6.97          |
| Financial charges   | 354.11        | 356.47        | 356.34        | 357.86        |
| <b>Profit Before Tax</b>                                    | <b>598.14</b> | <b>469.38</b> | <b>618.45</b> | <b>473.47</b> |
| Provision for Tax - Current year                            | 261.45        | 160.63        | 266.62        | 161.57        |
| <b>Profit/(Loss) After Tax</b>                              | <b>336.69</b> | <b>308.75</b> | <b>351.83</b> | <b>311.90</b> |
| Transfer to Statutory Reserves                              | 67.34         | 61.75         | 67.34         | 61.75         |
| <b>Balance carried to Balance sheet</b>                     | <b>269.35</b> | <b>247.00</b> | <b>284.49</b> | <b>250.15</b> |

During the current financial year, the Total Income from operations grew by 37.60% to ₹ 1,435.30 Cr which is mainly due to an increase in the Asset Under Management ('AUM') of your Company and the Profit before tax grew by 30.62% to ₹ 618.45 Cr. The improvement in the financial performance of your company is on account of business growth recorded during the year.

### 2. DIVIDENDS:

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

### 3. OPERATIONAL HIGHLIGHTS AND FUNDRAISE:

The consolidated operational highlights of your company are as follows:

| Details                                   | Mar-20   | Mar-19   |
|---|----------|----------|
| No. of States                             | 18       | 17       |
| No. of Branches                           | 1,010    | 899      |
| No. of Districts                          | 280      | 263      |
| No. of Villages                           | 79,934   | 72,326   |
| No. of Employees                          | 8,224    | 6,500    |
| No. of Borrowers (₹ in lakh)              | 25.66    | 24.03    |
| Gross Disbursements (₹ in Cr)             | 8,004.36 | 4,969.20 |
| Loan Portfolio (₹ in Cr) on Balance Sheet | 4,852.39 | 4,267.76 |
| Asset Under Management- AUM (₹ Cr)        | 6,829.12 | 4,372.05 |

- During FY20, your Company started operations in the State of Haryana besides the earlier existing operations from 17 states (viz. Madhya Pradesh, Andhra Pradesh, Telangana, Karnataka, Kerala, Maharashtra, Odisha, Goa, Chhattisgarh, Gujarat, Jharkhand, Uttar Pradesh, West Bengal, Rajasthan, Bihar, Tamil Nadu, and Pondicherry).

## BOARD'S REPORT (Contd.)

- During FY20, the number of borrowers grew by 4.35% to 25.66 lakh borrowers from 24.59 lakh. The number of branches grew by 9.19% from 925 to 1,010 across the existing and new states.
- Disbursements increased by 61.08% from ₹ 4,969.20 Cr in FY19 to ₹ 8,004.36 Cr for FY20 and that helped your company to grow the Gross AUM by 56.20% from ₹ 4,372.05 Cr to ₹ 6,829.12 Cr.

### 3.1 Securitization:

Your Company has used securitization to improve its asset and liability mix in line with extant guidelines of RBI on securitization. Gross Securitizations including Direct Assignment (DA) during the year to the tune of ₹ 3,776 Cr has been done by issuing Pass-Through Certificates (PTCs) and transferring portfolio by way of DA. As of March 31, 2020, the total Asset under management out of securitized portfolio is ₹ 2,407 Cr (including DA of ₹ 1,916 Cr).

### 3.2 Public Deposits:

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

### 3.3 RBI Guidelines:

As on March 31, 2020, the Company is in compliance of the regulatory requirements of net owned funds ('NOF') and Capital to Risk Assets Ratio ('CRAR'), as defined under section 45-IA of the Reserve Bank of India Act, 1934, to carry on the business of a non-banking financial institution ('NBFI'). Your Company's CRAR is as follows:

| Capital Adequacy Ratio              | 2019-20 | 2018-19 |
|-------------------------------------|---------|---------|
| i) CRAR – Tier I Capital (%)        | 47.27   | 42.01   |
| ii) CRAR – Tier II Capital (%)      | 0.18    | 00.45   |
| Capital to Risk Assets Ratio (CRAR) | 47.44   | 42.46   |

### 3.4 Auction of gold jewelry for recovery of overdues of loans against them:

No Auctions were done during the financial year 2019-20 of gold jewelry for recovery of overdues of loans against them.

### 3.5 Reserve Fund:

As per section 45IC of RBI Act 1934, the Company has transferred ₹ 67.34 Cr in reserve fund i.e. aggregating 20% of its standalone net profit.

## 4. SHARE CAPITAL:

The Issued and paid-up Equity Share Capital of the Company as on March 31, 2020, stood at ₹ 64,31,54,830 (Rupees Sixty-four crore thirty-one lakh fifty-four thousand and eight hundred thirty) consisting of 6,43,15,483 (Six crores forty-three lakh fifteen thousand four hundred eighty-three) Equity Shares of ₹ 10/- each as compared to ₹ 59,63,36,830 (Rupees Fifty-nine crore sixty-three lakh thirty-six thousand eight hundred thirty) consisting of 5,96,33,683 (Five crore ninety-six lakh thirty three thousand six hundred eighty three) 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 the following:

- Issuance and allotment of 45,43,385 Equity Shares of ₹ 10/- each by way of issue of fresh Equity Shares through Initial Public Offer.
- Issuance and allotment of 1,38,415 Equity Shares pursuant to the exercise of stock options by the eligible employees of the Company under ESOP plans of the Company.

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



## BOARD'S REPORT (Contd.)

### 5. INITIAL PUBLIC OFFER (IPO):

Your Company made its Initial Public Offer ("IPO") of 13,900,110 Equity Shares of face value of ₹ 10 each ("Equity Shares") of the Company for cash at a Price of ₹ 856 per Equity Share (Including a Share Premium of ₹ 846 per Equity Share) aggregating to ₹ 1189.8 Cr ("Offer"), comprising a fresh issue of 4,543,385 Equity Shares aggregating to ₹ 388.91 Cr ("Fresh Issue") and an offer for sale of 9,356,725 Equity Shares by Kangchenjunga Limited, Mrs. Padmaja Gangireddy, Mr. Vijaya Siva Rami Reddy Vendidandi, Valiant Mauritius Partners FDI Limited, Helion Venture Partners II, LLC, Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF – 1 and Helion Venture Partners, LLC. The Offer was subscribed to the extent of 1.0524 times (excluding Anchor Portion) as per the bid book of BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

The Equity Shares of your Company were successfully listed on the BSE and NSE with effect from August 19, 2019. The Annual Listing fees for the financial year 2019-20 has been paid by your Company to both BSE and NSE.

Your Company has fully utilized the IPO proceeds, in line with the objectives mentioned in the Prospectus.

Your Directors wish to place on record their gratitude for the trust, faith, and confidence reposed by the public, institutions, borrowers, and business partners in the Company even during the challenging environment; thus making the IPO successful. Your Directors also place on record their deep appreciation for the significant contribution and sincere efforts made in the IPO process by the Book Running Lead Managers, all legal counsels to the offer, Statutory Auditors of the Company, Registrar to the Offer, Advertising Agency, Syndicate Members, Monitoring Agency, Bankers to the Offer, RBI, Registrar of Companies-Hyderabad, Stock Exchanges, Management Team and Employees of the Company.

### 6. EMPLOYEE STOCK OPTION PLAN (ESOP PLAN) AND EMPLOYEE STOCK OPTION SCHEME (ESOP SCHEME):

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

Further pursuant to requirements of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Members of the Company ratified the ESOP Plan 2018 and ESOP Scheme 2018 after the IPO of the Company. The above stated ESOP Plan 2018 and ESOP Scheme 2018 comply with the SEBI SBEB Regulations. The Company has granted 4,63,500 options to eligible employees of the Company during the financial year 2019-20.

Disclosures in terms of 'Guidance note on accounting for employee share based payments' issued by ICAI and diluted Earnings Per Share (EPS) in accordance with Indian Accounting Standard ("Ind AS") 33 - EPS are provided in Note 30 of Standalone Financial Statements in this Annual Report. The Nomination and Remuneration Committee monitors the ESOP Plan 2018 and ESOP Scheme 2018 in compliance with the Companies Act, 2013 (the "Act"), and related laws. The Company shall place a certificate received from its Auditors confirming that the above Plans have been implemented per the SEBI SBEB Regulations and are as per the resolutions passed by the Members of the Company for the inspection by the Members of the Company. The disclosures as required under the SEBI SBEB Regulations have been placed on the website of the Company at [http://www.spandanaindia.com/investors/stock\\_exchange\\_compliances.html](http://www.spandanaindia.com/investors/stock_exchange_compliances.html).

### 7. AUDITORS:

#### 7.1 Statutory Auditors:

As per Section 139 of the Act, read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company at the Fifteenth Annual General Meeting (AGM), held on August 3, 2018, has re-appointed S. R. Batliboi & Co. LLP, (Firm Registration No. 301003E/E300005), Chartered Accountants, as the Statutory Auditors of the Company for a further period of 5 years i.e. to hold office from the conclusion of the Fifteenth AGM till the conclusion of the Twentieth AGM of the Company. Pursuant to amendments in Section 139 of the Act, the requirements to place the matter relating to such an appointment for ratification by Members at every Annual General meeting have been omitted with effect from May 7, 2018.

The Reports given by S R Batliboi & Co. LLP, Chartered Accountants on the standalone and consolidated financial statements of the Company for the financial year 2019-20 are part of this Annual Report. The Auditors' Report read

## BOARD'S REPORT (Contd.)

along with the Notes on the Financial Statements are self-explanatory and do not call for any further comments. There has been no qualification, reservation or adverse remark or disclaimer in their Report.

During the financial year 2019-20, there were no frauds reported by the Statutory Auditors to the Central Government or the Audit Committee or the Board under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134(3)(ca) of the Act.

### 7.2 Secretarial Auditors:

Pursuant to the requirements of Section 204(1) of the Act read with Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of SEBI Listing Regulations, M/s RPR & Associates, Company Secretaries, (CP No. 5360), were appointed as Secretarial Auditor of the Company for the financial year 2019-20. The Secretarial Audit Report for the financial year ended March 31, 2020, is annexed to this report as "Annexure –A". There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

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

### 7.3 Internal Auditors:

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

In terms of Section 138 of the Act, and Companies (Accounts) Rules, 2014, the Board of Directors at its Meeting held on May 17, 2019, upon recommendation of Audit Committee, had appointed BDO India LLP, as Internal Auditors of the Company, for the financial year 2019-20, for conducting the audits at Head Office level.

### 7.4 Cost Auditors:

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

## 8. HOLDING / SUBSIDIARY COMPANIES / ASSOCIATES / JOINT VENTURES:

Your Company has the following subsidiaries as on March 31, 2020:

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

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

The Audited Financial Statements, the Auditors Report thereon and the Board's Report for the year ended March 31, 2020, of the subsidiary companies, shall be available in the Company website at [www.spandanaindia.com](http://www.spandanaindia.com). A Member who is desirous of obtaining a soft copy of the accounts of the subsidiaries companies is requested to write to the Company.

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

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

## BOARD'S REPORT (Contd.)

### 9. CONSOLIDATED FINANCIAL STATEMENTS:

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

### 10. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

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

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

#### 10.1 Rotation of Directors:

In terms of the provisions of Section 152 of the Act, Mr. Sunish Sharma (DIN: 01715073) and Mr. Amit Sobti (DIN: 00727320), Nominee Directors of the Company, being longest in the office, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The brief profile and other details of Mr. Sunish Sharma and Mr. Amit Sobti as required under the Act and SEBI Listing Regulations for their re-appointment as Director, are provided in the Notice of Seventeenth Annual General Meeting of your Company.

#### 10.2 Declaration by Independent Directors:

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

#### 10.3 Key Managerial Personnel of the Company:

During the year under review, the Board has accepted the resignation of Mr. Sudhesh Chandrasekar as the Chief Financial Officer and Mr. Rahesh Jihinjharia as the Company Secretary of the Company w.e.f. June 5, 2020 and appointed Mr. Satish Kottakota as the Chief Financial Officer of the Company w.e.f. June 1, 2020..

### 11. MEETINGS OF THE BOARD OF DIRECTORS:

During the financial year 2019-20, Seven (7) Board Meetings were convened and held. The details related to Board Meetings are provided in Corporate Governance Report forming part of this Report.

The intervening gap between the Board Meetings was within the period prescribed under the Act and SEBI Listing Regulations. 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 Listing Regulations were circulated to all Directors, well within the prescribed time, before the Meeting or placed at the Meeting.

### 12. BOARD EVALUATION:

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

The Directors have expressed their satisfaction with the evaluation process.

### 13. CODE OF CONDUCT FOR ITS DIRECTORS AND SENIOR MANAGEMENT:

Pursuant to Regulation 17(5) of the SEBI Listing Regulations, the Company has a Code of Conduct for its Directors and Senior Management including Non-Executive and Independent Directors to the extent of their role and responsibilities in



## BOARD'S REPORT (Contd.)

the Company. The said code is available at the website of the Company at change to <http://www.spandanaindia.com/pdfs/Code%20of%20Conduct%20for%20Board%20Members%20and%20Senior%20Management%20Personnel.pdf>.

Further, in accordance with Schedule V (D) of the SEBI Listing Regulations, declaration from Managing Director of the Company 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, 2020 is attached with this Report.

### 14. CORPORATE SOCIAL RESPONSIBILITY (CSR) :

In terms of section 135 and Schedule VII of the Act, read with rules made thereunder, the Board of Directors of your Company have constituted a CSR Committee. Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company have been formulated by the Board based on the recommendation of the Corporate Social Responsibility Committee (CSR Committee).

The details of the Corporate Social Responsibility Policy adopted by the Company have been disclosed on the website of the Company at <http://www.spandanaindia.com/pdfs/CSR-policy.pdf>.

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

### 15. DETAILS OF COMMITTEES OF BOARD OF DIRECTORS OF COMPANY :

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

### 16. DETAILS OF REMUNERATION / COMMISSION RECEIVED BY THE MANAGING DIRECTOR FROM SUBSIDIARIES:

During the financial year 2019-20, Mrs. Padmaja Gangireddy, Managing Director has not received any remuneration or commission from any of the subsidiaries of the Company.

### 17. CORPORATE GOVERNANCE:

In terms of Regulation 34(3) read with Schedule V of the SEBI Listing Regulations, the detailed Report on Corporate Governance which forms an integral part of this Report.

### 18. MANAGEMENT DISCUSSION & ANALYSIS REPORT:

The Management Discussion and Analysis Report as required under Schedule V of the SEBI Listing Regulations forms an integral part of this report.

### 19. BUSINESS RESPONSIBILITY REPORT:

The Listing Regulations mandate the inclusion of the Business Responsibility Report as part of the Annual Report for the top 1,000 listed entities based on market capitalization. In compliance with the SEBI Listing Regulations, the Business Responsibility Report is annexed to this Annual Report.

### 20. EXTRACT OF THE ANNUAL RETURN:

The extract of annual return in Form MGT 9 as required under Section 92(3) of the Act, and Rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the website of the Company at the link: <http://www.spandanaindia.com/pdfs/MGT-9-2020.pdf>.

### 21. DEBENTURE REDEMPTION RESERVE:

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

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

Information required under Section 134(3)(m) of the Act read with Rule, 8 of the Companies (Accounts) Rules, 2014 for the financial year ended March 31, 2020, are as follows:

#### 22.1 Conservation of Energy:

Our operations are not energy-intensive. However, significant measures are taken to reduce energy consumption by

## BOARD'S REPORT (Contd.)

using energy-efficient computers and electrical equipments. Further, the Company believes in the optimum utilization of alternative resources available to reduce usage and conserve energy. We are also promoting the use of renewable energy sources among clients in their households.

### 22.2 Research and Development:

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

### 22.3 Technology absorption, adaptation, and innovation:

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

### 22.4 Foreign exchange earnings and outgo:

During the year, the foreign exchange inflow was Nil and outflow was in USD equivalent to ₹ 1.71 Cr. towards IPO expenditure and Software Maintenance.

## 23. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

The ratio of the remuneration of each director to the median's employee's remuneration and other details in terms of Section 197(12) of Act, read with Rule 5(1) of the Companies (Companies Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as "Annexure-D" to the Board's Report.

The statement containing particulars of employees as required under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of the Board's Report. In terms of Section 136 of the Act, the Board's Report and the Accounts are being sent to the Members excluding the aforesaid annexure and the same is open for inspection at the Registered Office of the Company. A copy of the statement may be obtained by the Members, by writing to the Company Secretary of the Company.

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

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

## 25. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES :

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

The Company also has a Fraud Reporting Policy to deal with instances of fraud and mismanagement, if any. This Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. A Committee has been constituted which looks into the complaints raised. The Vigil Mechanism and Whistle Blower Policy and Fraud Reporting Policy are available at the website of the Company at [http://www.spandanaindia.com/investors/corporate\\_governance.html](http://www.spandanaindia.com/investors/corporate_governance.html).

## BOARD'S REPORT (Contd.)

### 26. INVESTOR RELATION:

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

### 27. BORROWER GRIEVANCES:

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

### 28. CODE OF CONDUCT FOR INSIDER TRADING:

Your Company has duly formulated and adopted Code of Conduct for Prohibition of Insider Trading and Internal Procedure in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The objective of this Code is to regulate, monitor and report trading by its Designated Persons and Immediate Relatives of Designated Persons towards achieving and protecting the interest of Stakeholders at large. The Code of Conduct for Prohibition of Insider Trading and Internal Procedure and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information are available at the website of the Company at [http://www.spandanaindia.com/investors/corporate\\_governance.html](http://www.spandanaindia.com/investors/corporate_governance.html).

### 29. FAIR PRACTICE CODE:

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

The FPC is available on the Company's website at <http://www.spandanaindia.com/pdfs/FPC%20Policy.pdf>.

### 30. RISK MANAGEMENT POLICY:

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

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

### 31. DIVIDEND DISTRIBUTION POLICY:

Your Company has formulated Dividend Distribution Policy in accordance with SEBI Listing 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 <http://www.spandanaindia.com/pdfs/Dividend-Distribution-Policy.pdf>.

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

Pursuant to the provisions of Sec 186 (11) of Companies Act, 2013 disclosure requirement of particulars of loans given, investments made or guarantee given or securities provided is not applicable to the Company.

### 33. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

Your Company has formulated a policy on related party transactions and is available on the Company's website at <http://www.spandanaindia.com/pdfs/Related%20Party%20Transaction%20Policy.pdf>.



## BOARD'S REPORT (Contd.)

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

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large. All Related Party Transactions are placed before the Audit Committee for approval. The details of the related party transactions are disclosed as per Indian Accounting Standard (IND AS) – 24 and set out in Note 32 to the standalone financial statements forming part of this Annual Report.

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

### 34. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

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

### 35. MATERIAL CHANGES AND COMMITMENTS:

On March 11, 2020, the World health Organization declared the Novel Corona Virus ("COVID-19") as pandemic. At the end of March 2020, the lockdown declared in the entire country due to COVID-19 which continued beyond May 2020, had a significant impact on the business environment in the country as well as for the Company. Collections and disbursements of loans were to be halted with immediate effect of lockdown. As per the COVID-19 Regulatory Package notified by RBI on March 27, 2020, the Company extended the option of loan moratorium to all the existing borrowers until May 31, 2020. During this period, the Company had requested for rescheduling the repayments to Banks and Financial Institutions for the month of March 2020. However, the Company has taken decision to honour all repayments to the Banks and Financial Institutions irrespective of receipt of moratorium approval from the said institutions. Subsequently on May 23, 2020, RBI further extended the moratorium COVID-19 Regulatory Package by another three (3) months till August 31, 2020. The Company reviewed its portfolio and based on positive economic developments in the non-urban areas and particularly in its borrowers' segment, decided to extend moratorium only on case to case basis on the request of the borrowers. No material changes or commitments have occurred after the close of the year till the date of this Report except as mentioned herein below, which may affect the financial position of the Company.

Board has accepted the resignation of Mr. Sudhesh Chandrasekar as the Chief Financial Officer and Mr. Rahesh Jihinjharia as the Company Secretary of the Company w.e.f. June 5, 2020 and appointed Mr. Satish Kottakota as the Chief Financial Officer of the Company w.e.f. June 1, 2020.

### 36. DEBENTURE TRUSTEE:

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

Catalyst Trusteeship Limited

CIN: U74999PN1997PLC110262

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

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

Website: [www.catalysttrustee.com](http://www.catalysttrustee.com)

## BOARD'S REPORT (Contd.)

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

Your Company has constituted an Internal Compliant Committee as required to be formed under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder which were notified on December 9, 2013.

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and Redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During the financial year 2019-20, there were no complaints received by the Committee.

### 38. DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them, make the following statements in terms of Section 134(5) of the Companies Act, 2013:

- that in the preparation of the annual financial statements for the financial year ended March 31, 2020; the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that such accounting policies as mentioned in Note no. 3 of the Notes to the Financial Statements have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual financial statements for the financial year ended March 31, 2020 have been prepared on a going concern basis;
- that the Director have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively; and
- that the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

### 39. CREDIT RATING:

The ICRA Limited has reaffirmed the rating assigned to the Company's debt instruments during the financial year 2019-20, the details are below;

| Instrument                    | Previous Rated Amount<br>(₹ crore) | Current Rated Amount<br>(₹ crore) | Rating Action                  |
|-------------------------------|------------------------------------|-----------------------------------|--------------------------------|
| Bank lines                    | 2,500.00                           | 2,500.00                          | [ICRA]A- (Stable) / Reaffirmed |
| Non-Convertible<br>Debentures | 621.00                             | 621.00                            | [ICRA]A- (Stable) / Reaffirmed |

### 40. GRATITUDE AND ACKNOWLEDGEMENT:

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

For & on behalf of the Board of Directors

Sd/-  
**Padmaja Gangireddy**  
 Managing Director  
 DIN: 00004842

Sd/-  
**Deepak Calian Vaidya**  
 Chairman  
 DIN: 00337276

Date: June 2, 2020  
 Place: Hyderabad

## ANNEXURE-A

**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020**

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

To

The Members,

**Spandana Sphoorty Financial Limited**

Plot No: 31 & 32, Ramky Selenium Towers,

Tower A, Ground Floor, Financial Dist,

Nanakramguda, Hyderabad TG 500032

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

Based on our verification of the Company's books, papers, minute books forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the "**Financial Year**" ended on **March 31, 2020, (i.e. from April 01, 2019 to March 31, 2020)** complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of:

- A. The Companies Act, 2013 (the "Act") and the rules made thereunder;
- B. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- C. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- D. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- E. Reserve Bank of India - NBFC (Non-Banking Financial Companies) norms, directions, regulations, circulars etc.
- F. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - 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) (Amendments) Regulations, 2018 regarding the Companies Act and dealing with client;
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2018; (Not applicable to the Company during the Audit Period)
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Company during the Audit Period)

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

- (i) Revised Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI).
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.



## ANNEXURE-A (Contd.)

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

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

### We further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-executive Directors and Independent Directors. During the period under review, there were no changes in the composition of the Board of Directors. Adequate notices are given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent in advance as required, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority of decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the respective meetings.

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

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

- completed the Initial Public Offer (IPO) by way of Fresh Issue of 4,543,385 (forty five lakh forty three thousand three hundred and eighty five) Equity Shares of ₹ 10/- (Rupees ten only) each at a price of ₹ 856/- (Rupees eight hundred and fifty six only) per share and offer for sale of 9,356,725 (Ninety three lakh fifty six thousand seven hundred and twenty five) Equity Shares of ₹ 10/- (Rupees ten only) each at a price of ₹ 856/- (Rupees eight hundred and fifty six only) per share by selling Shareholders and the Equity Shares of the Company were listed at the National Stock Exchange of India Ltd. and BSE Limited with effect from August 19, 2019;
- allotted 138,415 (one lakh thirty eight thousand four hundred fifteen) equity shares upon exercise of options by its eligible employees under its Employee Stock Option Plan 2018 and Employee Stock Option Scheme 2018;
- granted following Employees Stock Options (ESOPs) to its eligible employees in terms of the Spandana Employee Stock Option Plan 2018 (the "ESOP Plan") and Spandana Employee Stock Option Scheme 2018 (the "ESOP Scheme"):

| S. No. | Date of the Grant | No. of Employees | No. of ESOPs granted |
|--------|-------------------|------------------|----------------------|
| 1.     | January 28, 2020  | 157              | 427,000              |
| 2.     | March 03, 2020    | 5                | 36,500               |

- passed a resolution through Postal ballot for Alteration and ratification of provisions of Articles of Association of the Company.
- passed a resolution through Postal ballot for Ratification of ESOP Plan and ESOP Scheme of the Company.
- redeemed following Non-Convertible Debentures from BSE Limited:

| S. No. | Details of Debentures   |
|--------|---|
| 1.     | 12,00,00,000 12.30% Rated, Listed, Senior, Secured, Redeemable, Taxable Non-Convertible Debentures                  |
| 2.     | 200 (Two Hundred) Fully paid up Listed Senior Unsecured Dematerialized Non-Convertible Debentures                   |
| 3.     | 18,00,00,000 (Eighteen crore) 12.30% Rated, Listed, Senior, Secured, Redeemable, Taxable Non-Convertible Debentures |
| 4.     | 1500 (Fifteen Hundred) 12.45% Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures       |

For **RPR & ASSOCIATES**  
Company Secretaries

Sd/-  
**Y Ravi Prasada Reddy**  
Proprietor

Place: Hyderabad  
Date: June 02, 2020

FCS No.5783, C P No. 5360  
UDIN: F005783B000311726

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

## ANNEXURE-A (Contd.)

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

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

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices followed by us provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the Management representations about the compliance of laws, rules and regulations and happening of events etc.,
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
7. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
8. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices followed by us provide a reasonable basis for our opinion.
9. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
10. Wherever required, we have obtained the Management representations about the compliance of laws, rules and regulations and happening of events etc.,
11. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
12. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **RPR & ASSOCIATES**  
Company Secretaries

Sd/-  
**Y Ravi Prasada Reddy**  
Proprietor

Place: Hyderabad  
Date: June 02, 2020

FCS No.5783, C P No. 5360  
UDIN: F005783B000311726

## ANNEXURE-B

### FORM AOC-1

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

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

#### Part "A": Subsidiaries

Amount in ₹ Lakhs

| Sl. No. | Particulars             | Details                            | Details                          |
|---------|-------------------------|------------------------------------|----------------------------------|
| 1.      | Name of the subsidiary  | Caspian Financial Services Limited | Criss Financial Holdings Limited |
| 2.      | Financial Year ended on | March 31, 2020                     | March 31, 2020                   |
| 3.      | Reporting currency      | INR                                | INR                              |
| 4.      | Share capital           | 200                                | 485                              |
| 5.      | Reserves & surplus      | 18                                 | 5931                             |
| 6.      | Total assets            | 220                                | 18509                            |
| 7.      | Total Liabilities       | 2                                  | 12093                            |
| 8.      | Investments             | 220                                |                                  |
| 9.      | Turnover                | 12                                 | 3468                             |
| 10.     | Profit before taxation  | 12                                 | 2019                             |
| 11.     | Provision for taxation  | 2                                  | 515                              |
| 12.     | Profit after taxation   | 9                                  | 1504                             |
| 13.     | Proposed Dividend       | 0                                  | 0                                |
| 14.     | % of shareholding       | 100%                               | 97.54%                           |

For & on behalf of the Board of Directors

Sd/-

**Padmaja Gangireddy**

Managing Director

DIN: 00004842

Sd/-

**Deepak Calian Vaidya**

Chairman

DIN: 00337276

Date: June 2, 2020

Place: Hyderabad



## ANNEXURE C

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

- A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:**

CSR Policy is stated herein below:

Weblink: [www.spanadanaindia.com](http://www.spanadanaindia.com)

- Composition of the CSR Committee:**

Mr. Ramachandra Kasargod Kamath (Chairman, Non-Executive Director)

Mrs. Padmaja Gangireddy (Member, Managing Director)

Ms. Abanti Mitra (Member, Independent Director)

- Average net profits of the Company for last three financial years:**

Average net profits: ₹ 24,283.74 Lakh

- Prescribed CSR Expenditure (two percent of the amount as in Item 3 above):**

The Company is required to spend ₹ 507.38 Lakh towards CSR.

(Includes an amount of ₹ 21.68 Lakh carried forward from the FY19 to FY20)

- Details of CSR spend for the financial year:**

- Total amount spent for the financial year:**

₹ 495.06 Lakh

- Amount unspent, if any:**

₹ 12.32 Lakh

- Manner in which the amount spent during the financial year is detailed below:**

(₹ in lakhs)

| Sl.          | Projects / Activities                 | Sector            | Locations  | Amount Outlay (Budget) Project or Programs wise | Amount spent on the Projects or Programs | Cumulative Expenditure upto reporting period | Amount spent: Direct or through implementing agency |
|--------------|---------------------------------------|-------------------|--|---|--|--|---|
| 1.           | Flood Relief activities               | Social Welfare    | Kerala and Andhra Pradesh  | 118.37  | 118.37                                   | 118.37                                       | Direct  |
| 2.           | Distribution of Solar Lights & Cycles | Social Welfare    | AP, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, MP, Maharashtra, Odisha, Rajasthan, UP | 369.01  | 369.01                                   | 369.01                                       | Direct  |
| 3.           | Kitchen gardening                     | Others            | AP   | 0.1   | 0.1                                      | 0.1  | Direct  |
| 4.           | Skill Training Centre                 | Skill Development | AP   | 7.61  | 7.61                                     | 7.61   | Direct  |
| <b>Total</b> |                                       |                   |  | <b>495.06</b>                                   | <b>495.06</b>                            | <b>495.06</b>                                |   |

- In case the Company has failed to spend the two percent, of the average net profits of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report:**

The Company in the financial year 2019-20 has spent 100% of the total amount required to be spent towards CSR activities.

The unspent amount of ₹ 12.31 Lakh relates to the carried forward unspent amount for the financial year 2018-19.

For & on behalf of the Board of Directors

Date: May 30, 2020  
Place: Hyderabad

Sd/-  
**Padmaja Gangireddy**  
Managing Director

Sd/-  
**Ramachandra Kasargod Kamath**  
Chairman – CSR Committee

## ANNEXURE D

### DISCLOSURES ON MANAGERIAL REMUNERATION

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of 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

| Sr. No. | Requirement   | Disclosure   |
|---------|---|--|
| 1.      | Ratio of the remuneration of each director to the median remuneration of the employees of the company for the Financial Year.   | Ratio of remuneration of Mrs. Padmaja Gangireddy for the financial year is 25.5:1  |
| 2.      | The percentage increase in remuneration of each director*, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year.   | <b>Directors</b><br>Mrs. Padmaja Gangireddy (Managing Director) : 0.00%<br><b>KMP's other than Directors:</b><br>Mr. Sudhesh Chandrasekhar (Chief Financial Officer): 30.00%<br>Mr. Rakesh Jhinharia (Company Secretary): 20.00%<br>Mr. Abdul Feroz Khan (Chief Strategy Officer): 8.02% |
| 3.      | The Percentage Increase in the Median Remuneration of Employees in the Financial Year.  | 7.64%  |
| 4.      | No. of Permanent Employees on the Rolls of the Company.   | 8,224 as on March 31, 2020.  |
| 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. | (i) Average percentile increase already made in the salaries of employees- 6.75% (approx)<br>(ii) Percentile increase in the managerial remuneration - 0.00%   |
| 6.      | Affirmation that the remuneration is as per the remuneration policy of the Company.   | The remuneration is paid as per the Remuneration Policy of the Company.  |

For & on behalf of the Board of Directors

Sd/-  
**Padmaja Gangireddy**  
Managing Director  
DIN: 00004842

Sd/-  
**Deepak Calian Vaidya**  
Chairman  
DIN: 00337276

Date: June 2, 2020  
Place: Hyderabad

# BUSINESS RESPONSIBILITY REPORT

## BUSINESS RESPONSIBILITY REPORT

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

### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

|    |   |  |
|----|---|--|
| 1  | Corporate Identity Number (CIN) of the Company:   | L65929TG2003PLC040648  |
| 2  | Name of the Company   | Spandana Sphoorty Financial Limited  |
| 3  | Registered address  | Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad TG 500032 IN  |
| 4  | Website   | www.spandanaindia.com  |
| 5  | E-mail id   | contact@spandanaindia.com  |
| 6  | Financial Year reported   | 2019-20  |
| 7  | Sector(s) that the Company is engaged in (industrial activity code-wise)                      | Financial Services (Microfinance) (NIC Code 64990)   |
| 8  | List three key products/services that the Company manufactures/provides (as in balance sheet) | 1. Microfinance Services i.e., providing unsecured loans for income generation activities to borrowers from economically weaker sections<br>2. Loans against Property<br>3. Business Loans |
| 9  | Total number of locations where business activity is undertaken by the Company                | 17 States and 1 Union Territory  |
|    | (a) Number of International Locations (Provide details of major 5)                            | Nil  |
|    | (b) Number of National Locations  | Registered Office: 1<br>Corporate Office: 1<br>Branches: 1010  |
| 10 | Markets served by the Company – Local/ State/ National/ International                         | National   |

### SECTION B: FINANCIAL DETAILS OF THE COMPANY

|   |   |  |
|---|---|--|
| 1 | Paid up Capital (₹ in million)  | 64.315   |
| 2 | Total Turnover (₹ in million)   | 14,094.86  |
| 3 | Total profit after taxes (₹ in million)   | 3,366.94   |
| 4 | Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | 1.47%  |
| 5 | List of activities in which expenditure in 4 above has been incurred                          | Refer Report on CSR activities forming part of Directors' Report |



## BUSINESS RESPONSIBILITY REPORT (Contd.)

### SECTION C: OTHER DETAILS

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

### SECTION D: BR INFORMATION

|           |  |                           |
|-----------|--|---------------------------|
| <b>1</b>  | <b>Details of Director/Directors responsible for BR</b>  |                           |
| <b>a</b>  | <b>Details of the Director/Director responsible for implementation of the BR policy/policies</b>   |                           |
|           | DIN Number   | 00004842                  |
|           | Name   | Mrs. Padmaja Gangireddy   |
|           | Designation  | Managing Director         |
| <b>b.</b> | <b>Details of the BR head</b>  |                           |
|           | DIN Number   | 00004842                  |
|           | Name   | Mrs. Padmaja Gangireddy   |
|           | Designation  | Managing Director         |
|           | Telephone number   | 040-48126666              |
|           | e-mail id  | contact@spandanaindia.com |
| <b>2.</b> | <b>Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)</b>  |                           |
|           | The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under: |                           |
| P1        | Businesses should conduct and govern themselves with Ethics, Transparency and Accountability   |                           |
| P2        | Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle.  |                           |
| P3        | Businesses should promote the wellbeing of all employees.  |                           |
| P4        | Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized  |                           |
| P5        | Businesses should respect and promote human rights   |                           |
| P6        | Business should respect, protect, and make efforts to restore the environment.   |                           |
| P7        | Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner   |                           |
| P8        | Businesses should support inclusive growth and equitable development   |                           |
| P9        | Businesses should engage with and provide value to their customers and consumers in a responsible manner.  |                           |

## BUSINESS RESPONSIBILITY REPORT (Contd.)

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

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

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

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

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

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

## BUSINESS RESPONSIBILITY REPORT (Contd.)

### Governance related to BR

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

### SECTION E: PRINCIPLE-WISE PERFORMANCE

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

| 1   | Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/ Others?                              | Yes. It extends to the subsidiary companies also.  |                     |                     |                     |                    |                     |     |     |     |                        |    |    |     |   |     |     |     |
|---|--|--|---------------------|---------------------|---------------------|--------------------|---------------------|-----|-----|-----|------------------------|----|----|-----|---|-----|-----|-----|
| 2   | How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words orso. | <p>Following are the details of the complaints received from various stakeholders during the financial year 2019-20:</p> <table><tr><th>Customer complaints</th><th>Complaints received</th><th>Complaints resolved</th><th>Complaints Pending</th></tr><tr><td>Customer Complaints</td><td>114</td><td>114</td><td>Nil</td></tr><tr><td>Shareholder complaints</td><td>55</td><td>55</td><td>Nil</td></tr><tr><td>Complaints received under Whistle Blower Policy / Vigil mechanism</td><td>Nil</td><td>Nil</td><td>Nil</td></tr></table> | Customer complaints | Complaints received | Complaints resolved | Complaints Pending | Customer Complaints | 114 | 114 | Nil | Shareholder complaints | 55 | 55 | Nil | Complaints received under Whistle Blower Policy / Vigil mechanism | Nil | Nil | Nil |
| Customer complaints   | Complaints received  | Complaints resolved  | Complaints Pending  |                     |                     |                    |                     |     |     |     |                        |    |    |     |   |     |     |     |
| Customer Complaints   | 114  | 114  | Nil                 |                     |                     |                    |                     |     |     |     |                        |    |    |     |   |     |     |     |
| Shareholder complaints  | 55   | 55   | Nil                 |                     |                     |                    |                     |     |     |     |                        |    |    |     |   |     |     |     |
| Complaints received under Whistle Blower Policy / Vigil mechanism | Nil  | Nil  | Nil                 |                     |                     |                    |                     |     |     |     |                        |    |    |     |   |     |     |     |

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

|   |   |   |
|---|---|---|
| 1 | List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.   | <p>Microfinance Services i.e., providing unsecured loans for income generation activities to borrowers from economically weaker sections</p> <p>Loans against Property and Business Loans are provided to lower middle income segment of the population in order to scale up their business and improve their livelihood.</p> |
| 2 | For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):<br>(a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?<br>(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year? | Not applicable  |

## BUSINESS RESPONSIBILITY REPORT (Contd.)

|   |   |                         |
|---|---|-------------------------|
| 3 | Does the company have procedures in place for sustainable sourcing (including transportation)?<br>(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.                                     | Not applicable          |
| 4 | Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?<br>(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors? | Yes, wherever possible. |
| 5 | Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.                                       | Yes, wherever possible. |

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

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | Please indicate the Total number of employees   | 8,224 as on March 31, 2020  |   |   |
| 2 | Please indicate the Total number of employees hired on temporary/contractual/casual basis.  | 15 as on March 31, 2020   |   |   |
| 3 | Please indicate the Number of permanent women employees.  | 134 as on March 31, 2020  |   |   |
| 4 | Please indicate the Number of permanent employees with disabilities   | Nil as on March 31, 2020  |   |   |
| 5 | Do you have an employee association that is recognized by management  | No  |   |   |
| 6 | What percentage of your permanent employees is members of this recognized employee association?   | Not applicable  |   |   |
| 7 | 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 March 31, 2020. |   |   |   |
|   | <b>No.</b>  | <b>Category</b>   | <b>No of complaints filed during the financial year</b> | <b>No of complaints pending as on end of the financial year</b> |
|   | 1   | Child labour/forced labour/involuntary labour   | Nil   | Nil   |
|   | 2   | Sexual harassment   | Nil   | Nil   |
|   | 3   | Discriminatory employment   | Nil   | Nil   |
| 8 | What percentage of your under mentioned employees were given safety & skill up- gradation training in the last year?  | Total No of Trainees were trained in safety and skill up-gradation training (April 1, 2019 to March 31, 2020) |   |   |
|   | a. Permanent Employees  | 504   |   |   |
|   | b. Permanent Women Employees  | 113   |   |   |
|   | c. Casual/Temporary/Contractual Employees   | NA  |   |   |
|   | d. Employees with Disabilities  | NA  |   |   |



## BUSINESS RESPONSIBILITY REPORT (Contd.)

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

|   |   |  |
|---|---|--|
| 1 | Has the company mapped its internal and external stakeholders?<br>Yes/No  | Yes  |
| 2 | Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.   | Yes  |
| 3 | Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so. | The Company is engaged in providing financial services to low income households in rural India for their lifecycle needs. In addition, the Company conducts financial literacy programmes, skill development programmes and vocational training programmes for low income house-holds. |

### Principle 5: Businesses should respect and promote human rights:

|   |   |   |
|---|---|---|
| 1 | Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others? | The Company's policy on Codes of Conduct applies to the Company, its subsidiaries, all Directors and all the employees. |
| 2 | How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?       | During the financial year 2019-20, no complaint regarding human rights violation was received.                          |

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

|   |  |                |
|---|--|----------------|
| 1 | Does the policy related to Principle 6 cover only the company or extends to the Group/JointVentures/Suppliers/Contractors/NGOs/others.   | Not applicable |
| 2 | Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for web page etc.                 | Not applicable |
| 3 | Does the company identify and assess potential environmental risks?Y/N   | Not applicable |
| 4 | Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed? | Not applicable |
| 5 | Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.Y/N.If yes, please give hyperlink for web page etc                                    | Not applicable |
| 6 | Are the Emissions/Was regenerated by the company with in 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 are pending (i.e. not resolved to satisfaction) as on end of Financial Year.   | Not applicable |

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

|  |   |   |
|--|---|---|
|  | Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:   | The Company is a member of the following associations:<br>1. Microfinance Institutions Network (MFIN)<br>2. Sa-Dhan |
|  | 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, Others) | Yes, MFIN and Sa-Dhan do MFI industry advocacy and are part of policy making related to MFI Industry.               |

## BUSINESS RESPONSIBILITY REPORT (Contd.)

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

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

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

|   |   |  |
|---|---|--|
| 1 | What percentage of customer complaints/consumer cases are pending as on the end of financial year   | For the Financial Year 2019-20, the Company has resolved all the complaints received.  |
| 2 | Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)   | Yes. As per Fair Practices Code, the Company displays the interest rate being charged and other practices being adopted by the Company while lending loans to its Borrowers. |
| 3 | Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or 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. | None   |
| 4 | Did your company carry out any consumer survey/ consumer satisfaction trends?   | Yes, this is done periodically   |

# CORPORATE GOVERNANCE REPORT

The Report for the financial year ended March 31, 2020 on compliance by the Company with the Corporate Governance provisions as prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") is given below.

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

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

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

The Company conforms to the requirements of the Corporate Governance as stipulated in Part C of the Schedule V of the SEBI Listing Regulations that are implemented in a manner so as to achieve the objectives of the principles stated in the clause with respect to rights of shareholders, role of stakeholders in Corporate Governance, disclosure and transparency, responsibilities of the Board and other responsibilities prescribed under the SEBI Listing Regulations.

## 2. BOARD OF DIRECTORS

The Company has put in place an internal governance structure. The Board of Directors ("the Board") of the Company consists of professionals from varied disciplines. The day to day management of the affairs of the Company is entrusted with the senior management personnel, headed by the Managing Director, who functions under the overall supervision, direction and control of the Board of the Company. The Board meets regularly to discuss, review and decide upon the matters such as policy formulation, setting up of goals, appraisal of performances with the goals and control functions, etc. In order to facilitate the day-to-day operations, the Board constitutes from time to time various Committees and delegated necessary powers to the Committees. The Board has also delegated certain powers of day-to-day management of affairs of the Company to the Managing Director relating to operational matters. The Board thus exercises close control over the overall functioning of the Company with a view to enhance the stakeholders' value.

The Independent Directors have made disclosures confirming that there are no material, financial and/or commercial transactions between Independent Directors and the Company which could have potential conflict of interest with the Company at large.

### Composition

The composition of the Board is in conformity with Regulations 17 of SEBI Listing Regulations, which stipulates that the Board should have an optimum combination of Executive and Non-Executive Directors with at least one (1) Woman Director and that at least fifty percent (50%) of the Board should consist of Non-Executive Directors. It further stipulates that if the Chairperson of the Board is a Non-Executive and Non-Promoter Director then at least one-third of the Board should comprise of Independent Directors.

The Company has a balanced mix of Executive, Non-Executive and Non-Executive Independent Directors. As on March 31, 2020, the Company's Board comprised of ten (10) Directors, including four (4) Non-Executive Independent Directors as mentioned in the table below. The Chairman of the Board is a Non-Executive Independent Director.

## CORPORATE GOVERNANCE REPORT (Contd.)

| S. No. | Name of Directors               | Designation          | Category                                     |
|--------|---------------------------------|----------------------|--|
| 1.     | Mr. Deepak Calian Vaidya        | Chairman             | Non - Executive<br>Independent Directors     |
| 2.     | Mr. Bharat Dhirajlal Shah       | Independent Director |  |
| 3.     | Mr. Jagdish Capoor              | Independent Director |  |
| 4.     | Mrs. Abanti Mitra               | Independent Director |  |
| 5.     | Mr. Kartikeya Dhruv Kaji        | Nominee Director*    | Non - Executive<br>Non Independent Directors |
| 6.     | Mr. Sunish Sharma               | Nominee Director*    |  |
| 7.     | Mr. Amit Sobti                  | Nominee Director*    |  |
| 8.     | Mr. Ramachandra Kasargod Kamath | Nominee Director*    |  |
| 9.     | Mr. Darius Dinshaw Pandole      | Nominee Director**   |  |
| 10.    | Mrs. Padmaja Gangireddy         | Managing Director    | Executive Director                           |

\* Nominee of Kedaara Capital

\*\* Nominee of JM Financial Products Limited

### Board Diversity

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

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

|    |   |
|----|---|
| 1. | Financial Acumen                          |
| 2. | Legal and Compliance                      |
| 3. | Corporate Governance                      |
| 4. | ALM and Risk Management                   |
| 5. | Strategy and strategic planning           |
| 6. | Information Technology and Digital        |
| 7. | Active Contributor to the Board/Committee |
| 8. | Understanding of Business/Industry        |
| 9. | Mentor                                    |



## CORPORATE GOVERNANCE REPORT (Contd.)

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

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

### Board Independence

Pursuant to Section 149(6) of the Companies Act, 2013 (the "Act" ) read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Regulation 16(1)(b) of the SEBI Listing Regulations, all the Independent Directors of the Company have provided the declaration to the Board confirming satisfaction of the conditions of their independence.

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

### Membership of other Boards

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

The information relating to the number and category of other directorships and committee chairmanships/memberships held by the Directors in other Public Companies as on March 31, 2020 is given herein below:

## CORPORATE GOVERNANCE REPORT (Contd.)

| Name of Director                | Designation          | Number of Directorship in other public companies <sup>1</sup> |  |  |          | Number of committee positions held in other public companies <sup>2</sup> |             | No. of Equity shares held in the Company as on March 31, 2020 |
|---------------------------------|----------------------|---|--|--|----------|---|-------------|---|
|                                 |                      | Listed  | Name of the Listed Company   | Category of Directorship   | Unlisted | Member  | Chairperson |   |
| Mr. Deepak Calian Vaidya        | Independent Director | 4   | 1. Strides Pharma Science Limited<br>2. Solara Active Pharma Sciences Limited<br>3. Indraprastha Medical Corporation Limited<br>4. Bombay Oxygen Investments Limited | 1. Non-Executive - Non Independent Director-Chairperson<br>2. Non-Executive - Non Independent Director-Chairperson<br>3. Independent Director<br>4. Non-Executive - Non Independent Director | 2        | 4   | 1           | Nil   |
| Mr. Bharat Dhirajlal Shah       | Independent Director | 4   | 1. Strides Pharma Science Limited<br>2. 3M India Limited<br>3. Exide Industries Limited<br>4. Mahindra Lifespace Developers Limited                                  | 1. Independent Director<br>2. Non-Executive - Independent Director-Chairperson<br>3. Non-Executive - Independent Director-Chairperson<br>4. Independent Director                             | 4        | 6   | 1           | Nil   |
| Mr. Jagdish Capoor              | Independent Director | 2   | 1. Manappuram Finance Limited<br>2. LIC Housing Finance Ltd  | 1. Non-Executive - Independent Director-Chairperson<br>2. Independent Director   | 2        | 2   | 1           | Nil   |
| Mrs. Abanti Mitra               | Independent Director | -   | -  | -  | -        | -   | -           | 4,247   |
| Mr. Kartikeya Dhruv Kaji        | Nominee Director     | 1   | 1. Aavas Financiers Limited  | 1. Nominee Director  | 1        | 0   | 0           | Nil   |
| Mr. Sunish Sharma               | Nominee Director     | -   | -  | -  | -        | -   | -           | Nil   |
| Mr. Amit Sobti                  | Nominee Director     | -   | -  | -  | -        | -   | -           | Nil   |
| Mr. Ramachandra Kasargod Kamath | Nominee Director     | 2   | 1. Aavas Financiers Limited<br>2. Centrum Capital Limited  | 1. Nominee Director<br>2. Non-Executive-Non Independent Director   | 1        | 1   | 0           | Nil   |
| Mr. Darius Dinshaw Pandole      | Nominee Director     | 2   | 1. Fairchem Speciality Limited<br>2. Mahindra Logistics Limited  | 1. Independent Director<br>2. Independent Director   | 1        | 2   | 1           | Nil   |
| Mrs. Padmaja Gangireddy         | Managing Director    | -   | -  | -  | 3        | 1   | 0           | 10,250,953  |

<sup>1</sup> Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Act.

<sup>2</sup> The information pertaining to the chairmanships/memberships of committees of the board held by the directors includes only audit committee and stakeholders' relationship committee.

In compliance with Regulation 17(1A) of the SEBI Listing Regulations, during the year under review, the Members of the Company had approved the continuation of the directorship of Mr. Jagdish Capoor and Mr. Deepak Calian Vaidya, who had attained the age of seventy-five year, by passing a Special Resolution with requisite majority in the General Meeting held on July 11, 2019 and July 30, 2019 respectively. The offices held by the Directors are in compliance with the Act and the SEBI Listing Regulations.

Detailed profiles of the Directors are available at the website of the Company at [www.spandanaindia.com](http://www.spandanaindia.com).

## CORPORATE GOVERNANCE REPORT (Contd.)

### Board Meetings

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

The Board Meetings are generally held in Hyderabad and Mumbai. During the financial year ended March 31, 2020, seven (7) Board Meetings were held on May 17, 2019, May 24, 2019, June 28, 2019, July 25, 2019, October 31, 2019, January 28, 2020 and March 3, 2020. The Meetings were held at least once in quarter and the time period between the two meetings did not exceed 120 days. The required quorum was present at all the above Meetings. The details of attendance of the Directors at the Board Meetings held during the financial year 2019-20 and the last Annual General Meeting is given herein below:

| Name of Director                | No. of Board Meetings held | No. of Board Meetings attended |                                   |                             | Whether attended the Annual General Meeting held on July 11, 2019 |
|---------------------------------|----------------------------|--------------------------------|-----------------------------------|-----------------------------|---|
|                                 |                            | Attended in person             | Attended through video conference | Attended through Audio Call |   |
| Mr. Deepak Calian Vaidya        | 7                          | 4                              | -                                 | 2                           | No  |
| Mr. Bharat Dhirajlal Shah       | 7                          | 4                              | -                                 | -                           | No  |
| Mr. Jagdish Capoor              | 7                          | 5                              | -                                 | -                           | No  |
| Mrs. Abanti Mitra               | 7                          | 3                              | -                                 | 1                           | No  |
| Mr. Kartikeya Dhruv Kaji        | 7                          | 6                              | -                                 | -                           | Yes   |
| Mr. Sunish Sharma               | 7                          | 5                              | -                                 | 1                           | No  |
| Mr. Amit Sobti                  | 7                          | 1                              | -                                 | 4                           | No  |
| Mr. Ramachandra Kasargod Kamath | 7                          | 5                              | -                                 | 2                           | No  |
| Mr. Darius Dinshaw Pandole      | 7                          | 4                              | -                                 | -                           | No  |
| Mrs. Padmaja Gangireddy         | 7                          | 7                              | -                                 | -                           | Yes   |

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

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

At the Meetings, presentations are made by senior management covering the plans, performance, operations, financial performance, risk management, compliance status and other issues and matters which the Board and Committees wants to be appraised of on a periodic basis. The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration and convening of the Board and Committee Meetings. The Company Secretary attends all the Meetings of the Board and its Committees. He advises / assures the Board and its Committees on Compliance and Governance principles and ensures appropriate recording of Minutes of the

## CORPORATE GOVERNANCE REPORT (Contd.)

Meetings. With a view to leverage technology and reducing paper consumption, the Company circulates the agenda papers and all the relevant annexures through electronic mode. The Company meets high standards of security and integrity that are required for storage and transmission of Board and Committee Agenda(s) in electronic form. The Directors opting for physical copy of the Agenda were provided hard copies.

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

### Meeting of Independent Directors

The Independent Directors of the Company met on October 30, 2019 without the presence of Executive Director or members of management. The Meeting was attended by all the Independent Directors. In the Meeting, the Independent Directors reviewed performance of Non-Independent Directors, Board as a whole, Chairman and every Independent Directors. The Directors were evaluated on parameters such as functioning of the Board, frequency of meetings of the Board and Committees, level of participation of Directors at the Board and Committee meetings, independence of judgments, performance of duties and obligations by Directors, implementation of good corporate governance, safeguarding the interest of all other stakeholders. They assessed the quality, quantity and timeliness of flow of information between the Management and the Board. The Independent Directors were highly satisfied with the overall functioning of the Board, its various Committees and with the performance of other Executive and Non-Executive Directors.

### Information Supplied to the Board

The Board has complete access to all relevant information of the Company. The quantum and quality of information supplied by the management to the Board goes well beyond the minimum requirement stipulated in Regulation 17 (7) of the SEBI Listing Regulations. All information, except critical unpublished price sensitive information (which is circulated at a shorter notice than the period prescribed under Secretarial Standard on Meetings of the Board of Directors), is given to the Directors well in advance of the Board and the Committee Meetings.

### Familiarization Programmes for the Independent Directors

Pursuant to Regulation 25(7) of the SEBI Listing Regulations, the Company has put in place a system to familiarize its Independent Directors about the Company, its financial products, the industry and business model of the Company. In addition, the Company also updates on continuous basis to the Independent Directors about the ongoing events and developments relating to the Company, significant changes in regulatory environment and risk management framework through the Board/Committee Meetings and separate familiarisation programme(s). The program aims to familiarize the Independent Directors with various aspects of the Company including the nature of financial services industry, operations and performance of the Company and its subsidiaries, roles, rights and responsibilities of the Independent Directors; and other relevant information required by Independent Directors to discharge their functions. The Company has in place the familiarization program for the Independent Directors from time to time. Pursuant to Regulation 46 of the SEBI Listing Regulations the details of Familiarization Programme is uploaded on the Company's website at [www.spandanaindia.com](http://www.spandanaindia.com).

### Policy for prohibition of Insider Trading

Pursuant to SEBI (Prohibition of Insider Trading) Regulations 2015, as amended, the Company has adopted Prohibition of Insider Trading Code and a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information. The Code also provides for pre-clearance of transactions by designated persons.

### Code of Conduct

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



## CORPORATE GOVERNANCE REPORT (Contd.)

### 3. COMMITTEES OF THE BOARD

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

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

- A. Audit Committee
- B. Nomination and Remuneration Committee
- C. Corporate Social Responsibility Committee
- D. Stakeholders' Relationship Committee
- E. Risk Management Committee
- F. IT Strategy Committee
- G. Management Committee
- H. Asset Liability Management Committee

#### A. Audit Committee

##### Composition

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

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

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

##### Terms of Reference

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

- a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b) Recommending to the Board, the appointment, re-appointment, and replacement, remuneration, and terms of appointment of the statutory auditor, internal auditor and cost auditor;
- c) Reviewing and monitoring the auditor's independence and performance and the effectiveness of audit process;
- d) Approving payments to the statutory auditors, internal auditor and cost auditor, for any other services rendered by them;
- e) Reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - i. Matters required to be stated in the Director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Act;

## CORPORATE GOVERNANCE REPORT (Contd.)

- ii. Changes, if any, in accounting policies and practices and reasons for the same;
  - iii. Major accounting entries involving estimates based on the exercise of judgment by management;
  - iv. Significant adjustments made in the financial statements arising out of audit findings;
  - v. Compliance with listing and other legal requirements relating to financial statements;
  - vi. Disclosure of any related party transactions; and
  - vii. Qualifications and modified opinions in the draft audit report.
- f) Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
- g) Scrutiny of inter-corporate loans and investments;
- h) Valuation of undertakings or assets of the Company, wherever it is necessary;
- i) Evaluation of internal financial controls and risk management systems;
- j) Approval or any subsequent modification of transactions of the Company with related parties;
- Explanation: The term “related party transactions” shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Act.
- k) Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- l) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
- m) Reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;
- n) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- o) Discussion with internal auditors on any significant findings and follow up thereon;
- p) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- q) Discussion with statutory auditors, internal auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- r) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- s) Approval of appointment of the chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- t) Reviewing the functioning of the whistle blower mechanism, in case the same is existing;
- u) Carrying out any other functions as provided under the Companies Act, the Listing Regulations and other applicable laws;
- v) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;
- w) To review the financial statement with respect to its subsidiaries, if any, in particular investments made by the unlisted subsidiaries;

## CORPORATE GOVERNANCE REPORT (Contd.)

- x) To examine the efficacy of audit functions and systems and suggesting steps on a periodic basis (quarterly, half yearly) for its improvement.
- y) To facilitate smooth conduct of audits by external agencies, Statutory Auditors, Reserve Bank of India (RBI), lenders and any other external auditors as appointed by the Company or any other stakeholders (lenders, shareholders, regulators, government etc.)
- z) To report, on a quarterly basis, the key findings of the quarter, as well as the action taken report on the same for previous quarters, to the Board of Directors.
- aa) To review compliance of various inspections and audit reports of internal, concurrent and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the Company from time to time.
- bb) To monitor and review all frauds that may have occurred in the Company involving an amount of ₹ 0.1 Mn and above or as decided from time to time.
- cc) To report such frauds and other flag-offs to the Board of Directors regulators and other stakeholders, as the case warrants, along with the extent of losses. This would include drafting a calendar of reporting frauds and the remedial measures taken, to the Board of the Company.
- dd) To conduct a root cause analysis and identify the systemic lacunae, if any, that may have facilitated perpetration of the fraud and put in place measures to rectify the same. Also, to ascertain reasons for delay in detection of such frauds, if any.
- ee) To ensure the staff accountability is examined at all levels in all the cases of frauds and actions, if required, is completed quickly without loss of time.
- ff) To review efficacy of remedial actions taken to prevent recurrence of frauds, such as strengthening internal controls and putting in place other measures as may be considered relevant to strengthen preventive mechanism.
- gg) Reviewing and recommending to the board of directors of the Company potential risks involved in any new business plans and processes; and
- hh) Framing, devising, monitoring, assessing and reviewing the risk management plan and policy of the Company from time to time and recommend for amendment or modification thereof;
- ii) Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable laws."

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

### Meeting and Attendance

During the financial year 2019-20, five (5) Audit Committee Meetings were held on May 16, 2019, June 28, 2019, August 23, 2019, October 31, 2019 and January 28, 2020. The required quorum was present for all the Audit Committee Meetings. The gap between two Meetings did not exceed 120 days. The details of attendance of the Members at the Meeting(s) held during the year under mentioned herein below:

| Name of Member            | Position    | No. of Meetings Held | No. of Meetings attended |                                   |                             |
|---------------------------|-------------|----------------------|--------------------------|-----------------------------------|-----------------------------|
|                           |             |                      | Attended in person       | Attended through video conference | Attended through Audio Call |
| Mrs. Abanti Mitra         | Chairperson | 5                    | 3                        | -                                 | -                           |
| Mr. Bharat Dhirajlal Shah | Member      | 5                    | 4                        | -                                 | -                           |
| Mr. Deepak Calian Vaidya  | Member      | 5                    | 1                        | -                                 | 1                           |
| Mr. Jagdish Capoor        | Member      | 5                    | 4                        | -                                 | -                           |
| Mr. Kartikeya Dhruv Kaji  | Member      | 5                    | 4                        | -                                 | -                           |

## CORPORATE GOVERNANCE REPORT (Contd.)

### B. Nomination and Remuneration Committee

#### Composition

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

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

#### Terms of Reference

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

- a) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees in accordance with Section 178(4) of the Act;
- b) Formulation of criteria for the performance of evaluation of independent directors and the Board;
- c) Devising a policy on Board diversity;
- d) Identify persons who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;
- e) To determine key performance indicators of senior executives of the Company and specify deliverables for the executive in line with the business plan of the Company;  

"Senior executive to include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Whole Time Directors, the Head of Departments of various functions and other key managerial personnel as decided from time to time in consultation with the Board of the Company and other stakeholders."
- f) To objectively examine the annual manpower plan in relation to the business plan of the company and to examine management recommendations regarding manpower strategy and suggest corrective actions, if required;
- g) To finalise top tier organization structure including top field level functionaries and direct reportees on a periodical basis or as and when required;
- h) To evaluate and approve the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including Bonuses and Employees Stock Options);
- i) To recommend to the Board a policy, relating to remuneration for the Directors and Key Managerial Personnel;
- j) Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
- k) Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:
  - (i) administering employee stock option schemes, employee stock purchase schemes, stock appreciation rights schemes, general employee benefits scheme and retirement benefit schemes (the "Schemes");
  - (ii) delegating the administration and superintendence of the Schemes to any trust set up with respect to the Schemes;
  - (iii) formulating detailed terms and conditions for the Schemes including provisions specified by the Board of Directors of the Company in this regard;



## CORPORATE GOVERNANCE REPORT (Contd.)

- (iv) determining the eligibility of employees to participate under the Schemes;
  - (v) granting options to eligible employees and determining the date of grant;
  - (vi) determining the number of options to be granted to an employee;
  - (vii) determining the exercise price under of the Schemes; and
  - (viii) construing and interpreting the Plan and any agreements defining the rights and obligations of the Company and eligible employees under the Schemes, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Schemes.
- l) Framing suitable policies and systems to ensure that there is no violation of securities laws by, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas, including:
- (i) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
  - (ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended;
- m) Determine whether to extend or continue the terms of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and
- n) Perform such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee.

The NRC also considers and approves the grant of Stock Options to the Employees/Directors of the Company and/or its subsidiaries in accordance with the Employee Stock Option Scheme 2018 and Employee Stock Option Plan 2018 as formulated by the Company pursuant to the applicable provisions of the Act and the Regulations issued by SEBI.

### Meetings and Attendance

During the financial year 2019-20, four (4) NRC Meetings were held on May 16, 2019, October 30, 2019, January 28, 2020 and March 03, 2020. The required quorum was present for all the NRC Meetings. The details of attendance of the Members at the Meeting(s) held during the year under mentioned herein below:

| Name of Member            | Position | No. of Meetings Held | No. of Meetings attended |                                   |                             |
|---------------------------|----------|----------------------|--------------------------|-----------------------------------|-----------------------------|
|                           |          |                      | Attended in person       | Attended through video conference | Attended through Audio Call |
| Mr. Bharat Dhirajlal Shah | Chairman | 4                    | 4                        | -                                 | -                           |
| Mrs. Abanti Mitra         | Member   | 4                    | 3                        | -                                 | -                           |
| Mr. Kartikeya Dhruv Kaji  | Member   | 4                    | 4                        | -                                 | -                           |

### Criteria for Performance Evaluation of Directors:

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

An annual performance evaluation for the financial year 2019-20 was carried out in an independent and fair manner in accordance with the Policy, as stated above. The performance evaluation of the Directors and the Board and its Committees are conducted through separate structured questionnaires, one each for Independent and Non-Executive Directors, Managing Director, Committees and the Board as a whole. The Evaluation process focused on various aspects of the functioning of the Board and Committees such as composition of the Board, improving Board effectiveness, performance of Board Committees, Board knowledge sessions and time allocation for strategic issues, etc. Separate exercise was carried out to evaluate the performance of individual Directors on parameters such as attendance, contribution and independent judgment.

## CORPORATE GOVERNANCE REPORT (Contd.)

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

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

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

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

### Remuneration to Directors

#### (i) Details of remuneration paid to the Directors for the year ended March 31, 2020:

| Name of the Directors           | Salary, Perquisite & Pension (₹) | Annual Fees | Commission | Stock Options | Total       | Shareholding (Equity) (No.) |
|---------------------------------|----------------------------------|-------------|------------|---------------|-------------|-----------------------------|
| Mr. Deepak Calian Vaidya        | -                                | 20,00,000   | -          | -             | 20,00,000   | -                           |
| Mr. Bharat Dhirajlal Shah       | -                                | 20,00,000   | -          | -             | 20,00,000   | -                           |
| Mr. Jagdish Capoor              | -                                | 20,00,000   | -          | -             | 20,00,000   | -                           |
| Mrs. Abanti Mitra               | -                                | 10,00,000   | -          | -             | 10,00,000   | 4,247                       |
| Mr. Kartikeya Dhruv Kaji        | -                                | -           | -          | -             | -           | -                           |
| Mr. Sunish Sharma               | -                                | -           | -          | -             | -           | -                           |
| Mr. Amit Sobti                  | -                                | -           | -          | -             | -           | -                           |
| Mr. Ramachandra Kasargod Kamath | -                                | 20,00,000   | -          | -             | 20,00,000   | -                           |
| Mr. Darius Dinshaw Pandole      | -                                | -           | -          | -             | -           | -                           |
| Mrs. Padmaja Gangireddy         | 5,37,50,000                      | -           | -          | -             | 5,37,50,000 | 1,02,50,953                 |

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

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

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

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

- Fixed Salary: ₹ 3,00,00,000 (Indian Rupees three Crore only) per annum ("Fixed Component")
- Variable Salary: The following shall be the variable component of the salary, paid in addition to the Fixed Component ("Variable Salary"):
  - In the event that the Company's Profit before Tax is greater than ₹ 550 Cr for FY 2019-20, ₹ 700 Cr for FY 2020-21 and ₹ 875 Cr for FY 2021-22, the Variable Salary shall be equivalent to 75% (seventy five percent) of the Fixed Component.

## CORPORATE GOVERNANCE REPORT (Contd.)

- (ii) In the event that the Company's Profit before Tax is less than as mentioned in point (i) and greater than or equal to ₹ 510 Cr for FY 2019-20, ₹ 580 Cr for FY 2020-21 and ₹ 670 Cr for FY 2021-22, the Variable Salary shall be equivalent to 37.5% (thirty seven point five percent) of the Fixed Component.
- c) Other Benefits:
  - (i) Entitlement of Leave and its encashment as per rules of the Company
  - (ii) Contribution to Provident Fund: As per rules of the Company
  - (iii) Gratuity: As per rules of the Company
  - (iv) Company (owned and maintained) car and telephone (both mobile and land lines), fax and internet at residence for official and personal use.
  - (v) Provision of personal secretary.
  - (vi) Reimbursement of Expenses: Expenses incurred for travelling, board and lodging during business trips and provision of car(s) for use on Company's business and communication expenses at residence shall be reimbursed on actual basis and not considered as perquisites.
  - (vii) The Managing Director is not subject to retire by rotation.
- (iv) **Stock options, details, if any and whether issued at discount as well as the period over which accrued and over which exercisable**

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

**(v) Pecuniary relationship or transactions of the Non-Executive Directors with the Company:**

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

### C. Corporate Social Responsibility Committee

#### Composition

The Corporate Social Responsibility (the "CSR") Committee is constituted in accordance with Section 135 of the Act and consists of three (3) Members of which one (1) Non-executive Non Independent Director, one (1) Non-executive Independent Director and one (1) Executive Director. The Committee is chaired by Mr. Ramachandra Kasargod Kamath, Non-Executive Non-Independent Director.

#### Terms of Reference

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

- a) The Board shall ensure that the Company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy.
- b) The Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.
- c) The following are regarded as activities relating to CSR:
  - a. Eradicating extreme hunger and poverty;
  - b. Promotion of education;
  - c. Promoting gender equality and empowering women
  - d. Reducing child mortality and improving maternal health;
  - e. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
  - f. Ensuring environmental sustainability;
  - g. Employment enhancing vocational skills;

## CORPORATE GOVERNANCE REPORT (Contd.)

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

### Meetings and Attendance

During the financial year 2019-20, three (3) Committee Meetings were held on May 16, 2019, October 30, 2019 and January 27, 2020. The required quorum was present for all the Committee Meetings. The details of attendance of the Members at the Meeting(s) held during the year under mentioned herein below:

| Name of the Member              | Position | No. of Meetings held | No. of Meetings attended |                                   |                             |
|---------------------------------|----------|----------------------|--------------------------|-----------------------------------|-----------------------------|
|                                 |          |                      | Attended in person       | Attended through video conference | Attended through Audio Call |
| Mr. Ramachandra Kasargod Kamath | Chairman | 3                    | 3                        | -                                 | -                           |
| Mrs. Abanti Mitra               | Member   | 3                    | 2                        | -                                 | -                           |
| Mr. Padmaja Gangireddy          | Member   | 3                    | 3                        | -                                 | -                           |

### D. Stakeholders' Relationship Committee

#### Composition

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

#### Terms of Reference

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

- a) Various aspects of interest of shareholders, debenture holders and other security holders, including complaints related to the transfer of shares, including non-receipt of share certificates and review of cases for refusal of transfer/transmission of shares and debentures, non-receipt of balance sheet, non-receipt of annual reports, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, or any other documents or information to be sent by the Company to its shareholders, etc. and assisting with quarterly reporting of such complaints;
- b) Allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;
- c) Dematerialisation of shares and re-materialisation of shares, issue of duplicate certificates and new certificates on split/consolidation/renewal;
- d) Overseeing the performance of the registrars and transfer agents of our Company and to recommend measures for overall improvement in the quality of investor services;
- e) Review of measures taken for effective exercise of voting rights by shareholders.
- f) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
- g) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company; and
- h) Carrying out any other function as prescribed under the SEBI Listing Regulations, the Act and the rules and regulations made thereunder, each as amended or other applicable laws.

## CORPORATE GOVERNANCE REPORT (Contd.)

### Meetings and Attendance

During the financial year 2019-20, three (3) SRC Committee Meetings were held on May 16, 2019, October 30, 2019 and January 27, 2020. The required quorum was present for all the SRC Meetings. The details of attendance of the Members at the Meeting(s) held during the year under mentioned herein below:

| Name of Member                  | Position    | No. of Meetings held | No. of Meetings attended |                                   |                             |
|---------------------------------|-------------|----------------------|--------------------------|-----------------------------------|-----------------------------|
|                                 |             |                      | Attended in person       | Attended through video conference | Attended through Audio Call |
| Mrs. Abanti Mitra               | Chairperson | 3                    | 2                        | -                                 | -                           |
| Mr. Deepak Calian Vaidya        | Member      | 3                    | 1                        | -                                 | -                           |
| Mr. Jagdish Capoor              | Member      | 3                    | 2                        | -                                 | -                           |
| Mr. Ramachandra Kasargod Kamath | Member      | 3                    | 3                        | -                                 | -                           |
| Mr. Kartikeya Dhruv Kaji        | Member      | 3                    | 3                        | -                                 | -                           |

### Details of Investor Grievances

Mr. Rakesh Jhinjharia, Company Secretary is the Compliance Officer for resolution of Shareholders' / Investors' grievances. During the financial year 2019-20, 55 complaints were received from investors / shareholders of the Company, all of which have been resolved to the satisfaction of the shareholders and none were pending as on March 31, 2020. All the complaints were related to the initial public offering of investors shares of the Company.

## E. Risk Management Committee

### Composition

The Risk Management Committee (the "RMC") manages the integrated risk and intimates the Board about the progress made in the risk management system, risk management policy and strategy evaluation of the Policy. The RMC of the Board has been constituted as per the requirements of the Act and as per the Regulation 21 of the SEBI Listing Regulations. The RMC Committee consists of five (5) Members; of which two (2) are Non-Executive Independent Directors and three (3) are Non-Executive Non-Independent Director. The RMC Committee is chaired by Mr. Ramachandra Kasargod Kamath, Non-Executive Non-Independent Director.

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

### Terms of Reference

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

- To review company's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risk)
- To review the risk return profile of the Company, Capital adequacy based on risk profile of the MFI's balance sheet, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures and implementations of enterprise risk management.
- To hold such risk reviews to ensure adequate monitoring as may be felt necessary by the internal as well as external stakeholders and to apprise the Board of the Company on a periodic basis.

### Meetings and Attendance

During the financial year 2019-20, three (3) RMC Committee Meetings were held on May 16, 2019, October 30, 2019 and January 27, 2020. The required quorum was present for all the SRC Meetings. The details of attendance of the Members at the Meeting(s) held during the year under mentioned herein below:



## CORPORATE GOVERNANCE REPORT (Contd.)

| Name of Member                  | Position    | No. of Meetings held | No. of Meetings attended |                                   |                             |
|---------------------------------|-------------|----------------------|--------------------------|-----------------------------------|-----------------------------|
|                                 |             |                      | Attended in person       | Attended through video conference | Attended through Audio Call |
| Mr. Ramachandra Kasargod Kamath | Chairperson | 3                    | 3                        | -                                 | -                           |
| Mr. Bharat Dhirajlal Shah       | Member      | 3                    | 2                        | -                                 | -                           |
| Mr. Darius Dinshaw Pandole      | Member      | 3                    | 2                        | -                                 | -                           |
| Mr. Jagdish Capoor              | Member      | 3                    | 2                        | -                                 | -                           |
| Mr. Kartikeya Dhruv Kaji        | Member      | 3                    | 3                        | -                                 | -                           |

### F. IT Strategy Committee

#### Composition

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

#### Terms of Reference

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

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- 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;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

#### Meetings and Attendance

During the financial year 2019-20, two (2) Committee Meetings were held on May 16, 2019 and October 30, 2019. The required quorum was present in both the meetings. The details of attendance of the Members at the meeting(s) held during the year under mentioned herein below:

| Name of Member           | Position    | No. of Meetings held | No. of Meetings attended |                                   |                             |
|--------------------------|-------------|----------------------|--------------------------|-----------------------------------|-----------------------------|
|                          |             |                      | Attended in person       | Attended through video conference | Attended through Audio Call |
| Mrs. Abanti Mitra        | Chairperson | 2                    | 2                        | -                                 | -                           |
| Mr. Amit Sobti           | Member      | 2                    | 1                        | -                                 | -                           |
| Mr. Kartikeya Dhruv Kaji | Member      | 2                    | 2                        | -                                 | -                           |

### G. Management Committee

#### Composition

The Board of Directors has constituted the Management Committee consisting of four (4) Members. One (1) Independent Director, two (2) Non-Executive Director and One (1) Executive Director. The Management Committee approves loans, borrowings, and investments within the limits as specified by the Board from time to time.

## CORPORATE GOVERNANCE REPORT (Contd.)

### Terms of Reference

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

- a) To apply for loans and to provide security including hypothecation of book debts of the Company at such terms and conditions as may be decided by the Committee from time to time;
- b) To borrow moneys from time to time subject to an aggregate amount of ₹ 5,000 Cr;
- c) To determine the terms of the Issue(s) of Debentures, and finalise the terms and conditions of such Issue(s) including the number of Debentures to be allotted in each Issue, Issue Price, Face Value, Rate of Interest, Redemption Period, the nature of security etc. for the purpose of raising funds in its absolute discretion deem fit and to do all such acts, deeds and things as may be required necessary in this regard
- d) To sell loan portfolios of the Company upto a limit of ₹ 1,000 Cr per sanction;
- e) To securitize the loan receivables arising from an identified pool of loans ("Receivables") provided to various persons from time to time standing in the books of the Company upto a limit of ₹ 1,000 Cr per sanction.
- f) To purchase book debts of other micro-finance/ NBFC Companies upto a limit of ₹ 50 Cr per sanction;
- g) To grant loans including inter corporate loans and advances on such terms and conditions as it may deem fit;
- h) To authorize Company official/s for execution of agreements, deeds and documents on behalf of the Company, including any loan documents;
- i) To invest funds of the Company in Fixed Deposits to the extent necessary to avail credit facilities/ loans from the Banks/ Financial Institutions etc. and to invest surplus funds in liquid funds (i.e. mutual funds etc.) for the benefit of the Company;
- j) To decide remuneration including basic salary, allowances, incentives, perquisites, travel allowance and any other welfare measures for the benefit of the employees of the Company other than Directors;
- k) To incur capital expenditure outside the annual business plan up to a limit of ₹10 lakh between two Board Meetings.
- l) To appoint /authorize Company official/s for execution of documents, agreement, deeds and papers as may be required from time to time in relation to day to day operations of the Company;
- m) To make applications for obtaining licenses, registrations, connections, clearances, services etc. and to authorize/ appoint directors/employees/officers for signing applications, returns, forms, bonds, agreements, documents, papers etc. and for representing Company before the authorities under various Laws including but not limited to Corporate Laws, Industrial Laws, Tax Laws, Labour Laws and other Business Laws applicable to the Company in respect of all present and future offices of the Company, for compliance of all provisions, rules, clauses, regulations, directives and other related matters under the said Laws, which may be applicable to the Company.
- n) To approve new products as specified in the policy of the company or by the regulator and rolling out of business in new geographies in which products (new as well as existing) can be rolled out.
- o) To review lease, assign, sell, transfer or otherwise dispose of, any fixed assets or investments, whether by one transaction or by a series of transactions (whether related or not).

### Meetings and Attendance

During the financial year 2019-20, Management Committee met thirty-one (31) times. The required quorum was present in all the above Meetings. The details of attendance of the Members at the Meeting(s) held during the year under mentioned herein below:

## CORPORATE GOVERNANCE REPORT (Contd.)

| Name of Member           | Position | No. of Meetings held | No. of Meetings attended |                                   |                             |
|--------------------------|----------|----------------------|--------------------------|-----------------------------------|-----------------------------|
|                          |          |                      | Attended in person       | Attended through video conference | Attended through Audio Call |
| Mrs. Abanti Mitra*       | Member   | 15                   | 1                        | -                                 | -                           |
| Mr. Kartikeya Dhruv Kaji | Member   | 31                   | 29                       | 2                                 | -                           |
| Mr. Sunish Sharma        | Member   | 31                   | 20                       | -                                 | -                           |
| Mrs. Padmaja Gangireddy  | Member   | 31                   | 13                       | 1                                 | -                           |

\*Mrs. Abanti Mitra was appointed as a Member of the Committee w.e.f. October 31, 2019.

### H. Asset Liability Management Committee

#### Composition

In terms of Regulation 108 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Asset Liability Management Committee ("ALM Committee") was constituted by the Board at its Meeting held on October 31, 2019 by demerging the Management Committee. The Committee consists of five (5) members, viz., Managing Director, Chief Strategy Officer, Chief Financial Officer, Sr. Vice President- Finance and Senior Manager – Treasury and is functioning under the supervision of the Board.

#### Terms of Reference

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

- To manage the Balance Sheet of the Company within the risk parameters laid down by the Board or a Committee thereof, with a view to manage the current income as well as to take steps for enhancing the same.
- To review the capital & profit planning and growth projections of the Company in line with the business plan and ensure that the same is reported to the Board
- To put in place an effective liquidity management policy, including, inter alia, the funding strategies, liquidity planning under alternative crisis scenarios, prudential limits and to review the same periodically.
- To articulate the interest rate view of the Company and decide the pricing methodology for advances in line with extant regulatory guidelines.
- To oversee the implementation of the Asset Liability Management system and review the functioning periodically and to ensure that the decisions taken on financial strategy are in line with the objectives of the Committee.
- To consider and recommend any other matter related to liquidity and market risk management to the Board for suitable action.
- To forecast and analyze the 'What if scenario' and preparation of contingency plan.

#### Meetings and Attendance

During the financial year 2019-20, five (5) Meetings of this ALM Committee were held on December 18, 2019, December 31, 2019, January 27, 2020, February 07, 2020 and March 16, 2020. The required quorum was present in all the above Meetings. The details of attendance of the Members at the Meeting(s) held during the year under mentioned herein below:

| Name of Member            | Position | No. of Meetings held | No. of Meetings attended |                                   |                             |
|---------------------------|----------|----------------------|--------------------------|-----------------------------------|-----------------------------|
|                           |          |                      | Attended in person       | Attended through video conference | Attended through Audio Call |
| Mrs. Padmaja Gangireddy   | Member   | 5                    | 5                        | -                                 | -                           |
| Mr. Abdul Feroz Khan      | Member   | 5                    | 5                        | -                                 | -                           |
| Mr. Sudhesh Chandrasekar# | Member   | 5                    | 5                        | -                                 | -                           |
| Mrs. Madhusudhan Kesiraju | Member   | 5                    | 5                        | -                                 | -                           |
| Mr. Tarun Yarlagadda      | Member   | 5                    | 5                        | -                                 | -                           |

# Mr. Sudesh Changrasekar was replaced by Mr. Satish Kotakotta, Chief Financial Officer as a Member of the ALM Committee on June 2, 2020

## CORPORATE GOVERNANCE REPORT (Contd.)

### 4. REAPPOINTMENT/ APPOINTMENT OF DIRECTORS

Mr. Amit Sobti and Mr. Sunish Sharma are retiring by rotation and, being eligible, offered themselves for re-appointment in the ensuing Annual General Meeting.

None of the Directors are disqualified from being appointed as Directors, as specified in Section 164 of the Act. Certificate of Non-disqualification of Directors received from M/s. RPR & Associates, Company Secretaries 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 the Company by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such Statutory Authority, is enclosed as Annexure to this report.

### 5. GENERAL MEETINGS/POSTAL BALLOT

**(i) The details of Annual General Meeting ("AGM") held during the last 3 years and the Special Resolutions passed thereat are as under:**

| Meeting  | Day/Date/Time  | Location   | Summary of Special Resolutions passed   |
|----------|--|--|---|
| 14th AGM | Day: Thursday<br>Date: August 24, 2017<br>Time: 12.30 P.M. | Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad-500032 | 1. Approval For Payment of Annual Fees to Non-Executive Independent Directors of the Company<br>2. Approval of change in terms of Appointment of Mrs. Padmaja Gangireddy, Managing Director   |
| 15th AGM | Day: Friday<br>Date: August 03, 2018<br>Time: 11.00 A.M.   | Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad-500032 | Nil   |
| 16th AGM | Day: Thursday<br>Date: July 11, 2019<br>Time: 10.00 A.M.   | Plot No. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad-500032 | 1. Approval for issue of Non-Convertible Debentures (NCDs) on private placement basis:<br>2. Approval for granting loan(s)/advance(s) and guarantee to Abhiram Marketing Services Limited, a Group Company<br>3. Amendment of the existing Articles of Association of the Company<br>4. Continuation of the directorship of Mr. Jagdish Capoor (DIN: 00002516) as an Independent Director for the remaining period of the term<br>5. Approval of the payment of Annual Fees to Non-Executive Directors (including the Independent Directors) of the Company |

**(ii) The details of business transacted through Postal Ballot during the financial year 2019-20:**

During the financial year 2019-20, the Company has passed the following Special Businesses through Postal Ballot (including e-voting) on December 19, 2019, conducted in accordance with the provisions of Sections 108 and 110 and other applicable provisions of the Act read together with Rules 20 and 22 of the Companies (Management and Administration) Rules, 2014 (as amended), Secretarial Standard (SS-2) on General Meetings and the SEBI Listing Regulations:

## CORPORATE GOVERNANCE REPORT (Contd.)

| S.No | Description of the Resolution   | Type of the Resolution | Number of votes polled | Votes cast in favor |       | Votes cast against |      |
|------|---|------------------------|------------------------|---------------------|-------|--------------------|------|
|      |   |                        |                        | No. of votes        | %     | No. of votes       | %    |
| 1.   | To consider and approve alteration and ratification of provisions of Articles of Association of the Company   | Special Resolution     | 49,024,842             | 48,910,233          | 99.76 | 114,609            | 0.23 |
| 2.   | To approve ratification of Spandana Employee Stock Option Plan 2018 (the "ESOP Plan 2018") and Spandana Employee Stock Option Scheme, 2018 (the "ESOP Scheme 2018") | Special Resolution     | 49,024,842             | 49,005,800          | 99.96 | 19,042             | 0.04 |
| 3.   | To approve ratification of the ESOP Plan 2018 and the ESOP Scheme 2018 for grant of employee stock options to the employees of subsidiary companies of the Company  | Special Resolution     | 49,024,842             | 49,005,799          | 99.96 | 19,043             | 0.04 |

The Company had provided the facility to its Members to cast their votes electronically through the e-voting platform of KFin Technologies Private Limited, as an alternate to casting votes by physical ballot. The Company had appointed Mr. Y. Ravi Prasada Reddy, Company Secretary, Proprietor of M/s. RPR & Associates, Company Secretaries, Hyderabad, as Scrutinizer to conduct the Postal Ballot process in a fair and transparent manner. The Company follows the procedure as prescribed under the Act, the Rules made thereunder, the Secretarial Standard on General Meetings (SS-2) and other applicable statutes, if any, for conducting the postal ballot. Resolutions, if any, to be passed through Postal Ballot during the current financial year will be taken up as and when necessary.

### 6. SHARE CAPITAL AUDIT

The Share Capital Audit as required under Regulation 76 of SEBI (Depositories and Participants) Regulations, 2018, read with SEBI Circular No. D&CC/FITTC/Cir-16/2002 dated December 31, 2002 and SEBI Circular No. CIR/MRD/ DP/30/2010, a Qualified Practicing Company Secretary carries out Capital Audit to reconcile the total admitted equity capital with National Securities Depository Limited ("NSDL") and the Central Depository Services (India) Limited ("CDSL") and the total issued and listed equity capital. This audit is carried out every quarter and the reconciliation of share capital audit report thereon is submitted to the Stock Exchanges and to the Board.

### 7. CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

In terms of SEBI Listing Regulations, the certification by the Managing Director and the Chief Financial Officer is annexed to this Annual Report.

### 8. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for financial year 2019-20, prepared in accordance with the SEBI Listing Regulations, forms part of this Annual Report.

### 9. DUE DATES FOR TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

In terms of Section 125 of the Act, unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. There is no dividend was declared in the last Seven (7) years and year under review and hence, there is no requirement of transferring the same to the Investors Education and Protection Fund for the year under the review.



## CORPORATE GOVERNANCE REPORT (Contd.)

### 10. MEANS OF COMMUNICATION

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

#### (i) Quarterly/Annual Financial Results

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

#### (ii) Website

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

#### (iii) Annual Report

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

#### (iv) Price Sensitive Information

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

#### (v) Corporate Filings with Stock Exchanges:

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

#### (vi) Investor Service:

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

#### (vii) SEBI Complaints Redress System (SCORES):

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

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

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

## CORPORATE GOVERNANCE REPORT (Contd.)

### 11. GENERAL SHAREHOLDER INFORMATION

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

- a) Corporate Identification Number (CIN):** L65929TG2003PLC040648
- b) Registered Office of the Company:** Plot no. 31 & 32, Ramky Selenium Towers, Tower A, Financial District, Nanakramguda, Hyderabad -500032
- c) 17th Annual General Meeting**  
Date: Wednesday, September 30, 2020  
Time: 3.00 p.m.  
Venue: The Company is conducting meeting through video conferencing (VC) / other audio visual means (OAVM) pursuant to the MCA circular. For details please refer to the Notice of the Seventeenth AGM.
- d) Financial Year of the Company:** The Company's financial year begins from April 1 and ends on March 31 each year.
- e) Tentative Schedule for the Meetings for the financial year 2020-21:**

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

- f) Unpaid/Unclaimed Dividend:** The Company has not declared dividend in last seven (7) years and hence the provisions of section 124 of the Act, is not applicable to the Company.
- g) Details of Securities Listed on Stock Exchanges**

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

| Name and address of the Stock Exchanges  | Security Code/Symbol | Payment of Annual Listing Fees (FY 2020-21) |
|--|----------------------|---|
| BSE Limited<br>Phiroze Jeejeebhoy Towers<br>Dalal Street, Mumbai 400 001<br>Tel : 91 22 2272 1233/4<br>Fax: 91 22 2272 1919<br>Website: www.bseindia.com   | 542759               | Yes   |
| National Stock Exchange of India Limited<br>Exchange Plaza, C-I, Block G,<br>Bandra Kurla Complex, Bandra East, Mumbai 400 051<br>Tel : 91 22 26598100 /14<br>Fax: 91 22 26598120<br>Website: www.nseindia.com | SPANDANA             | Yes   |

## CORPORATE GOVERNANCE REPORT (Contd.)

The Company's Non-Convertible Debentures are listed on the following Stock Exchanges:

| S. No. | Non-Convertible Debentures  | Stock Exchange | Listing Code | ISIN Number  | Payment of Annual Listing Fees (FY 2020-21) |
|--------|---|----------------|--------------|--------------|---|
| 1.     | 1000 (One Thousand) 14.00% Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures                 | BSE Limited    | 956928       | INE572J07034 | Yes   |
| 2.     | 4000 (Four thousand) 13.50% Fully Paid, Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures |                | 957066       | INE572J07091 | Yes   |
| 3.     | 325 (Three Hundred Twenty Five) 13.15% Rated Secured Listed Redeemable Non-Convertible Debentures                       |                | 957126       | INE572J07067 | Yes   |
| 4.     | 820 (Eight Hundred and Twenty) Secured, Rated, Listed, Redeemable, Transferable Non-convertible Debentures              |                | 958432       | INE572J07109 | Yes   |

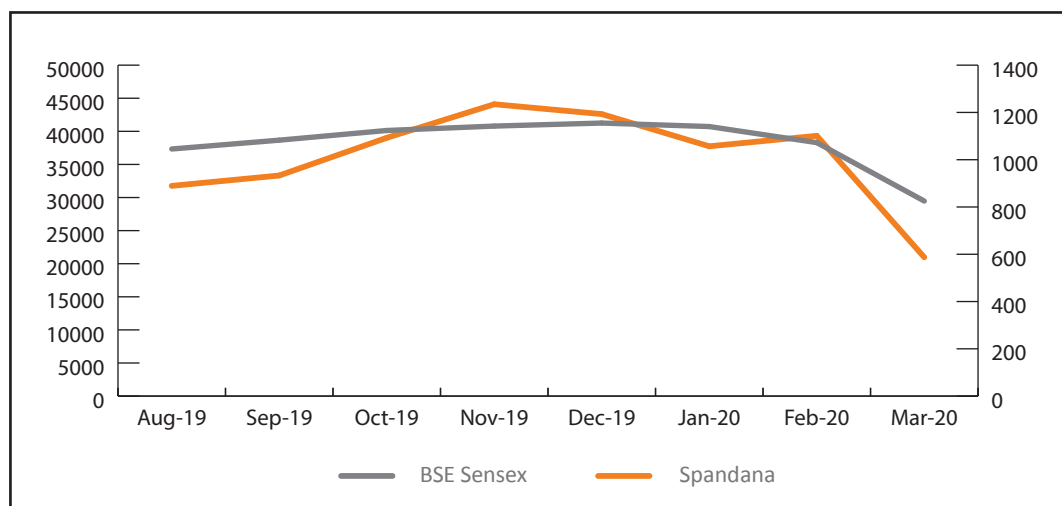
### h) Market Price Data

Details of monthly open, high, low and close prices and volume of equity shares of the Company traded on BSE and NSE Limited from August 19, 2019 to March 31, 2020 are given herein below:

| Month*          | BSE        |           | NSE        |           |
|-----------------|------------|-----------|------------|-----------|
|                 | High Price | Low Price | High Price | Low Price |
| August, 2019    | 935.00     | 690.00    | 934.80     | 691.10    |
| September, 2019 | 995.00     | 843.70    | 998.80     | 841.05    |
| October, 2019   | 1,143.90   | 870.80    | 1,146.50   | 866.60    |
| November, 2019  | 1,400.00   | 1,102.00  | 1,397.00   | 1,101.00  |
| December, 2019  | 1,256.40   | 1,111.00  | 1,262.00   | 1,111.00  |
| January, 2020   | 1,196.80   | 973.00    | 1,200.00   | 945.10    |
| February, 2020  | 1,187.00   | 968.35    | 1,188.00   | 988.65    |
| March, 2020     | 1,130.00   | 484.10    | 1,129.95   | 484.10    |

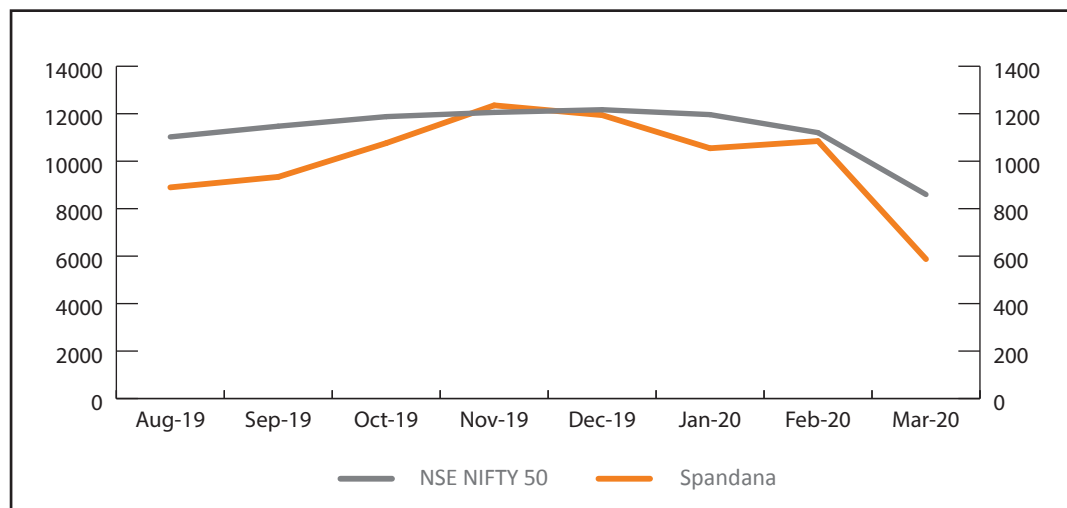
\*The Equity shares of the Company were listed on BSE and NSE on August 19, 2019.

### Performance of Company's equity shares as compared with S&P BSE SENSEX during the year ended March 31, 2020:



## CORPORATE GOVERNANCE REPORT (Contd.)

### Performance of Company's equity shares as compared with NSE NIFTY 50 during the year ended March 31, 2020:



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

KFin Technologies Private Limited  
(Unit: Spandana Sphoorty Financial Limited)  
Ramky Selenium, Tower B, Plot 31-32,  
Gachibowli Financial District,  
Nanakramguda, Hyderabad 500 032  
Email: einward.ris@kfintech.com  
Phone No: 040-67162222;  
Fax No: 040-2300115

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

- k) **Distribution of Shareholding as on March 31, 2020:**

| Category         | Shareholders |                | Equity Shares   |                |
|------------------|--------------|----------------|-----------------|----------------|
|                  | Number       | Percentage (%) | Number          | Percentage (%) |
| 1 - 5,000        | 7002         | 95.19          | 302004          | 0.47           |
| 5,001 - 10,000   | 114          | 1.55           | 86417           | 0.13           |
| 10,001 - 20,000  | 60           | 0.82           | 87554           | 0.14           |
| 20,001 - 30,000  | 30           | 0.41           | 76443           | 0.12           |
| 30,001 - 40,000  | 17           | 0.23           | 61346           | 0.10           |
| 40,001 - 50,000  | 17           | 0.23           | 77727           | 0.12           |
| 50,001 - 100,000 | 20           | 0.27           | 149424          | 0.23           |
| 100,001 & above  | 96           | 1.31           | 63474568        | 98.69          |
| <b>Total</b>     | <b>7356</b>  | <b>100.00</b>  | <b>64315483</b> | <b>100.00</b>  |

## CORPORATE GOVERNANCE REPORT (Contd.)

### l) Categories of Shareholders as on March 31, 2020

| Category                       | No. of shareholders | No. of Equity Shares | Holding in Equity Share Capital (%) |
|--------------------------------|---------------------|----------------------|-------------------------------------|
| Promoter and Promoter Group    | 3                   | 4,02,49,099          | 62.58                               |
| Mutual Funds                   | 2                   | 33,368               | 0.05                                |
| Alternative Investment Funds   | 5                   | 26,98,236            | 4.20                                |
| Foreign Portfolio Investors    | 68                  | 74,70,302            | 11.62                               |
| Financial Institutions/Banks   | 3                   | 3,03,190             | 0.47                                |
| Individuals                    | 6,981               | 11,20,961            | 1.74                                |
| NBFCs                          | 1                   | 4,000                | 0.01                                |
| Trusts                         | 3                   | 10,78,338            | 1.68                                |
| Non-Resident Indians           | 133                 | 79,882               | 0.12                                |
| Clearing Members               | 47                  | 71,341               | 0.11                                |
| Overseas Corporate Bodies      | 3                   | 51,08,568            | 7.94                                |
| Qualified Institutional Buyers | 3                   | 42,60,599            | 6.62                                |
| Bodies Corporates              | 104                 | 18,37,599            | 2.86                                |

### m) List of Top Ten Public Shareholders as on March 31, 2020

| S. No. | Name of the Shareholder   | No. of shares | Percentage (%) |
|--------|---|---------------|----------------|
| 1.     | Valiant Mauritius Partners FDI Limited  | 3,848,823     | 5.98           |
| 2.     | ICICI Prudential Life Insurance Company Limited   | 3,054,560     | 4.75           |
| 3.     | JM Financial India Trust II- JM Financial India Fund II                                       | 1,612,313     | 2.51           |
| 4.     | Bajaj Allianz Life Insurance Company Ltd.   | 1,097,396     | 1.71           |
| 5.     | Rochdale Emerging Markets (Mauritius)   | 879,912       | 1.37           |
| 6.     | Edelweiss Alternative Investment Opportunities Trust - Edelweiss Crossover Opportunities Fund | 804,145       | 1.25           |
| 7.     | Goldman Sachs India Limited   | 794,370       | 1.24           |
| 8.     | Valiant Mauritius Partners Offshore Limited   | 785,949       | 1.22           |
| 9.     | Helion Venture Partners II, LLC   | 652,304       | 1.01           |
| 10.    | Kedaara Capital Alternative Investment Fund - Kedaara Capital AIF 1                           | 637,083       | 0.99           |

- n) **Plant Locations:** Being a financial services company, Spandana Sphoorty Financial Limited has no plant locations.
- o) **Address for correspondence:** Shareholders/ Investors may write to the Company Secretary at the following address:  
The Company Secretary  
Spandana Sphoorty Financial Limited  
Plot No. 31 & 32, Ramky Selenium Towers, Tower A,  
Financial District, Nanakramguda,  
Hyderabad- 500032  
Email: [secretarial@spandanaindia.com](mailto:secretarial@spandanaindia.com)  
Phone no: 040-48126666
- p) **Website:** [www.spandanaindia.com](http://www.spandanaindia.com)
- q) **Dematerialisation of Shares and Liquidity:** All shares of the Company are held in Dematerialized form. The entire Promoter's holdings are in electronic form and the same is in line with the directions issued by SEBI. Further, equity shares of the Company are available for trading in the dematerialized form under both the Depositories i.e., NSDL and CDSL. The International Securities Identification Number (ISIN) allotted to the Company's equity shares under the



## CORPORATE GOVERNANCE REPORT (Contd.)

Depository System is INE572J01011. The Company's equity shares are regularly traded on BSE and NSE.

Number of Shares held in dematerialized and physical form as on March 31, 2020 is as under:

| Particulars                           | No. of shareholders | No. of shares | Holding in Equity Share capital (%) |
|---------------------------------------|---------------------|---------------|-------------------------------------|
| Held in dematerialized form with NSDL | 4241                | 53,682,811    | 83.47                               |
| Held in dematerialized form with CDSL | 3223                | 10,632,672    | 16.53                               |
| Physical                              | -                   | -             | -                                   |
| Total                                 | 7464                | 64,315,483    | 100.00                              |

- r) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion and Likely Impact on Equity Capital:** The Company has not issued any of the convertible instruments, hence there is no likelihood of any impact on the Equity Capital of the Company.
- s) **Credit Rating of the Company:** The ICRA Limited has reaffirmed the rating assigned to the Company's debt instruments during the financial year 2019-20, the details of the same are as follows:

| Rating Agency | Facilities Rated                      | Current Rating (Reaffirmed) |
|---------------|---------------------------------------|-----------------------------|
| ICRA Limited  | Non-convertible Debentures (₹ 621 Cr) | [ICRA] A- (Stable)          |
| ICRA Limited  | Line of Credit (₹ 2,500 Cr)           | [ICRA] A- (Stable)          |

## 12. OTHER DISCLOSURES:

- a) **Policies Determining Material Subsidiaries and Related Party Transactions:** Pursuant to requirements of Regulation 16 and Regulation 23 of the SEBI Listing Regulations, the Board has adopted the policies for determining material subsidiaries and on related party transactions and the said policies are available on the Company's website at [www.spandanaindia.com](http://www.spandanaindia.com).
- b) **Disclosure on Material Related Party Transactions:** There were no materially significant related party transactions entered by the Company during financial year 2019-20 which may have potential conflict with the interest of the Company. The related party transactions constitute contracts or arrangements, made by the Company from time to time, with Companies in which Directors are interested. The Audit Committee reviews periodically the significant related party transactions and the Committee provided omnibus approval for related party transactions which are in ordinary course of business (repetitive in nature) and are on arm's length basis. All transactions covered under the related party transactions are regularly ratified and / or approved by the Board.

Related party transactions as per requirements of Indian Accounting Standard (IND-AS 24) "Related Party Disclosures" are disclosed in the Notes to the Financial Statements of the Company for the financial year ended March 31, 2020.

- c) **Penalty or Strictures:** No instances of material non-compliances by the Company on any matter related to the capital markets has occurred and no penalties and/or strictures have been imposed on it by Stock Exchanges or SEBI or any statutory authority during the last three financial years.
- d) **Vigil Mechanism/Whistle Blower Policy:** The Company established Vigil Mechanism/Whistle Blower Policy for the directors and employees to report their genuine concerns about any unethical behaviour, financial irregularities including fraud or suspected fraud, which is against the interest of the Company. Further, the mechanism adopted by the Company encourages the employees to report genuine concerns or grievances and provides for adequate safeguards against victimization of employees who avail such a mechanism, and also provides for direct access to the Chairperson of the Audit Committee, in exceptional cases. Furthermore, no employee has been denied access to the Chairperson of the Audit Committee.

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

## CORPORATE GOVERNANCE REPORT (Contd.)

- e) **Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:** This is not applicable since the Company does not have any derivatives or liabilities denominated in foreign currency.
- f) **Company Secretary in Practice Certification:** In accordance with the SEBI Listing Regulations, the Company has obtained the certificate from a practicing company secretary confirming that as on March 31, 2020, none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as directors by Securities and Exchange Board of India/Ministry of Corporate Affairs or any such authority and the same is appended to this Report.
- g) **Total Fees Paid to Statutory Auditors:** The total fees for all services paid by the Company and its subsidiaries on consolidated basis to S.R. Batliboi & Co. LLP (Statutory Auditor of the Company), as included in the consolidated financial statement of the Company for the year ended March 31, 2020 are as follows: (₹ in Cr)

| Particulars   | Amount      |
|---|-------------|
| Fees for audit and related services paid to S.R. Batliboi & Co. LLP | 0.83        |
| Other fees paid to S.R. Batliboi & Co. LLP*                         | 2.15        |
| <b>Total</b>  | <b>2.98</b> |

\* Fees paid for initial public offering (incl. amount allocated to selling shareholders); amount allocated to the Company of ₹ 0.74 Cr towards the "fresh issue" portion is adjusted against securities premium account.

- h) **Disclosures related to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:** The Company has in place a Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace and an Internal Complaint Committee in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder for reporting and conducting inquiry into the complaints made by the victim on the harassments at the workplace. The Company has not received any complaints relating to sexual harassment of women during the Financial Year 2019-20.
- i) **Code of Conduct for Prevention of Insider Trading:** The Board has adopted the Code of Conduct for Prevention of Insider Trading ("the Code") with a view to regulate trading in securities by the Directors and employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of the Company's shares by the Directors and Employees including their immediate Relatives while in possession of unpublished price sensitive information in relation to the Company or its securities.
- The Company has appointed the Company Secretary as the Compliance Officer to ensure compliance of the said Code by all the Directors and Employees likely to have access to unpublished price sensitive information.
- j) **Compliance with Mandatory/Non-Mandatory Requirements:** The Company has complied with all the mandatory requirements of Corporate Governance specified in the SEBI Listing Regulations. The Board has taken cognizance of the discretionary requirements as specified in Part E of Schedule II to the SEBI Listing Regulations and are being reviewed from time to time.
- k) **Code of Conduct for the Members of the Board and Senior Management Personnel** as required under Regulation 17(5) of the SEBI Listing Regulations has been adopted by the Company. All the Board Members and the Senior Management Personnel have affirmed compliance of the Code. The Annual Report of the Company contains a declaration to this effect signed by the Managing Director & CEO. Further, the Code of Conduct of the Company applicable to the Board and Senior Management Personnel is also uploaded on the Company's website at [www.spandanaindia.com](http://www.spandanaindia.com)

For & on behalf of the Board of Directors

Sd/-  
**Padmaja Gangireddy**  
 Managing Director  
 DIN: 00004842

Sd/-  
**Deepak Calian Vaidya**  
 Chairman  
 DIN: 00337276

Date: June 2, 2020  
 Place: Hyderabad

## CORPORATE GOVERNANCE REPORT (Contd.)

### MD/CFO CERTIFICATION

To  
The Board of Directors  
**Spandana Sphoorty Financial Limited**

We, Padmaja Gangireddy, Managing Director and Sudhesh Chandrasekar, Chief Financial Officer of Spandana Sphoorty Financial Limited, certify that:

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31 2020 and that to the best of our knowledge and belief:
  1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal control, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit Committee that:
  1. no significant changes in internal control over financial reporting during the year;
  2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Date: June 2, 2020  
Place: Hyderabad

Sd/-  
**Padmaja Gangireddy**  
Managing Director  
DIN: 00004842

Sd/-  
**Sudhesh Chandrasekar**  
Chief Financial Officer

### MD CERTIFICATION ON CODE OF CONDUCT

I, Padmaja Gangireddy, Managing Director of Spandana Sphoorty Financial Limited, hereby declare that all the Members of the Board of Directors and the Senior Management Personnel have affirmed their respective compliance with the applicable Code of Conduct laid down by the Board of Directors, for the year ended March 31, 2020.

Date: June 2, 2020  
Place: Hyderabad

Sd/-  
**Padmaja Gangireddy**  
Managing Director  
DIN: 00004842

## CORPORATE GOVERNANCE REPORT (Contd.)

### CERTIFICATE ON CORPORATE GOVERNANCE COMPLIANCE

To  
The Members  
**Spandana Sphoorty Financial Limited**

We have examined the compliance of conditions of Corporate Governance of Spandana Sphoorty Financial Limited ("the Company") for the year ended on March 31, 2020 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and Part C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 collectively referred as ("SEBI Listing Regulations").

#### Managements' Responsibility

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

#### Auditors' Responsibility

- a. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- b. We have examined the relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
- c. 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.

#### Opinion

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

For **RPR & Associates, Company Secretaries**

Sd/-  
**Y Ravi Prasada Reddy**  
Proprietor  
FCS: 5783, CP. No.: 5360  
UDIN: F005783B000311770

Date: June 2, 2020  
Place: Hyderabad

## CORPORATE GOVERNANCE REPORT (Contd.)

### CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

To

The Members

**Spandana Sphoorty Financial Limited**

We have examined all the relevant registers, records, forms, returns and disclosures received from the

Directors of Spandana Sphoorty Financial Limited having CIN:L65929TG2003PLC040648 and having its registered office at Plot No: - 31 & 32, Ramky Selenium Towers, Tower A Ground Floor, Financial Dist, Nanakramguda, Hyderabad – 500032 (TS) ("the Company") for the purpose of conditions stipulated under Regulation 34(3) read with Schedule V Part C Clause (10) Sub Clause (i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as further amended. We have obtained all the information and explanations which are to the best of our knowledge and belief were necessary for the purpose of certification.

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](http://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, 2020 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, Reserve Bank of India or any such other Statutory Authority:

**Table A**

| S. No. | Name of the Director           | DIN      | Date of appointment |
|--------|--------------------------------|----------|---------------------|
| 1      | Mr. Deepak Calian Vaidya       | 00337276 | 06/06/2018          |
| 2      | Mr. Jagdish Capoor             | 00002516 | 06/06/2018          |
| 3      | Mr. Bharat Dhirajlal Shah      | 00136969 | 13/04/2018          |
| 4      | Mr. Ramchandra Kasargod Kamath | 01715073 | 04/05/2017          |
| 5      | Mrs. Abanti Mitra              | 02305893 | 04/05/2017          |
| 6      | Mr. Amit Sobti                 | 07795874 | 29/05/2017          |
| 7      | Mr. Darius Dinshaw Pandole     | 00727320 | 19/05/2017          |
| 8      | Mr. Kartikeya Dhruv Kaji       | 07641723 | 31/03/2017          |
| 9      | Mr. Sunish Sharma              | 00274432 | 31/03/2017          |
| 10     | Mrs. Padmaja Gangireddy        | 00004842 | 19/04/2003          |

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 **RPR & Associates, Company Secretaries**

Sd/-

**Y Ravi Prasada Reddy**

Proprietor

FCS: 5783, CP. No.: 5360

UDIN: F005783B000311761

Date: June 2, 2020

Place: Hyderabad



# INDEPENDENT AUDITOR'S REPORT

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

## REPORT ON THE AUDIT OF THE STANDALONE IND AS FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying standalone Ind AS financial statements of Spandana Sphoorty Financial Limited ("the Company"), which comprise the Balance sheet as at March 31, 2020, 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 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 Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, 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 Ind AS financial statements in accordance with the Standards on Auditing (SA), 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 Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

### Emphasis of matter

We draw attention to Note 40.1.b to the standalone Ind AS financial statements, which describes the economic and social disruption as a result of the COVID-19 pandemic of the Company's business and financial metrics including the Company's estimates of impairment of loans to customers and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the year ended March 31, 2020. These matters were addressed in the context of our audit of the standalone Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

## INDEPENDENT AUDITOR'S REPORT (Contd.)

| Key audit matters   | How our audit addressed the key audit matter   |
|---|--|
| <b>(a) Impairment of financial assets at balance sheet date (expected credit losses)</b><br>(as described in notes 7 and 40.1 of the standalone Ind AS financial statements)  |  |
| <p>Ind AS 109 requires the Company to provide for impairment of its financial assets (designated at amortised cost and fair value through other comprehensive income) as at the reporting date using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's financial assets (loan portfolio).</p> <p>In the process, a significant degree of judgement has been applied by the management for:</p> <ul style="list-style-type: none"> <li>● Staging of financial assets (i.e. classification in 'significant increase in credit risk' ("SICR") and 'default' categories);</li> <li>● Grouping of the loan portfolio under homogenous pools in order to determine probability of default on a collective basis;</li> <li>● Determining effect of less frequent past events on future probability of default;</li> <li>● Estimation of management overlay for macro-economic factors which could impact the credit quality of the loans.</li> </ul> <p>Pursuant to the Reserve Bank of India circulars dated March 27, 2020 and May 23, 2020, issued as part of the COVID-19 Regulatory Package ("RBI circular"), allowing lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020, the Company has extended moratorium to its borrowers in accordance with its Board approved policy.</p> <p>In management's view and considering the guidance provided by the Institute of Chartered Accountants of India, providing moratorium to borrowers at a mass scale, based on RBI directives, by itself is not considered to result in a SICR for such borrowers. The Company has recorded a management overlay as part of its ECL, to reflect among other things an increased risk of deterioration in macro-economic factors caused by COVID-19 pandemic. Given the unique nature and scale of the economic impact of this pandemic, and its timing being close to the year-end, the management overlay is based on various uncertain variables, which could result in actual credit loss being different than that being estimated. In view of the high degree of management's judgement involved in estimation of ECL, accentuated by the COVID-19 pandemic, it is considered as a key audit matter.</p> | <ul style="list-style-type: none"> <li>● Read and assessed the Company's accounting policy for impairment of financial assets and its compliance with Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020.</li> <li>● Read and 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.</li> <li>● Tested the operating effectiveness of the controls for staging of loans based on their past-due status. Tested samples of performing (stage 1) loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3.</li> <li>● Tested the assumptions used by the Company for grouping and staging of loan portfolio into various categories and default buckets for determining the probability of default (PD) and loss given default (LGD) rates. Tested the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records.</li> <li>● Tested assumptions used by the management in determining the overlay for macro-economic factors (including COVID-19 pandemic).</li> <li>● Tested the arithmetical accuracy of computation of ECL provision performed by the Company in spreadsheets.</li> <li>● Assessed disclosures included in the standalone Ind AS financial statements in respect of expected credit losses including the specific disclosures made with regards to the management's evaluation of the uncertainties arising from COVID-19 and its impact on ECL estimation.</li> </ul> |

## INDEPENDENT AUDITOR'S REPORT (Contd.)

| Key audit matters  | How our audit addressed the key audit matter   |
|--|--|
| <p><b>(b) IT systems and controls</b></p> <p>The financial accounting and reporting systems of the Company are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.</p> <p>Any gaps in the IT control environment could result in a material misstatement of the financial accounting and reporting records.</p> <p>Therefore, due to the pervasive nature and complexity of the IT environment, the assessment of the general IT controls and the application controls specific to the accounting and preparation of the financial information is considered to be a key audit matter.</p> | <p>We performed the following procedures for testing IT general controls and for assessing the reliability of electronic data processing, assisted by specialized IT auditors:</p> <ul style="list-style-type: none"> <li>● The aspects covered in the IT General Control audit were (i) User Access Management (ii) Program Change Management (iii) Other related ITGCs – to understand the design and test the operating effectiveness of such controls;</li> <li>● Assessed the changes that were made to the key systems during the audit period and assessing changes that have impact on financial reporting;</li> <li>● Tested the periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization.</li> <li>● Performed tests of controls (including other compensatory controls wherever applicable) on the IT application controls and IT dependent manual controls in the system.</li> <li>● Tested the design and operating effectiveness of compensating controls, where deficiencies were identified and, where necessary, extended the scope of our substantive audit procedures.</li> </ul> |

### Other Information

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

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

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

### Responsibilities of Management and Those Charged with Governance for the standalone Ind AS 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 Ind AS 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

## INDEPENDENT AUDITOR'S REPORT (Contd.)

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 Ind AS 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 Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 SA 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 Ind AS 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the standalone Ind AS 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.

## INDEPENDENT AUDITOR'S REPORT (Contd.)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended March 31, 2020 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 Ind AS 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS 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, 2020 has been paid/provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
  - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 47 to the standalone Ind AS financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S. R. BATLIBOI & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**

Partner

Membership Number: 048749

UDIN: 20048749AAAAII5017

Mumbai

June 2, 2020



## INDEPENDENT AUDITOR'S REPORT (Contd.)

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

#### Re: Spandana Sphoorty Financial Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification 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) (a) The Company has granted loans to two companies covered in the register maintained under section 189 of the Act. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company's interest.  
(b) The Company has granted loans that are re-payable on demand, to companies covered in the register maintained under section 189 of the Act. We are informed that the Company has not demanded repayment of any such loan during the year, and thus, there has been no default on the part of the parties to whom the money has been lent. However, there have been slight delays in payment of interest by such companies.  
(c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to the Company have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.  

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable.

  
(b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

**INDEPENDENT AUDITOR'S REPORT (Contd.)**

| Name of the Statute                | Nature of dues | Amount under dispute (₹)* | Amount paid (₹)** | Period to which it relates             | Forum where dispute is pending                   |
|------------------------------------|----------------|---------------------------|-------------------|--|--|
| Chapter V of the Finance Act, 1994 | Service Tax    | 56,852,171                | 9,926,956         | Financial year from 2006-07 to 2014-15 | Customs, Excise & Service Tax Appellate Tribunal |
| Income tax Act, 1961               | Income Tax     | 475,376,736               | 69,223,626        | Financial year 2016-17                 | CIT (A)  |

\* Excluding interest and penalty, as applicable

\*\* Paid under protest

(viii) According to the information and explanations given by the management, the Company delayed repayment of loans or borrowings from financial institutions and banks during March 2020 to the extent of Rs.392.3 million and such dues were in arrears as on the balance sheet date. The lender wise details are tabulated as under:

| Bank / Financial institution | Amount of delay as on Balance sheet date* (₹ in Mn) | Period of delay since | Remarks   |
|------------------------------|---|-----------------------|---|
| IndusInd Bank Limited        | 65.2  | March 24, 2020        | According to the information and explanations provided to us by the management, these repayments were not made by the Company on the respective dates in view of the discussions with the banks and financial institutions for re-schedulement of repayment dates subsequent to the nation-wide lockdown announced by the Central Government on March 24, 2020 on account of the Novel Coronavirus (COVID-19) pandemic and also pursuant to COVID-19 Regulatory package announced by Reserve Bank of India on March 27, 2020, regarding moratorium on loans from March 1, 2020. However, all these amounts were subsequently paid in April 2020, irrespective of receipt of moratorium approval from these institutions |
| Hinduja Leyland Finance      | 6.9   | March 26, 2020        |   |
| Bank of Baroda               | 125.0   | March 28, 2020        |   |
| Yes Bank Limited             | 20.5  | March 28, 2020        |   |
| Kotak Mahindra Bank Limited  | 20.8  | March 29, 2020        |   |
| Yes Bank Limited             | 12.5  | March 29, 2020        |   |
| Kotak Mahindra Bank Limited  | 20.8  | March 30, 2020        |   |
| Yes Bank Limited             | 31.3  | March 30, 2020        |   |
| Bank of Baroda               | 41.7  | March 31, 2020        |   |
| IDFC Bank Limited            | 47.6  | March 31, 2020        |   |

The Company has not defaulted in repayment of dues to debenture holders. The Company did not have any dues of loans or borrowing to government during the year.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilised the monies raised by way of initial public offer in the nature of equity shares 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 assets payable on demand.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.

## INDEPENDENT AUDITOR'S REPORT (Contd.)

- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with the directors as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

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

per **Viren H. Mehta**  
Partner  
Membership Number: 048749  
UDIN: 20048749AAAAII5017

Mumbai  
June 2, 2020

## INDEPENDENT AUDITOR'S REPORT (Contd.)

### ANNEXURE 2 REFERRED TO IN PARAGRAPH 2 (F) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

#### Report on 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 Spandana Sphoorty Financial Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS 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 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 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

A 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. A company's internal financial control over financial reporting 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.

## INDEPENDENT AUDITOR'S REPORT (Contd.)

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 to future periods are subject to the risk that the internal financial control over financial reporting 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

per **Viren H. Mehta**  
Partner  
Membership Number: 048749  
UDIN: 20048749AAAAII5017

Mumbai  
June 2, 2020



# STANDALONE BALANCE SHEET

## AS AT MARCH 31, 2020

(Rupees in million unless otherwise stated)

| Particulars  | Notes | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------|-------------------------|-------------------------|
| <b>ASSETS</b>                                      |       |                         |                         |
| <b>Financial assets</b>                            |       |                         |                         |
| Cash and cash equivalents                          | 4     | 536.19                  | 1,454.07                |
| Bank balances other than cash and cash equivalents | 5     | 1,970.99                | 2,028.09                |
| Trade receivables                                  | 6     | 223.68                  | 35.49                   |
| Loans  | 7     | 46,844.86               | 41,653.89               |
| Investments  | 8     | 5,498.55                | 646.35                  |
| Other financial assets                             | 9     | 3,859.43                | 861.35                  |
| <b>Subtotal - Financial assets</b>                 |       | <b>58,933.70</b>        | <b>46,679.24</b>        |
| <b>Non-financial assets</b>                        |       |                         |                         |
| Current tax assets (net)                           | 10    | 149.38                  | 83.37                   |
| Deferred tax assets (net)                          | 11    | 69.03                   | 1,998.36                |
| Property, plant and equipment                      | 12    | 151.43                  | 70.86                   |
| Intangible assets                                  | 12    | 12.84                   | 21.53                   |
| Other non-financial assets                         | 13    | 101.46                  | 127.01                  |
| <b>Subtotal - Non-financial assets</b>             |       | <b>484.14</b>           | <b>2,301.13</b>         |
| <b>Total assets</b>                                |       | <b>59,417.84</b>        | <b>48,980.37</b>        |
| <b>LIABILITIES AND EQUITY</b>                      |       |                         |                         |
| <b>LIABILITIES</b>                                 |       |                         |                         |
| <b>Financial liabilities</b>                       |       |                         |                         |
| Debt securities                                    | 14    | 7,776.28                | 13,719.64               |
| Borrowings (other than debt securities)            | 14    | 22,184.11               | 15,529.89               |
| Subordinated liabilities                           | 14    | 201.67                  | 201.56                  |
| Other financial liabilities                        | 15    | 2,255.73                | 435.21                  |
| <b>Subtotal - Financial liabilities</b>            |       | <b>32,417.79</b>        | <b>29,886.30</b>        |
| <b>Non-financial liabilities</b>                   |       |                         |                         |
| Current tax liabilities (net)                      | 16    | 596.69                  | 3.48                    |
| Provisions   | 17    | 27.58                   | 3.42                    |
| Other non-financial liabilities                    | 18    | 294.40                  | 223.43                  |
| <b>Subtotal - Non-financial liabilities</b>        |       | <b>918.67</b>           | <b>230.33</b>           |
| <b>EQUITY</b>                                      |       |                         |                         |
| Equity share capital                               | 19    | 643.15                  | 596.34                  |
| Other equity                                       | 20    | 25,438.23               | 18,267.40               |
| <b>Subtotal - Equity</b>                           |       | <b>26,081.38</b>        | <b>18,863.74</b>        |
| <b>Total liabilities and equity</b>                |       | <b>59,417.84</b>        | <b>48,980.37</b>        |
| Summary of significant accounting policies         | 3     |                         |                         |

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date

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

Chartered Accountants

ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**

Partner

Membership No.048749

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

**Deepak Calian Vaidya**

Chairman

DIN: 00337276

Place: Mumbai

Date: June 02, 2020

**Padmaja Gangireddy**

Managing Director

DIN: 00004842

Place: Hyderabad

Date: June 02, 2020

**Sudhesh Chandrasekar**

Chief Financial Officer

Place: Hyderabad

Date: June 02, 2020

**Rakesh Jhinjhar**

Company Secretary

Membership No. F8325

Place: Hyderabad

Date: June 02, 2020

Place: Mumbai

Date: June 02, 2020

# STATEMENT OF PROFIT AND LOSS

## FOR THE YEAR ENDED MARCH 31, 2020

(Rupees in million unless otherwise stated)

| Particulars   | Notes | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|-------|----------------------------------|----------------------------------|
| <b>REVENUE FROM OPERATIONS</b>  |       |                                  |                                  |
| Interest income   | 21    | 11,454.46                        | 9,914.42                         |
| Commission and Incentive Income   |       | 351.12                           | 147.59                           |
| Net gain on fair value changes  | 22    | 2,184.03                         | 265.70                           |
| Others  | 23    | 105.25                           | 35.10                            |
| <b>Total revenue from operations</b>                                      |       | <b>14,094.86</b>                 | <b>10,362.81</b>                 |
| Other income  | 24    | 319.28                           | 54.27                            |
| <b>Total income</b>   |       | <b>14,414.14</b>                 | <b>10,417.08</b>                 |
| <b>EXPENSES</b>   |       |                                  |                                  |
| Finance cost  | 25    | 3,541.11                         | 3,564.71                         |
| Impairment on financial instruments and other provisions                  | 26    | 2,728.96                         | 454.17                           |
| Employee benefits expense   | 27    | 1,669.70                         | 1,299.89                         |
| Depreciation and amortization expense                                     | 12    | 87.42                            | 69.19                            |
| Other expenses  | 28    | 405.55                           | 335.31                           |
| <b>Total expenses</b>   |       | <b>8,432.74</b>                  | <b>5,723.27</b>                  |
| <b>Profit before tax</b>  |       | <b>5,981.40</b>                  | <b>4,693.81</b>                  |
| <b>Tax expense:</b>   | 29    |                                  |                                  |
| Current tax   |       | 653.54                           | 3.48                             |
| Deferred tax  |       | 1,960.92                         | 1,602.85                         |
| <b>Income tax expense</b>   |       | <b>2,614.46</b>                  | <b>1,606.33</b>                  |
| <b>Profit for the year</b>  |       | <b>3,366.94</b>                  | <b>3,087.48</b>                  |
| <b>Other comprehensive income</b>   |       |                                  |                                  |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |       |                                  |                                  |
| Re-measurement gains/(losses) on defined benefit plans                    |       | (17.38)                          | (3.07)                           |
| Income tax effect   |       | 4.37                             | 1.07                             |
| <b>Items that will be reclassified subsequently to profit or loss</b>     |       |                                  |                                  |
| Fair value gain on loans  |       | 12.11                            | 688.80                           |
| Income tax effect   |       | (3.05)                           | (240.69)                         |
| <b>Total comprehensive income for the year</b>                            |       | <b>3,362.99</b>                  | <b>3,533.59</b>                  |
| <b>Earnings per share (equity share, par value of ₹ 10 each)</b>          |       |                                  |                                  |
| Computed on the basis of total profit for the year                        |       |                                  |                                  |
| Basic   | 30    | 53.85                            | 52.92                            |
| Diluted   | 30    | 53.40                            | 52.81                            |
| Nominal value   |       | 10.00                            | 10.00                            |
| Summary of significant accounting policies                                | 3     |                                  |                                  |

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date

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

Chartered Accountants

ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**

Partner

Membership No.048749

Place: Mumbai

Date: June 02, 2020

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

**Deepak Calian Vaidya**

Chairman

DIN: 00337276

Place: Mumbai

Date: June 02, 2020

**Sudhesh Chandrasekar**

Chief Financial Officer

Place: Hyderabad

Date: June 02, 2020

**Padmaja Gangireddy**

Managing Director

DIN: 00004842

Place: Hyderabad

Date: June 02, 2020

**Rakesh Jhinjaria**

Company Secretary

Membership No. F8325

Place: Hyderabad

Date: June 02, 2020

# STANDALONE CASH FLOW STATEMENT

## FOR THE YEAR ENDED MARCH 31, 2020

(Rupees in million unless otherwise stated)

| Particulars  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| <b>Cash flow from operating activities</b>   |                                  |                                  |
| Profit before tax  | 5,981.40                         | 4,693.81                         |
| Adjustments for:   |                                  |                                  |
| Interest on income tax   | -                                | 1.15                             |
| Depreciation and amortization  | 87.42                            | 69.19                            |
| Share based payment to employees   | 41.07                            | 41.14                            |
| Provision for gratuity   | 10.20                            | 3.95                             |
| Finance cost on Lease Liability  | 14.37                            | -                                |
| Net gain on derecognition of property, plant and equipment                               | -                                | (0.03)                           |
| Impairment on financial instruments and other provisions                                 | 2,728.96                         | 454.17                           |
| Net gain on fair value changes   | (44.76)                          | (109.57)                         |
| Other provisions and write offs  | 29.13                            | 23.61                            |
| <b>Operating profit before working capital changes</b>                                   | <b>8,847.79</b>                  | <b>5,177.42</b>                  |
| Movements in working capital :   |                                  |                                  |
| Increase / (decrease) in other financial liabilities                                     | 1,707.33                         | 290.10                           |
| Increase / (decrease) in provisions  | (3.42)                           | (7.50)                           |
| Increase / (decrease) in other non financial liabilities                                 | 70.97                            | 43.12                            |
| (Increase) / decrease in bank balances other than cash and cash equivalents              | 57.11                            | (995.63)                         |
| (Increase) / decrease in trade receivables   | (188.19)                         | (9.95)                           |
| (Increase) / decrease in loans   | (7,907.82)                       | (10,522.94)                      |
| (Increase) / decrease in other financial assets  | (3,027.22)                       | (225.23)                         |
| (Increase) / decrease in other non financial assets                                      | 25.55                            | (111.54)                         |
| <b>Cash used in operations</b>   | <b>(417.90)</b>                  | <b>(6,362.14)</b>                |
| Income taxes paid  | (118.77)                         | (135.61)                         |
| <b>Net cash generated/(used) in operating activities (A)</b>                             | <b>(536.67)</b>                  | <b>(6,497.75)</b>                |
| <b>Cash flow from investing activities</b>   |                                  |                                  |
| Purchase of property, plant and equipment  | (45.00)                          | (69.07)                          |
| Purchase of intangible assets  | (0.02)                           | (8.00)                           |
| Proceeds from derecognition of property, plant and equipment                             | -                                | 0.08                             |
| Purchase of investments  | (72,390.11)                      | (67,585.20)                      |
| Sale of investments  | 67,583.24                        | 67,694.76                        |
| Investment in subsidiary   | -                                | (625.35)                         |
| <b>Net cash generated/(used) in investing activities (B)</b>                             | <b>(4,851.89)</b>                | <b>(592.78)</b>                  |
| <b>Cash flow from financing activities</b>   |                                  |                                  |
| Proceeds from issue of equity shares (including securities premium)                      | 3,925.59                         | 501.00                           |
| Balance subscription of optionally convertible redeemable preference shares (all series) | -                                | 532.31                           |
| Proceeds from issue of Share Warrants (including securities premium)                     | -                                | 349.03                           |
| Dividend paid on compulsory convertible preference shares (all series)                   | -                                | (0.13)                           |
| Debt securities (net)  | (5,943.36)                       | 3,572.51                         |
| Payment of Lease liability   | (15.42)                          | -                                |

## STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(Rupees in million unless otherwise stated)

| Particulars  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Borrowings (other than debt securities) (net)                          | 6,654.22                         | 2,564.81                         |
| Subordinated liabilities (net)   | 0.11                             | 0.01                             |
| Share issue expenses   | (150.46)                         | -                                |
| Net cash generated/(used) in financing activities (C)                  | 4,470.68                         | 7,519.54                         |
| Net increase / (decrease) in cash and cash equivalents (A + B + C)     | (917.88)                         | 429.00                           |
| Cash and cash equivalents at the beginning of the year                 | 1,454.07                         | 1,025.07                         |
| <b>Cash and cash equivalents at the end of the year (refer note 4)</b> | <b>536.19</b>                    | <b>1,454.07</b>                  |
| <b>Components of cash and cash equivalents as at the end of year</b>   |                                  |                                  |
| Cash on hand   | 2.82                             | 7.78                             |
| Balance with banks - on current account                                | 533.37                           | 1,375.20                         |
| Deposits with original maturity of less than or equal to 3 months      | -                                | 71.09                            |
| <b>Total cash and cash equivalents</b>                                 | <b>536.19</b>                    | <b>1,454.07</b>                  |

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

| Cash flow from operating activities | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|-------------------------------------|----------------------------------|----------------------------------|
| Interest Received                   | 12,372.65                        | 9,643.40                         |
| Interest Paid                       | 3,325.34                         | 3,229.04                         |

Summary of significant accounting policies Note No. 3

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date  
For **S. R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**  
Partner  
Membership No.048749

Place: Mumbai  
Date: June 02, 2020

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

**Deepak Calian Vaidya**  
Chairman  
DIN: 00337276  
Place: Mumbai  
Date: June 02, 2020

**Sudhesh Chandrasekar**  
Chief Financial Officer  
Place: Hyderabad  
Date: June 02, 2020

**Padmaja Gangireddy**  
Managing Director  
DIN: 00004842  
Place: Hyderabad  
Date: June 02, 2020

**Rakesh Jhinharia**  
Company Secretary  
Membership No. F8325  
Place: Hyderabad  
Date: June 02, 2020

# STATEMENT OF CHANGES IN EQUITY

## FOR YEAR ENDED ON MARCH 31, 2020

### A. EQUITY SHARES

#### Equity Share of ₹ 10 each issued, subscribed and fully paid

| (Rupees in million unless otherwise stated)  |               |        |
|--|---------------|--------|
| Particulars  | No. of Shares | Amount |
| As at April 1, 2018  | 29,756,818    | 297.57 |
| Issue of equity share capital during the year ended March 31, 2019 (refer note 19) | 29,876,865    | 298.77 |
| As at March 31, 2019   | 59,633,683    | 596.34 |
| Issue of equity share capital during the year ended March 31, 2020 (refer note 19) | 4,681,800     | 46.82  |
| As at March 31, 2020   | 64,315,483    | 643.15 |

### B. OTHER EQUITY

(Rupees in millions unless otherwise stated)

| Particulars  | Notes     | Reserves & Surplus |                   |                 |   |                            | Equity component of compound financial instrument | Money received against share warrants | Other items of comprehensive income (fair valuation on loans) | Grand total      |
|--|-----------|--------------------|-------------------|-----------------|---|----------------------------|---|---------------------------------------|---|------------------|
|  |           | Securities Premium | Retained Earnings | General Reserve | Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934) | Capital Redemption Reserve | Share options outstanding reserve                 | Total                                 |   |                  |
| <b>Balance as at April 01, 2018</b>  | <b>20</b> | <b>2,877.61</b>    | <b>-4,221.14</b>  | <b>23.28</b>    | <b>1,948.67</b>   | <b>1,526.92</b>            | -   | <b>2,155.33</b>                       | <b>1.49</b>   | <b>13,609.04</b> |
| Profit for the year ended March 31, 2019   |           | -                  | 3,087.48          | -               | -   | -                          | -   | 3,087.48                              | -   | 3,087.48         |
| Other comprehensive income   |           | -                  | (2.00)            | -               | -   | -                          | -   | (2.00)                                | 448.11  | 446.11           |
| <b>Total comprehensive income</b>  |           | <b>-</b>           | <b>3,085.48</b>   | <b>-</b>        | <b>-</b>  | <b>-</b>                   | <b>-</b>  | <b>3,085.48</b>                       | <b>448.11</b>   | <b>3,533.59</b>  |
| Transfer to Statutory Reserve  |           | -                  | (617.50)          | -               | 617.50  | -                          | -   | -                                     | -   | -                |
| Fair value of stock option - charge for the year   |           | -                  | -                 | -               | -   | -                          | 41.25   | 41.25                                 | -   | 41.25            |
| Issue of share capital during year ended March 31, 2019                                    | 20        | 479.72             | -                 | -               | -   | -                          | -   | 479.72                                | -   | 479.72           |
| Conversion of compulsory convertible preference shares                                     | 20        | 11,212.29          | -                 | -               | -   | -                          | -   | 11,212.29                             | -   | (239.92)         |
| Conversion of optionally convertible redeemable preference shares - series A, B & C        | 20        | 509.70             | -                 | -               | -   | -                          | -   | 509.70                                | -   | 509.70           |
| Conversion of share warrants   | 20        | 335.64             | -                 | -               | -   | -                          | -   | 335.64                                | (1.49)  | 334.15           |
| Dividend on CCPS (all classes) and OCRPS (all series) (includes dividend distribution tax) | 20        | -                  | (0.13)            | -               | -   | -                          | -   | (0.13)                                | -   | (0.13)           |
| <b>Balance as at March 31, 2019</b>  | <b>20</b> | <b>15,414.96</b>   | <b>(1,753.29)</b> | <b>23.28</b>    | <b>2,566.17</b>   | <b>1,526.92</b>            | <b>41.25</b>                                      | <b>17,819.29</b>                      | <b>448.11</b>   | <b>18,267.40</b> |
| Profit for the year ended March 31, 2020   |           | -                  | 3,366.94          | -               | -   | -                          | -   | 3,366.94                              | -   | 3,366.94         |
| Other comprehensive income   |           | -                  | (13.01)           | -               | -   | -                          | -   | (13.01)                               | 9.06  | (3.95)           |
| <b>Total comprehensive income</b>  |           | <b>-</b>           | <b>3,353.94</b>   | <b>-</b>        | <b>-</b>  | <b>-</b>                   | <b>-</b>  | <b>3,353.94</b>                       | <b>9.06</b>   | <b>3,363.00</b>  |
| Transfer to Statutory Reserve  |           | -                  | (673.38)          | -               | 673.38  | -                          | -   | -                                     | -   | -                |
| Premium on issue of equity shares  | 20        | 3,897.49           | -                 | -               | -   | -                          | -   | 3,897.49                              | -   | 3,897.49         |



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED ON MARCH 31, 2020 (Contd.)

| Particulars  | Notes     | Reserves & Surplus |                   |                 |   |                            | Equity component of compound financial instrument | Money received against share warrants | Other items of comprehensive income (fair valuation on loans) | Grand total      |
|--|-----------|--------------------|-------------------|-----------------|---|----------------------------|---|---------------------------------------|---|------------------|
|  |           | Securities Premium | Retained Earnings | General Reserve | Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934) | Capital Redemption Reserve | Share options outstanding reserve                 | Total                                 |   |                  |
| Share Issue Expenses   | 20        | (150.46)           | -                 | -               | -   | -                          | -   | (150.46)                              | -   | (150.46)         |
| Add: Share based payment to employees                                      | 20        | 37.87              | -                 | -               | -   | -                          | 43.80   | 81.66                                 | -   | 81.66            |
| Less: Transfer on allotment of shares to employees pursuant to ESOP scheme | 20        | -                  | -                 | -               | -   | -                          | (18.72)   | (18.72)                               | -   | (18.72)          |
| Less: Transfer on cancellation of stock options                            | 20        | -                  | -                 | -               | -   | -                          | (2.16)  | (2.16)                                | -   | (2.16)           |
| <b>Balance as at March 31, 2020</b>  | <b>20</b> | <b>19,199.86</b>   | <b>927.27</b>     | <b>23.28</b>    | <b>3,239.55</b>   | <b>1,526.92</b>            | <b>64.17</b>                                      | <b>24,981.05</b>                      | <b>457.17</b>   | <b>25,438.23</b> |

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date  
For **S. R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**  
Partner  
Membership No.048749

Place: Mumbai  
Date: June 02, 2020

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

**Deepak Calian Vaidya**  
Chairman  
DIN: 00337276  
Place: Mumbai  
Date: June 02, 2020

**Sudhesh Chandrasekar**  
Chief Financial Officer  
Place: Hyderabad  
Date: June 02, 2020

**Padmaja Gangireddy**  
Managing Director  
DIN: 00004842  
Place: Hyderabad  
Date: June 02, 2020

**Rakesh Jhinjaria**  
Company Secretary  
Membership No. F8325  
Place: Hyderabad  
Date: June 02, 2020

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED MARCH 31, 2020

### 1. CORPORATE INFORMATION

**Spandana Sphoorty Financial Limited** ('SSFL' or the 'Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003. The Company was registered as a non-deposit accepting non-banking financial company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as non-banking financial company – micro finance institution (NBFC – MFI) effective April 13, 2015.

The shares of the Company were listed on the stock exchanges in India in August 2019 pursuant to the Initial Public Offer of equity shares. The registered office of the Company is located at Spandana Sphoorty financial limited, plot no 31 & 32, Ramky Selenium Towers, Ground floor, Nanakramguda, Gachibowli, Telangana, India.

The Company is primarily engaged in the business of micro finance providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

### 2. BASIS OF PREPARATION:

#### a) Statement of compliance in preparation of standalone financial statements

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

The standalone financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments and other financial assets held for trading all of which have been measured at fair value. Further, the carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The functional currency of the Company is the Indian rupee. These standalone financial statements are presented in Indian rupees (rounded off to millions).

#### b) Presentation of financial statements

The Company presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- a. The normal course of business
- b. The event of default
- c. The event of insolvency or bankruptcy of the Group and/or its counterparties.

#### c) Assessment of Going Concern Assumption

The Company has assessed the impact of the COVID-19 pandemic on its liquidity and ability to fulfill its obligations as and when they are due and has evaluated the asset-liability maturity (ALM) pattern in various time buckets as prescribed under the guidelines issued by the RBI. Pursuant to the order issued by the Ministry of Home Affairs on April 15, 2020 allowing microfinance companies to operate in specified areas, the Company resumed operations in those specified areas from April 20, 2020 by complying with the regulatory guidelines on businesses, social distancing, etc. With the gradual relaxation of lockdown rules thereafter, our employees were able to meet and collect from those borrowers willing to repay, due to minimal impact of the lockdown on them. As observed since the resumption of operations, the management is confident that collections will continue to improve, albeit likely to be at a lower level than earlier. In addition, management has considered various stimulus packages announced by the Government of India which will directly or indirectly benefit NBFC-MFI, current status/outcomes of discussions with the Company's lenders to seek/extend moratorium and various other financial support from other banks and financial institutions in determining the Company's liquidity position over the next 12 months from the end of reporting period. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Company will be able to fulfill its obligations as and when these become due in the foreseeable future.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a) Use of estimates, judgments and assumptions

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

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

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

### i) **Defined employee benefit assets and liabilities**

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

### ii) **Fair value measurement**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### iii) **Impairment of loans**

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Company makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

### iv) **Provisions other than impairment on loans**

Provisions are held in respect of a range of future obligations. Some of the provisions involve significant judgment about the likely outcome of

various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgements about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

### v) **Other estimates**

These include contingent liabilities, useful lives of tangible and intangible assets etc.

### b) **Recognition of income and expense**

The Company earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

#### (i) **Interest income and expense**

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

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

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

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

### (ii) Dividend income

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

### (iii) Other income and expense

All Other income and expense are recognized in the period they occur.

### c) Property, plant and equipment(PPE) and intangible asset

#### PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

#### Intangible Asset

Intangible assets represent software expenditure which is stated at cost less accumulated amortization and any accumulated impairment losses.

### d) Depreciation and amortization

#### Depreciation

- i) Depreciation on property, plant and equipment provided on a written down value method at the rates arrived based on useful life of the assets, prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.
- ii) Property, plant and equipment costing up to

₹ 5,000 individually are fully depreciated in the year of purchase.

The Company has used the following useful lives to provide depreciation on its Property, plant and equipment:

| Asset Category         | Useful Life (in years) |
|------------------------|------------------------|
| Furniture & Fixtures   | 10                     |
| Computers & Printers   | 3                      |
| Office Equipment       | 5                      |
| Leasehold Improvements | 3                      |
| Vehicles               | 8                      |
| Land & Buildings       | 60                     |

#### Amortization

Intangible assets are amortized at a rate of 40% per annum on a "Written Down Value" method, from the date that they are available for use.

### d) Impairment

#### i) Overview of principles for measuring expected credit loss ('ECL') on financial assets.

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

The Company has a process to assess credit risk of all exposures at each year end as follows:

#### Stage I

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

#### Stage II

Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. Based on empirical evidence, significant increase in credit risk is witnessed after the overdues on an exposure

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

exceed for a period more than 30 days. Accordingly, the Company classifies all exposures with overdue exceeding 30 days at each reporting date under this Stage. The Company measures lifetime ECL on stage II loans.

### Stage III

All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Company measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount.

### Methodology for calculating ECL

The Company determines ECL based on a probability weighted outcome of factors indicated below to measure the shortfalls in collecting contractual cash flows. The Company does not discount such shortfalls considering relatively shorter tenure of loan contracts.

Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset).

Exposure at default (EAD) - It represents an estimate of the exposure of the Company at a future date after considering repayments by the counterparty before the default event occurs.

Loss given default (LGD) - It represents an estimate of the loss expected to be incurred when the event of default occurs.

### Forward looking information

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

### Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. All such write-offs are charged to the Profit and Loss Statement. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

### ii) Non financial assets

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

### f) Revenue From Contracts with Customers

The Company recognizes revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue From Contracts with Customers'. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

- a) Commission and incentive income is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognized on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

- b) The company recognizes revenue from advertisement activities upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers.

### g) **Net Gain/Loss on fair value changes**

The Company designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The Company recognizes gains on fair value changes of financial assets measured at FVTPL, and realized gains on derecognition of financial assets measured at FVTPL and FVOCI on net basis.

Further, the Company also recognizes the fair value on investment in mutual funds in the statement of profit and loss in accordance with Ind AS 109.

### h) **Leases**

Short term leases not covered under Ind AS 116 are classified as operating lease. Lease payments during the year are charged to statement of profit and loss. Further minimum rentals payable under non - cancellable operating leases.

Ind AS 116 Leases was notified by MCA on March 30, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 1, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company has adopted Ind AS 116 - Leases with effect from April 1, 2019 and applied to all lease contracts

existing on April 1, 2019 using the Modified Retrospective Approach. In accordance with the transitional provisions, the Company has not restated the comparative figures. The adoption of new standard resulted in recognition of right-of-use asset and a corresponding lease liability of ₹ 114.27 Mn on April 1, 2019. The effect of this adoption is not material to the profit for the period and earnings per share.

### i) **Foreign currency transactions**

#### ● **Functional and presentation currency**

The Standalone financial statements are presented in Indian Rupees (₹), which are the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

#### ● **Transaction and balance**

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

### j) **Retirement and Employee benefits**

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

The Company operates following employee benefit plans:

### i) Employee Provident Fund

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

### ii) Gratuity

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

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

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

### iii) Leaves

The service rules of the Company do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

### iv) Employee Stock Option Plan

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments in form of employee stock options, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in Stock Option Outstanding reserves in Other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### k) Income taxes

#### *Current Taxes*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with The Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

#### *Deferred Taxes*

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

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

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the FVOCI instruments. The Company also recognizes the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Company only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Company's intention to settle on a net basis.

### *Minimum Alternate Tax (MAT)*

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognized for MAT credit available only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

### **l) Earnings per share (EPS)**

The Company reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

### **m) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The increase in the provision due to un-winding of discount over passage of time is recognized within finance costs.

### **n) Contingent liabilities and assets**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

the entity. The Company does not have any contingent assets in the financial statements.

### o) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

**Financial Assets** - All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### **Subsequent measurement**

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

- Financial assets at amortized cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Investment in equity instruments and mutual funds at fair value through profit or loss
- Other financial assets at amortized cost

#### **Financial assets at amortized cost:**

Financial assets are measured at amortized cost where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

#### **Financial assets at FVOCI:**

Financial assets are measured at FVOCI where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model where objective is achieved by both collecting contractual cash flows and selling financial assets.

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

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

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

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

**Effective interest method** - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The amortized cost of the financial asset is adjusted if the Company revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets. Income is recognized on an effective interest basis for loan portfolio other than those financial assets classified as at FVTPL.

### **Equity instruments and Mutual Funds**

Equity instruments and mutual funds included within the FVTPL category are measured at fair value with all changes recognized in the Profit and Loss Statement.

### **Financial liabilities**

#### **Initial Measurement**

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

#### **Subsequent Measurement**

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

#### **De-recognition**

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized from the balance sheet when the Company has discharged its obligation or the contract is cancelled or expires.

### **p) Fair value measurement**

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

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

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

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

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

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

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

### **q) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

### **r) Share issue expenses**

Incremental costs that are directly attributable to the issue of an equity instrument (i.e. they would have been avoided if the instrument had not been issued) are deducted from equity.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### s) Convertible Preference Shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the

conversion option that is recognized and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

### 4. CASH AND CASH EQUIVALENTS

(Rupees in million unless otherwise stated)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Cash on hand   | 2.82                    | 7.78                    |
| Balances with banks                                      |                         |                         |
| On current accounts                                      | 533.37                  | 1,375.20                |
| Deposit with original maturity of less than three months | -                       | 71.09                   |
|  | <b>536.19</b>           | <b>1,454.07</b>         |

Balances with banks earns interest with floating rates based on daily bank deposit rates. Short term Deposits are made for varying periods of between 1 day and 3 months, depending on the immediate cash requirements of the Company, and earn interest at the respective short term deposit rates.

### 5. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Deposit with remaining maturity of less than 12 months | 24.99                   | 85.22                   |
| Deposit with remaining maturity of more than 12 months | -                       | -                       |
| Margin money deposits (refer note below)               | 1,946.00                | 1,942.87                |
|  | <b>1,970.99</b>         | <b>2,028.09</b>         |

Note: Represent margin money deposits placed to avail term loans from banks and placed as cash collateral in connection with securitization transactions.

Fixed Deposits with banks earns interest with fixed/floating rates based on daily bank deposit rates.

### 6. TRADE RECEIVABLES

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Outstanding for a period less than six months from the date they are due for payment |                         |                         |
| Unsecured, considered good   | 223.68                  | 35.49                   |
|  | <b>223.68</b>           | <b>35.49</b>            |
| Provision for impairment :   |                         |                         |
| Unsecured, considered good   | -                       | -                       |
|  | <b>223.68</b>           | <b>35.49</b>            |

Trade receivables include ₹ 108.62 Mn (Previous year ₹ 28.61 Mn) receivable from entities in which Directors or key Managerial Persons are interested.

Trade receivables are generally non interest bearing and are on terms of 30 to 60 days.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 7. LOANS

(Rupees in million unless otherwise stated)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>At Fair value through OCI</b>  |                         |                         |
| Loans   | 48,497.07               | 45,529.86               |
| <b>Total - Gross</b>  | <b>48,497.07</b>        | <b>45,529.86</b>        |
| Less: Impairment and other provisions including Management overlay for COVID-19 | (1,652.21)              | (3,875.96)              |
| <b>Total - Net</b>  | <b>46,844.86</b>        | <b>41,653.90</b>        |
| (a) Secured by tangible assets (Gold, Property including land and building)     | 846.00                  | 643.07                  |
| (b) Unsecured   | 47,651.07               | 44,886.79               |
| <b>Total - Gross</b>  | <b>48,497.07</b>        | <b>45,529.86</b>        |
| Less: Impairment and other provisions including Management overlay for COVID-19 | (1,652.21)              | (3,875.96)              |
| <b>Total - Net</b>  | <b>46,844.86</b>        | <b>41,653.89</b>        |
| (a) Public sector   | -                       | -                       |
| (b) Others  | 48,497.07               | 45,529.86               |
| <b>Total - Gross</b>  | <b>48,497.07</b>        | <b>45,529.86</b>        |
| Less: Impairment and other provisions including Management overlay for COVID-19 | (1,652.21)              | (3,875.96)              |
| <b>Total - Net</b>  | <b>46,844.86</b>        | <b>41,653.89</b>        |
| (a) Within India  | 48,497.07               | 45,529.86               |
| (b) Outside India   | -                       | -                       |
| <b>Total - Gross</b>  | <b>48,497.07</b>        | <b>45,529.86</b>        |
| Less: Impairment and other provisions including Management overlay for COVID-19 | (1,652.21)              | (3,875.96)              |
| <b>Total - Net</b>  | <b>46,844.86</b>        | <b>41,653.89</b>        |

#### Overview of the loans of the Company

The Company is primarily in the business of providing micro loans towards income generating activities with its operations spread out in different parts of India.

On October 15, 2010, the then Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" which was subsequently enacted as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011" ('AP MFI Act'). The AP MFI Act, inter alia, imposed several restrictions on the operations of the MFIs operating in the then state of Andhra Pradesh, including a change in repayment frequency for loan repayments from a 'weekly' to a 'monthly' basis.

As a result recoveries from the loans in the states of Andhra Pradesh and Telangana were adversely affected resulting in significant defaults. Such loans is hereinafter referred as the 'old AP portfolio'. Accordingly, all such loans have been categorized under Stage III on March 31, 2019 considering significant uncertainty with respect to their recoveries. However the same loans have been entirely written off during current year. All other exposures have been referred as 'new portfolio'.

The table below discloses credit quality of the Company's exposures as at reporting date:

#### Portfolio classification as at March 31, 2020

| Particulars                                | Stage I          | Stage II      | Stage III     | Total            |
|--|------------------|---------------|---------------|------------------|
| Gross carrying amount as at March 31, 2020 |                  |               |               |                  |
| - New Portfolio                            | 48,211.14        | 106.57        | 179.36        | 48,497.07        |
| - Old AP Portfolio                         | -                | -             | -             | -                |
| <b>Total</b>                               | <b>48,211.14</b> | <b>106.57</b> | <b>179.36</b> | <b>48,497.07</b> |

\*Old AP portfolio is completely written off during the year, hence net exposure is Nil.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Portfolio classification as at March 31, 2019

| Particulars                                | Stage I          | Stage II      | Stage III       | Total            |
|--|------------------|---------------|-----------------|------------------|
| Gross carrying amount as at March 31, 2019 |                  |               |                 |                  |
| - New Portfolio                            | 41,751.88        | 150.17        | 43.11           | 41,945.16        |
| - Old AP Portfolio                         | -                | -             | 3,584.70        | 3,584.70         |
| <b>Total</b>                               | <b>41,751.88</b> | <b>150.17</b> | <b>3,627.81</b> | <b>45,529.86</b> |

### Gross Portfolio Movement for the year ended March 31, 2020

| Particulars  | Stage I          | Stage II        | Stage III         | Total             |
|--|------------------|-----------------|-------------------|-------------------|
| Gross carrying amount as at April 1, 2019                      |                  |                 |                   |                   |
| - New Portfolio  | 41,751.88        | 150.17          | 43.11             | 41,945.16         |
| - Old AP Portfolio   | -                | -               | 3,584.70          | 3,584.70          |
| <b>Total (A)</b>   | <b>41,751.88</b> | <b>150.17</b>   | <b>3,627.81</b>   | <b>45,529.86</b>  |
| Inter-stage movements  |                  |                 |                   |                   |
| - New Portfolio  |                  |                 |                   |                   |
| Stage I  | 0.99             | (0.97)          | (0.02)            | (0.00)            |
| Stage II   | (213.87)         | 213.91          | (0.04)            | 0.00              |
| Stage III  | (615.60)         | (0.21)          | 615.82            | -                 |
| - Old AP Portfolio   | -                | -               | -                 | -                 |
| <b>Total (B)</b>   | <b>(828.48)</b>  | <b>212.73</b>   | <b>615.76</b>     | <b>0.00</b>       |
| Write offs**   |                  |                 |                   |                   |
| - New Portfolio  | (106.14)         | (74.48)         | (1,070.76)        | (1,251.38)        |
| - Old AP Portfolio   | -                | -               | (3,576.05)        | (3,576.05)        |
| <b>Total (C')</b>  | <b>(106.14)</b>  | <b>(74.48)</b>  | <b>(4,646.80)</b> | <b>(4,827.43)</b> |
| New assets originated, repaid and derecognised during the year |                  |                 |                   |                   |
| - New Portfolio  | 7,393.89         | (181.85)        | 591.25            | 7,803.29          |
| - Old AP Portfolio   | -                | -               | (8.65)            | (8.65)            |
| <b>Total (D)</b>   | <b>7,393.89</b>  | <b>(181.85)</b> | <b>582.60</b>     | <b>7,794.64</b>   |
| Gross carrying amount as at March 31, 2020                     |                  |                 |                   |                   |
| - New Portfolio  | 48,211.14        | 106.57          | 179.36            | 48,497.07         |
| - Old AP Portfolio   | -                | -               | -                 | -                 |
| <b>Total (A+B+C+D)</b>   | <b>48,211.14</b> | <b>106.57</b>   | <b>179.36</b>     | <b>48,497.07</b>  |

\*\* The contractual amount of loans written-off during the period are not subject to enforcement activity / legal proceedings.

### Gross Portfolio Movement for the year ended March 31, 2019

| Particulars                               | Stage I          | Stage II       | Stage III         | Total             |
|---|------------------|----------------|-------------------|-------------------|
| Gross carrying amount as at April 1, 2018 |                  |                |                   |                   |
| - New Portfolio                           | 30,940.84        | 6.59           | 720.43            | 31,667.86         |
| - Old AP Portfolio                        | -                | -              | 7,933.10          | 7,933.10          |
| <b>Total (A)</b>                          | <b>30,940.84</b> | <b>6.59</b>    | <b>8,653.53</b>   | <b>39,600.96</b>  |
| Inter-stage movements                     |                  |                |                   |                   |
| - New Portfolio                           |                  |                |                   |                   |
| Stage I                                   | 0.01             | (0.01)         | -                 | -                 |
| Stage II                                  | (150.17)         | 150.17         | -                 | -                 |
| Stage III                                 | (43.39)          | (1.27)         | 44.66             | -                 |
| - Old AP Portfolio                        | -                | -              | -                 | -                 |
| <b>Total (B)</b>                          | <b>(193.55)</b>  | <b>148.89</b>  | <b>44.66</b>      | <b>-</b>          |
| Write offs**                              |                  |                |                   |                   |
| - New Portfolio                           | -                | (60.77)        | (836.40)          | (897.17)          |
| - Old AP Portfolio                        | -                | -              | (4,320.57)        | (4,320.57)        |
| <b>Total (C')</b>                         | <b>-</b>         | <b>(60.77)</b> | <b>(5,156.97)</b> | <b>(5,217.74)</b> |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### New assets originated, repaid and derecognised during the year

| Particulars                                | Stage I          | Stage II      | Stage III       | Total            |
|--|------------------|---------------|-----------------|------------------|
| - New Portfolio                            | 11,004.59        | 55.46         | 114.43          | 11,174.48        |
| - Old AP Portfolio                         | -                | -             | (27.83)         | (27.83)          |
| <b>Total (D)</b>                           | <b>11,004.59</b> | <b>55.46</b>  | <b>86.59</b>    | <b>11,146.64</b> |
| Gross carrying amount as at March 31, 2019 |                  |               |                 |                  |
| - New Portfolio                            | 41,751.88        | 150.17        | 43.11           | 41,945.16        |
| - Old AP Portfolio                         | -                | -             | 3,584.70        | 3,584.70         |
| <b>Total (A+B+C+D)</b>                     | <b>41,751.88</b> | <b>150.17</b> | <b>3,627.81</b> | <b>45,529.86</b> |

\*\* The contractual amount of loans written-off during the period are not subject to enforcement activity / legal proceedings.

### Movement of impairment allowance(ECL) and other provisions during the year ended March 31, 2020

| Particulars                                | Stage I  | Stage II | Stage III  | Total      |
|--|----------|----------|------------|------------|
| Opening Balance                            | 168.68   | 84.92    | 3,622.37   | 3,875.97   |
| Provision made/ (reversed) during the year | 678.59   | 53.81    | 1,169.65   | 1,902.05   |
| Inter-stage movements                      |          |          |            |            |
| Stage I                                    | (72.42)  | 69.06    | 3.36       | -          |
| Stage II                                   | (29.67)  | 29.50    | 0.17       | -          |
| Stage III                                  | (112.27) | 11.58    | 100.69     | -          |
| Write off                                  | (106.14) | (74.48)  | (4,646.80) | (4,827.43) |
| Other Provisions                           |          |          |            | 701.62     |
| Closing Balance                            | 741.12   | 64.26    | 145.21     | 1,652.21   |

#### Note :-

- ECL for Stage I has increased primarily on account of new assets originated during the year.
- ECL for stage II has decreased primarily on account writeoffs during the year.
- ECL for stage III has declined primarily on account of write off and recoveries/collections made by the Company during the year.

### Movement of impairment allowance(ECL) and other provisions during the year ended March 31, 2019

| Particulars                                | Stage I | Stage II | Stage III  | Total      |
|--|---------|----------|------------|------------|
| Opening Balance                            | 105.09  | 3.98     | 8,595.63   | 8,704.70   |
| Provision made/ (reversed) during the year | 63.59   | 116.21   | (245.55)   | (65.75)    |
| Inter-stage movements                      |         |          |            |            |
| Stage I                                    | (9.92)  | (0.09)   | 10.00      | -          |
| Stage II                                   | (36.00) | 36.00    | -          | -          |
| Stage III                                  | (33.32) | 0.16     | 33.16      | -          |
| Write off                                  | -       | (35.27)  | (4,727.71) | (4,762.98) |
| Closing Balance                            | 168.68  | 84.92    | 3,622.37   | 3,875.97   |

#### Note :-

- ECL for Stage I has increased primarily on account of new assets originated during the year.
- ECL for stage II has increased primarily on account of new assets originated during the year.
- ECL for stage III has declined primarily on account of write off and recoveries/collections made by the Company during the year.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 8. INVESTMENTS

(Rupees in million unless otherwise stated)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>At Fair value through Profit &amp; Loss</b>  |                         |                         |
| Investments in Liquid / Debt Mutual Funds   | 4,851.62                | -                       |
| <b>At Cost</b>  |                         |                         |
| <b>Investment in subsidiary</b>   |                         |                         |
| 2,000,000 (March 31, 2019: 2,000,000) equity shares of ₹ 10 each fully paid up in Caspian Financial Services Limited          | 20.00                   | 20.00                   |
| 4,727,352 (March 31, 2019: 47,27,352) equity shares of ₹ 10 each fully paid up in Criss Financial Holdings Limited            | 625.93                  | 625.35                  |
| <b>At Fair value through Profit &amp; Loss</b>  |                         |                         |
| <b>Others</b>   |                         |                         |
| 100,000 (March 31, 2019: 100,000) equity shares of ₹ 10 each fully paid up in Alpha Micro Finance Consultants Private Limited | 1.00                    | 1.00                    |
|   | <b>5,498.55</b>         | <b>646.35</b>           |
| Less: Impairment loss allowance   | -                       | -                       |
| <b>Total</b>  | <b>5,498.55</b>         | <b>646.35</b>           |
| Above amount includes   |                         |                         |
| Investment in India   | 5,498.55                | 646.35                  |
| Investment Outside India  | -                       | -                       |
| <b>Total</b>  | <b>5,498.55</b>         | <b>646.35</b>           |

### 9. OTHER FINANCIAL ASSETS (AT AMORTISED COST)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>A. Security deposits</b>   |                         |                         |
| Unsecured, considered good  | 53.07                   | 21.19                   |
| <b>(A)</b>  | <b>53.07</b>            | <b>21.19</b>            |
| <b>B. Inter Corporate Advances to related parties (Unsecured, non-Public Sector in India)</b> |                         |                         |
| Inter corporate advances (repayable on demand) *  | 2,206.54                | 670.52                  |
| Less: Impairment allowance  | -                       | -                       |
| <b>(B)</b>  | <b>2,206.54</b>         | <b>670.52</b>           |
| *Please refer Note 32 for further details   |                         |                         |
| <b>C. Other Assets</b>  |                         |                         |
| Amount receivable from banks and non banking financial companies                              | 0.04                    | 0.38                    |
| Term deposits placed with non banking financial companies#                                    | 51.07                   | 65.83                   |
| Retained interest on asset assigned   | 1,426.47                | 91.93                   |
| Other assets  | 122.24                  | 11.50                   |
| <b>(C)</b>  | <b>1,599.82</b>         | <b>169.64</b>           |
| <b>Total (A+B+C)</b>  | <b>3,859.43</b>         | <b>861.35</b>           |

# Represent margin money deposits placed to avail term loans from non banking financial companies.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 10. CURRENT TAX ASSETS (NET)

(Rupees in million unless otherwise stated)

|                                       | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---------------------------------------|-------------------------|-------------------------|
| Advance income tax (net of provision) | 149.38                  | 83.37                   |
|                                       | <b>149.38</b>           | <b>83.37</b>            |

### 11. DEFERRED TAX ASSETS (NET)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| <b>Effects of deferred tax assets/ liabilities :</b>               |                         |                         |
| <b>Deferred Tax Assets</b>   |                         |                         |
| Impairment of financial instruments and other provisions           | 449.91                  | 1,401.69                |
| Provisions allowable on payment basis                              | 76.59                   | 89.17                   |
| Differences of written down value of Property, plant and equipment | 36.48                   | 46.02                   |
| MAT Credit entitlement   | -                       | 774.35                  |
| Expenditure incurred for IPO                                       | 30.29                   | -                       |
| Lease Liability  | 28.49                   | -                       |
| Others   | 5.13                    | 1.07                    |
|  | <b>626.89</b>           | <b>2,312.31</b>         |
| <b>Deferred Tax Liabilities</b>                                    |                         |                         |
| Fair value gain on loans   | 176.40                  | 240.69                  |
| Income from direct assignments (taxable in future)                 | 359.01                  | 73.25                   |
| Right of Use Asset   | 22.04                   | -                       |
| Others   | 0.41                    | -                       |
|  | <b>557.86</b>           | <b>313.95</b>           |
| <b>Net deferred tax assets/(liabilities)</b>                       | <b>69.03</b>            | <b>1,998.36</b>         |

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority

#### 11.1: DEFERRED TAX ASSETS (NET)

Movement in deferred tax balances for the year ended March 31, 2020

| Particulars   | Net Balance<br>April 1, 2019 | (Charge)/<br>Credit in<br>Profit & Loss | Recognised<br>in<br>OCI | Recognised<br>in<br>Other Equity | Net Balance<br>March 31,<br>2020 | Deferred Tax<br>Assets/(Deferred<br>Tax Liabilities) |
|---|------------------------------|---|-------------------------|----------------------------------|----------------------------------|--|
| Deferred tax assets/ (liabilities)                          |                              |   |                         |                                  |                                  |  |
| Impact of difference between tax depreciation/ amortisation | 46.02                        | (9.54)                                  | -                       | -                                | 36.48                            | 36.48  |
| Remeasurement gain / (loss) on defined benefit plan         | 1.07                         | (0.30)                                  | 4.37                    | -                                | 5.14                             | 5.15   |
| Impairment allowance for loans                              | 1,401.69                     | (951.77)                                | -                       | -                                | 449.92                           | 449.91   |
| Expenses incurred on Initial Public Offering                | -                            | -                                       | -                       | 30.29                            | 30.29                            | 30.29  |
| MAT Credit Entitlement                                      | 774.35                       | (774.35)                                | -                       | -                                | -                                | -  |
| Other items   | (224.78)                     | (224.96)                                | (3.05)                  | -                                | 452.79                           | (452.80)   |
| <b>Net Deferred tax assets / (liabilities)</b>              | <b>1,998.36</b>              | <b>(1,960.92)</b>                       | <b>1.32</b>             | <b>30.29</b>                     | <b>69.03</b>                     | <b>69.03</b>   |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Movement in deferred tax balances for the year ended March 31, 2019

(Rupees in million unless otherwise stated)

| Particulars   | Net Balance<br>April 1, 2018 | (Charge)/<br>Credit in<br>Profit & Loss | Recognised<br>in<br>OCI | Recognised<br>in<br>Other Equity | Net Balance<br>March 31,<br>2019 | Deferred Tax<br>Assets/(Deferred<br>Tax Liabilities) |
|---|------------------------------|---|-------------------------|----------------------------------|----------------------------------|--|
| Deferred tax assets/ (liabilities)                          |                              |   |                         |                                  |                                  |  |
| Impact of difference between tax depreciation/ amortisation | 38.21                        | 7.81                                    | -                       | -                                | 46.02                            | 46.02  |
| Remeasurement gain / (loss) on defined benefit plan         | 1.36                         | (1.36)                                  | 1.07                    | -                                | 1.07                             | 1.07   |
| Impairment allowance for loans                              | 3,047.54                     | (1,645.85)                              | -                       | -                                | 1,401.69                         | 1,401.69   |
| MAT Credit Entitlement                                      | 763.71                       | 10.64                                   | -                       | -                                | 774.35                           | 774.35   |
| Other items   | (10.00)                      | 25.92                                   | (240.69)                | -                                | (224.78)                         | (224.78)   |
| <b>Net Deferred tax assets/ (liabilities)</b>               | <b>3840.84</b>               | <b>(1602.85)</b>                        | <b>(239.62)</b>         | <b>-</b>                         | <b>1998.36</b>                   | <b>1998.36</b>                                       |

### 12. PROPERTY, PLANT AND EQUIPMENT

| Particulars                  | Land &<br>Building* | Leasehold<br>improvements | Furniture &<br>Fixtures | Office<br>Equipment | Vehicles     | Computers     | Right of<br>use asset | Total         |
|------------------------------|---------------------|---------------------------|-------------------------|---------------------|--------------|---------------|-----------------------|---------------|
| <b>Gross block (at cost)</b> |                     |                           |                         |                     |              |               |                       |               |
| At April 01, 2018            | 2.01                | 95.40                     | 54.99                   | 15.18               | 3.52         | 119.95        | -                     | 291.04        |
| Addition                     | -                   | -                         | 14.33                   | 13.61               | 2.07         | 40.32         | -                     | 70.33         |
| Disposals                    | -                   | -                         | 0.23                    | 0.06                | -            | 1.31          | -                     | 1.60          |
| <b>At March 31, 2019</b>     | <b>2.01</b>         | <b>95.40</b>              | <b>69.09</b>            | <b>28.73</b>        | <b>5.59</b>  | <b>158.96</b> | <b>-</b>              | <b>359.78</b> |
| Addition                     | -                   | -                         | 10.63                   | 3.60                | 9.59         | 21.18         | 114.27                | 159.27        |
| Disposals                    | -                   | -                         | -                       | -                   | -            | 0.43          | -                     | 0.43          |
| <b>At March 31, 2020</b>     | <b>2.01</b>         | <b>95.40</b>              | <b>79.73</b>            | <b>32.33</b>        | <b>15.17</b> | <b>179.71</b> | <b>114.27</b>         | <b>518.62</b> |
| <b>Depreciation</b>          |                     |                           |                         |                     |              |               |                       |               |
| At April 01, 2018            | 0.05                | 83.38                     | 36.91                   | 10.59               | 2.87         | 98.72         | -                     | 232.54        |
| Charge for the period        | 0.10                | 7.59                      | 16.18                   | 5.79                | 0.36         | 26.61         | -                     | 56.63         |
| Disposals                    | -                   | -                         | 0.20                    | 0.04                | -            | -             | -                     | 0.25          |
| <b>At March 31, 2019</b>     | <b>0.15</b>         | <b>90.97</b>              | <b>52.89</b>            | <b>16.34</b>        | <b>3.24</b>  | <b>125.33</b> | <b>-</b>              | <b>288.92</b> |
| Charge for the year          | 0.09                | 2.81                      | 11.86                   | 6.74                | 2.96         | 27.55         | 26.69                 | 78.70         |
| Disposals                    | -                   | -                         | -                       | -                   | -            | 0.42          | -                     | 0.42          |
| <b>At March 31, 2020</b>     | <b>0.24</b>         | <b>93.77</b>              | <b>64.75</b>            | <b>23.09</b>        | <b>6.20</b>  | <b>152.46</b> | <b>26.69</b>          | <b>367.20</b> |
| <b>Net Carrying Amount</b>   |                     |                           |                         |                     |              |               |                       |               |
| At April 01, 2018            | 1.96                | 12.02                     | 18.08                   | 4.59                | 0.65         | 21.23         | -                     | 58.54         |
| At March 31, 2019            | 1.86                | 4.43                      | 16.20                   | 12.38               | 2.36         | 33.63         | -                     | 70.86         |
| <b>At March 31, 2020</b>     | <b>1.77</b>         | <b>1.62</b>               | <b>14.97</b>            | <b>9.24</b>         | <b>8.99</b>  | <b>27.25</b>  | <b>87.58</b>          | <b>151.43</b> |

\* Mortgaged as security against non-convertible debentures.

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**
**Intangible assets**

| Particulars                  | Computer Software | Total         |
|------------------------------|-------------------|---------------|
| <b>Gross block (at cost)</b> |                   |               |
| At April 1, 2018             | 95.86             | 95.86         |
| Addition                     | 8.00              | 8.00          |
| <b>At March 31, 2019</b>     | <b>103.86</b>     | <b>103.86</b> |
| Addition                     | 0.02              | 0.02          |
| <b>At March 31, 2020</b>     | <b>103.88</b>     | <b>103.88</b> |
| <b>Amortization</b>          |                   |               |
| At April 1, 2018             | 69.83             | 69.83         |
| Charge for the year          | 12.50             | 12.50         |
| <b>At March 31, 2019</b>     | <b>82.33</b>      | <b>82.33</b>  |
| Charge for the year          | 8.71              | 8.71          |
| <b>At March 31, 2020</b>     | <b>91.04</b>      | <b>91.04</b>  |
| <b>Net Carrying Amount</b>   |                   |               |
| At April 1, 2018             | 26.03             | 26.03         |
| At March 31, 2019            | 21.53             | 21.53         |
| <b>At March 31, 2020</b>     | <b>12.84</b>      | <b>12.84</b>  |

**13. OTHER NON-FINANCIAL ASSETS**

|                                       | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---------------------------------------|-------------------------|-------------------------|
| <b>Unsecured, considered good</b>     |                         |                         |
| Prepaid expenses                      | 5.51                    | 1.78                    |
| Capital advances                      | 1.65                    | 0.69                    |
| Advance against sum assured           | 68.73                   | 24.03                   |
| Other advances                        | 25.57                   | 100.51                  |
| <b>Unsecured, considered doubtful</b> |                         |                         |
| Others                                | 1.70                    | 1.70                    |
| Amounts deposited with courts         | 6.24                    | 5.89                    |
| Advance against sum assured           | 12.89                   | 10.50                   |
| Other advances                        | -                       | -                       |
| Less: Provision for doubtful debts    | (20.83)                 | (18.09)                 |
|                                       | <b>101.46</b>           | <b>127.01</b>           |

**14. (A) DEBT SECURITIES (AT AMORTISED COST)**

(Rupees in million unless otherwise stated)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| <b>(i) Debentures</b>  |                         |                         |
| <b>Secured</b>   |                         |                         |
| 325 (March 31, 2019: 325), 13.15% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Seventy Two months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender. | 342.53                  | 342.30                  |
| Nil (March 31, 2019: 180,000,000) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each. redeemable at the end of Thirty Six Months from the date of allotment i.e. October 26, 2017   | -                       | 178.41                  |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(Rupees in million unless otherwise stated)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Nil (March 31, 2019: 120,000,000) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each, redeemable at the end of Thirty Six months from the date of allotment i.e. August 21, 2017  | -                       | 119.13                  |
| 825 (March 31, 2019: 4,000), 12.90% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of Twelve or Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.   | 178.26                  | 2,157.01                |
| 1,000 (March 31, 2019: 1,000), 14% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Seventy Two months from the date of allotment i.e. September 18, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.  | 1,004.16                | 1,003.18                |
| Nil (March 31, 2019: 1500), 12.20% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Thirty Six months from the date of allotment i.e. May 31, 2018 (subject to exercise of put option by the lender at the end of Twelve months or Eighteen months or Twenty Four months or Thirty months or call option by the Company at the end of Eighteen months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender. | -                       | 1,136.76                |
| 820 (March 31, 2019: 820), 13.12% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1,000,000 each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 7, 2018 .   | 853.16                  | 851.09                  |
| Nature of security   |                         |                         |
| The above debentures are secured by way of first and exclusive charge over eligible book debts of the Company. NCDs issued on September 18, 2017 are also secured by a first charge on land and building.  |                         |                         |
| Unsecured  |                         |                         |
| Nil (March 31, 2019: 200), 13.30% Fully paid up Senior Unsecured, Redeemable, Non-Convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 26, 2017 (subject to exercise of put option by the lender at the end of 367 days or Twenty Four months). Redeemable on maturity if option not exercised or communication for roll-over received from lender.   | -                       | 212.10                  |
| <b>Sub - Total</b>   | <b>2,378.11</b>         | <b>5,999.98</b>         |
| <b>(ii) Borrowing under securitisation arrangement</b>   |                         |                         |
| <b>Secured</b>   |                         |                         |
| From Banks   | 5,398.17                | 7,719.66                |
| From non-banking financial companies   | -                       | -                       |
| <b>Total Debt Securities</b>   | <b>7,776.28</b>         | <b>13,719.64</b>        |
| Secured borrowings*  | 7,776.28                | 13,507.54               |
| Unsecured borrowings #   | -                       | 212.10                  |

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**

(Rupees in million unless otherwise stated)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>Net amount</b>   | <b>7,776.28</b>         | <b>13,719.64</b>        |
| Borrowings in India   | 7,776.28                | 13,719.64               |
| Borrowings outside India  | -                       | -                       |
| <b>Total</b>  | <b>7,776.28</b>         | <b>13,719.64</b>        |
| <b>(b) Borrowings (Other than Debt Securities)</b>                                      |                         |                         |
| <b>Secured</b>  |                         |                         |
| Indian rupee loan from banks  | 18,921.46               | 10,297.00               |
| Indian rupee loan from non-banking financial companies                                  | 3,212.44                | 5,232.89                |
| Cash credit from bank   | 50.21                   | -                       |
| <b>Total Borrowings (Other than Debt Securities)</b>                                    | <b>22,184.11</b>        | <b>15,529.89</b>        |
| Secured borrowings*   | 22,184.11               | 15,529.89               |
| Unsecured borrowings  | -                       | -                       |
| <b>Net amount</b>   | <b>22,184.11</b>        | <b>15,529.89</b>        |
| Borrowings in India   | 22,184.11               | 15,529.89               |
| Borrowings outside India  | -                       | -                       |
| <b>Total</b>  | <b>22,184.11</b>        | <b>15,529.89</b>        |
| Cash credit from bank carries interest rate @ 9.70% p.a with monthly interest repayment |                         |                         |
| <b>(c) Subordinated Liabilities (at amortised cost)</b>                                 |                         |                         |
| <b>Unsecured Term Loan</b>  |                         |                         |
| Indian rupee loan from Bank   | 201.67                  | 201.56                  |
| <b>Total Subordinated Liabilities</b>   | <b>201.67</b>           | <b>201.56</b>           |
| Secured borrowings*   | -                       | -                       |
| Unsecured borrowings #  | 201.67                  | 201.56                  |
| <b>Net amount</b>   | <b>201.67</b>           | <b>201.56</b>           |
| Borrowings in India   | 201.67                  | 201.56                  |
| Borrowings outside India  | -                       | -                       |
| <b>Total</b>  | <b>201.67</b>           | <b>201.56</b>           |

\* The secured borrowings are secured by hypothecation of book debts and margin money deposits.

# The unsecured borrowings are in the nature of subordinated debt and non-convertible debentures.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 14. (A) TERMS OF PRINCIPAL REPAYMENT OF BORROWINGS AS AT MARCH 31, 2020 \*\*

(Rupees in million unless otherwise stated)

| Original maturity of loan                      | Interest rate | Due within 1 year   |                     | Due between 1 to 2 Years |                     | Due between 2 to 3 Years |                     | Due beyond 3 Years  |                     | Total            |
|--|---------------|---------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|------------------|
|  |               | No. of installments | Amount (in million) | No. of installments      | Amount (in million) | No. of installments      | Amount (in million) | No. of installments | Amount (in million) |                  |
| <b>Debt Securities</b>                         |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| <b>Monthly</b>                                 |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| 1-3 years                                      | 8.50%-9.00%   | 24                  | 2,237.50            | 3                        | 97.68               | -                        | -                   | -                   | -                   | 2,335.18         |
|  | 9.01%-9.50%   | 18                  | 896.47              | -                        | -                   | -                        | -                   | -                   | -                   | 896.47           |
|  | 9.51%-10.00%  | 25                  | 1,873.01            | -                        | -                   | -                        | -                   | -                   | -                   | 1,873.01         |
|  | 10.01%-10.50% | 10                  | 284.62              | -                        | -                   | -                        | -                   | -                   | -                   | 284.62           |
| <b>Quarterly</b>                               |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| 1-3 years                                      | 13.5%-14.00%  | 8                   | 178.75              | -                        | -                   | -                        | -                   | -                   | -                   | 178.75           |
| Half Yearly                                    |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| 1-3 years                                      | 13.01%-13.50% | 2                   | 410.00              | 2                        | 410.00              | -                        | -                   | -                   | -                   | 820.00           |
| <b>Bullet</b>                                  |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| 1-3 years                                      | 13.01%-13.50% | 1                   | 325.00              | -                        | -                   | -                        | -                   | -                   | -                   | 325.00           |
|  | 13.51%-14.00% | 1                   | 1,000.00            | -                        | -                   | -                        | -                   | -                   | -                   | 1,000.00         |
| <b>Borrowings (Other than Debt Securities)</b> |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| <b>Monthly</b>                                 |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| 1-3 years                                      | 9.50%-10.00%  | 76                  | 2,349.57            | 79                       | 2,410.71            | 5                        | 177.08              | -                   | -                   | 4,937.37         |
|  | 10.01%-10.50% | 21                  | 351.19              | 5                        | 59.52               | -                        | -                   | -                   | -                   | 410.71           |
|  | 10.51%-11.00% | 70                  | 1,503.76            | 10                       | 118.73              | -                        | -                   | -                   | -                   | 1,622.49         |
|  | 11.01%-11.50% | 135                 | 3,281.40            | 23                       | 546.04              | -                        | -                   | -                   | -                   | 3,827.44         |
|  | 11.51%-12.00% | 61                  | 2,721.74            | 12                       | 562.96              | -                        | -                   | -                   | -                   | 3,284.70         |
|  | 12.01%-12.50% | 44                  | 480.05              | 4                        | 55.94               | -                        | -                   | -                   | -                   | 535.99           |
|  | 12.51%-13.00% | 21                  | 283.34              | 12                       | 83.34               | 5                        | 34.71               | -                   | -                   | 401.39           |
|  | 13.01%-13.50% | 30                  | 464.97              | 17                       | 181.23              | -                        | -                   | -                   | -                   | 646.20           |
|  | 13.51%-14.00% | 19                  | 445.33              | 4                        | 55.99               | -                        | -                   | -                   | -                   | 501.32           |
| <b>Quarterly</b>                               |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| 1-3 years                                      | 9.51%-10.00%  | 23                  | 1,147.50            | 13                       | 639.38              | -                        | -                   | -                   | -                   | 1,786.88         |
|  | 10.51%-11.00% | 12                  | 955.36              | 7                        | 857.14              | -                        | -                   | -                   | -                   | 1,812.50         |
|  | 11.01%-11.50% | 4                   | 125.00              | -                        | -                   | -                        | -                   | -                   | -                   | 125.00           |
|  | 11.51% - 12%  | 4                   | 857.14              | 2                        | 428.57              | -                        | -                   | -                   | -                   | 1,285.71         |
|  | 12.51% - 13%  | 2                   | 125.00              | -                        | -                   | -                        | -                   | -                   | -                   | 125.00           |
|  | 13.01%-13.50% | 1                   | 27.27               | -                        | -                   | -                        | -                   | -                   | -                   | 27.27            |
| Above 3 years                                  | 12.51%-13.00% | 4                   | 83.33               | -                        | -                   | -                        | -                   | -                   | -                   | 83.33            |
| <b>Bullet</b>                                  |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| 1 - 3 years                                    | 9.51%-10.00%  | 4                   | 500.00              | -                        | -                   | -                        | -                   | -                   | -                   | 500.00           |
|  | 10.51%-11.00% | 1                   | 125.00              | -                        | -                   | -                        | -                   | -                   | -                   | 125.00           |
| <b>Subordinated Liabilities</b>                |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| <b>Bullet</b>                                  |               |                     |                     |                          |                     |                          |                     |                     |                     |                  |
| Above 3 years                                  | 14.51%-15.00% | 0                   | -                   | -                        | -                   | -                        | -                   | 1                   | 200                 | 200.00           |
| <b>Grand Total</b>                             |               | <b>621</b>          | <b>23,032.29</b>    | <b>193</b>               | <b>6,507.24</b>     | <b>10</b>                | <b>211.79</b>       | <b>1</b>            | <b>200.00</b>       | <b>29,951.32</b> |
| <b>Impact of EIR</b>                           |               |                     |                     |                          |                     |                          |                     |                     |                     | <b>160.52</b>    |
| <b>Grand Total</b>                             |               |                     |                     |                          |                     |                          |                     |                     |                     | <b>30,111.85</b> |

\*\*The Above schedule does not include Cash Credit of ₹ 50.2 Mn

Note: The Company applied to Banks and Financial Institutions for re-schedulement of repayment dates subsequent to the nation wide lockdown announced by central government on March 24, 2020 on account of the Novel Coronavirus (COVID 19) pandemic and also pursuant to COVID-19 Regulatory package announced by Reserve Bank of India circular dated March 27, 2020, where in moratorium was permitted from March 1, 2020. Repayment of ₹ 459.67 Mn has not been paid as on March 31, 2020. However, all these amounts were subsequently paid in April 2020, irrespective of receipt of moratorium approval from these institutions. The lender wise details are tabulated as under;

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**

(₹ in Mn)

| Bank / Financial institution | Amount of delay<br>as on the Balance<br>sheet date | Period of delay<br>since |
|------------------------------|--|--------------------------|
| Bank of Baroda               | 186.45   | 28-Mar-20                |
| Hinduja Leyland Finance      | 8.20   | 26-Mar-20                |
| IDFC Bank Limited            | 53.83  | 31-Mar-20                |
| Indusind Bank Limited        | 79.50  | 24-Mar-20                |
| Kotak Mahindra Bank Limited  | 41.60  | 29-Mar-20                |
| Manappuram Finance limited   | 1.35   | 31-Mar-20                |
| RBL Bank Limited             | 11.55  | 31-Mar-20                |
| Standard Chartered Bank      | 7.58   | 31-Mar-20                |
| Ujjivan Small Finance Bank   | 1.83   | 31-Mar-20                |
| Woori bank                   | 3.48   | 31-Mar-20                |
| Yes Bank Limited             | 64.30  | 28-Mar-20                |

**14. (A) TERMS OF PRINCIPAL REPAYMENT OF BORROWINGS AS AT MARCH 31, 2019**

(Rupees in million unless otherwise stated)

| Original maturity<br>of loan                  | Interest rate | Due within 1 year      |                        | Due between 1 to 2 Years |                        | Due between 2 to 3 Years |                        | Due beyond 3 Years     |                        | Total     |
|---|---------------|------------------------|------------------------|--------------------------|------------------------|--------------------------|------------------------|------------------------|------------------------|-----------|
|   |               | No. of<br>installments | Amount<br>(in million) | No. of<br>installments   | Amount<br>(in million) | No. of<br>installments   | Amount<br>(in million) | No. of<br>installments | Amount<br>(in million) |           |
| Debt Securities                               |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| Monthly                                       |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| 1-3 years                                     | 9.01%-9.50%   | 52                     | 2,930.21               | 10                       | 332.84                 | -                        | -                      | -                      | -                      | 3,263.05  |
|   | 9.51%-10.00%  | 45                     | 3,509.65               | 1                        | 5.88                   | -                        | -                      | -                      | -                      | 3,515.53  |
|   | 10.01%-10.50% | 1                      | 2.30                   | -                        | -                      | -                        | -                      | -                      | -                      | 2.30      |
|   | 11.01%-11.50% | 9                      | 950.36                 | -                        | -                      | -                        | -                      | -                      | -                      | 950.36    |
| Quarterly                                     |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| 1-3 years                                     | 12.01%-12.50% | 1                      | 1,125.00               | -                        | -                      | -                        | -                      | -                      | -                      | 1,125.00  |
|   | 12.51%-13.00% | 2                      | 2,161.25               | -                        | -                      | -                        | -                      | -                      | -                      | 2,161.25  |
| Half Yearly                                   |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| 1-3 years                                     | 13.01%-13.50% | 0                      | -                      | 2                        | 410.00                 | 2                        | 410                    | -                      | -                      | 820.00    |
| Annually                                      |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| 1-3 years                                     | 12.51%-13.00% | 1                      | 200.00                 | -                        | -                      | -                        | -                      | -                      | -                      | 200.00    |
| Bullet  |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| 1-3 years                                     | 12.01%-12.50% | -                      | -                      | 2                        | 300                    |                          |                        |                        |                        | 300.00    |
|   | 13.01%-13.50% | -                      | -                      | 1                        | 325.00                 | -                        | -                      | -                      | -                      | 325.00    |
|   | 13.51%-14.00% | -                      | -                      | 1                        | 1,000.00               | -                        | -                      | -                      | -                      | 1,000.00  |
| Borrowings<br>(Other than Debt<br>Securities) |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| Monthly                                       |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| 1-3 years                                     | 10.01%-10.50% | 24                     | 500.00                 | 9                        | 187.50                 | -                        | -                      | -                      | -                      | 687.50    |
|   | 10.51%-11.00% | 78                     | 1,337.35               | 46                       | 827.83                 | 8                        | 66.95                  | -                      | -                      | 2,232.12  |
|   | 11.01%-11.50% | 108                    | 3,329.98               | 59                       | 1,616.89               | -                        | -                      | -                      | -                      | 4,946.87  |
|   | 11.51%-12.00% | 99                     | 1,245.23               | 62                       | 1,386.22               | 19                       | 347.90                 | -                      | -                      | 2,979.34  |
|   | 13.51%-14.00% | 18                     | 415.97                 | 3                        | 83.33                  | -                        | -                      | -                      | -                      | 499.30    |
| Quarterly                                     |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| 1-3 years                                     | 10.51%-11.00% | 19                     | 2,142.86               | 4                        | 312.50                 | -                        | -                      | -                      | -                      | 2,455.36  |
|   | 11.01%-11.50% | 4                      | 125.00                 | 4                        | 125.00                 | -                        | -                      | -                      | -                      | 250.00    |
|   | 11.51% - 12%  | 4                      | 500.00                 | 0                        | -                      | -                        | -                      | -                      | -                      | 500.00    |
|   | 12.51% - 13%  | 10                     | 547.62                 | 6                        | 208.33                 | -                        | -                      | -                      | -                      | 755.95    |
|   | 13.01%-13.50% | 4                      | 109.09                 | 1                        | 27.27                  | -                        | -                      | -                      | -                      | 136.36    |
| Bullet  |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| 1 - 3 years                                   | 10.51%-11.00% | 1                      | 125.00                 | -                        | -                      | -                        | -                      | -                      | -                      | 125.00    |
| Subordinated<br>Liabilities                   |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| Bullet  |               |                        |                        |                          |                        |                          |                        |                        |                        |           |
| Above 3 years                                 | 14.51%-15.00% | -                      | -                      | -                        | -                      | -                        | -                      | 1                      | 200.00                 | 200.00    |
| Grand Total                                   |               | 373                    | 13,864.34              | 200                      | 6,809.88               | 29                       | 824.84                 | 1                      | 200.00                 | 29,430.27 |
| Impact of EIR                                 |               |                        |                        |                          |                        |                          |                        |                        |                        | 20.82     |
| Grand Total                                   |               |                        |                        |                          |                        |                          |                        |                        |                        | 29,451.09 |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 15. OTHER FINANCIAL LIABILITIES

(Rupees in million unless otherwise stated)

|                               | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|-------------------------------|-------------------------|-------------------------|
| Expenses payable              | 25.29                   | 29.78                   |
| Lease Liability               | 113.22                  | -                       |
| Employee benefits payable     | 303.45                  | 236.19                  |
| Assignment and other payables | 1,813.77                | 169.24                  |
|                               | <b>2,255.73</b>         | <b>435.21</b>           |

### 16. CURRENT TAX LIABILITIES (NET)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Provision for Tax (net of advance tax) | 596.69                  | 3.48                    |
|  | <b>596.69</b>           | <b>3.48</b>             |

### 17. PROVISIONS

|                                 | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---------------------------------|-------------------------|-------------------------|
| Provision for employee benefits |                         |                         |
| Gratuity (net of contribution)  | 27.58                   | 3.42                    |
|                                 | <b>27.58</b>            | <b>3.42</b>             |

### 18. OTHER NON-FINANCIAL LIABILITIES

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Other payables   | 71.28                   | 38.09                   |
| Unfructified service tax liability [net of amount paid under protest ₹ 9.93 Mn (March 31, 2019: ₹ 9.93 Mn,)] | 149.89                  | 141.36                  |
| Statutory dues payable   | 73.23                   | 43.98                   |
|  | <b>294.40</b>           | <b>223.43</b>           |

### 19. SHARE CAPITAL

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| <b>Authorized</b>  |                         |                         |
| 900,000,000 (March 31, 2019: 900,000,000) equity shares of ₹ 10 each             | 9,000.00                | 9,000.00                |
| <b>Authorized</b>  |                         |                         |
| 1,250,000,000 (March 31, 2019: 1,250,000,000) preference shares of ₹ 10 each     | 12,500.00               | 12,500.00               |
|  | <b>21,500.00</b>        | <b>21,500.00</b>        |
| <b>Issued, subscribed and paid-up</b>  |                         |                         |
| 64,315,483 (March 31, 2019: 59,633,683) equity shares of ₹ 10 each fully paid up | 643.15                  | 596.34                  |
| <b>Total</b>   | <b>643.15</b>           | <b>596.34</b>           |

#### (a) Terms / rights attached to equity shares

The Company has only one class of equity shares of par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees. During the current financial year no dividend has been proposed by the company.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**
**(b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:**

| Particulars  | March 31, 2020    |               | March 31, 2019    |               |
|--|-------------------|---------------|-------------------|---------------|
|  | Number of shares  | Amount        | Number of shares  | Amount        |
| Outstanding at the beginning of the year                         | 59,633,683        | 596.33        | 29,756,818.00     | 297.56        |
| Issued upon conversion of preference shares and share warrants** | -                 | -             | 27,749,295.00     | 277.49        |
| Issued during the year   | -                 | -             | 2,127,570.00      | 21.28         |
| Issued during the year - IPO*                                    | 4,543,385         | 45.43         | 0.00              | -             |
| Issued during the year - ESOP*                                   | 91,752            | 0.92          | 0.00              | -             |
| Issued during the year - ESOP*                                   | 46,663            | 0.47          | 0.00              | -             |
| <b>Outstanding at the end of the year</b>                        | <b>64,315,483</b> | <b>643.15</b> | <b>59,633,683</b> | <b>596.33</b> |

\*The Company during the year issued and allotted 4,543,385 equity shares having face value ₹ 10/- each in its Public Issue (IPO). Further the Company issued and allotted 138,415 equity shares having face value of ₹ 10/- each to the eligible employees of the Company towards exercise of ESOPs.

During the year the Company has completed the Initial Public Offer (IPO) of its equity shares, comprising a fresh issue of 4,543,385 equity shares having a face value of ₹ 10 each at an offer price of ₹ 856 per share aggregating ₹ 3,889 Mn by the Company and an offer for sale of 9,356,725 equity shares by existing shareholders aggregating ₹ 8,009 Mn. Pursuant to the IPO, the equity shares of the Company got listed on BSE Limited and NSE Limited on August 19, 2019. The company has fully utilised the IPO proceeds, in line with the objectives mentioned in the prospectus.

\*\* The Company converted its preference shares (all classes) and share warrants into equity shares as per the terms of issuance of each class of securities. Accordingly, the Company issued 27,749,295 number of equity shares of face value of ₹ 10 each upon conversion of preference shares and share warrants.

**(c) Details of shareholders holding more than 5% in the Company:**

As per the records of the Company, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the shareholding given below represents both legal and beneficial ownership of shares.

| Name of the shareholder                | March 31, 2020   |              | March 31, 2019   |              |
|--|------------------|--------------|------------------|--------------|
|  | Number of shares | % of holding | Number of shares | % of holding |
| <b>Equity shares</b>                   |                  |              |                  |              |
| Kangchenjunga Limited                  | 29,303,172       | 45.56%       | 35,270,269       | 59.14%       |
| Padmaja Gangireddy                     | 10,250,953       | 15.94%       | 11,670,067       | 19.57%       |
| Valiant Mauritius Partners FDI Limited | 3,848,823        | 5.98%        | 4,632,570        | 7.77%        |

**(d) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company refer Note 42.**

**(e) Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash during the period of five years immediately preceding the reporting date:**

| Nature of instrument/ convertible security                                  | Number of convertible securities | Number of equity shares issued upon conversion |
|---|----------------------------------|--|
| Class B 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each | 791,007,721                      | 8,948,425                                      |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(f) Other instances of conversion of convertible securities into equity shares during the period of five years immediately preceding the reporting date:

| Nature of instrument/ convertible security  | Number of convertible securities | Number of equity shares issued upon conversion |
|---|----------------------------------|--|
| Class A 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each                   | 234,999,997                      | 9,979,615                                      |
| Class A1 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each                  | 119,212,760                      | 5,062,542                                      |
| Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each      | 1,135,085                        | 1,135,085                                      |
| FY18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each | 283,771                          | 283,771  |
| FY18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each | 283,771                          | 283,771  |
| FY19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each | 283,771                          | 283,771  |
| FY19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each | 283,771                          | 283,771  |
| Share warrants  | 1,488,544                        | 1,488,544                                      |

### 20. OTHER EQUITY

(Rupees in million unless otherwise stated)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>Securities premium account</b>   |                         |                         |
| Balance as per the last financial statements  | 15,414.96               | 2,877.61                |
| Add: Premium on conversion of Class B 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)                | -                       | 7,820.59                |
| Add: Premium on conversion of Class A 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)                | -                       | 2,250.20                |
| Add: Premium on conversion of Class A1 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)               | -                       | 1,141.50                |
| Add: Premium on conversion of Optionally Convertible Redeemable preference shares (OCRPS) - Series A, B & C (refer note 19) | -                       | 509.70                  |
| Add: Premium on conversion of share warrants (refer note 19)  | -                       | 335.64                  |
| Add: Premium on issue of equity shares  | 3,897.49                | 479.72                  |
| Less: Share Issue Expenses  | (150.46)                | -                       |
| Add: Tax on Share Issue Expense   | 37.87                   | -                       |
| <b>Closing balance</b>  | <b>19,199.86</b>        | <b>15,414.96</b>        |
| <b>General reserve*</b>   | <b>23.28</b>            | <b>23.28</b>            |
| <b>Share options outstanding reserve</b>  |                         |                         |
| Balance as per the last financial statements  | 41.25                   | -                       |
| Add: Share based payment to employees   | 43.80                   | 41.25                   |
| Less: Transfer on allotment of shares to employees pursuant to ESOP scheme  | (18.72)                 | -                       |
| Less: Transfer on cancellation of stock options   | (2.16)                  | -                       |
| <b>Closing balance</b>  | <b>64.17</b>            | <b>41.25</b>            |
| <b>Capital redemption reserve*</b>  | <b>1,526.92</b>         | <b>1,526.92</b>         |



**NOTES TO THE STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**

(Rupees in million unless otherwise stated)

|   | <b>As at<br/>March 31, 2020</b> | <b>As at<br/>March 31, 2019</b> |
|---|---------------------------------|---------------------------------|
| <b>Statutory reserve [as required by Section 45-IC of Reserve Bank of India Act, 1934]</b>                                      |                                 |                                 |
| Balance as per the last financial statements  | 2,566.17                        | 1,948.67                        |
| Add: Amount transferred from surplus of profit and loss   | 673.38                          | 617.50                          |
| <b>Closing balance</b>  | <b>3,239.55</b>                 | <b>2,566.17</b>                 |
| <b>Retained earnings</b>  |                                 |                                 |
| Balance as per the last financial statements  | (1,753.29)                      | (4,221.14)                      |
| Add: Profit for the year  | 3,366.94                        | 3,087.48                        |
| Add: Other comprehensive income (Re-measurement gains/(losses) on defined benefit plans)  | (13.01)                         | (2.00)                          |
| Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934] | (673.38)                        | (617.50)                        |
| Less: Dividend on CCPS all class (includes dividend distribution tax)   | -                               | (0.13)                          |
| <b>Net surplus in the statement of profit and loss</b>  | <b>927.27</b>                   | <b>(1,753.29)</b>               |
| <b>Other items of other comprehensive income (Fair valuation of loans- to be subsequently classified to profit or loss)</b>     |                                 |                                 |
| Opening balance   | 448.11                          | -                               |
| Add/(Less): Fair value change during the year   | (2,584.47)                      | (6.06)                          |
| Add/(Less): Impairment allowance transferred to statement of profit and loss  | 2,593.53                        | 454.17                          |
| <b>Closing balance</b>  | <b>457.17</b>                   | <b>448.11</b>                   |
| <b>Total other equity</b>   | <b>25,438.23</b>                | <b>18,267.40</b>                |

\*For detailed movement of reserves refer statement of changes in equity for the year ended March 31, 2020.

**Nature and purpose of other equity**
**Securities premium**

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilized only for limited purposes in accordance with the provisions of the Companies Act, 2013.

**General Reserve**

Amounts set aside from retained profits as a reserve to be utilized for permissible general purpose as per Law.

**Share options outstanding reserve**

The stock option outstanding account is used to recognize the grant date fair value of option issued to employees under employee stock option scheme.

**Capital redemption reserve**

In accordance with section 55 of the Companies Act, 2013, the Company has transferred an amount equivalent of the nominal value of OCCRPS redeemed during previous years, to the Capital Redemption Reserve. The reserve can be utilized only for limited purposes in accordance with the provisions of the Companies Act, 2013.

**Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)**

Statutory reserve represents the accumulation of amount transferred from surplus year on year based on the fixed percentage of profit for the year, as per section 451C of Reserve Bank of India Act 1934.

**Retained earnings**

Retained earnings represents the surplus in profit and loss account and appropriations.

**Other Comprehensive income**

Re-measurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest income) and net fair valuation gain/(loss) on financial assets measured at fair value through other comprehensive income.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(Rupees in million unless otherwise stated)

### 21. INTEREST INCOME

|   | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|----------------------------------|----------------------------------|
| <b>Measured at fair value through OCI</b> |                                  |                                  |
| Interest on loans                         | 11,101.05                        | 9,661.56                         |
| <b>Measured at amortised cost</b>         |                                  |                                  |
| Interest on fixed deposits                | 37.79                            | 5.23                             |
| Interest on inter corporate advances      | 176.81                           | 142.46                           |
| Interest on margin money deposits*        | 138.81                           | 105.17                           |
|   | <b>11,454.46</b>                 | <b>9,914.42</b>                  |

\*Represent margin money deposits placed to avail term loans from banks, non banking financial companies and placed as cash collateral in connection with securitisation transactions.

### 22. NET GAIN ON FAIR VALUE CHANGES

|   | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|----------------------------------|----------------------------------|
| <b>(i) On trading portfolio</b>                         |                                  |                                  |
| - Investments   | 44.76                            | 109.57                           |
| (B) Others  |                                  |                                  |
| (i) Gain on derecognition of loans designated at FVTOCI | 2,139.27                         | 156.13                           |
| <b>Total Net gain / (loss) on fairvalue changes</b>     | <b>2,184.03</b>                  | <b>265.70</b>                    |
| <b>Fair value changes</b>                               |                                  |                                  |
| Realised  | 755.94                           | 174.40                           |
| Unrealised  | 1,428.09                         | 91.30                            |
| <b>Total Net gain / (loss) on fair value changes</b>    | <b>2,184.03</b>                  | <b>265.70</b>                    |

### 23. OTHERS

|                                    | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|------------------------------------|----------------------------------|----------------------------------|
| Recovery against loans written off | 105.25                           | 35.10                            |
|                                    | <b>105.25</b>                    | <b>35.10</b>                     |

### 24. OTHER INCOME

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Net gain on derecognition of property, plant and equipment | -                                | 0.03                             |
| Advertisement income                                       | 316.52                           | 51.15                            |
| Miscellaneous income                                       | 2.76                             | 3.09                             |
|  | <b>319.28</b>                    | <b>54.27</b>                     |

### 25. FINANCE COST

(Rupees in million unless otherwise stated)

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| <b>Interest</b>                                      |                                  |                                  |
| <b>Measured at amortised cost</b>                    |                                  |                                  |
| On Debt Securities                                   | 1,152.54                         | 1,474.00                         |
| On Borrowings (Other than Debt Securities)           | 2,335.89                         | 2,058.75                         |
| On Subordinated Liabilities                          | 30.18                            | 30.11                            |
| On Lease Liabilities                                 | 14.37                            | -                                |
| <b>Measured at fair value through profit or loss</b> |                                  |                                  |
| On income tax  | -                                | 1.15                             |
| Other finance cost                                   | 8.13                             | 0.69                             |
|  | <b>3,541.11</b>                  | <b>3,564.71</b>                  |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 26. IMPAIRMENT ON FINANCIAL INSTRUMENTS AND OTHER PROVISIONS

|   | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|----------------------------------|----------------------------------|
| <b>Measured at fair value through OCI</b>   |                                  |                                  |
| Impairment and other provision including management overlay for COVID-19<br>(Refer note 48) | (2,098.47)                       | (4,769.68)                       |
| Loans written off (Refer note 48)   | 4,827.43                         | 5,223.85                         |
|   | <b>2,728.96</b>                  | <b>454.17</b>                    |

### 27. EMPLOYEE BENEFITS EXPENSE

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Salaries, wages and bonus                      | 1,528.29                         | 1,214.03                         |
| Contribution to provident fund and other funds | 74.51                            | 20.13                            |
| Expenses on Employee Stock Option Plan         | 41.07                            | 41.14                            |
| Staff welfare expenses                         | 25.83                            | 24.59                            |
|  | <b>1,669.70</b>                  | <b>1,299.89</b>                  |

### 28. OTHER EXPENSES

(Rupees in million unless otherwise stated)

|   | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|----------------------------------|----------------------------------|
| Rent  | 18.11                            | 36.16                            |
| Rates and taxes                             | 1.78                             | 2.30                             |
| Bank charges                                | 33.39                            | 16.47                            |
| Office maintenance                          | 37.86                            | 36.37                            |
| Computers and network maintenance           | 3.93                             | 8.59                             |
| Electricity charges                         | 14.48                            | 12.22                            |
| Travelling expenses                         | 141.51                           | 115.38                           |
| Communication expenses                      | 8.21                             | 6.72                             |
| Credit Bureau Expenses                      | 12.79                            | 6.21                             |
| Printing and stationery                     | 12.32                            | 10.82                            |
| Legal and professional charges              | 11.06                            | 9.58                             |
| Directors sitting fees                      | 9.81                             | 9.08                             |
| Auditors remuneration (refer details below) | 8.34                             | 10.03                            |
| Recruitment and training                    | 4.87                             | 1.10                             |
| Subscription fees                           | 7.23                             | 7.50                             |
| Other provisions and write off              | 29.13                            | 23.61                            |
| Security charges                            | 1.22                             | 0.40                             |
| CSR Expenses                                | 49.51                            | 19.93                            |
| Miscellaneous expenses                      | -                                | 2.84                             |
|   | <b>405.55</b>                    | <b>335.31</b>                    |
| <b>Payment to auditors</b>                  |                                  |                                  |
| <b>As auditor:</b>                          |                                  |                                  |
| Audit fee                                   | 7.41                             | 9.36                             |
| Out of pocket expenses                      | 0.93                             | 0.67                             |
|   | <b>8.34</b>                      | <b>10.03</b>                     |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 29. TAX EXPENSE

|   | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|----------------------------------|----------------------------------|
| Current tax   | 653.54                           | 3.48                             |
| Adjustment in respect of current income tax of prior years                                  | -                                | -                                |
| Deferred tax relating to origination and reversal of temporary differences total tax charge | 1,959.59                         | 1,842.47                         |
| <b>Total Tax Charge</b>   | <b>2,613.13</b>                  | <b>1,845.95</b>                  |
| Current tax   | 653.54                           | 3.48                             |
| Deferred tax  | 1,959.59                         | 1,842.47                         |

#### 29.1 RECONCILIATION OF THE TOTAL TAX CHARGE

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the Accounting profit multiplied by India's domestic tax rate for the years ended 31 March 2020 and 2019 is, as follows :

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Accounting profit before Tax   | 5,976.12                         | 5,379.54                         |
| At India's statutory income tax rate (2020: 25.168%)                                 | 1,504.07                         | 1,879.84                         |
| Adjustment in respect of current income tax of prior years Income not subject to tax | -                                | -                                |
| Long term capital gain on sale of shares   | -                                | -                                |
| Others   | -                                | -                                |
| <b>Non-deductible expenses</b>   |                                  |                                  |
| Penalties  | -                                | -                                |
| Others   | 12.46                            | 7.37                             |
| <b>Additional tax allowances</b>   |                                  |                                  |
| Deduction under Chapter VIA-80JJAA-Additional Manpower Cost Exemption                | (20.15)                          | (25.91)                          |
| <b>Difference on account of change in tax rate</b>                                   | <b>1,116.77</b>                  | <b>(16.69)</b>                   |
| Others   | (0.01)                           | 1.34                             |
| Income tax expense reported in the statement of profit and loss                      | <b>2,613.13</b>                  | <b>1,845.95</b>                  |

The effective income tax rate for 31 March 2020 is 25.168% (31 March 2019: 34.944%).

Pursuant to the Taxation Laws (Amendment) Ordinance 2019, promulgated on September 20, 2019, the Company has decided to exercise the option permitted u/s 115BAA of the Income Tax Act, 1961 to compute income tax at the revised rate (i.e 25.17%) from the current financial year. As a result, the change on account of remeasurement of deferred tax assets and reversal of MAT credit entitlement during the year ended March 31, 2020 aggregates to ₹ 1,116.77 Mn.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 30. EARNING PER SHARE

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Net profit after tax as per Statement of Profit and Loss                     | 3,366.94                         | 3,087.48                         |
| <b>Net profit for calculation of basic earnings per share</b>                | <b>3,366.94</b>                  | <b>3,087.48</b>                  |
| Net profit as above  | 3,366.94                         | 3,087.48                         |
| <b>Net profit for calculation of diluted earnings per share</b>              | <b>3,366.94</b>                  | <b>3,087.48</b>                  |
| <b>Calculation of weighted average number of equity shares for basic EPS</b> |                                  |                                  |
| <b>Equity shares</b>   |                                  |                                  |
| Opening No. of shares (in million)   | 59.63                            | 29.76                            |
| Add: Issued during the year (in million)                                     | 2.89                             | 1.66                             |
|  | <b>62.52</b>                     | <b>31.41</b>                     |
| <b>Instrument compulsorily convertible into equity</b>                       |                                  |                                  |
| Share Warrants   | -                                | 1.16                             |
| OCRPS  | -                                | 1.77                             |
| CCPS Class B   | -                                | 8.95                             |
| CCPS Class A   | -                                | 9.98                             |
| CCPS Class A1  | -                                | 5.06                             |
| <b>Weighted average number of equity shares for basic EPS</b>                | <b>62.52</b>                     | <b>58.34</b>                     |
| <b>Effect of dilution</b>  |                                  |                                  |
| Conversion of OCRPS  | -                                | 0.00                             |
| Conversion of share warrants   | -                                | 0.00                             |
| <b>Employee stock option (in million)</b>                                    | <b>0.54</b>                      | <b>0.12</b>                      |
| <b>Weighted average number of equity shares for diluted EPS</b>              | <b>63.06</b>                     | <b>58.46</b>                     |
| <b>Basic earnings per share (In rupees)</b>                                  | <b>53.85</b>                     | <b>52.92</b>                     |
| <b>Diluted earnings per share (In rupees)</b>                                | <b>53.40</b>                     | <b>52.81</b>                     |
| <b>Nominal value per share (in rupees)</b>                                   | <b>10.00</b>                     | <b>10.00</b>                     |

### 31. SEGMENT REPORTING

The Company operates in a single business segment i.e. financing, since the nature of the loans are exposed to similar risk and return profiles hence they are collectively operating under a single segment for the purpose of Ind AS 108 on 'Operating Segments' notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

### 32. DISCLOSURE OF RELATED PARTIES IN ACCORDANCE WITH IND AS 24.

#### I. Holding Company

Kangchenjunga Limited (upto. August 14, 2019)

#### II. SUBSIDIARY COMPANY

- Caspian Financial Services Limited (w.e.f October 13, 2017)
- Criss Financial Holdings Limited (w.e.f December 27, 2018)

#### III. Entities in which Key Management Personnel and their relatives have significant influence.

- Spandana Rural and Urban Development Organization
- Abhiram Marketing Services Limited
- Spandana Employee Welfare Trust.

#### IV. Key Management Personnel

- Mrs. Padmaja Gangireddy - Managing Director
- Mr. Sudhesh Chandrasekar - Chief Financial Officer (w.e.f. May 17, 2019)
- Mr. Rakesh Jhinjhar - Company Secretary



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

- d) Mr. Abdul Feroz Khan – Chief Strategy Officer
- e) Mr. Bharat Shah (Independent Director)
- f) Mr. Deepak Vaidya (Independent Director)
- g) Mr. Jagdish Capoor (Independent Director)
- h) Ms. Abanti Mitra (Independent Director)
- i) Mr. Sunish Sharma (Nominee Director)
- j) Mr. Kartikeya Dhruv Kaji (Nominee Director)
- k) Mr. Darius Dinshaw Pandole (Nominee Director)
- l) Mr. Amit Sobti (Nominee Director)
- m) Mr. Ramachandra Kasargod Kamath (Nominee Director)

### V. Relative of Key Management Personnel

- a) Mr. Revan Saahith
- b) Mr. Vijaya Sivarami Reddy Vendidandi
- c) Mrs. Hina Ansari

### VI. Related parties in accordance with RBI Master directions

- a) Spandana Mutual Benefit Trust
- b) Spandana Sphoorty Chit Funds Private Limited

#### Related party transactions during the year:

| S. No | Related Party                                     | Nature of Transactions           | Transactions during year ended March 31, 2020 | Transactions during year ended March 31, 2019 | (Payable)/Receivable |                |
|-------|---|----------------------------------|---|---|----------------------|----------------|
|       |   |                                  |   |   | March 31, 2020       | March 31, 2019 |
| 1     | Spandana Rural and Urban Development Organization | Rent expense                     | -   | 9.69  | -                    | (0.29)         |
|       |   | Interest expense on lease        | 6.60  | -   | -                    | -              |
|       |   | Lease liability payable          | 51.86   | -   | (51.86)              | -              |
|       |   | Repayment of lease liability     | 0.00  | -   | -                    | -              |
|       |   | Rent deposit                     | -   | -   | 3.09                 | 3.09           |
|       |   | Expense reimbursement            | 0.13  | 0.04  | 0.01                 | 0.00           |
| 2     | Criss Financial Holdings Limited                  | Expense reimbursement (net)      | 0.67  | 0.19  | 0.50                 | 0.02           |
|       |   | Inter-corporate advances (net) * | 760.07  | (58.07)                                       | 1,033.00             | 272.93         |
|       |   | Interest income                  | 67.10   | 91.30   | 11.34                | 2.59           |
|       |   | Subscription to equity shares    | -   | 250.00  | -                    | -              |
| 3     | Abhiram Marketing Services Limited                | Commission income                | 268.62  | 147.59  | 97.91                | 28.61          |
|       |   | Incentive income                 | 82.50   | -   | 80.85                | -              |
|       |   | Expenses reimbursement           | 40.73   | 34.95   | 10.21                | 6.85           |
|       |   | Inter-corporate advances (net) * | 755.00  | 187.34  | 1,150.00             | 395.00         |
|       |   | Other advances                   | 122.19  | -   | 122.19               | -              |
|       |   | Interest income                  | 109.70  | 51.16   | 12.19                | -              |
|       |   | Purchase of fixed assets & goods | 53.19   | 31.77   | (0.03)               | (0.68)         |
|       |   |                                  |   |   |                      |                |
| 4     | Caspian Financial Services Limited                | Pre-incorporation expenses       | -   | (0.51)  | -                    | -              |
| 5     | Kangchenjunga Limited                             | Dividend on CCPS (all class)     | -   | 0.11  | -                    | -              |
| 6     | Mr. Deepak Goswami                                | Remuneration#                    | 0.32  | 7.65  | -                    | (2.08)         |

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**

| S. No | Related Party                        | Nature of Transactions                               | Transactions during year ended March 31, 2020 | Transactions during year ended March 31, 2019 | (Payable)/Receivable |                |
|-------|--------------------------------------|--|---|---|----------------------|----------------|
|       |                                      |  |   |   | March 31, 2020       | March 31, 2019 |
| 7     | Mr. Sudhesh Chandrasekar             | Remuneration#  | 8.24  | 3.83  | (3.45)               | (1.38)         |
|       |                                      | Equity shares issued pursuant to stock option scheme | 1.32  | -   | -                    | -              |
| 8     | Mr. Rakesh Jhinharia                 | Equity shares issued pursuant to stock option scheme | 0.79  | -   | -                    | -              |
|       |                                      | Remuneration#  | 2.34  | 1.87  | (0.31)               | (0.01)         |
| 9     | Mr. Nitin Prakash Agrawal            | Remuneration#  | 0.09  | 8.97  | -                    | (1.49)         |
| 10    | Mr. Bharat Shah                      | Sitting fee  | 2.00  | 2.00  | (0.50)               | -              |
| 11    | Mr. Deepak Vaidya                    | Sitting fee  | 2.00  | 1.67  | (0.50)               | -              |
| 12    | Mr. Jagdish Capoor                   | Sitting fee  | 2.00  | 1.67  | (0.50)               | -              |
| 13    | Mr. K. R. Kamath                     | Sitting fee  | 2.00  | 2.00  | (0.50)               | -              |
| 14    | Ms. Abanti Mitra                     | Sitting fee  | 1.00  | 1.00  | (0.25)               | -              |
|       |                                      | Subscription to equity shares                        | -   | 1.00  | -                    | -              |
| 15    | Mr. Abdul Feroz Khan                 | Equity shares issued pursuant to stock option scheme | 4.74  | -   | -                    | -              |
|       |                                      | Remuneration#  | 6.81  | 6.39  | (1.27)               | (1.87)         |
|       |                                      | Subscription to equity shares                        | -   | 17.05   | -                    | -              |
| 16    | Mrs. Padmaja Gangireddy              | Balance subscription received on share warrants      | -   | 349.03  | -                    | -              |
|       |                                      | Remuneration#  | -   | 532.31  | -                    | -              |
|       |                                      | Balance subscription received on OCRPS (all series)  | -   | 532.31  | -                    | -              |
|       |                                      | Subscription to equity shares                        | -   | 478.49  | -                    | -              |
|       |                                      | Purchase of CFHL Shares                              | -   | 270.49  | -                    | -              |
|       |                                      | Dividend on OCRPS                                    | -   | 0.00  | -                    | -              |
| 17    | Mr. Revan Saahith                    | Remuneration#  | 53.75   | 53.75   | (27.68)              | (4.58)         |
|       |                                      | Remuneration#  | 2.38  | 0.76  | (0.65)               | (0.20)         |
|       |                                      | Purchase of CFHL Shares                              | -   | 61.82   | -                    | -              |
| 18    | Mr. Vijaya Sivarami Reddy Vendidandi | Purchase of CFHL Shares                              | -   | 26.10   | -                    | -              |
| 19    | Mrs. Hina Ansari                     | Purchase of CFHL Shares                              | -   | 13.33   | -                    | -              |

\* Of the ICA given aggregating ₹ 1,209 Mn, the Company received repayment of ₹ 448.93 Mn including previous year outstanding from Criss Financial Holdings Limited (During year ended March 31 2019, ICA aggregating ₹ 1,186.43 Mn were given out of which the Company received ₹ 1,244.5 Mn).

Of the ICA given aggregating ₹ 789.65 Mn, the Company has received repayment of ₹ 34.65 Mn including previous year outstanding (March 31, 2019: ICA given aggregating ₹ 288.62 Mn the Company has received repayment of ₹101.28 Mn) from Abhiram Marketing Services Limited.

All above transactions are in the ordinary course of business and on arms length basis. All outstanding balances are to be settled in cash and are unsecured.

#As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Transactions during the year are shown net of service tax/GST and inclusive of TDS.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 33. CONTINGENT LIABILITIES

(Rupees in million unless otherwise stated)

#### a. Claims against the Company not acknowledged as debt:

| Particulars                  | March 31, 2020 | March 31, 2019 |
|------------------------------|----------------|----------------|
| Service tax open assessments | 48.66          | 48.66          |
| Income tax open assessments  | 539.42         | 0.00           |
| <b>Total</b>                 | <b>588.08</b>  | <b>48.66</b>   |

- i) The Company is of the opinion that the above demands are not tenable and expects to succeed in its appeals / defence.
- ii) The Commissioner, Service Tax Commissionerate, Hyderabad ("CST"), through two orders dated August 7, 2012 and October 9, 2013, levied service tax, interest and penalty on pre-closure interest charged by the Company on loans pre-closed during FY 2006-07 to FY 2011-12. The CST also issued an order dated March 27, 2015, levying service tax, interest and penalty on a part of profit on portfolio sale during FY 2007-18 to FY 2010-11, deeming it to be consideration for collection and remittance of loan instalments. The Company filed an appeal against these orders before the Custom, Excise and Service Tax Appellate Tribunal (CESTAT) which is pending for hearing on March 31, 2020. The service tax and interest thereon in respect of these matters have been provided for in earlier years based on Company's assessment. However, given the facts of these cases, legal precedents, and general opinion, the penalty indicated in these orders aggregating ₹ 48.66 Mn is considered as a contingent liability as at March 31, 2020.
- iii) The Company received an income tax assessment-cum-demand order for FY 2016-17, inter alia, raising a demand of ₹ 539.42 Mn (including interest) under section 69A read with section 115BBE of the Income Tax Act, 1961. The Company has filed an appeal against this order before the Commissioner of Income Tax (Appeals) that will be heard in due course. However, based on the expert opinions obtained, the Company confident that the matter will be decided in its favour. Accordingly, the aforesaid amount has been considered as a contingent liability as at March 31, 2020. The Company has deposited ₹ 69.22 Mn against such demand in the process of filing the aforesaid appeal.
- iv) It is not practicable for the Company to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

(Rupees in million unless otherwise stated)

#### b. Guarantees excluding financial guarantees

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Bank Guarantee towards Initial Public Offer (Deposit with the National Stock Exchange of India Limited)    | 90.09          | 0.00           |
| Corporate Guarantee to AU Small Finance Bank for the term loan availed by Criss Financial Holdings Limited | 50.00          | 0.00           |
| <b>Total</b>   | <b>140.09</b>  | <b>0.00</b>    |

### 34. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

This note describes the fair value measurement.

#### Valuation framework

The Company will assess the fair values for assets qualifying for fair valuation.

The Company's valuation framework includes:

1. Benchmarking prices against observable market prices or other independent sources;
2. Development and validation of fair valuation models using model logic, inputs, outputs and adjustments

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortised cost, have been arrived at as under:

1. Fair values of investments held under FVTPL have been determined under level 1 using quoted Net Asset Value of the underlying instruments;
2. Fair value of loans held under a business model that is achieved by both collecting contractual cash flows and selling the loans are measured at FVOCI. The fair value of these loans has been determined under level 2.

Refer Note 35 for further details

### 35. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

#### Fair value measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

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

Level 2 - The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data (either directly as prices or indirectly derived from prices) and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The financial instruments included in Level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market.

Level 3 - If one or more of the significant inputs is not based on observable market data (unobservable), the instrument is included in level 3.

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosure is required):-

#### I. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31, 2020:

##### Assets measured at fair value on a recurring basis

| Financial Assets ( Assets measured at fair value)             | Fair value      |                  |             |                  |
|---|-----------------|------------------|-------------|------------------|
|   | Level - 1       | Level - 2        | Level-3     | Total            |
| Loans (measured at FVOCI)                                     | -               | 46,844.86        | -           | 46,844.86        |
| Investments in equity shares (measured at FVTPL)              | -               | -                | 1.00        | 1.00             |
| Investments in liquid / debt mutual funds (measured at FVTPL) | 4,851.62        | -                | -           | 4,851.62         |
| <b>Total</b>  | <b>4,851.62</b> | <b>46,844.86</b> | <b>1.00</b> | <b>51,697.48</b> |

#### II. The following table shows an analysis of financial instruments that are not carried at fair value by level of the fair value hierarchy as at March 31, 2020:

| Fair value of financial liabilities measured at amortised cost | Amortized cost   | Fair value |                  |          |                  |
|--|------------------|------------|------------------|----------|------------------|
|  |                  | Level - 1  | Level - 2        | Level-3  | Total            |
| Debt securities  | 7,776.28         | -          | 7,822.56         | -        | 7,822.56         |
| Borrowings (other than debt securities)                        | 22,184.11        | -          | 22,270.61        | -        | 22,270.61        |
| Subordinated liabilities                                       | 201.67           | -          | 238.10           | -        | 238.10           |
| <b>Total</b>   | <b>30,162.07</b> | <b>-</b>   | <b>30,331.27</b> | <b>-</b> | <b>30,331.27</b> |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

III. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31, 2019:

### Assets measured at fair value on a recurring basis

| Financial Assets ( Assets measured at fair value) | Fair value |                  |             |                  |
|---|------------|------------------|-------------|------------------|
|   | Level -1   | Level - 2        | Level-3     | Total            |
| Loans (measured at FVOCI)                         | -          | 41,653.89        | -           | 41,653.89        |
| Investments in equity shares (measured at FVTPL)  | -          | -                | 1.00        | 1.00             |
| <b>Total</b>                                      | <b>-</b>   | <b>41,653.89</b> | <b>1.00</b> | <b>41,654.89</b> |

IV. The following table shows an analysis of financial instruments that are not carried at fair value by level of the fair value hierarchy as at March 31, 2019:

| Fair value of financial liabilities measured at amortised cost | Amortized cost   | Fair value |                  |          |                  |
|--|------------------|------------|------------------|----------|------------------|
|  |                  | Level -1   | Level - 2        | Level-3  | Total            |
| <b>Financial Liabilities</b>                                   |                  |            |                  |          |                  |
| Debt securities  | 13,719.64        | -          | 13,856.50        | -        | 13,856.50        |
| Borrowings (other than debt securities)                        | 15,529.89        | -          | 15,560.59        | -        | 15,560.59        |
| Subordinated liabilities                                       | 201.56           | -          | 228.81           | -        | 228.81           |
| <b>Total</b>   | <b>29,451.09</b> | <b>-</b>   | <b>29,645.90</b> | <b>-</b> | <b>29,645.90</b> |

The financial asset above does not include investment in subsidiary, which is measured at cost in accordance with Ind AS 27.

The management assessed that carrying value of financial assets (except loan and investments) and financial liabilities (except debt securities, borrowings (other than debt securities) and subordinated liabilities) approximate their fair value largely due to short term maturities of these instruments.

Assets categorized under Level 3 as on March 31, 2020 are ₹ 1 Mn (As on March 31, 2019 ₹ 1 Mn)

### Valuation technique used

### Assets measured at fair value on a recurring basis

#### For Loans

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the Balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further the overdue cash flows upto 90 Days (upto stage 2) are discounted assuming they will be received in the third month. Fairvalue of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

#### For Investment in Equity Instruments

For Investments in equity instruments and liquid/debt mutual funds, the company has assessed the carrying value as an approximation of the fair value.

### Financial liabilities measured at amortised cost

#### For Borrowing

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2020 and March 31, 2019.

## 36. CAPITAL MANAGEMENT

The Company's objective for capital management is to maximize shareholders' value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flows generated.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

As an NBFC-MFI, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Company ensures to maintain a healthy CRAR at all the times.

The Company has a board approved policy on resource planning which states that the resource planning of the Company shall be based on its Asset Liability Management (ALM) requirement. The policy of the Company on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure, manner of raising the funds etc.

### Regulatory Capital

(Rupees in millions unless otherwise stated)

| Particulars          | March 31, 2020   | March 31, 2019   |
|----------------------|------------------|------------------|
| Tier I Capital       | 24,265.62        | 16,842.07        |
| Tier II Capital      | 90.44            | 455.02           |
| <b>Total Capital</b> | <b>24,356.06</b> | <b>17,297.09</b> |
| Risk weighted assets | 51,338.58        | 43,670.96        |
| Tier I CRAR          | 47.27%           | 38.57%           |
| Tier II CRAR         | 0.18%            | 1.04%            |
| <b>Total CRAR</b>    | <b>47.44%</b>    | <b>39.61%</b>    |

CRAR is computed in line with RBI notification dated 13 March 2020 w.r.t implementation of Indian Accounting Standards and accordingly not comparable with CRAR as at 31st March 2019.

### 37. EMPLOYEE BENEFIT PLANS

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of ₹ 2,000,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarized the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

#### Movement in defined benefit obligations

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Defined benefit obligation as at the beginning of the year  | 27.62          | 21.65          |
| Current service cost  | 9.96           | 3.65           |
| Interest on defined benefit obligation                      | 1.95           | 1.61           |
| Remeasurements- Actuarial (gain)/Loss on total liabilities  | 13.94          | 3.75           |
| Benefits paid   | (3.41)         | (3.04)         |
| <b>Defined benefit obligation as at the end of the year</b> | <b>50.06</b>   | <b>27.62</b>   |



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Movement in plan assets

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Fair value of plan assets as at the beginning of the year  | 24.21          | 17.75          |
| Actual return on plan assets                               | (1.73)         | 2.00           |
| Actuarial gains  | -              | -              |
| Employer contributions                                     | 3.42           | 7.50           |
| Benefits paid  | (3.41)         | (3.04)         |
| <b>Fair value of plan assets as at the end of the year</b> | <b>22.49</b>   | <b>24.21</b>   |

The Company expects to contribute Nil (march 31, 2019 ₹ 3.40 Mn) to gratuity in the next financial year.

### Reconciliation of net liability/ asset

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| <b>Net defined benefit liability/ (asset) as at the beginning of the year</b> | <b>3.42</b>    | <b>3.90</b>    |
| Expense charged to statement of profit & loss                                 | 10.20          | 3.94           |
| Amount recognised in other comprehensive income                               | 17.38          | 3.07           |
| Employer contributions  | (3.42)         | (7.50)         |
| <b>Net defined benefit liability/ (asset) as at the end of the year</b>       | <b>27.58</b>   | <b>3.41</b>    |

### Balance Sheet

#### Amount recognised in balance sheet

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Present value of obligations                                     | 50.06          | 27.62          |
| Fair value on plan assets  | 22.48          | 24.21          |
| <b>Net defined benefit liability recognised in balance sheet</b> | <b>27.58</b>   | <b>3.41</b>    |

### Expenses charged to the statement of profit and loss

| Particulars          | March 31, 2020 | March 31, 2019 |
|----------------------|----------------|----------------|
| Current service cost | 9.96           | 3.65           |
| Interest Cost        | 0.24           | 0.29           |
| <b>Total</b>         | <b>10.20</b>   | <b>3.94</b>    |

### Remeasurement gains/(losses) in the other comprehensive income

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| <b>Actuarial Gain / (Loss) on Liabilities</b>                   |                |                |
| -due to change in financial assumptions                         | (1.93)         | (0.26)         |
| -due to change in demographic assumptions                       | -              | -              |
| -due to experience variance                                     | (12.01)        | (3.50)         |
| <b>Total -A</b>   | <b>(13.94)</b> | <b>(3.76)</b>  |
| <b>Actuarial Gain / (Loss) on assets</b>                        |                |                |
| -Expected Interest Income                                       | 1.71           | 1.32           |
| -Actual Income on Plan Asset                                    | (1.73)         | 2.00           |
| <b>Total -B</b>   | <b>(3.44)</b>  | <b>0.68</b>    |
| <b>Amount recognised under Other Comprehensive Income (A+B)</b> | <b>(17.38)</b> | <b>(3.07)</b>  |

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| Category of Assets      | March 31, 2020 | March 31, 2019 |
|-------------------------|----------------|----------------|
| Fund managed by Insurer | 100%           | 100%           |
| <b>Total</b>            | <b>100%</b>    | <b>100%</b>    |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Summary of Actuarial Assumptions

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Discount rate   | 5.66%          | 7.05%          |
| Expected return on plan assets                          | 7.05%          | 7.44%          |
| Rate of Increase in compensation levels                 | 10.00%         | 10.00%         |
| Retirement age (years)                                  | 58             | 58             |
| Weighted average duration of defined benefit obligation | 5 Years        | 5 Years        |

**A quantitative sensitivity analysis for significant assumptions as at the balance sheet date are as shown below:**

| Particulars            | March 31, 2020 | March 31, 2019 |
|------------------------|----------------|----------------|
| Discount rate (+0.5%)  | (0.72)         | (0.33)         |
| Discount rate (-0.5%)  | 0.74           | 0.34           |
| Salary Inflation (+1%) | 1.39           | 0.63           |
| Salary Inflation (-1%) | (1.32)         | (0.60)         |
| Withdrawal Rate (+5%)  | (3.20)         | (0.88)         |
| Withdrawal Rate (-5%)  | 4.04           | 1.10           |

### Projected plan cash flow

| Particulars  | March 31, 2020 | March 31, 2019 |
|--------------|----------------|----------------|
| Year 1       | 10.73          | 7.29           |
| Year 2       | 8.91           | 5.81           |
| Year 3       | 7.81           | 4.62           |
| Year 4       | 7.28           | 3.78           |
| Year 5       | 6.52           | 3.13           |
| After year 5 | 18.99          | 9.00           |

**Discount rate:** The discount rate is based on the 5 years government bond yields as at the balance sheet date for the estimated term of the obligations.

**Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

**Salary escalation rate:** The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

## 38. LEASES

### Company as a lessee

The Company's significant leasing arrangements are in respect of operating leases of office premises (Head office and branch offices). The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreements carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval. There are no sub-leases. Lease rentals of ₹ 18.11 million pertaining to short-term leases and low value assets has been directly debited to statement of profit and loss.

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Operating lease payments recognized in the Statement of Profit & Loss | 18.11          | 36.16          |

### Minimum lease obligations

| Particulars                                       | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 3.85                    | 6.61                    |
| Later than one year and not later than five years | -                       | 3.85                    |
| Later than five years                             | -                       | -                       |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

| Particulars                 | ROU assets   | Total        |
|-----------------------------|--------------|--------------|
| <b>As at April 1, 2018</b>  | -            | -            |
| Addition                    | -            | -            |
| Depreciation                | -            | -            |
| <b>As at March 31, 2019</b> | -            | -            |
| Addition                    | 114.27       | 114.27       |
| Depreciation                | 26.69        | 26.69        |
| <b>As at March 31, 2020</b> | <b>87.58</b> | <b>87.58</b> |

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

| Particulars                 | Amount        |
|-----------------------------|---------------|
| <b>As at April 1, 2018</b>  | -             |
| Addition                    | -             |
| Accretion of interest       | -             |
| Payments                    | -             |
| <b>As at March 31, 2019</b> | -             |
| Addition                    | 114.27        |
| Accretion of interest       | 14.37         |
| Payments                    | 15.42         |
| <b>As at March 31, 2020</b> | <b>113.22</b> |

### The Maturity analysis of lease liabilities as at March 31, 2020

| Particulars       | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total         |
|-------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|---------------|
| Lease Liabilities | 0.09         | 0.09          | 0.09          | 0.51          | 1.73               | 8.48         | 15.46        | 86.75        | <b>113.22</b> |

The following are the amounts recognized in statement of profit or loss:

| Particulars                                      | As at March 31, 2020 |
|--|----------------------|
| Depreciation expense of right-of-use assets      | 26.69                |
| Interest expense on lease liabilities            | 14.37                |
| Expense relating to short-term leases            | 18.11                |
| Expense relating to leases of low-value assets   | -                    |
| Variable lease payments                          | -                    |
| <b>Total amount recognized in profit or loss</b> | <b>59.17</b>         |

The Company had total cash outflows for leases of ₹15.41 Mn in FY 2020. The Company also had non-cash additions to right-of-use assets and lease liabilities of ₹ 114.27 Mn in FY 2020.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

| Particulars       | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total         |
|-------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|---------------|
| Lease Liabilities | 1.29         | 1.29          | 1.29          | 4.08          | 8.79               | 35.47        | 39.62        | 122.85       | <b>214.67</b> |

Effective April 01, 2019 the Company has adopted Ind AS 116 'Leases' and applied it to all lease contracts existing on April 01, 2019 using the 'Modified Retrospective Approach'. Based on the same and as permitted under the specific transitional provisions in the standard, the Company has not restated the comparative figures. On transition, the adoption of the new standard has resulted in recognition of right-to-use asset and a corresponding lease liability of ₹ 114.27 Mn. The effect of this adoption is not material to the profit for the year and earnings per share.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 39. AMOUNT PAYABLE TO MICRO SMALL AND MEDIUM ENTERPRISES

As per information available with the Company, there are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

As at March 31, 2020 & March 31, 2019, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

### 40. RISK MANAGEMENT AND FINANCIAL OBJECTIVES

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors.

The Company has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the context of changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

#### 40.1 CREDIT RISK

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Company is a rural focused NBFC-MFI with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. Further, as we focus on providing micro-loans in Rural Areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

In order to mitigate the impact of credit risk in the future profitability, the Company creates impairment loss allowance basis the expected credit loss (ECL) model for the outstanding loans as at balance sheet date.

The criteria of default, significant increase in credit risk and stage assessment is mentioned in note 3(e) of the significant accounting policies. The below discussion describes the Company's approach for assessing impairment.

#### A) Probability of default (PD)

##### Old AP Portfolio

Considering that the old AP portfolio has already defaulted, there is no further requirement to estimate any probability of default. Accordingly, the Company is carrying a 100% loss reserve against the Old AP portfolio.

##### New portfolio

The Company determines PD on a collective basis by stratifying the entire portfolio into meaningful categories as discussed below.

The Company uses historical vintage information of its loan portfolio to estimate PD. Based on uncertainties and risks arising from its operations in different geographical states in the country, the Company bifurcates the entire portfolio into different states. Further the Company performs analysis of its defaults in various states over different observation periods. Such observation time frame varies depending upon the type of underlying assets analysed by the Company i.e. for Stage II, the timeframe used is more than 1 year.

In determining the above PD's, an effort is made to eliminate outliers for a particular observation period which are not likely to happen in future. Accordingly, the Company determines PD for each state depending upon the underlying classification of asset (i.e. Stage I or Stage II).

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

Summary of PD rates determined by the Company for its portfolio are as follows:

| State          | March 31, 2020 |           | March 31, 2019 |             |
|----------------|----------------|-----------|----------------|-------------|
|                | Stage-I        | Stage-II  | Stage-I        | Stage-II    |
| Madhya Pradesh | 1.33%          | 87.27%    | 0.42%          | 70.88%      |
| Orissa         | 0.73%          | 91.50%    | 0.14%          | 80.30%      |
| Karnataka      | 1.11%          | 75.88%    | 0.28%          | 43.66%      |
| Maharashtra    | 0.79%          | 85.00%    | 0.48%          | 78.70%      |
| Chhattisgarh   | 0.94%          | 82.76%    | 0.33%          | 84.86%      |
| Jharkhand      | 1.13%          | 93.11%    | 0.37%          | 79.13%      |
| Kerala         | 2.36%          | 42.20%    | 1.65%          | 72.29%      |
| Andhra Pradesh | 0.13%          | 56.34%    | 1.55%          | 56.90%      |
| Gujarat        | 1.53%          | 88.00%    | 0.67%          | 82.30%      |
| Bihar          | 0.16%          | 91.50%    | 0.02%          | 0.00%       |
| Rajasthan      | 0.10%          | 100.00%   | 0.00%          | 0.00%       |
| Others         | 0% - 4.88%     | 0% - 100% | 0% - 7.73%     | 0% - 78.04% |

For stage-III portfolio the PD rate is 100%

### B) Exposure at default (EAD)

Exposure at default (EAD) is the sum of outstanding principal and the interest amount accrued loans as at reporting date. Such outstanding balances as at the reporting date is considered as EAD by the Company. Considering that the PD determined above factors in amount at default, there is no separate requirement to estimate EAD.

### C) Loss given default

The Company determines its expectation of lifetime loss by estimating recoveries towards its entire loan at state level through analysis of historical information. The Company determines its recovery rates by analysing the recovery trends over different periods of time after a loan has defaulted. Based on its analysis of historical trends, the Company has assessed that significant recoveries happen in the year in which default has occurred. Accordingly, it believes no significant difference arise from discounting such recoveries for determining ultimate loss rates. In estimating LGD, the Company reviews macro-economic developments taking place in the economy.

Summary of LGD rates determined by the Company are given below:

| State          | March 31, 2020 | March 31, 2019 |
|----------------|----------------|----------------|
| Madhya Pradesh | 88.90%         | 92.20%         |
| Orissa         | 89.25%         | 83.12%         |
| Karnataka      | 82.90%         | 93.64%         |
| Maharashtra    | 84.10%         | 95.79%         |
| Chhattisgarh   | 94.63%         | 93.07%         |
| Jharkhand      | 83.49%         | 77.90%         |
| Kerala         | 80.64%         | 77.70%         |
| Andhra Pradesh | 90.31%         | 91.49%         |
| Gujarat        | 84.86%         | 90.39%         |
| Bihar          | 44.53%         | 0.00%          |
| Rajasthan      | 44.53%         | 0.00%          |
| Others         | 0% - 98.91%    | 0% - 92.66%    |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

Analysis of concentration risk is as follows:-

| State          | March 31, 2020 | March 31, 2019 |
|----------------|----------------|----------------|
| Madhya Pradesh | 17.48%         | 21.33%         |
| Orissa         | 17.69%         | 20.05%         |
| Karnataka      | 12.93%         | 13.36%         |
| Maharashtra    | 13.26%         | 11.49%         |
| Chhattisgarh   | 8.28%          | 9.08%          |
| Jharkhand      | 4.72%          | 5.18%          |
| Kerala         | 4.64%          | 4.57%          |
| Andhra Pradesh | 6.95%          | 4.45%          |
| Gujarat        | 2.96%          | 2.99%          |
| Bihar          | 4.76%          | 2.63%          |
| Rajasthan      | 3.71%          | 2.24%          |
| Others         | 2.60%          | 2.63%          |
| <b>Total</b>   | <b>100.00%</b> | <b>100.00%</b> |

### Collateral and other credit enhancement

The company's secured portfolio includes loans against security of Gold and property (including land and building). Although collateral is an important mitigant credit risk, the company's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of the product and the company's assessment of the customer's credit risk, a loan may be offered with suitable collateral.

**40.1.a** Inter-corporate advance given by the Company to related parties are repayable on demand and governed by Company's policy on demand loans approved by the board of directors. Such policy requires credit appraisal of the financial and operational performance of the counter parties, to be performed by the Company before renewing/rolling over of the advance.

### 40.1.b CREDIT RISK DUE TO COVID-19 PANDEMIC

The Novel Coronavirus (COVID-19) pandemic (declared as such by the World Health Organisation on March 11, 2020), has contributed to a significant decline and volatility in global and Indian markets, and a significant decrease in economic activity. On March 24, 2020, the Government of India announced a nation-wide lockdown till April 14, 2020, which was extended till May 31, 2020 through subsequent announcements, to contain the spread of the virus. This has led to significant disruptions and dislocations for individuals and businesses, impacting Company's regular operations including lending and collection activities due to inability of employees to physically reach borrowers which has consequently impacted the carrying value of the financial assets, financial position and performance of the Company.

Further, pursuant to the Reserve Bank of India circulars dated March 27, 2020 and May 23, 2020 allowing lending institutions to offer moratorium to borrowers on payment of installments falling due between March 1, 2020 and August 31, 2020, the Company has extended/ will be extending moratorium to its borrowers in accordance with its Board approved policy.

In management's view, providing moratorium to borrowers at a mass scale based on RBI directives, by itself is not considered to result in a significant increase in credit risk ('SICR') for such borrowers. Accordingly, considering the unique and widespread impact of COVID-19 pandemic, the Company has estimated and recorded a management overlay allowance in its provision for expected credit loss, based on information available at this point in time to reflect, among other things, the deterioration in the macro-economic factors. Given the dynamic nature of the pandemic situation, these estimates are based on early indicators, subject to uncertainty and may be affected by the severity and duration of the pandemic and the actual impact of the pandemic, including governmental and regulatory measures, on the business and financial metrics of the Company (including credit losses) could be different from that estimated by the Company.

### 40.2 LIQUIDITY RISK

Liquidity risk refers to the risk that the Company may not meet its financial obligations. Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions and capital markets to maintain a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies to ensure the liquidity risk is well addressed. In order to reduce dependence on a single lender, the Company has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Company has a asset liability management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure the compliance with the prescribed regulatory requirement. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

The tables below provide details regarding the contractual maturities of significant financial assets and liabilities as on:-

### Maturity pattern of financial assets and liabilities as on March 31, 2020:

| Particulars                 | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total     |
|-----------------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|-----------|
| Borrowings*                 | 2,633.38     | 1,534.79      | 2,175.86      | 7,796.42      | 10,749.51          | 7,353.53     | 238.22       | -            | 32,481.71 |
| Other Financial Liabilities | 2,007.17     | 0.09          | 0.09          | 0.51          | 137.16             | 8.48         | 15.46        | 86.75        | 2,255.71  |
| Loans                       | -            | -             | 4,535.08      | 11,042.30     | 18,040.40          | 23,694.92    | 268.27       | 171.08       | 57,752.05 |
| Other Financial Assets      | 4,713.64     | 1,582.06      | 307.44        | 501.56        | 3,330.01           | 765.88       | 242.33       | 645.93       | 12,088.85 |

\*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

\*\* As per the Covid-19 regulatory package announced by RBI to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic vide Circular No.RBI/2019-20/186 & DOR.No.BP.BC.47/21.04.048/2019-20, the Company has extended moratorium to its borrowers whose loans were standard as on March 01, 2020, for the period April 01, 2020 to May 31, 2020. Hence, the repayment schedule for such loans as also the residual tenor, is shifted across the board by two months. Further, the same moratorium has been availed by the Company towards payments under securitization arrangement.

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

| Particulars                 | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total     |
|-----------------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|-----------|
| Borrowings*                 | 2,021.05     | 3,874.70      | 2,365.34      | 7,565.55      | 7,429.18           | 8,667.79     | 55.15        | 213.07       | 32,191.83 |
| Other Financial Liabilities | 435.21       | -             | -             | -             | -                  | -            | -            | -            | 435.21    |
| Loans                       | 4,911.50     | 4,544.09      | 3,553.41      | 10,815.35     | 14,485.10          | 9,123.83     | 182.90       | 5.79         | 47,621.97 |
| Other Financial Assets      | 1,781.10     | 87.57         | 83.18         | 364.00        | 843.23             | 1,219.93     | -            | 646.34       | 5,025.35  |

\*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

### Maturity Analysis of assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered and settled.

|  | March 31, 2020   |                  |                  | March 31, 2019   |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
|  | Within 12 Months | After 12 Months  | Total            | Within 12 Months | After 12 Months  | Total            |
| <b>ASSETS</b>                                      |                  |                  |                  |                  |                  |                  |
| <b>Financial assets</b>                            |                  |                  |                  |                  |                  |                  |
| Cash and cash equivalents                          | 536.19           | -                | 536.19           | 1,454.07         | -                | 1,454.07         |
| Bank balances other than cash and cash equivalents | 1,078.60         | 892.39           | 1,970.99         | 1,551.02         | 477.07           | 2,028.09         |
| Trade receivables                                  | 223.68           | -                | 223.68           | 35.49            | -                | 35.49            |
| Loans  | 26,128.09        | 20,716.77        | 46,844.86        | 33,067.63        | 8,586.27         | 41,653.89        |
| Investments  | 4,851.62         | 646.93           | 5,498.55         | -                | 646.35           | 646.35           |
| Other financial assets                             | 3,744.21         | 115.21           | 3,859.43         | 840.17           | 21.19            | 861.35           |
| <b>Subtotal - Total financial assets</b>           | <b>36,562.39</b> | <b>22,371.30</b> | <b>58,933.70</b> | <b>36,948.38</b> | <b>9,730.88</b>  | <b>46,679.24</b> |
| <b>Non-financial assets</b>                        |                  |                  |                  |                  |                  |                  |
| Current tax assets (net)                           | 149.38           | -                | 149.38           | 83.37            | -                | 83.37            |
| Deferred tax assets (net)                          | -                | 69.03            | 69.03            | -                | 1,998.36         | 1,998.36         |
| Property, plant and equipment                      | -                | 151.43           | 151.43           | -                | 70.86            | 70.86            |
| Intangible assets                                  | -                | 12.84            | 12.84            | -                | 21.53            | 21.53            |
| Other non-financial assets                         | 101.46           | -                | 101.46           | 127.01           | -                | 127.01           |
| <b>Subtotal - Total non-financial assets</b>       | <b>250.84</b>    | <b>233.30</b>    | <b>484.14</b>    | <b>210.38</b>    | <b>2,090.75</b>  | <b>2,301.13</b>  |
| <b>Total assets</b>                                | <b>36,813.23</b> | <b>22,604.60</b> | <b>59,417.84</b> | <b>37,158.76</b> | <b>11,821.63</b> | <b>48,980.37</b> |
| <b>LIABILITIES AND EQUITY</b>                      |                  |                  |                  |                  |                  |                  |
| <b>LIABILITIES</b>                                 |                  |                  |                  |                  |                  |                  |
| <b>Financial liabilities</b>                       |                  |                  |                  |                  |                  |                  |
| Debt securities                                    | 7,268.62         | 507.66           | 7,776.28         | 10,891.74        | 2,827.90         | 13,719.64        |
| Borrowings (other than debt securities)            | 15,975.75        | 6,208.36         | 22,184.11        | 10,339.62        | 5,190.26         | 15,529.89        |
| Subordinated liabilities                           | 2.31             | 199.36           | 201.67           | 2.35             | 199.21           | 201.57           |
| Other financial liabilities                        | 2,145.03         | 110.70           | 2,255.73         | 435.21           | -                | 435.21           |
| <b>Subtotal - Total financial liabilities</b>      | <b>25,391.71</b> | <b>7,026.08</b>  | <b>32,417.79</b> | <b>21,668.92</b> | <b>8,217.37</b>  | <b>29,886.30</b> |
| <b>Non-financial liabilities</b>                   |                  |                  |                  |                  |                  |                  |
| Current tax liabilities (net)                      | 596.69           | -                | 596.69           | 3.48             | -                | 3.48             |
| Deferred tax liabilities (net)                     | -                | -                | -                | -                | -                | -                |
| Provisions   | 27.58            | -                | 27.58            | 3.42             | -                | 3.42             |
| Other non-financial liabilities                    | 294.40           | -                | 294.40           | 223.43           | -                | 223.43           |
| <b>Subtotal - Total non-financial liabilities</b>  | <b>918.67</b>    | <b>-</b>         | <b>918.67</b>    | <b>230.33</b>    | <b>-</b>         | <b>230.33</b>    |
| <b>Total Liabilities</b>                           | <b>26,310.38</b> | <b>7,026.08</b>  | <b>33,336.46</b> | <b>21,899.25</b> | <b>8,217.37</b>  | <b>30,116.63</b> |
| <b>Net</b>   | <b>10,502.85</b> | <b>15,578.52</b> | <b>26,081.38</b> | <b>15,259.51</b> | <b>3,604.26</b>  | <b>18,863.74</b> |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 40.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Company is exposed to two types of market risks as follows:"

#### 40.3a Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

|                     | March 31, 2020 | March 31, 2019 |
|---------------------|----------------|----------------|
| <b>Finance Cost</b> |                |                |
| 0.50 % Increase     | (22.44)        | (16.64)        |
| 0.50 % Decrease     | 22.44          | 16.64          |

#### 40.3b Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surplus in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

### 41. TRANSFER OF FINANCIAL ASSETS

#### a. Securitisation Transaction:

During the year, the Company has entered into securitisation arrangement with various parties. Under such arrangement, the Company has transferred a pool of loans, which does not fulfil the derecognition criteria specified under Ind AS 109 as the Company has concluded that risk and rewards with respect to these assets are not substantially transferred. Following such transfer, the Company's involvement in these assets is as follows:

- As a servicer of the transferred assets
- To the extent of credit enhancements provided to such parties

#### The value of Financial assets and liabilities as on :-

| Particulars                               | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Carrying amount of assets                 | 4,915.87       | 6,638.38       |
| Carrying amount of associated liabilities | 5,398.17       | 7,719.66       |
| Fair value of assets                      | 4,987.94       | 6,727.73       |
| Fair value of associated liabilities      | 5,415.69       | 7,804.93       |

The excess of fair value of associated liabilities over fair value of assets is ₹ 427.75 Mn ( PY: ₹ 1077.20 Mn)

#### b. Assignment Transaction:

During the year ended 31st Mar 2020, the company has sold some loans and advances measured at FVOCI as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognised.

The management has evaluated the impact of the assignment transactions done during the year for its business model. Based on the future business plan, the company's business model remains to hold the assets for collecting contractual cash flows.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

The table below summarises the carrying amount of the derecognised financial assets measured at fair value and the gain/(loss) on derecognition, per type of asset :-

| Particulars                                      | For the year ended<br>31st Mar 2020 | For the year ended<br>31st Mar 2019 |
|--|-------------------------------------|-------------------------------------|
| Carrying amount of derecognised financial assets | 19,155.84                           | 1,403.81                            |
| Gain/(loss) from derecognition                   | 2,139.27                            | 156.13                              |

Since the company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognised on the date of derecognition itself as interest only strip receivable and correspondingly recognised as profit on derecognition of financial asset.

### 42. EMPLOYEE STOCK OPTION PLAN (ESOP)

The company has provided various equity settled share based payment schemes to its employees. The details are ESOP scheme are as follows.

| Particulars      | Grant     | Number of<br>Options granted | Vesting Period<br>(In years) | Vesting Conditions  |
|------------------|-----------|------------------------------|------------------------------|---|
| ESOP Scheme 2018 | Grant I   | 3,38,854                     | 5                            | 20% vests every year subject to continuance of services                   |
|                  | Grant II  | 8,17,500                     | 4                            | 30%, 30%, 20% and 20% vests every year subject to continuance of services |
|                  | Grant III | 13,500                       | 4                            | 30%, 30%, 20% and 20% vests every year subject to continuance of services |
|                  | Grant IV  | 90,500                       | 5                            | 20% vests every year subject to continuance of services                   |
|                  | Grant V   | 3,36,500                     | 4                            | 30%, 30%, 20% and 20% vests every year subject to continuance of services |
|                  | Grant VI  | 36,500                       | 5                            | 20% vests every year subject to continuance of services                   |

Exercise period for all the above schemes is 9 years from the date of grant of the options.

The expense recognised for employee services received during the year is ₹ 41.07 Mn.

#### a. The following table lists the input to the black scholes models used for the options granted during the year ended March 31, 2020

| Particulars   | Grant I   | Grant II  | Grant III | Grant IV  | Grant V   | Grant VI  |
|---|---|-----------|-----------|-----------|-----------|-----------|
| Date of Grant   | 13-Aug-18   | 13-Aug-18 | 07-Feb-19 | 28-Jan-20 | 28-Jan-20 | 03-Mar-20 |
| Date of Board / Compensation/ Committee Approval        | 13-Aug-18   | 13-Aug-18 | 07-Feb-19 | 28-Jan-20 | 28-Jan-20 | 03-Mar-20 |
| Number of Options Granted                               | 3,38,854  | 8,17,500  | 13,500    | 90,500    | 3,36,500  | 36,500    |
| Method of settlement                                    | Equity  | Equity    | Equity    | Equity    | Equity    | Equity    |
| Graded Vesting Period                                   |   |           |           |           |           |           |
| Day following the expiry of 12 months from grant        | 20%   | 30%       | 30%       | 20%       | 30%       | 20%       |
| Day following the expiry of 24 months from grant        | 20%   | 30%       | 30%       | 20%       | 30%       | 20%       |
| Day following the expiry of 36 months from grant        | 20%   | 20%       | 20%       | 20%       | 20%       | 20%       |
| Day following the expiry of 48 months from grant        | 20%   | 20%       | 20%       | 20%       | 20%       | 20%       |
| Day following the expiry of 60 months from grant        | 20%   | NA        | NA        | 20%       | NA        | 20%       |
| Exercise Period   | 9 Years from the date of grant                      |           |           |           |           |           |
| Vesting conditions                                      | Employee must be in service at the time of vesting. |           |           |           |           |           |
| Weighted average of remaining contractual Life in Years |   |           |           |           |           |           |
| Year I  | 0.00  | 7.37      | 7.85      | 8.83      | 8.83      | 8.92      |
| Year II   | 7.37  | 7.37      | 7.85      | 8.83      | 8.83      | 8.92      |
| Year III  | 7.37  | 7.37      | 7.85      | 8.83      | 8.83      | 8.92      |
| Year IV   | 7.37  | 7.37      | 7.85      | 8.83      | 8.83      | 8.92      |
| Year V  | 7.37  | NA        | NA        | 8.83      | NA        | 8.92      |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

- b. The details of activity under ESOP Scheme 2018 Plan with an exercise price for the year ended March 31, 2020 have been summarised as below:

| Particulars  | Grant I       | Grant II        | Grant III    | Grant IV      | Grant V         | Grant VI      |
|--|---------------|-----------------|--------------|---------------|-----------------|---------------|
| Exercise Price per Share                                   | 263.35        | 263.35          | 263.35       | 1,077.37      | 1,077.37        | 1,091.58      |
| Number of options Outstanding at the beginning of the year | 1,62,000      | 6,89,000        | 7,500        |               |                 |               |
| Number of options Granted during the year                  | -             | -               |              | 90,500        | 3,36,500        | 36,500        |
| Number of Options Exercised during the year                | 20,925        | 1,17,490        |              | -             | -               | -             |
| Number of Options Lapsed during the year                   | 49,875        | 1,50,160        | 1,500        | -             | 15,000          | -             |
| Outstanding at the end of the year *                       | <b>91,200</b> | <b>4,21,350</b> | <b>6,000</b> | <b>90,500</b> | <b>3,21,500</b> | <b>36,500</b> |

- c. Details of Stock Options granted during the year

The weighted fair value of stock option granted during the year was ₹ 445.09 for Grant IV, ₹ 429.05 for Grant V, ₹ 477.69 for Grant VI. The Black -Scholes Model has been used for computing the weighted average fair value considering the following:

| Grant -IV                           | Tranche I | Tranche II | Tranche III | Tranche IV | Tranche V |
|-------------------------------------|-----------|------------|-------------|------------|-----------|
| Share price on the date of Grant    | 1045.5    | 1045.5     | 1045.5      | 1045.5     | 1045.5    |
| Exercise Price                      | 1077.37   | 1077.37    | 1077.37     | 1077.37    | 1077.37   |
| Expected Volatility(%)              | 26.80%    | 26.80%     | 26.80%      | 26.80%     | 26.80%    |
| Life of the options granted in year | 5.5       | 6.0        | 6.5         | 7.0        | 7.5       |
| Risk Free Interest Rate(%)          | 6.58%     | 6.58%      | 6.83%       | 6.83%      | 6.83%     |
| Expected dividend rate(%)           | 0.00%     | 0.00%      | 0.00%       | 0.00%      | 0.00%     |
| Fair Value of the option            | 398.00    | 420.29     | 448.50      | 469.31     | 489.35    |

| Grant -V                            | Tranche I | Tranche II | Tranche III | Tranche IV |
|-------------------------------------|-----------|------------|-------------|------------|
| Share price on the date of Grant    | 1045.5    | 1045.5     | 1045.5      | 1045.5     |
| Exercise Price                      | 1077.37   | 1077.37    | 1077.37     | 1077.37    |
| Expected Volatility(%)              | 26.80%    | 26.80%     | 26.80%      | 26.80%     |
| Life of the options granted in year | 5.5       | 6.0        | 6.5         | 7.0        |
| Risk Free Interest Rate(%)          | 6.58%     | 6.58%      | 6.83%       | 6.83%      |
| Expected dividend rate(%)           | 0.00%     | 0.00%      | 0.00%       | 0.00%      |
| Fair Value of the option            | 398.00    | 420.29     | 448.50      | 469.31     |

| Grant -VI                           | Tranche I | Tranche II | Tranche III | Tranche IV | Tranche V |
|-------------------------------------|-----------|------------|-------------|------------|-----------|
| Share price on the date of Grant    | 1082.35   | 1082.35    | 1082.35     | 1082.35    | 1082.35   |
| Exercise Price                      | 1091.58   | 1091.58    | 1091.58     | 1091.58    | 1091.58   |
| Expected Volatility(%)              | 29.25%    | 29.25%     | 29.25%      | 29.25%     | 29.25%    |
| Life of the options granted in year | 5.5       | 6.0        | 6.5         | 7.0        | 7.5       |
| Risk Free Interest Rate(%)          | 6.21%     | 6.21%      | 6.47%       | 6.47%      | 6.53%     |
| Expected dividend rate(%)           | 0.00%     | 0.00%      | 0.00%       | 0.00%      | 0.00%     |
| Fair Value of the option            | 430.06    | 452.50     | 480.76      | 501.72     | 523.42    |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 43. DISCLOSURE OF INVESTING AND FINANCING TRANSACTIONS THAT DO NOT REQUIRE THE USE OF CASH AND CASH EQUIVALENTS

For the year ended March 31, 2020

| Name of instrument     | Opening Balance  | Converted into equity share capital* | Premium added on issue of ESOP's | Cash Flows      | Closing Balance  |
|------------------------|------------------|--------------------------------------|----------------------------------|-----------------|------------------|
| Equity Share capital** | 11,808.64        | -                                    | 18.72                            | 3,925.59        | 15,752.95        |
| Total Borrowings       | 29,451.09        | -                                    | -                                | 710.98          | 30,162.07        |
| <b>Total</b>           | <b>41,259.73</b> | <b>-</b>                             | <b>18.72</b>                     | <b>4,636.57</b> | <b>45,915.01</b> |

\*\* Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital and premium amount added on issue of ESOP's.

For the year ended March 31, 2020

| Name of instrument     | Opening Balance  | Converted into equity share capital* | Premium added on conversion of preference shares into equity shares | Cash Flows      | Closing Balance  |
|------------------------|------------------|--------------------------------------|---|-----------------|------------------|
| CCPS Class A           | 2,350.00         | (2,350.00)                           | -   | -               | -                |
| CCPS Class B           | 7,910.08         | (7,910.08)                           | -   | -               | -                |
| CCPS Class A1          | 1,192.13         | (1,192.13)                           | -   | -               | -                |
| Share warrants         | 14.89            | (14.89)                              | -   | -               | -                |
| OCRPS (all series)     | 0.10             | (22.70)                              | -   | 22.60           | -                |
| Equity Share capital** | 297.57           | 277.49                               | 11,212.30   | 21.28           | 11,808.64        |
| Total Borrowings       | 23,313.77        | -                                    | -   | 6,137.32        | 29,451.09        |
| <b>Total</b>           | <b>35,078.54</b> | <b>(11,212.31)</b>                   | <b>11,212.30</b>  | <b>6,181.20</b> | <b>41,259.73</b> |

\*\* Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital.

### 44. REVENUE FROM CONTRACTS WITH CUSTOMERS

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Service fees for management of assigned portfolio of loans | 5.12           | 5.85           |
| Service and administration charges                         | -              | -              |
| Commission & other Income                                  | 667.64         | 198.74         |
| <b>Total</b>   | <b>672.76</b>  | <b>204.59</b>  |

#### Geographical markets

| Particulars   | March 31, 2020 | March 31, 2019 |
|---------------|----------------|----------------|
| India         | 672.76         | 204.59         |
| Outside India | -              | -              |
| <b>Total</b>  | <b>672.76</b>  | <b>204.59</b>  |

#### Timing of revenue recognition

| Particulars                             | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Services transferred at a point in time | 672.76         | 204.59         |
| Services transferred over time          | -              | -              |
| <b>Total</b>                            | <b>672.76</b>  | <b>204.59</b>  |

#### Receivables

| Particulars               | March 31, 2020 | March 31, 2019 |
|---------------------------|----------------|----------------|
| Commission & other Income | 212.91         | 28.61          |

Impairment allowance recognised on receivables is Nil (Previous year: Nil)

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

**45.** Additional information required by Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 (hereinafter referred to as the "RBI Master Directions") & DOR (NBFC).CC.PD.No.109/22.10.106/2019-20

### A. Capital to risk assets ratio ('CRAR')

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| CRAR (%)  | 47.44%         | 39.61%         |
| CRAR-Tier I Capital (%)                               | 47.27%         | 38.57%         |
| CRAR-Tier II Capital (%)                              | 0.18%          | 1.04%          |
| Amount of subordinated debt raised as Tier-II capital | 16.13          | 20.16          |
| Amount raised by issue of Perpetual Debt Instruments  | -              | -              |

CRAR as at March 31, 2020 has been determined in accordance with the RBI Master Directions read with RBI notification RBI/2019-20/170, DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020 on implementation of Indian Accounting Standards. Accordingly, CRAR for March 31, 2019 is not comparable

### B. Exposure to real estate sector

| Category  | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| <b>A. Direct exposure</b>   |                |                |
| <b>I. Residential Mortgages</b>   |                |                |
| Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;   | <b>62.00</b>   | <b>44.47</b>   |
| <b>II. Commercial Real Estate</b>   |                |                |
| Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose Commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits. | -              | -              |
| <b>III Investments in Mortgage Backed Securities (MBS) and other securitised exposures</b>  |                |                |
| Residential   | -              | -              |
| Commercial Real Estate  | -              | -              |
| <b>A. Indirect exposure</b>   |                |                |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).  | -              | -              |
| <b>Total</b>  | <b>62.00</b>   | <b>44.47</b>   |

C. Outstanding of loans against security of gold as a percentage to total assets is 0.38% (Mar-19: 0.39%)

D. The Company has no exposure to capital market.

### E. Asset liability management:

Maturity pattern of assets and liabilities as on March 31, 2020:

| Particulars | 0-7 Days | 8-14 Days | 15-30/31 Days | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total           |
|-------------|----------|-----------|---------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|-----------------|
| Borrowings  | 0.19     | 13.07     | 226.79        | 140.02        | 196.78        | 717.48        | 1,005.00           | 696.88       | 19.99        | -            | <b>3,016.20</b> |
| Advances ** | -        | -         | -             | -             | 351.28        | 836.68        | 1,645.50           | 2,048.87     | 19.36        | 3.44         | <b>4,905.13</b> |
| Investments | 68.83    | 20.66     | 254.67        | 141.00        | -             | -             | -                  | -            | -            | 64.69        | <b>549.86</b>   |

\*\* As per the Covid-19 regulatory package announced by RBI to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic vide Circular No.RBI/2019-20/186 & DOR.No.BPBC.47/21.04.048/2019-20, the Company has extended moratorium to its borrowers whose loans were standard as on March 01, 2020, for the period April 01, 2020 to May 31, 2020. Hence, the repayment schedule for such loans as also the residual tenor, is shifted across the board by two months. Further, the same moratorium has been availed by the Company towards payments under securitization arrangement.

Maturity pattern of assets and liabilities as on March 31, 2020:



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

| Particulars | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total    |
|-------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|----------|
| Borrowings  | 70.16        | 256.36        | 107.32        | 470.09        | 482.49             | 763.47       | -            | 20.00        | 2,169.91 |
| Advances    | 267.80       | 271.85        | 235.50        | 703.55        | 1,119.98           | 491.64       | 373.89       | 0.48         | 3,464.69 |
| Investments | -            | -             | -             | -             | -                  | -            | -            | 64.63        | 64.63    |

### F. Information on instances of fraud

Instances of fraud reported during the year ended March 31, 2020:

| Nature of fraud   | No. of cases | Amount of fraud | Recovery* | Amount provided |
|-------------------|--------------|-----------------|-----------|-----------------|
| Cash Embezzlement | 126          | 0.78            | 0.18      | 0.60            |
| Fake Loans        | 26           | 0.99            | 0.24      | 0.75            |

\*Includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2019:

| Nature of fraud   | No. of cases | Amount of fraud | Recovery* | Amount provided |
|-------------------|--------------|-----------------|-----------|-----------------|
| Cash Embezzlement | 30           | 0.22            | 0.06      | 0.16            |
| Fake Loans        | 29           | 1.83            | 0.74      | 1.09            |

### G. The Company has no transactions / exposure in derivatives in the current and previous year.

### H. Ratings assigned by credit rating agencies and migration of ratings during the year.

| Sr. No. | Instrument                           | Rating agency | As per final rating letter | Rating assigned   | Valid up to | Borrowing limit |
|---------|--------------------------------------|---------------|----------------------------|-------------------|-------------|-----------------|
| 1       | Long term bank facilities            | ICRA          | 07-Jan-20                  | [ICRA]A- (Stable) | See Note-1  | 2500.00         |
| 2       | Non convertible debentures programme | ICRA          | 07-Jan-20                  | [ICRA]A- (Stable) | See Note-1  | 621.00          |
| 3       | Securitization                       | ICRA          | 17-Mar-20                  | [ICRA]AA-(SO)     | 28-Feb-21   | 120.05          |
| 4       | Securitization                       | ICRA          | 17-Mar-20                  | [ICRA] AA- (SO)   | 30-Apr-21   | 120.29          |
| 5       | Securitization                       | ICRA          | 02-Mar-20                  | [ICRA] A (SO)     | 31-Dec-21   | 147.05          |
| 6       | Securitization                       | ICRA          | 15-Jan-20                  | [ICRA]A(SO)       | 31-Jul-21   | 203.14          |
| 7       | Securitization                       | ICRA          | 14-Jan-20                  | [ICRA] A(SO)      | 31-Jul-21   | 119.96          |
| 8       | Securitization                       | ICRA          | 02-Jan-20                  | [ICRA] A (SO)     | 31-Oct-21   | 124.97          |
| 9       | Securitization                       | ICRA          | 10-Oct-19                  | [ICRA]A(SO)       | 31-May-21   | 99.99           |
| 10      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]AAA(SO)     | 31-Oct-19   | 3.19            |
| 11      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA] AA- (SO)   | 31-Oct-19   | 11.50           |
| 12      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]AA(SO)      | 31-Dec-19   | 19.37           |
| 13      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]AA(SO)      | 31-Jan-20   | 14.08           |
| 14      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]AA(SO)      | 31-Mar-20   | 50.27           |
| 15      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA] AA-(SO)    | 31-Mar-20   | 24.20           |
| 16      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA] A+ (SO)    | 31-Mar-20   | 0.98            |
| 17      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]AA(SO)      | 31-Oct-19   | 25.91           |
| 18      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA] AA- (SO)   | 30-Sep-20   | 82.21           |
| 19      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]A(SO)       | 31-Aug-20   | 31.61           |
| 20      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA] BBB+ (SO)  | 31-Aug-20   | 1.10            |
| 21      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]A+(SO)      | 30-Nov-20   | 161.41          |
| 22      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]A+(SO)      | 31-Jan-21   | 99.30           |
| 23      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]A(SO)       | 31-Jan-21   | 74.34           |
| 24      | Securitization                       | ICRA          | 07-Jun-19                  | [ICRA]A-(SO)      | 31-Jan-21   | 0.88            |

Note 1: The rating is subject to annual surveillance till final repayment / redemption of rated facilities.

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**
**Previous year**

| Sr. No. | Instrument                           | Rating agency | As per final rating letter | Rating assigned   | Valid up to | Borrowing limit |
|---------|--------------------------------------|---------------|----------------------------|-------------------|-------------|-----------------|
| 1       | Long term bank facilities            | ICRA          | 29-Mar-19                  | [ICRA]A- (Stable) | See Note-1  | 2500.00         |
| 2       | Non convertible debentures programme | ICRA          | 29-Mar-19                  | [ICRA]A- (Stable) | See Note-1  | 821.00          |
| 3       | Securitization                       | CARE          | 04-Mar-19                  | CARE A+ (SO)      | 30-Sep-19   | 24.15           |
| 4       | Securitization                       | ICRA          | 28-Nov-18                  | [ICRA]A+(SO)      | 31-Oct-19   | 73.83           |
| 5       | Securitization                       | ICRA          | 28-Nov-18                  | [ICRA] BBB+ (SO)  | 31-Oct-19   | 11.50           |
| 6       | Securitization                       | ICRA          | 28-Nov-18                  | [ICRA]A+(SO)      | 31-Dec-19   | 62.61           |
| 7       | Securitization                       | ICRA          | 28-Nov-18                  | [ICRA]A+(SO)      | 31-Jan-20   | 49.49           |
| 8       | Securitization                       | ICRA          | 28-Nov-18                  | [ICRA] AA- (SO)   | 31-Mar-20   | 129.38          |
| 9       | Securitization                       | ICRA          | 28-Nov-18                  | [ICRA] A (SO)     | 31-Mar-20   | 62.47           |
| 10      | Securitization                       | ICRA          | 28-Nov-18                  | [ICRA] A- (SO)    | 31-Mar-20   | 0.98            |
| 11      | Securitization                       | ICRA          | 28-Nov-18                  | [ICRA]A+(SO)      | 31-Oct-19   | 103.19          |
| 12      | Securitization                       | ICRA          | 12-Feb-19                  | [ICRA] AA- (SO)   | 30-Sep-20   | 138.88          |
| 13      | Securitization                       | ICRA          | 04-Feb-19                  | [ICRA]A(SO)       | 31-Aug-20   | 50.00           |
| 14      | Securitization                       | ICRA          | 04-Feb-19                  | [ICRA] BBB+ (SO)  | 31-Aug-20   | 1.10            |
| 15      | Securitization                       | ICRA          | 18-Mar-19                  | [ICRA]A+(SO)      | 30-Nov-20   | 223.95          |
| 16      | Securitization                       | ICRA          | 08-Feb-19                  | [ICRA] A- (SO)    | 31-Oct-20   | 74.45           |
| 17      | Securitization                       | ICRA          | 26-Mar-19                  | [ICRA]A(SO)       | 31-Jan-21   | 80.91           |
| 18      | Securitization                       | ICRA          | 26-Mar-19                  | [ICRA]A-(SO)      | 31-Jan-21   |                 |
| 19      | Securitization                       | ICRA          | 22-Mar-19                  | [ICRA]A+(SO)      | 31-Jan-21   | 106.59          |

Note 1: The rating is subject to annual surveillance till final repayment / redemption of rated facilities

**I. Disclosure of complaints**

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| No. of complaints pending at the beginning of the year | 18             | 18             |
| No. of complaints received during the year             | 989            | 338            |
| No. of complaints redressed during the year            | 965            | 338            |
| No. of complaints pending at the end of the year       | 42             | 18             |

**J. Concentration of Advances, Exposures and NPAs**

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| <b>Concentration of Advances*</b>                             |                |                |
| Total advances to twenty largest borrowers                    | 4.04           | 3.59           |
| (%) of advances to twenty largest borrowers to total advances | 0.08%          | 0.09%          |
| <b>Concentration of Exposures*</b>                            |                |                |
| Total exposure to twenty largest borrowers                    | 4.04           | 3.60           |
| (%) of exposure to twenty largest borrowers to total exposure | 0.08%          | 0.09%          |
| <b>Concentration of NPAs**</b>                                |                |                |
| Total exposure to top four NPA accounts                       | 0.27           | 0.07           |

\* Represents amount outstanding as per contract with customers

\*\* Represents stage III loans including interest

**K. Sector wise NPAs\***

| Sector                            | Percentage of NPAs to total advances in that sector |                |
|-----------------------------------|---|----------------|
|                                   | March 31, 2020                                      | March 31, 2019 |
| Agriculture and allied activities | 0.35%   | 9.94%          |
| MSME                              | 0.40%   | 8.31%          |
| Corporate borrowers               | 0.00%   | 0.00%          |
| Services                          | 0.30%   | 8.82%          |
| Unsecured personal loans          | 0.00%   | 0.00%          |
| Auto loans                        | 0.86%   | 9.95%          |
| Other personal loans              | 0.71%   | 16.49%         |

\* Represents stage III loans.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### L: Comparison between provisions required under Income Recognition and Asset Classification and Provision norms as per RBI master directions and impairment allowances made under Ind AS 109 for the year ended March 31, 2020

| 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 as per Ind AS 109 | Net Carrying Amount | Provisions as per IRACP norms | Difference between Ind AS 109 Provisions and IRACP norms |
|---|--|-------------------------------------|--|---------------------|-------------------------------|--|
| 1   | 2                                      | 3                                   | 4  | 5= 3-4              | 6                             | 7 = 4-6  |
| <b>Performing Assets</b>  |  |                                     |  |                     |                               |  |
| Loans   | Stage 1                                | 4,821.11                            | 74.10  | 4,747.01            | 40.48                         | 33.62  |
|   | Stage 2                                | 10.66                               | 6.42   | 4.23                | 0.06                          | 6.36   |
| <b>Subtotal</b>   |  | <b>4,831.77</b>                     | <b>80.53</b>   | <b>4,751.24</b>     | <b>40.54</b>                  | <b>39.98</b>   |
| <b>Non Performing Assets (NPA)</b>  |  |                                     |  |                     |                               |  |
| Loans   | Stage 3                                | 17.92                               | 14.50  | 3.41                | 1.59                          | 12.91  |
| Doubtful - up to 1 year   | Stage 3                                | 0.02                                | 0.02   | -0.00               | 0.02                          | -  |
| 1 to 3 years  | Stage 3                                | 0.00                                | 0.00   | 0.00                | 0.00                          | 0.00   |
| More than 3 years   | Stage 3                                | -                                   | -  | -                   | -                             | -  |
| <b>Subtotal for Doubtful</b>  |  | <b>0.02</b>                         | <b>0.02</b>  | <b>-0.00</b>        | <b>0.02</b>                   | <b>0.00</b>  |
| Loss  | Stage 3                                | -                                   | -  | -                   | -                             | -  |
| <b>Subtotal for NPA</b>   |  | <b>17.94</b>                        | <b>14.52</b>   | <b>3.41</b>         | <b>1.61</b>                   | <b>12.91</b>   |
| Other provisions including Management overlay for COVID-19  |  | -                                   | -  | -                   | -                             | -  |
| Other items such as guarantees, loan commitments, etc which are in the scope of Ind AS 109 but not covered under current income Recognition - Asset Classification and Provisioning (IRACP) Norms | Stage 1                                | -                                   | -  | -                   | -                             | -  |
|   | Stage 2                                | -                                   | -  | -                   | -                             | -  |
|   | Stage 3                                | -                                   | -  | -                   | -                             | -  |
| <b>Subtotal</b>   |  | <b>-</b>                            | <b>-</b>   | <b>-</b>            | <b>-</b>                      | <b>-</b>   |
| <b>Total</b>  | Stage 1                                | 4,821.11                            | 74.10  | 4,747.01            | 40.48                         | 33.62  |
|   | Stage 2                                | 10.66                               | 6.42   | 4.23                | 0.08                          | 6.35   |
|   | Stage 3                                | 17.94                               | 14.52  | 3.41                | 2.08                          | 12.45  |
|   | <b>Total</b>                           | <b>4,849.71</b>                     | <b>95.05</b>   | <b>4,754.66</b>     | <b>42.64</b>                  | <b>52.41</b>   |

- Figures under the column "Provision as per IRACP norms" represents provisions determined in accordance with the asset classification and provisioning norms as stipulated under the RBI Master Directions. Pursuant to RBI circular no. DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, the Company has not granted any moratorium to customers with overdues as at February 29, 2020. Accordingly, no additional provision for standard but overdue accounts in accordance with para 5 of RBI circular no. DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 is considered thereunder.

- Interest on NPA loans is required to be de-recognised under IRACP norms. However, interest on Stage III loans is required to be recognised on the credit impaired (net of ECL) loan balance. Such income de-recognition is not considered as a provision for the purpose of above comparison.

M:As per the policy on moratorium approved by the Board of Directors pursuant to RBI circular no. DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, the Company has not granted moratorium to customers with overdues as at March 1, 2020. Accordingly, no disclosure as per para 10 of RBI circular no. DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 is required.

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**
**N. Movement of NPAs\***

(Rupees in crores unless otherwise stated)

| Particulars                                   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Net NPAs to net advances (%)                  | 0.07%          | 0.02%          |
| Movement of NPAs (gross)                      |                |                |
| 1. Opening balance                            | 362.89         | 858.87         |
| 2. Additions during the year                  | 120.59         | 24.60          |
| 3. Reductions/ write off during the year      | 465.55         | 520.58         |
| 4. Closing balance                            | 17.93          | 362.89         |
| Movement of Net NPAs                          |                |                |
| 1. Opening balance                            | 0.74           | 5.31           |
| 2. Additions during the year                  | 3.55           | 0.30           |
| 3. Reductions/ write off during the year      | 0.87           | 4.88           |
| 4. Closing balance                            | 3.42           | 0.73           |
| Movement of provision for NPAs                |                |                |
| 1. Opening balance                            | 362.16         | 853.56         |
| 2. Provisions made during the year            | 117.04         | 24.30          |
| 3. Write off/ write back of excess provisions | 464.68         | 515.70         |
| 4. Closing balance                            | 14.52          | 362.16         |

\* Represents stage III loans.

(i). Opening balance of NPAs include ₹ 358.47 crore representing portfolio in the state of Andhra Pradesh and Telangana originated prior to January 1, 2012 which has been completely written off during the current year.

**O. There has been no drawdown from reserves during the current year and previous year.**
**P. Investments:**

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| 1. Value of investments                             |                |                |
| (i) Gross value of investments                      |                |                |
| (a) In India  | 549.85         | 64.63          |
| (b) Outside India                                   | -              | -              |
| (ii) Provision for depreciation                     |                |                |
| (a) In India  | -              | -              |
| (b) Outside India                                   | -              | -              |
| (iii) Net value of investments                      |                |                |
| (a) In India  | 549.85         | 64.63          |
| (b) Outside India                                   | -              | -              |
| 2. Movement of provisions held towards depreciation |                |                |
| Opening balance                                     | -              | -              |
| Add: Provision made during the year                 | -              | -              |
| Less: Write off/ write back                         | -              | -              |
| Closing balance                                     | -              | -              |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Q. Details relating to securitisation:

During the year, the Company has sold loans through securitisation. The information on securitisation activities is as under:

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| 1. No. of SPVs sponsored by the NBFC for securitisation transactions during the year                                       | 9              | 14             |
| 2. Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet   | 621.39         | 825.20         |
| 3. Total amount of exposures retained to comply with minimum retention requirement ('MRR') as on the date of balance sheet | -              | -              |
| a) Off balance sheet exposures   |                |                |
| - First loss   | -              | -              |
| - Others   | -              | -              |
| b) On balance sheet exposures  |                |                |
| - First loss (cash collateral and over collateral)   | 141.44         | 260.39         |
| - Others   | -              | -              |
| 4. Amount of exposures to securitization transactions other than MRR:  |                |                |
| a) Off-balance sheet exposures   | -              | -              |
| i) Exposure to own securitisations   |                |                |
| - First loss   | -              | -              |
| - Others   | -              | -              |
| ii) Exposure to third party securitisations  |                |                |
| - First loss   | -              | -              |
| - Others   | -              | -              |
| b) On-balance sheet exposures  |                |                |
| i) Exposure to own securitisations   |                |                |
| - First loss   | -              | -              |
| - Others   | -              | -              |
| ii) Exposure to third party securitisations  |                |                |
| - First loss   | -              | -              |
| - Others   | -              | -              |

Note: The above transactions do not fulfill the test of de-recognition under Ind AS-109 and are recorded back on the balance sheet.

### R. Details of assignment transactions undertaken

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| No. of accounts   | 14,03,373      | 1,22,832       |
| Aggregate value of accounts sold  | 2,840.21       | 197.38         |
| Aggregate consideration   | 2,840.21       | 197.38         |
| Additional consideration realized in respect of accounts transferred in earlier years | -              | -              |
| Aggregate gain / (loss) over net book value   | -              | -              |

S. The Company has not sold financial assets to Securitisation / Reconstruction companies for asset reconstruction in the current and previous year.

T. The Company has not purchased / sold non-performing financial assets in the current and previous year.

U. The company has not financed any products of the parent company.

### V. Unsecured Advances – Refer note 7

### W. Registration obtained from other financial sector regulators:

The Company is registered with the 'Ministry of Corporate Affairs' (Financial regulators as described by Ministry of Finance)

X. No penalties imposed by RBI and other regulators during current and previous year.

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Y. Provisions and contingencies (shown under expenditure in statement of profit and loss)

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Provision for income tax (net)                           | 261.45         | 160.63         |
| Provision for non-performing assets*                     | (346.45)       | (491.43)       |
| Provision for standard assets**                          | 18.61          | 14.46          |
| Provision for management overlay for COVID-19 and others | 117.99         | -              |
| Provision for unfructified service tax liability         | 0.85           | 0.85           |
| Provision for theft & fraud                              | 1.79           | 1.49           |
| Provision for gratuity                                   | 2.76           | 0.40           |
| Provision for leave benefits                             | 2.39           | 1.66           |
| Provision for insurance claims                           | 0.24           | (0.08)         |
| Provision for bonus                                      | 16.53          | 3.60           |
| Provision for other assets                               | 0.04           | 0.10           |

\* Represents impairment allowance on stage III loans

\*\* Represents impairment allowance on stage I and stage II loans excluding Covid-19 overlay

### Z. The Company has unhedged foreign currency exposure in respect of:

(Amounts in Rupees)

| Particulars      | As at March 31, 2020 |           |
|------------------|----------------------|-----------|
|                  | USD                  | ₹         |
| Professional Fee | 342.38               | 26,126.29 |

| Particulars          | As at March 31, 2019 |              |
|----------------------|----------------------|--------------|
|                      | USD                  | ₹            |
| Software Maintenance | 35,583.00            | 24,70,994.00 |

### AA. Information on Net Interest Margin

| Particulars                             | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
|   | (%)            | (%)            |
| Average interest charged (A)            | 21.07%         | 19.17%         |
| Average effective cost of borrowing (B) | 12.24%         | 12.84%         |
| Net Interest margin (A-B)               | 8.83%          | 6.33%          |

- Above computation is in accordance with the method accepted by RBI vide its letter no DNBS.PD.NO.4906/03.10.038/2012-13 dated April 4, 2013 to Micro-finance Institutions Network (the "MFIN format") read with the FAQs issued by RBI on October 14, 2016 and RBI circulated dated March 13, 2020 on implementation of Indian Accounting Standards.
- Average loan outstanding determined for the purpose of calculating NIM is based on carrying value of loans under Ind AS, excluding effect of following:
  - Fair value changes recognised through other comprehensive income;
  - Securitized loans qualifying for de-recognition as per RBI's "true sale" criteria and related interest income have not been considered for computation of "average interest charged" in accordance with the MFIN format. Accordingly, the purchase consideration received towards such securitisations and related finance costs have also not been considered for computation of "average effective cost of borrowings".
  - Impairment allowance adjusted from the carrying value of loans in accordance with Ind AS 109;
- Interest income considered for computation of "average interest charged" excludes loan processing fee collected from customers in accordance with para 54 (vi) of the RBI Master Directions. As per Ind AS 109, such loan processing fee forms part of interest income in the Ind AS financial statements.
- The average interest charged and net interest margin excluding the loans originated in the states of Andhra Pradesh/ Telangana prior to January 1, 2012 are 21.58% (PY: 22.82%) and 9.34% (PY: 9.98%) respectively.

### AB. Public Disclosure on liquidity risk

- Funding concentration based on significant counterparty \*(both deposits and borrowings) - The company does not accept any deposits**

| Number of significant counterparties | Amount<br>(₹ In Crores) | % of Total<br>Liabilities |
|--------------------------------------|-------------------------|---------------------------|
| 2 (Two)                              | 969.41                  | 29.08%                    |



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 2. Top 20 Large Deposits : Not Applicable

### 3. Top 10 borrowings

| Amount (₹ In Crores) | % of Total Borrowings |
|----------------------|-----------------------|
| 2,616.11             | 86.74%                |

### 4. Funding concentration based on significant instrument/product\*

| Name of Instrument/product                  | Amount<br>(₹ In Crores) | % of Total<br>Liabilities |
|---|-------------------------|---------------------------|
| Term Loans                                  | 2,213.39                | 66.40%                    |
| Borrowings under securitization arrangement | 539.82                  | 16.19%                    |
| Total Liabilities*                          | 3,333.65                |                           |

### 5. Stock Ratios

| Particulars  | March 31, 2020 |
|--|----------------|
| Commercial Papers to Total Public Funds*               | Nil            |
| Commercial Papers to Total Liabilities                 | Nil            |
| Commercial Papers to Total Assets                      | Nil            |
| NCDs (Original Maturity <1 yrs.) to Total Public Funds | Nil            |
| NCDs (Original Maturity <1 yrs.) to Total Liabilities  | Nil            |
| NCDs (original Maturity <1 yrs.) to Total Assets       | Nil            |
| Other Short Term Liabilities to Total Public Funds     | 76.53%         |
| Other Short Term Liabilities to Total Liabilities      | 69.24%         |
| Other Short Term Liabilities to Total Assets           | 38.85%         |

### 6. Institutional set-up for liquidity risk management:

The company has an Asset Liability Management Committee (ALCO), a management level committee to handle liquidity risk management. The ALCO meetings are held at periodic intervals. At the apex level, the Risk Committee (RC), a sub-committee of the Board of Directors of the Company, oversees the liquidity risk management. The RC subsequently updates the Board of Directors on the same.

As per the policy on moratorium approved by the Board of Directors pursuant to RBI circular no. DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, the Company has not granted moratorium to customers with overdues as at March 1, 2020. Accordingly, no disclosure as per para 10 of RBI circular no. DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 is required.

\*Notes:

1. Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated November 4, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.
2. Significant instrument/product is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/ 03.10.001/ 2019-20 dated November 4, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.
3. Total Liabilities has been computed as sum of all liabilities (Balance Sheet figure) less Equities and Reserves/ Surplus.
4. Public funds is as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Direction, 2016.

### 46. CSR EXPENSES

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| a) Gross amount required to be spent by the Company during the year                           | 48.57          | 22.10          |
| b) Amount spent during the year on purposes other than construction/ acquisition of any asset | 49.51          | 19.90          |
| Paid  | 49.39          | 19.90          |
| Yet to be paid  | 0.12           | -              |
| <b>Total</b>  | <b>49.51</b>   | <b>19.90</b>   |

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

47. The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability where applicable in the financial statements. Refer note 33(a) for details on tax litigations.
48. During the quarter ended March 31, 2020, the Company has made an additional provision and write-off of ₹ 1,292.16 million towards COVID-19 and others.
49. The Company is in correspondence with Reserve Bank of India ("RBI") with respect to the pricing of credit guidelines prescribed under paragraph 56 of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 1, 2016, as amended ("Master Directions"). In respect of the observation made by the RBI in its inspection report, the Company believes, supported by an external legal opinions, that its interpretation is in compliance with aforesaid Master Directions and has accordingly not charged any excess interest. However, at RBI's directions, the Company has revised its interest rates prospectively effective February 26, 2020, while continuing to represent its views to RBI. Further, in these financial statements, the Company has adequately recognized the impact of aforesaid observation made by RBI.
50. There have been no events after the reporting date that require adjustment / disclosure in these financial statements.

As per our report of even date  
For **S. R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**  
Partner  
Membership No.048749

Place: Mumbai  
Date: June 02, 2020

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

**Deepak Calian Vaidya**  
Chairman  
DIN: 00337276  
Place: Mumbai  
Date: June 02, 2020

**Sudhesh Chandrasekar**  
Chief Financial Officer  
Place: Hyderabad  
Date: June 02, 2020

**Padmaja Gangireddy**  
Managing Director  
DIN: 00004842  
Place: Hyderabad  
Date: June 02, 2020

**Rakesh Jhinharia**  
Company Secretary  
Membership No. F8325  
Place: Hyderabad  
Date: June 02, 2020

# INDEPENDENT AUDITOR'S REPORT

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

## REPORT ON THE AUDIT OF THE CONSOLIDATED IND AS FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying consolidated Ind AS financial statements of Spandana Sphoorty Financial Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31, 2020, 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 Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated Ind AS 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, 2020, 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

### Emphasis of Matter

We draw attention to Note 39.1.b to the consolidated Ind AS financial statements, which describes the economic and social disruption as a result of the COVID-19 pandemic of the Group's business and financial metrics including the Group's estimates of impairment of loans to customers and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the consolidated Ind AS 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 Ind AS 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 Ind AS financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

## CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

| Key audit matters  | How our audit addressed the key audit matter   |
|--|--|
| <p><b>(a) Impairment of financial assets at balance sheet date (expected credit losses)</b><br/>(as described in notes 7 and 39.1 of the consolidated Ind AS financial statements)</p> <p>Ind AS 109 requires impairment of financial assets (designated at amortised cost and fair value through other comprehensive income) as at the reporting date to be provided using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the financial assets (loans portfolio).</p> <p>In the process, a significant degree of judgement has been applied by the Holding Company's management for:</p> <ul style="list-style-type: none"> <li>● Staging of financial assets (i.e. classification in 'significant increase in credit risk' ("SICR") and 'default' categories);</li> <li>● Grouping of the loan portfolio under homogenous pools in order to determine probability of default on a collective basis;</li> <li>● Determining effect of less frequent past events on future probability of default;</li> <li>● Estimation of management overlay for macro-economic factors which could impact the credit quality of the loans.</li> </ul> <p>Pursuant to the Reserve Bank of India circulars dated March 27, 2020 and May 23, 2020, issued as part of the COVID-19 Regulatory Package ("RBI circular"), allowing lending institutions to offer moratorium to borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020, the Group has extended moratorium to its borrowers in accordance with its Board approved policy.</p> <p>In Holding Company's management's view and considering the guidance provided by the Institute of Chartered Accountants of India, providing moratorium to borrowers at a mass scale, based on RBI directives, by itself is not considered to result in a SICR for such borrowers. The Holding Company has recorded a management overlay as part of its ECL, to reflect among other things an increased risk of deterioration in macro-economic factors caused by COVID-19 pandemic. Given the unique nature and scale of the economic impact of this pandemic, and its timing being close to the year-end, the management overlay is based on various uncertain variables, which could result in actual credit loss being different than that being estimated.</p> <p>In view of the high degree of management's judgement involved in estimation of ECL, accentuated by the COVID-19 pandemic, it is considered as a key audit matter.</p> | <ul style="list-style-type: none"> <li>● Read and assessed the Holding Company's accounting policy for impairment of financial assets and its compliance with Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020.</li> <li>● Read and assessed the Holding Company's policy with respect to moratorium pursuant to the RBI circular and tested the implementation of such policy on a sample basis.</li> <li>● Tested the operating effectiveness of the controls for staging of loans based on their past-due status. Tested samples of performing (stage 1) loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3.</li> <li>● Tested the assumptions used by the Holding Company for grouping and staging of loan portfolio into various categories and default buckets for determining the probability of default (PD) and loss given default (LGD) rates. Tested the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records.</li> <li>● Tested assumptions used by the management in determining the overlay for macro-economic factors (including COVID-19 pandemic).</li> <li>● Tested the arithmetical accuracy of computation of ECL provision performed by the Holding Company in spreadsheets.</li> <li>● Assessed disclosures included in the consolidated Ind AS financial statements in respect of expected credit losses including the specific disclosures made with regards to the management's evaluation of the uncertainties arising from COVID-19 and its impact on ECL estimation.</li> </ul> |

## CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

| Key audit matters  | How our audit addressed the key audit matter  |
|--|---|
| <p><b>(b) IT systems and controls</b></p> <p>The financial accounting and reporting systems of the Holding Company are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.</p> <p>Any gaps in the IT control environment could result in a material misstatement of the financial accounting and reporting records.</p> <p>Therefore, due to the pervasive nature and complexity of the IT environment, the assessment of the general IT controls and the application controls specific to the accounting and preparation of the financial information is considered to be a key audit matter.</p> | <p>In respect of the Holding Company, we performed the following procedures for testing IT general controls and for assessing the reliability of electronic data processing, assisted by specialized IT auditors:</p> <ul style="list-style-type: none"> <li>● The aspects covered in the IT General Control audit were (i) User Access Management (ii) Program Change Management (iii) Other related ITGCs – to understand the design and test the operating effectiveness of such controls;</li> <li>● Assessed the changes that were made to the key systems during the audit period and assessing changes that have impact on financial reporting;</li> <li>● Tested the periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization.</li> <li>● Performed tests of controls (including other compensatory controls wherever applicable) on the IT application controls and IT dependent manual controls in the system.</li> <li>● Tested the design and operating effectiveness of compensating controls, where deficiencies were identified and, where necessary, extended the scope of our substantive audit procedures.</li> </ul> |

### Other Information

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

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

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

## CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

### Responsibilities of Management and Those Charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS 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 Ind AS 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 Ind AS 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 Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS 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 Ind AS 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 Ind AS 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.



## CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

- 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated Ind AS 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. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS 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 Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matter

We did not audit the financial statements and other financial information, in respect of two subsidiaries whose Ind AS financial statements include total assets of Rs.1,872.87 million as at March 31, 2020, and total revenues of Rs.348.01 million and net cash inflows of Rs.28.07 million for the year ended on that date. These Ind AS financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report

## CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the report of such other auditors.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

### Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

- (a) We/the other auditors, whose report we have relied upon, 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 Ind AS 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 Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS 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, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group's companies, incorporated in India is disqualified as on March 31, 2020 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 Ind AS 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) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, incorporated in India, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Holding Company and its subsidiaries incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:

- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 47 to the consolidated Ind AS financial statements;
- ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2020;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company or its subsidiaries incorporated in India during the year ended March 31, 2020.

For **S. R. BATLIBOI & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**

Partner

Membership Number: 048749

UDIN: 20048749AAAAIJ2716

Mumbai

June 2, 2020

## CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

### ANNEXURE 1 REFERRED TO IN PARAGRAPH 2 (F) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

#### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of Spandana Sphoorty Financial Limited as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of Spandana Sphoorty Financial Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

#### Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary companies, 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 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 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 consolidated Ind AS 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 system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

A 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 consolidated Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting 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 consolidated Ind AS 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 consolidated Ind AS financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, 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 to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, 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 & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Viren H. Mehta**

Partner

Membership Number: 048749

UDIN: 20048749AAAAIJ2716

Mumbai

June 2, 2020

# CONSOLIDATED BALANCE SHEET

## AS AT MARCH 31, 2020

(Rupees in millions unless otherwise stated)

| Particulars   | Notes | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------|-------------------------|-------------------------|
| <b>ASSETS</b>   |       |                         |                         |
| <b>Financial assets</b>                                   |       |                         |                         |
| Cash and cash equivalents                                 | 4     | 596.31                  | 1,486.12                |
| Bank balances other than cash and cash equivalents        | 5     | 1,975.05                | 2,031.86                |
| Trade receivables   | 6     | 223.68                  | 35.49                   |
| Loans   | 7     | 48,523.95               | 42,677.59               |
| Investments   | 8     | 4,874.62                | 1.00                    |
| Other financial assets                                    | 9     | 2,904.96                | 604.47                  |
| <b>Subtotal - Financial assets</b>                        |       | <b>59,098.57</b>        | <b>46,836.53</b>        |
| <b>Non-financial assets</b>                               |       |                         |                         |
| Current tax assets (net)                                  | 10    | 153.13                  | 83.37                   |
| Deferred tax assets (net)                                 | 11    | 70.32                   | 1,999.79                |
| Property, plant and equipment                             | 12    | 152.28                  | 71.74                   |
| Intangible assets   | 12    | 13.31                   | 22.21                   |
| Goodwill  |       | 173.74                  | 173.74                  |
| Other non-financial assets                                | 13    | 112.43                  | 129.69                  |
| <b>Subtotal - Non-financial assets</b>                    |       | <b>675.21</b>           | <b>2,480.54</b>         |
| <b>Total assets</b>                                       |       | <b>59,773.78</b>        | <b>49,317.07</b>        |
| <b>LIABILITIES AND EQUITY</b>                             |       |                         |                         |
| <b>LIABILITIES</b>  |       |                         |                         |
| <b>Financial liabilities</b>                              |       |                         |                         |
| Debt securities   | 14    | 7,776.28                | 13,719.64               |
| Borrowings (other than debt securities)                   | 14    | 22,273.34               | 15,754.79               |
| Subordinated liabilities                                  | 14    | 203.28                  | 202.94                  |
| Other financial liabilities                               | 15    | 2,271.90                | 444.85                  |
| <b>Subtotal - Financial liabilities</b>                   |       | <b>32,524.80</b>        | <b>30,122.22</b>        |
| <b>Non-financial liabilities</b>                          |       |                         |                         |
| Current tax liabilities (net)                             | 16    | 647.07                  | 62.83                   |
| Provisions  | 17    | 28.00                   | 3.59                    |
| Other non-financial liabilities                           | 18    | 301.45                  | 224.85                  |
| <b>Subtotal - Non-financial liabilities</b>               |       | <b>976.52</b>           | <b>291.27</b>           |
| <b>EQUITY</b>   |       |                         |                         |
| Equity share capital                                      | 19    | 643.15                  | 596.34                  |
| Other equity  | 20    | 25,616.39               | 18,298.02               |
| <b>Equity attributable to shareholders of the company</b> |       | <b>26,259.54</b>        | <b>18,894.36</b>        |
| Non controlling interest                                  | 20    | 12.92                   | 9.22                    |
| <b>Subtotal Equity</b>                                    |       | <b>26,272.46</b>        | <b>18,903.58</b>        |
| <b>Total liabilities and equity</b>                       |       | <b>59,773.78</b>        | <b>49,317.07</b>        |
| Summary of significant accounting policies                | 3     |                         |                         |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

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

Chartered Accountants

ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**  
Partner  
Membership No.048749

Place: Mumbai  
Date: June 02, 2020

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

**Deepak Calian Vaidya**  
Chairman  
DIN: 00337276  
Place: Mumbai  
Date: June 02, 2020

**Sudhesh Chandrasekar**  
Chief Financial Officer  
Place: Hyderabad  
Date: June 02, 2020

**Padmaja Gangireddy**  
Managing Director  
DIN: 00004842  
Place: Hyderabad  
Date: June 02, 2020

**Rakesh Jhinjhar**  
Company Secretary  
Membership No. F8325  
Place: Hyderabad  
Date: June 02, 2020



# CONSOLIDATED PROFIT AND LOSS STATEMENT

## FOR THE YEAR ENDED MARCH 31, 2020

(Rupees in million unless otherwise stated)

|   | Notes | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|-------|----------------------------------|----------------------------------|
| <b>Revenue from operations</b>  |       |                                  |                                  |
| Interest income   | 21    | 11,691.94                        | 9,978.74                         |
| Commission and Incentive Income   |       | 370.56                           | 150.12                           |
| Net gain on fair value changes  | 22    | 2,185.23                         | 266.76                           |
| Others  | 23    | 105.25                           | 35.34                            |
| <b>Total revenue from operations</b>                                      |       | <b>14,352.98</b>                 | <b>10,430.96</b>                 |
| Other income  | 24    | 342.08                           | 54.33                            |
| <b>Total income</b>   |       | <b>14,695.06</b>                 | <b>10,485.29</b>                 |
| <b>Expenses</b>   |       |                                  |                                  |
| Finance cost  | 25    | 3,563.35                         | 3,578.65                         |
| Impairment on financial instruments and other provisions                  | 26    | 2,735.72                         | 453.00                           |
| Employee benefit expense  | 27    | 1,707.47                         | 1,310.46                         |
| Depreciation and amortization expense                                     | 12    | 88.33                            | 69.66                            |
| Other expenses  | 28    | 415.65                           | 338.80                           |
| <b>Total expenses</b>   |       | <b>8,510.52</b>                  | <b>5,750.57</b>                  |
| <b>Profit before tax</b>  |       | <b>6,184.54</b>                  | <b>4,734.72</b>                  |
| <b>Tax expense:</b>   | 29    |                                  |                                  |
| Current tax   |       | 705.16                           | 12.88                            |
| Deferred tax  |       | 1,961.09                         | 1,602.84                         |
| <b>Income tax expense</b>   |       | <b>2,666.25</b>                  | <b>1,615.72</b>                  |
| <b>Profit for the year</b>  |       | <b>3,518.29</b>                  | <b>3,119.00</b>                  |
| <b>Other Comprehensive Income</b>   |       |                                  |                                  |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |       |                                  |                                  |
| Re-measurement gains/(losses) on defined benefit plans                    |       | (17.52)                          | (2.94)                           |
| Income tax effect   |       | 4.41                             | 1.03                             |
| <b>Items that will be reclassified subsequently to profit or loss</b>     |       |                                  |                                  |
| Fair Value gain on loan portfolio   |       | 12.11                            | 688.80                           |
| Income tax effect   |       | (3.05)                           | (240.69)                         |
| <b>Total comprehensive income for the year</b>                            |       | <b>3,514.24</b>                  | <b>3,565.20</b>                  |
| <b>Profit for the year attributable to:</b>                               |       |                                  |                                  |
| Owners of the company   |       | 3,514.59                         | 3,118.24                         |
| Non-controlling interests   |       | 3.70                             | 0.76                             |
|   |       | <b>3,518.29</b>                  | <b>3,119.00</b>                  |
| <b>Total comprehensive income for the year attributable to :</b>          |       |                                  |                                  |
| Owners of the company   |       | 3,510.55                         | 3,564.44                         |
| Non-controlling interests   |       | 3.70                             | 0.76                             |
|   |       | <b>3,514.25</b>                  | <b>3,565.20</b>                  |
| <b>Earnings per share (equity share, par value of ₹ 10 each)</b>          |       |                                  |                                  |
| Computed on the basis of total profit for the year                        |       |                                  |                                  |
| Basic   | 30    | 56.21                            | 53.46                            |
| Diluted   | 30    | 55.74                            | 53.35                            |
| Nominal Value ( in ₹)   |       | 10.00                            | 10.00                            |
| Summary of significant accounting policies                                | 3     |                                  |                                  |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

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

Chartered Accountants

ICAI Firm registration number : 301003E/E300005

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

per **Viren H. Mehta**

Partner

Membership No.048749

**Deepak Calian Vaidya**

Chairman

DIN: 00337276

Place: Mumbai

Date: June 02, 2020

**Padmaja Gangireddy**

Managing Director

DIN: 00004842

Place: Hyderabad

Date: June 02, 2020

**Sudhesh Chandrasekar**

Chief Financial Officer

Place: Hyderabad

Date: June 02, 2020

**Rakesh Jhinjharia**

Company Secretary

Membership No. F8325

Place: Hyderabad

Date: June 02, 2020

Place: Mumbai

Date: June 02, 2020

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED MARCH 31, 2020

(Rupees in millions unless otherwise stated)

| Particulars  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| <b>Cash flow from operating activities</b>   |                                  |                                  |
| Profit before tax  | 6,184.54                         | 4,734.72                         |
| Adjustments for:   |                                  |                                  |
| Interest on income tax   | 0.88                             | 3.15                             |
| Depreciation and amortization  | 88.33                            | 69.66                            |
| Share based payment to employees   | 41.64                            | 41.25                            |
| Provision for gratuity   | 10.41                            | 4.01                             |
| Finance cost on Lease Liability  | 14.37                            | -                                |
| Net (gain)/ loss on derecognition of property, plant and equipment                       | -                                | 0.37                             |
| Impairment on financial instruments and other provisions                                 | 2,735.72                         | 453.00                           |
| Net gain on fair value changes   | (45.96)                          | (110.63)                         |
| Other provisions and write offs  | 29.24                            | 23.51                            |
| <b>Operating profit before working capital changes</b>                                   | <b>9,059.17</b>                  | <b>5,219.04</b>                  |
| Movements in working capital :   |                                  |                                  |
| Increase / (decrease) in other financial liabilities                                     | 1,713.86                         | 285.30                           |
| Increase / (decrease) in other non financial liabilities                                 | 76.60                            | 42.73                            |
| Increase / (decrease) in provisions  | (3.53)                           | (7.68)                           |
| (Increase) / decrease in bank balances other than cash and cash equivalents              | 56.81                            | (977.74)                         |
| (Increase) / decrease in trade receivables   | (188.19)                         | (10.46)                          |
| (Increase) / decrease in other financial assets  | (2,329.73)                       | 31.63                            |
| (Increase) / decrease in loans   | (8,569.97)                       | (10,070.52)                      |
| (Increase) / decrease in other non financial assets                                      | 17.28                            | (109.85)                         |
| <b>Cash used in operations</b>   | <b>(167.70)</b>                  | <b>(5,597.55)</b>                |
| Income taxes paid  | (184.00)                         | (135.88)                         |
| <b>Net cash generated/ (used) in operating activities (A)</b>                            | <b>(351.70)</b>                  | <b>(5,733.43)</b>                |
| <b>Cash flow from investing activities</b>   |                                  |                                  |
| Purchase of property, plant and equipment  | (45.63)                          | (69.56)                          |
| Purchase of intangible assets  | (0.02)                           | (8.00)                           |
| Proceeds from derecognition of property, plant and equipment                             | -                                | 0.08                             |
| Purchase of investments  | (72,432.21)                      | (67,585.20)                      |
| Proceeds from sale of investments  | 67,604.54                        | 67,695.83                        |
| Investment in subsidiary (net of cash acquired)  | -                                | (360.95)                         |
| <b>Net cash generated/ (used) in investing activities (B)</b>                            | <b>(4,873.32)</b>                | <b>(327.80)</b>                  |
| <b>Cash flows from financing activities</b>  |                                  |                                  |
| Proceeds from issue of equity shares (including securities premium)                      | 3,925.59                         | 501.00                           |
| Balance subscription of optionally convertible redeemable preference shares (all series) | -                                | 532.31                           |
| Proceeds from issue of share warrants (including securities premium)                     | -                                | 349.03                           |
| Dividend paid on compulsory convertible preference shares (all series)                   | -                                | (0.13)                           |
| Debt securities (net)  | (5,943.36)                       | 3,572.51                         |
| Payment of Lease Liability   | (15.42)                          | -                                |
| Borrowings (other than debt securities) (net)  | 6,518.52                         | 1,664.56                         |
| Subordinated liabilities (net)   | 0.34                             | (117.29)                         |
| Share issue expenses   | (150.46)                         | -                                |
| <b>Net cash generated/ (used) in financing activities (C)</b>                            | <b>4,335.21</b>                  | <b>6,501.99</b>                  |
| <b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>                | <b>(889.81)</b>                  | <b>440.76</b>                    |

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(Rupees in millions unless otherwise stated)

| Particulars  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Add: Cash and cash equivalents at the beginning of the year            | 1,486.12                         | 1,045.36                         |
| <b>Cash and cash equivalents at the end of the year (refer note 4)</b> | <b>596.31</b>                    | <b>1,486.12</b>                  |
| <b>Components of cash and cash equivalents as at the end of year</b>   |                                  |                                  |
| Cash on hand   | 2.82                             | 7.79                             |
| Balance with banks - on current account                                | 593.49                           | 1,407.24                         |
| Deposits with original maturity of less than or equal to 3 months      | -                                | 71.09                            |
| <b>Total cash and cash equivalents</b>                                 | <b>596.31</b>                    | <b>1,486.12</b>                  |

For disclosure of investing and financing transactions that do not require the use of cash and cash equivalents, refer note 43.

| Cash flow from operating activities        | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Interest Received                          | 12,594.14                        | 9,515.54                         |
| Interest Paid                              | 3,343.47                         | 3,339.58                         |
| Summary of significant accounting policies | Note No. 3                       |                                  |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

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

Chartered Accountants

ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**

Partner

Membership No.048749

Place: Mumbai

Date: June 02, 2020

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

**Deepak Calian Vaidya**

Chairman

DIN: 00337276

Place: Mumbai

Date: June 02, 2020

**Sudhesh Chandrasekar**

Chief Financial Officer

Place: Hyderabad

Date: June 02, 2020

**Padmaja Gangireddy**

Managing Director

DIN: 00004842

Place: Hyderabad

Date: June 02, 2020

**Rakesh Jhinjharia**

Company Secretary

Membership No. F8325

Place: Hyderabad

Date: June 02, 2020

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED ON MARCH 31, 2020

## A. EQUITY SHARES

### Equity Share of ₹ 10 each issued, subscribed and fully paid

(Rupees in million unless otherwise stated)

| Particulars  | No. of Shares | Amount |
|--|---------------|--------|
| As at April 1, 2018  | 29,756,818    | 297.57 |
| Issue of equity share capital during the year ended March 31, 2019 (refer note 19) | 29,876,865    | 298.77 |
| As at March 31, 2019   | 59,633,683    | 596.34 |
| Issue of equity share capital during the year ended March 31, 2020                 | 4,681,800     | 46.82  |
| As at March 31, 2020   | 64,315,483    | 643.15 |

## B. OTHER EQUITY

(Rupees in millions unless otherwise stated)

| Particulars  | Notes     | Securities Premium | Retained Earnings | General Reserve | Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934) | Capital Redemption Reserve | Share options outstanding reserve | Total            | Equity component of compound financial instrument | Money received against share warrants | Total Equity     | Other items of comprehensive income (fair valuation on loans) | Other Equity     | Non - Controlling interests | Grand Total      |
|--|-----------|--------------------|-------------------|-----------------|---|----------------------------|-----------------------------------|------------------|---|---------------------------------------|------------------|---|------------------|-----------------------------|------------------|
| <b>Balance as at April 01, 2018</b>  | <b>20</b> | <b>2,877.61</b>    | <b>(4,221.38)</b> | <b>23.28</b>    | <b>1,948.67</b>   | <b>1,526.92</b>            | -                                 | <b>2,155.09</b>  | <b>11,452.21</b>                                  | <b>1.49</b>                           | <b>13,608.80</b> | -   | <b>13,608.80</b> | -                           | <b>13,608.80</b> |
| Profit for the year ended March 31, 2019   |           | -                  | 3,118.24          | -               | -   | -                          | -                                 | 3,118.24         | -   | -                                     | 3,118.24         | -   | 3,118.24         | 0.76                        | 3,119.00         |
| Other comprehensive income   |           | -                  | (1.90)            | -               | -   | -                          | -                                 | (1.90)           | -   | -                                     | (1.90)           | 448.11  | 446.21           | 0.00                        | 446.21           |
| <b>Total comprehensive income for the year</b>   |           | <b>-</b>           | <b>3,116.34</b>   | <b>-</b>        | <b>-</b>  | <b>-</b>                   | <b>-</b>                          | <b>3,116.34</b>  | <b>-</b>  | <b>-</b>                              | <b>3,116.34</b>  | <b>448.11</b>   | <b>3,564.45</b>  | <b>0.76</b>                 | <b>3,565.21</b>  |
| Share of Non - Controlling interest arising on business combination                        |           | -                  | -                 | -               | -   | -                          | -                                 | -                | -   | -                                     | -                | -   | -                | 8.46                        | 8.46             |
| Transfer to Statutory Reserve  |           | -                  | (617.50)          | -               | 617.50  | -                          | 41.25                             | -                | -   | -                                     | 41.25            | -   | 41.25            | -                           | 41.25            |
| Fair value of stock option - charge for the year   |           | -                  | -                 | -               | -   | -                          | -                                 | -                | -   | -                                     | -                | -   | -                | -                           | -                |
| Issue of share capital during year ended March 31, 2019                                    | 20        | 479.72             | -                 | -               | -   | -                          | -                                 | 479.72           | -   | -                                     | 479.72           | -   | 479.72           | -                           | 479.72           |
| Conversion of compulsory convertible preference shares                                     | 20        | 11,212.29          | -                 | -               | -   | -                          | -                                 | 11,212.29        | (11,452.21)                                       | -                                     | (239.93)         | -   | (239.93)         | -                           | (239.93)         |
| Conversion of optionally convertible redeemable preference shares - Series A, B & C        | 20        | 509.70             | -                 | -               | -   | -                          | -                                 | 509.70           | -   | -                                     | 509.70           | -   | 509.70           | -                           | 509.70           |
| Conversion of share warrants   | 20        | 335.64             | -                 | -               | -   | -                          | -                                 | 335.64           | -   | (1.49)                                | 334.15           | -   | 334.15           | -                           | 334.15           |
| Dividend on CQPS (all classes) and OCRPS (all series) (includes dividend distribution tax) | 20        | -                  | (0.13)            | -               | -   | -                          | -                                 | (0.13)           | -   | -                                     | (0.13)           | -   | (0.13)           | -                           | (0.13)           |
| <b>Balance as at March 31, 2019</b>  | <b>20</b> | <b>15,414.96</b>   | <b>(1,722.67)</b> | <b>23.28</b>    | <b>2,566.17</b>   | <b>1,526.92</b>            | <b>41.25</b>                      | <b>17,849.91</b> | <b>-</b>  | <b>-</b>                              | <b>17,849.91</b> | <b>448.11</b>   | <b>18,298.02</b> | <b>9.22</b>                 | <b>18,307.24</b> |
| Profit for the year ended March 31, 2020   |           | -                  | 3,514.59          | -               | -   | -                          | -                                 | 3,514.59         | -   | -                                     | 3,514.59         | -   | 3,514.59         | -                           | 3,514.59         |
| Other comprehensive income   |           | -                  | (13.11)           | -               | -   | -                          | -                                 | (13.11)          | -   | -                                     | (13.11)          | 9.06  | (4.05)           | -                           | (4.05)           |
| <b>Total comprehensive income</b>  |           | <b>-</b>           | <b>3,501.49</b>   | <b>-</b>        | <b>-</b>  | <b>-</b>                   | <b>-</b>                          | <b>3,501.49</b>  | <b>-</b>  | <b>-</b>                              | <b>3,501.49</b>  | <b>9.06</b>   | <b>3,510.54</b>  | <b>-</b>                    | <b>3,510.54</b>  |
| Share of Non - Controlling interest arising on business combination                        |           | -                  | -                 | -               | -   | -                          | -                                 | -                | -   | -                                     | -                | -   | -                | 3.70                        | 3.70             |
| Transfer to Statutory Reserve  |           | -                  | (673.38)          | -               | 673.38  | -                          | -                                 | -                | -   | -                                     | -                | -   | -                | -                           | -                |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED ON MARCH 31, 2020 (Contd.)

(Rupees in millions unless otherwise stated)

| Particulars  | Notes     | Securities<br>Premium | Retained<br>Earnings | General<br>Reserve | Statutory<br>Reserve (As<br>required by<br>Sec 45-1C of<br>Reserve Bank<br>of India Act,<br>1934) | Capital<br>Redemption<br>Reserve | Share<br>options<br>outstanding<br>reserve | Total            | Equity<br>component<br>of compound<br>financial<br>instrument | Money<br>received<br>against<br>share<br>warrants | Total<br>Equity  | Other items of<br>comprehensive<br>income (fair<br>valuation on<br>loans) | Other<br>Equity  | Non -<br>Controlling<br>interests | Grand Total      |
|--|-----------|-----------------------|----------------------|--------------------|---|----------------------------------|--|------------------|---|---|------------------|---|------------------|-----------------------------------|------------------|
| Premium on issue of equity shares  |           | 3,897.49              | -                    | -                  | -   | -                                | -  | 3,897.49         | -   | -   | 3,897.49         | -   | 3,897.49         | -                                 | 3,897.49         |
| Share Issue Expenses   | 20        | (150.46)              | -                    | -                  | -   | -                                | -  | (150.46)         | -   | -   | (150.46)         | -   | (150.46)         | -                                 | (150.46)         |
| Tax on Share Issue Expense   | 20        | 37.87                 | -                    | -                  | -   | -                                | -  | 37.87            | -   | -   | 37.87            | -   | 37.87            | -                                 | 37.87            |
| Add: Share based payment to employees                                      | 20        | -                     | -                    | -                  | -   | -                                | 43.80                                      | 43.80            | -   | -   | 43.80            | -   | 43.80            | -                                 | 43.80            |
| Less: Transfer on allotment of shares to employees pursuant to ESOP scheme | 20        | -                     | -                    | -                  | -   | -                                | (18.72)                                    | (18.72)          | -   | -   | (18.72)          | -   | (18.72)          | -                                 | (18.72)          |
| Less: Transfer on cancellation of stock options                            | 20        | -                     | -                    | -                  | -   | -                                | (2.16)                                     | (2.16)           | -   | -   | (2.16)           | -   | (2.16)           | -                                 | (2.16)           |
| <b>Balance as at March 31, 2020</b>  | <b>20</b> | <b>19,199.86</b>      | <b>1,105.43</b>      | <b>23.28</b>       | <b>3,239.55</b>   | <b>1,526.92</b>                  | <b>64.17</b>                               | <b>25,159.21</b> | <b>-</b>  | <b>-</b>  | <b>25,159.21</b> | <b>457.17</b>   | <b>25,616.39</b> | <b>12.92</b>                      | <b>25,629.31</b> |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date  
For **S. R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm registration number : 301003E/E3000005

per **Viren H. Mehta**  
Partner  
Membership No.048749

Place: Mumbai  
Date: June 02, 2020

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

**Deepak Calian Vaidya**  
Chairman  
DIN: 00337276  
Place: Mumbai  
Date: June 02, 2020

**Padmaja Gangireddy**  
Managing Director  
DIN: 00004842  
Place: Hyderabad  
Date: June 02, 2020

**Sudhesh Chandrasekar**  
Chief Financial Officer  
Place: Hyderabad  
Date: June 02, 2020

**Rakesh Jhinjaria**  
Company Secretary  
Membership No. F8325  
Place: Hyderabad  
Date: June 02, 2020

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR YEAR ENDED MARCH 31, 2020

### 1. CORPORATE INFORMATION

**Spandana Sphoorty Financial Limited** ('the Company' or 'Holding Company' or 'Parent Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as Non-Banking Financial Company – Micro Finance Institution (NBFC – MFI) effective April 13, 2015.

The shares of the Holding Company were listed on the stock exchanges in India in August 2019 pursuant to the Initial Public Offer of equity shares. The registered office of the Holding Company is located at Spandana Sphoorty financial limited, plot no 31 & 32, Ramky Selenium Towers, Ground floor, Nanakramguda, Gachibowli, Telangana, India.

The Holding Company together with its subsidiaries listed below hereinafter collectively referred to as the 'the Group'. The Group is primarily engaged in the business of lending, providing small value unsecured loans to low income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

Caspian Financial Services Limited or ('CFSL') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on October 13, 2017. The main objective of CFSL is to carry on the business of lending (other than micro finance).

Criss Financial Holdings Limited (formerly Keertana Financial Limited) ('CFL') is a public company limited by shares domiciled in India and incorporated under the provision of the Companies Act, 1956 ('the Act') on August 20, 1992. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI'). The Company is engaged in the business of finance by providing Individual Loans, Small Business Loans, Mortgage Loans and Group Loans. On December 27, 2018, the Company acquired 95.97% of the equity shares (2,837,135 shares) of CFL, further on December 28, 2018, the Company subscribed to issue of fresh equity shares of 1,890,217 there by holding 97.54% of the total share holding. CFSL and CFL have been collectively referred to as "the Subsidiaries".

### 2. BASIS OF PREPARATION

#### a) Statement of compliance in preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian

Accounting Standards) Rules, 2015 (as amended from time to time). The consolidated financial statements have been prepared on a going concern basis.

These consolidated financial statements have been prepared on historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments and other financial assets held for trading all of which have been measured at fair value. Further, the carrying values of recognized assets and liabilities that are hedged items in fair value hedges and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The statement of cash flows has been prepared under indirect method.

The functional currency of the Company is the Indian rupee. These consolidated financial statements are presented in Indian rupees (rounded off to millions).

#### b) Presentation of Financial Statements.

The Group presents its balance sheet in order of liquidity. Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The consolidated financial statements are prepared using the uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, to the extent possible unless otherwise stated.

The standalone financial statements of the Company and the Subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

group balances and intra-group transactions resulting in unrealized profits or losses.

### Principles of Consolidation

- i) The consolidated financial statements incorporate the financial statements of the Parent Company and all its subsidiaries (from the date control is gained), being the entities that it controls. Control is evidenced where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity returns. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies in line with accounting policies of the Parent Company.

The Parent Company holds 100% shareholding in Caspian Financial Services Limited and 97.54% of the Shareholding in Criss Financial Holdings Limited and there are no contractual arrangements which rebut the control of the Parent Company over its subsidiaries.

The financial statements of subsidiaries acquired during the year are included in the consolidated statement of profit and loss from the effective date of acquisition. Intragroup balances and transactions and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements

- ii) The Consolidated financial statements include results of the subsidiaries of Spandana Sphoorty Financial Limited. (Holding Company), consolidated in accordance with Ind AS 110 'Consolidated Financial Statements'.

| Name of the Company                | Country of Incorporation | Proportion of ownership as at |               | Consolidated as |
|------------------------------------|--------------------------|-------------------------------|---------------|-----------------|
|                                    |                          | March,31 2020                 | March,31 2019 |                 |
| Criss Financial Holdings Limited*  | India                    | 97.54%                        | 97.54%        | Subsidiary      |
| Caspian Financial Services Limited | India                    | 100.00%                       | 100.00%       | Subsidiary      |

\* On December 27, 2018 the Company acquired 95.97% of the equity shares (2,837,135 shares) of CFL, further on December 28, 2018 the Company subscribed to issue of fresh equity shares of 1,890,217 there by holding 97.54% of the total share holding.

For the preparation of Consolidated Financial Statements for FY 2019-20 the group has consolidated financials of the holding company and its subsidiaries - Caspian Financial Services Limited and Criss Financial Holdings Limited. For the preparation of Consolidated financial statements for FY 2018-19 the group has consolidated financials of the holding company and its subsidiary Caspian Financial Services Limited and Criss Financial Holdings Limited.(from December 27, 2018, the date of acquisition).

Figures for preparation of consolidated financial statements have been derived from the audited financial statements of the respective companies in the Group.

Disclosure in terms of Schedule III of the Companies Act, 2013

| Name of the entities in the Group                                | Net Assets (i.e. Total Assets minus Total Liabilities) |                  | Share in Profit or (Loss)           |                 | Share in other comprehensive income             |               | Share in total comprehensive income             |                 |
|--|--|------------------|-------------------------------------|-----------------|---|---------------|---|-----------------|
|  | As % of consolidated net assets                        | Amount           | As % of consolidated profit or loss | Amount          | As % of consolidated other comprehensive income | Amount        | As % of consolidated total comprehensive income | Amount          |
| <b>Holding Company</b>   |  |                  |                                     |                 |   |               |   |                 |
| Spandana Sphoorty Financial Limited                              | 97.52%   | 26,081.38        | 95.70%                              | 3,366.94        | 97.53%  | (3.95)        | 95.69%  | 3,362.99        |
| <b>Subsidiaries</b>  |  |                  |                                     |                 |   |               |   |                 |
| Criss Financial Holdings Limited                                 | 2.40%  | 641.55           | 4.27%                               | 150.41          | 2.47%   | (0.10)        | 4.28%   | 150.31          |
| Caspian Financial Services Limited                               | 0.08%  | 21.77            | 0.03%                               | 0.94            | 0.00%   | 0.00          | 0.03%   | 0.94            |
| <b>Total</b>   | <b>100.00%</b>   | <b>26,744.70</b> | <b>100%</b>                         | <b>3,518.29</b> | <b>100.00%</b>                                  | <b>(4.05)</b> | <b>100.00%</b>                                  | <b>3,514.24</b> |
| a) Adjustments arising out of consolidation                      |  | (472.24)         |                                     | 0.00            |   |               |   |                 |
| b) Non-controlling interests in Criss Financial Holdings Limited |  | (12.92)          |                                     | (3.70)          |   | 0.00          |   | (3.70)          |
| <b>Total</b>   |  | <b>(485.16)</b>  |                                     | <b>(3.70)</b>   |   | <b>0.00</b>   |   | <b>(3.70)</b>   |
| <b>Total</b>   |  | <b>26,259.54</b> |                                     | <b>3,514.59</b> |   | <b>(4.05)</b> |   | <b>3,510.54</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### c) **Assessment of Going Concern Assumption:**

The Group has assessed the impact of the COVID-19 pandemic on its liquidity and ability to fulfill its obligations as and when they are due and has evaluated the asset-liability maturity (ALM) pattern in various time buckets as prescribed under the guidelines issued by the RBI. Pursuant to the order issued by the Ministry of Home Affairs on April 15, 2020 allowing microfinance companies to operate in specified areas, the Group resumed operations in those specified areas from April 20, 2020 by complying with the regulatory guidelines on businesses, social distancing, etc. With the gradual relaxation of lockdown rules thereafter, our employees were able to meet and collect from those borrowers willing to repay, due to minimal impact of the lockdown on them. As observed since the resumption of operations, the management is confident that collections will continue to improve, albeit likely to be at a lower level than earlier. In addition, management has considered various stimulus packages announced by the Government of India which will directly or indirectly benefit NBFC-MFI, current status/outcomes of discussions with the Group's lenders to seek/extend moratorium and various other financial support from other banks and financial institutions in determining the Group's liquidity position over the next 12 months from the end of reporting period. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Group will be able to fulfill its obligations as and when these become due in the foreseeable future.

### 3. **SIGNIFICANT ACCOUNTING POLICIES**

#### a) **Use of estimates, judgments and assumptions**

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

In particular, information about significant areas of

estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

#### i) **Defined employee benefit assets and liabilities**

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

#### ii) **Fair value measurement**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### iii) **Impairment of loan portfolio**

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Group makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

#### iv) **Provisions other than impairment on loan portfolio**

Provisions are held in respect of a range of future obligations such as employee entitlements and litigation provisions. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

that are expected to be incurred after more than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

### v) Other estimates

These include contingent liabilities, useful lives of tangible and intangible assets etc.

### b) Recognition of income and expense

The Group earns revenue primarily from giving loans. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

#### (i) Interest income and expense

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

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

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

#### (ii) Dividend income

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

#### (iii) Other income and expense

All Other income and expense are recognized in the period they occur.

### c) Property, plant and equipment(PPE) and intangible asset

#### PPE

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

#### Intangible Asset

Intangible assets represent software expenditure which is stated at cost less accumulated amortization and any accumulated impairment losses.

### d) Depreciation and amortization

#### Depreciation

- i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived based on useful life of the assets, prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.
- ii. Property, plant and equipment costing up to ₹ 5,000 individually are fully depreciated in the year of purchase.

The Group has used the following useful lives to provide depreciation on its Property, plant and equipment:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

| Asset Category         | Useful Life (in years) |
|------------------------|------------------------|
| Furniture & Fixtures   | 10                     |
| Computers & Printers   | 3                      |
| Office Equipment       | 5                      |
| Leasehold Improvements | 3                      |
| Vehicles               | 8                      |
| Land & Buildings       | 60                     |

### Amortization

Intangible assets are amortized at a rate of 40% per annum on a "Written Down Value" method, from the date that they are available for use.

### e) Business Combination and Goodwill:

Goodwill is initially recognized at cost and is subsequently measured at cost plus any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that unit's value may be impaired. If the recoverable amount of the cash generating unit is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying value of any goodwill allocated to the unit and then to the other assets of the unit in proportion to carrying value of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in subsequent period. On disposal of the subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

### f) Impairment

#### i) Overview of principles for measuring expected credit loss ('ECL') on financial assets.

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

The Group has a process to assess credit risk of all exposures at each year end as follows:

#### Stage I

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

#### Stage II

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

#### Stage III

All exposures having overdue balances for a period exceeding 90 days are considered to be defaults and are classified under this stage. Accordingly, the Group measures lifetime losses on such exposure. Interest revenue on such contracts is calculated by applying the effective interest rate to the amortized cost (net of impairment allowance) instead of the gross carrying amount.

#### Methodology for calculating ECL

The Group determines ECL based on a probability weighted outcome of factors indicated below to measure the shortfalls in collecting contractual cash flows. The Group does not discount such shortfalls considering relatively shorter tenure of loan contracts.

#### Key factors applied to determine ECL are outlined as follows:

Probability of default (PD) - The probability of default is an estimate of the likelihood of default over a given time horizon (12-month or lifetime, depending upon the stage of the asset).

Exposure at default (EAD) - It represents an estimate of the exposure of the Group at a future date after considering repayments by the counterparty before the default event occurs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

Loss given default (LGD) – It represents an estimate of the loss expected to be incurred when the event of default occurs.

### Forward looking information

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

### Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. All such write-offs are charged to the Profit and Loss Statement. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

### ii) Non financial assets

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

### g) Revenue From Contracts with Customers

The Group recognizes revenue from contracts with customers (other than financial assets to which Ind

AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue From Contracts with Customers'. The Group identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

- (a) Commission and incentive income is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognized on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.
- (b) Revenue from advertisement activity is recognised upon satisfaction of performance obligation by rendering of services underlying the contract with third party customers.

### h) Net Gain/Loss on fair value changes

The Group designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The Group recognizes gains on fair value changes of financial assets measured at FVTPL, and realized gains on derecognition of financial assets measured at FVTPL and FVOCI on net basis.

Further, the Group also recognizes the fair value on investment in mutual funds in the statement of profit and loss in accordance with Ind AS 109.

### i) Leases

Short term leases not covered under Ind AS 116 are classified as operating lease. Lease payments during the year are charged to statement of profit and loss. Further minimum rentals payable under non - cancellable operating leases.

Ind AS 116 Leases was notified by MCA on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group has adopted Ind AS 116 - Leases with effect from April 1, 2019 and applied to all lease contracts existing on April 1, 2019 using the Modified Retrospective Approach. In accordance with the transitional provisions, the Group has not restated the comparative figures. The adoption of new standard resulted in recognition of right-of-use asset and a corresponding lease liability of ₹ 114.27 Mn on April 1, 2019. The effect of this adoption is not material to the profit for the period and earnings per share.

### j) Foreign currency transactions

#### ● Functional and presentation currency

The consolidated financial statements are presented in Indian Rupees (₹), which are the functional currency of the Group and the currency of the primary economic environment in which the Group operates.

#### ● Transaction and balance

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose

fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

### k) Retirement and Employee benefits

The Group participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Group's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Group's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Group. The present value of the defined benefit obligations is calculated using the projected unit credit method.

The Group operates following employee benefit plans:

#### i) Employee Provident Fund

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

#### ii) Gratuity

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

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

### iii) Leaves

The service rules of the Group do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

### iv) Employee Stock Option Plan

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments in form of employee stock options, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in Stock Option Outstanding reserves in Other equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

## I) Income taxes

### Current Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with The Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

### Deferred Taxes

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the FVOCI instruments. The Group also recognizes the tax consequences of payments and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Group's intention to settle on a net basis.

### **Minimum Alternate Tax (MAT)**

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognized for MAT credit available only to the extent that it is probable that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

### **m) Earnings per share (EPS)**

The Group reports basic and diluted earnings per share in accordance with Ind AS33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

### **n) Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The increase in the

provision due to un-winding of discount over passage of time is recognized within finance costs.

### **o) Contingent liabilities and assets**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not have any contingent assets in the financial statements.

### **p) Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

**Financial Assets** - All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### **Subsequent measurement**

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

- Financial assets at amortized cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Investment in equity instruments and mutual funds at fair value through profit or loss
- Other financial assets at amortized cost

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### **Financial assets at amortized cost:**

Financial assets are measured at amortized cost where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

### **Financial assets at FVOCI:**

Financial assets are measured at FVOCI where:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model where objective is achieved by both collecting contractual cash flows and selling financial assets.

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

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

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

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

**Effective interest method** - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The amortized cost of the financial asset is adjusted if the Group revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets. Income is recognized on an effective interest basis for loan portfolio other than those financial assets classified as at FVTPL.

### **Equity instruments and Mutual Funds**

Equity instruments and mutual funds included within the FVTPL category are measured at fair value with all changes recognized in the Profit and Loss Statement.

### **Financial liabilities**

#### **Initial Measurement**

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

#### **Subsequent Measurement**

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

#### **De-recognition**

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

A financial liability is derecognized from the balance sheet when the Group has discharged its obligation or the contract is cancelled or expires.

### q) Fair value measurement

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

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

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

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

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

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

- *Level 1 financial instruments* - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are

binding and exercisable price quotes available on the balance sheet date.

- *Level 2 financial instruments* - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.
- *Level 3 financial instruments* - include one or more unobservable input where there is little market activity for the asset/liability at the measurement date that is significant to the measurement as a whole.

### r) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

### s) Share issue expenses

Incremental costs that are directly attributable to the issue of an equity instrument (i.e. they would have been avoided if the instrument had not been issued) are deducted from equity.

### t) Convertible Preference Shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 4. CASH AND CASH EQUIVALENTS

(Rupees in million unless otherwise stated)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Cash on hand   | 2.82                    | 7.79                    |
| Balances with banks                                      |                         |                         |
| On current accounts                                      | 593.49                  | 1,407.24                |
| Deposit with original maturity of less than three months | -                       | 71.09                   |
|  | <b>596.31</b>           | <b>1,486.12</b>         |

Balances with banks earns interest with floating rates based on daily bank deposit rates. Short term Deposits are made for varying periods of between 1 day and 3 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

### 5. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Deposit with remaining maturity of less than 12 months | 24.99                   | 85.22                   |
| Deposit with remaining maturity of more than 12 months | -                       | -                       |
| Margin money deposits (refer note below)               | 1,950.06                | 1,946.64                |
|  | <b>1,975.05</b>         | <b>2,031.86</b>         |

Note: Represent margin money deposits placed to avail term loans from banks and placed as cash collateral in connection with securitization transactions.

Fixed Deposits with banks earns interest with fixed/floating rates based on daily bank deposit rates.

### 6. TRADE RECEIVABLES

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Outstanding for a period less than six months from the date they are due for payment |                         |                         |
| Unsecured, considered good   | 223.68                  | 35.49                   |
|  | 223.68                  | 35.49                   |
| <b>Provision for impairment :</b>  |                         |                         |
| Unsecured, considered good   | -                       | -                       |
|  | <b>223.68</b>           | <b>35.49</b>            |

Trade receivables include ₹ 108.62 Mn (Previous year ₹ 28.61 Mn) receivable from entities in which Directors or key Managerial Persons are interested.

Trade receivables are generally non interest bearing and are on terms of 30 to 60 days.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**
**7. LOANS**

(Rupees in million unless otherwise stated)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>(a) At Fair value through OCI</b>  |                         |                         |
| Loans   | 48,497.07               | 45,529.86               |
| <b>Total - Gross</b>  | <b>48,497.07</b>        | <b>45,529.86</b>        |
| Less: Impairment and other provisions including Management overlay for COVID-19 | (1,652.21)              | (3,875.96)              |
| <b>Total - Net</b>  | <b>46,844.86</b>        | <b>41,653.89</b>        |
| (a) Secured by tangible assets (Gold, Property including land and building)     | 846.00                  | 643.07                  |
| (b) Unsecured   | 47,651.07               | 44,886.79               |
| <b>Total - Gross</b>  | <b>48,497.07</b>        | <b>45,529.86</b>        |
| Less: Impairment and other provisions including Management overlay for COVID-19 | (1,652.21)              | (3,875.96)              |
| <b>Total - Net</b>  | <b>46,844.86</b>        | <b>41,653.89</b>        |
| (a) Public sector   | -                       | -                       |
| (b) Others  | 48,497.07               | 45,529.86               |
| <b>Total - Gross</b>  | <b>48,497.07</b>        | <b>45,529.86</b>        |
| Less: Impairment and other provisions including Management overlay for COVID-19 | (1,652.21)              | (3,875.96)              |
| <b>Total - Net</b>  | <b>46,844.86</b>        | <b>41,653.89</b>        |
| (a) Within India  | 48,497.07               | 45,529.86               |
| (b) Outside India   | -                       | -                       |
| <b>Total - Gross</b>  | <b>48,497.07</b>        | <b>45,529.86</b>        |
| Less: Impairment and other provisions including Management overlay for COVID-19 | (1,652.21)              | (3,875.96)              |
| <b>Total - Net</b>  | <b>46,844.86</b>        | <b>41,653.89</b>        |
| <b>(b) At amortized cost</b>  |                         |                         |
| Loans   | 1,685.85                | 1,023.80                |
| <b>Total - Gross</b>  | <b>1,685.85</b>         | <b>1,023.80</b>         |
| Less: Impairment allowance  | (6.76)                  | (0.11)                  |
| <b>Total - Net</b>  | <b>1,679.09</b>         | <b>1,023.70</b>         |
| (a) Secured by tangible assets (Gold, Property including land and building)     | 77.09                   | 63.76                   |
| (b) Unsecured   | 1,608.76                | 960.05                  |
| <b>Total - Gross</b>  | <b>1,685.85</b>         | <b>1,023.80</b>         |
| Less: Impairment allowance  | (6.76)                  | (0.11)                  |
| <b>Total - Net</b>  | <b>1,679.09</b>         | <b>1,023.70</b>         |
| (a) Public sector   | -                       | -                       |
| (b) Others  | 1,685.85                | 1,023.80                |
| <b>Total - Gross</b>  | <b>1,685.85</b>         | <b>1,023.80</b>         |
| Less: Impairment allowance  | (6.76)                  | (0.11)                  |
| <b>Total - Net</b>  | <b>1,679.09</b>         | <b>1,023.70</b>         |
| (a) Within India  | 1,685.85                | 1,023.80                |
| (b) Outside India   | -                       | -                       |
| <b>Total - Gross</b>  | <b>1,685.85</b>         | <b>1,023.80</b>         |
| Less: Impairment allowance  | (6.76)                  | (0.11)                  |
| <b>Total - Net</b>  | <b>1,679.09</b>         | <b>1,023.70</b>         |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Overview of the Loans of the group

The Group is primarily in the business of providing micro loans with its operations spread out in different parts of India.

On October 15, 2010, the then Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" which was subsequently enacted as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011" ('AP MFI Act'). The AP MFI Act, inter alia, imposed several restrictions on the operations of the MFIs operating in the then state of Andhra Pradesh, including a change in repayment frequency for loan repayments from a 'weekly' to a 'monthly' basis.

As a result recoveries from the loans in the states of Andhra Pradesh and Telangana were adversely affected resulting in significant defaults. Such loans are hereinafter referred as the 'old AP portfolio'. Accordingly, all such loans have been categorized under Stage III on March 31, 2019 considering significant uncertainty with respect to their recoveries. All other exposures have been referred as 'new portfolio'. However the same loans have been entirely written off during current year. All other exposures have been referred as 'new portfolio'.

The table below discloses credit quality of the Group's exposures as at reporting date:

### Portfolio classification as at March 31, 2020

| Particulars                                | Stage I          | Stage II      | Stage III     | Total            |
|--|------------------|---------------|---------------|------------------|
| Gross carrying amount as at March 31, 2020 |                  |               |               |                  |
| - New Portfolio                            | 49,891.93        | 111.14        | 179.84        | 50,182.92        |
| - Old AP Portfolio                         | -                | -             | -             | -                |
| <b>Total</b>                               | <b>49,891.93</b> | <b>111.14</b> | <b>179.84</b> | <b>50,182.92</b> |

\*Old AP portfolio is completely written off during the year, hence net exposure is Nil.

### Portfolio classification as at March 31, 2019

| Particulars                                | Stage I          | Stage II      | Stage III       | Total            |
|--|------------------|---------------|-----------------|------------------|
| Gross carrying amount as at March 31, 2019 |                  |               |                 |                  |
| - New Portfolio                            | 42,775.64        | 150.21        | 43.11           | 42,968.96        |
| - Old AP Portfolio                         | -                | -             | 3,584.70        | 3,584.70         |
| <b>Total</b>                               | <b>42,775.64</b> | <b>150.21</b> | <b>3,627.81</b> | <b>46,553.66</b> |

### Gross Portfolio Movement for the year ended March 31, 2020

| Particulars   | Stage I          | Stage II        | Stage III         | Total             |
|---|------------------|-----------------|-------------------|-------------------|
| Gross carrying amount as at April 1, 2019                       |                  |                 |                   |                   |
| - New Portfolio   | 42,775.64        | 150.21          | 43.11             | 42,968.96         |
| - Old AP Portfolio  | -                | -               | 3,584.70          | 3,584.70          |
| <b>Total (A)</b>  | <b>42,775.64</b> | <b>150.21</b>   | <b>3,627.81</b>   | <b>46,553.66</b>  |
| Inter-stage movements   |                  |                 |                   |                   |
| - New Portfolio   |                  |                 |                   |                   |
| Stage I   | 0.99             | (0.97)          | (0.02)            | -                 |
| Stage II  | (218.44)         | 218.48          | (0.04)            | -                 |
| Stage III   | (616.07)         | (0.21)          | 616.28            | -                 |
| - Old AP Portfolio  | -                | -               | -                 | -                 |
| <b>Total (B)</b>  | <b>(833.52)</b>  | <b>217.30</b>   | <b>616.22</b>     | <b>-</b>          |
| Write offs**  |                  |                 |                   |                   |
| - New Portfolio   | (106.14)         | (74.48)         | (1,070.87)        | (1,251.49)        |
| - Old AP Portfolio  | -                | -               | (3,576.05)        | (3,576.05)        |
| <b>Total (C')</b>   | <b>(106.14)</b>  | <b>(74.48)</b>  | <b>(4,646.91)</b> | <b>(4,827.54)</b> |
| New assets originated, repaid and derecognised during the year* |                  |                 |                   |                   |
| - New Portfolio   | 8,055.95         | (181.88)        | 591.38            | 8,465.45          |
| - Old AP Portfolio  | -                | -               | (8.65)            | (8.65)            |
| <b>Total (D)</b>  | <b>8,055.95</b>  | <b>(181.88)</b> | <b>582.73</b>     | <b>8,456.80</b>   |
| Fair Value on loans   | -                | -               | -                 | -                 |
| <b>Total (E)</b>  | <b>-</b>         | <b>-</b>        | <b>-</b>          | <b>-</b>          |
| Gross carrying amount as at March 31, 2020                      |                  |                 |                   |                   |
| - New Portfolio   | 49,891.93        | 111.14          | 179.84            | 50,182.93         |
| - Old AP Portfolio  | -                | -               | -                 | -                 |
| <b>Total (A+B+C+D+E)</b>  | <b>49,891.93</b> | <b>111.15</b>   | <b>179.84</b>     | <b>50,182.92</b>  |

\*\* The contractual amount of loans written-off during the year are not subject to enforcement activity / legal proceedings.

\* New assets originated, repaid and derecognised includes portfolio of Subsidiary (Criss Financial Holdings Limited).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Gross Portfolio Movement for the year ended March 31, 2019

| Particulars   | Stage I          | Stage II       | Stage III         | Total             |
|---|------------------|----------------|-------------------|-------------------|
| Gross carrying amount as at April 1, 2018                       |                  |                |                   |                   |
| - New Portfolio   | 30,940.84        | 6.59           | 720.43            | 31,667.86         |
| - Old AP Portfolio  | -                | -              | 7,933.10          | 7,933.10          |
| <b>Total (A)</b>  | <b>30,940.84</b> | <b>6.59</b>    | <b>8,653.53</b>   | <b>39,600.96</b>  |
| Inter-stage movements   |                  |                |                   |                   |
| - New Portfolio   |                  |                |                   |                   |
| Stage I   | 0.01             | (0.01)         | -                 | -                 |
| Stage II  | (150.21)         | 150.21         | -                 | -                 |
| Stage III   | (43.39)          | (1.27)         | 44.66             | -                 |
| - Old AP Portfolio  | -                | -              | -                 | -                 |
| <b>Total (B)</b>  | <b>(193.59)</b>  | <b>148.93</b>  | <b>44.66</b>      | <b>-</b>          |
| Write offs**  |                  |                |                   |                   |
| - New Portfolio   | -                | (60.73)        | (836.11)          | (896.84)          |
| - Old AP Portfolio  | -                | -              | (4,320.57)        | (4,320.57)        |
| <b>Total (C')</b>   | <b>-</b>         | <b>(60.73)</b> | <b>(5,156.68)</b> | <b>(5,217.41)</b> |
| New assets originated, repaid and derecognised during the year* |                  |                |                   |                   |
| - New Portfolio   | 12,028.39        | 55.42          | 114.13            | 12,197.95         |
| - Old AP Portfolio  | -                | -              | (27.83)           | (27.83)           |
| <b>Total (D)</b>  | <b>12,028.39</b> | <b>55.42</b>   | <b>86.30</b>      | <b>12,170.12</b>  |
| Gross carrying amount as at March 31, 2019                      |                  |                |                   |                   |
| - New Portfolio   | 42,775.64        | 150.21         | 43.11             | 42,968.96         |
| - Old AP Portfolio  | -                | -              | 3,584.70          | 3,584.70          |
| <b>Total (A+B+C+D)</b>  | <b>42,775.64</b> | <b>150.21</b>  | <b>3,627.81</b>   | <b>46,553.66</b>  |

\*\* The contractual amount of loans written-off during the year are not subject to enforcement activity / legal proceedings.

\* New assets originated, repaid and derecognised includes portfolio of Subsidiary (Criss Financial Holdings Limited) on the day of acquisition of control by the Parent Company.

### Movement of impairment allowance(ECL) and other provisions during the year ended March 31, 2020:-

| Particulars                                | Stage I       | Stage II     | Stage III     | Total           |
|--|---------------|--------------|---------------|-----------------|
| Opening Balance                            | 168.77        | 84.94        | 3,622.37      | 3,876.08        |
| Provision made/ (reversed) during the year | 685.20        | 53.83        | 1,169.78      | 1,908.81        |
| Inter-stage movements                      |               |              |               |                 |
| Stage I                                    | (72.40)       | 69.04        | 3.36          | -               |
| Stage II                                   | (29.67)       | 29.50        | 0.17          | -               |
| Stage III                                  | (112.27)      | 11.58        | 100.69        | -               |
| Write off                                  | (106.14)      | (74.48)      | (4,646.91)    | (4,827.54)      |
| Other provisions                           |               |              |               | 701.62          |
| <b>Closing Balance</b>                     | <b>747.82</b> | <b>64.29</b> | <b>145.24</b> | <b>1,658.97</b> |

#### Note :-

- ECL for Stage I has increased primarily on account of new assets originated during the year.
- ECL for stage II has decreased primarily on account writeoffs during the year.
- ECL for stage III has declined primarily on account of write off and recoveries/collections made by the Group during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Movement of impairment allowance(ECL) and other provisions during the year ended March 31, 2019:-

| Particulars                                | Stage I       | Stage II     | Stage III       | Total           |
|--|---------------|--------------|-----------------|-----------------|
| Opening Balance                            | 105.09        | 3.98         | 8,595.63        | 8,704.70        |
| Provision made/ (reversed) during the year | 63.68         | 116.23       | (245.55)        | (65.64)         |
| Inter-stage movements                      |               |              |                 |                 |
| Stage I                                    | (9.61)        | (0.14)       | 9.75            | -               |
| Stage II                                   | (36.00)       | 36.00        | -               | -               |
| Stage III                                  | (33.32)       | 0.16         | 33.16           | -               |
| Write off                                  | -             | (35.27)      | (4,727.71)      | (4,762.98)      |
| <b>Closing Balance</b>                     | <b>168.77</b> | <b>84.94</b> | <b>3,622.37</b> | <b>3,876.08</b> |

#### Note :-

- ECL for Stage I has increased primarily on account of new assets originated during the year.
- ECL for stage II has increased primarily on account of new assets originated during the year.
- ECL for stage III has declined primarily on account of write off and recoveries/collections made by the Group during the year.

## 8. INVESTMENTS

(Rupees in million unless otherwise stated)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| <b>At Fair value through Profit &amp; Loss</b>   |                         |                         |
| Investments in Liquid / Debt Mutual Funds  | 4,873.62                | -                       |
| <b>Others (At Fair value through Profit &amp; Loss)</b>  |                         |                         |
| 100,000 (March 31, 2018: 100,000, April 01, 2017: 100,000) equity shares of ₹ 10 each fully paid up in Alpha Micro Finance Consultants Private Limited | 1.00                    | 1.00                    |
|  | <b>4,874.62</b>         | <b>1.00</b>             |
| Less: Impairment allowance   | -                       | -                       |
| <b>Total</b>   | <b>4,874.62</b>         | <b>1.00</b>             |
| Above amount includes  |                         |                         |
| Investment in India  | 4,874.62                | 1.00                    |
| Investment Outside India   | -                       | -                       |
| <b>Total</b>   | <b>4,874.62</b>         | <b>1.00</b>             |

## 9. OTHER FINANCIAL ASSETS (AT AMORTISED COST)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>A. Security deposits</b>   |                         |                         |
| Unsecured, considered good  | 53.84                   | 22.00                   |
| <b>(A)</b>  | <b>53.84</b>            | <b>22.00</b>            |
| <b>B. Inter Corporate Advances to related parties (Unsecured, non-Public Sector in India)</b> |                         |                         |
| Inter corporate advances (repayable on demand) *  | 1,243.10                | 395.00                  |
| Less: Impairment allowance  | -                       | -                       |
| <b>(B)</b>  | <b>1,243.10</b>         | <b>395.00</b>           |
| *Please refer Note 32 for further details   |                         |                         |
| <b>C. Other Assets</b>  |                         |                         |
| Amount receivable from banks and non banking financial companies                              | 0.04                    | 0.38                    |
| Term deposits placed with non banking financial companies#                                    | 59.27                   | 83.64                   |
| Retained interest on asset assigned   | 1,426.47                | 91.93                   |
| Other assets  | 122.24                  | 11.52                   |
| <b>(C)</b>  | <b>1,608.01</b>         | <b>187.47</b>           |
| <b>Total (A+B+C)</b>  | <b>2,904.96</b>         | <b>604.47</b>           |

# Represent margin money deposits placed to avail term loans from non banking financial companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 10. CURRENT TAX ASSETS (NET)

(Rupees in million unless otherwise stated)

|                                       | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---------------------------------------|-------------------------|-------------------------|
| Advance income tax (net of provision) | 153.13                  | 83.37                   |
|                                       | <b>153.13</b>           | <b>83.37</b>            |

### 11. DEFERRED TAX ASSETS (NET)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| <b>Effects of deferred tax assets/ liabilities :</b>               |                         |                         |
| <b>Deferred Tax Assets</b>   |                         |                         |
| Impairment of financial instruments and other provisions           | 451.62                  | 1,401.72                |
| Provisions allowable on payment basis                              | 76.59                   | 89.17                   |
| Differences of written down value of Property, plant and equipment | 37.02                   | 46.63                   |
| MAT Credit entitlement   | -                       | 774.35                  |
| Expenditure incurred for IPO                                       | 30.29                   | -                       |
| Lease Liability  | 28.49                   | -                       |
| Others   | 5.18                    | 1.87                    |
|  | <b>629.19</b>           | <b>2,313.74</b>         |
| <b>Deferred Tax Liabilities</b>                                    |                         |                         |
| Fair value gain on Loans   | 176.40                  | 240.69                  |
| Income from direct assignments (taxable in future)                 | 359.02                  | 73.26                   |
| Right of Use Asset   | 22.05                   | -                       |
| Others   | 1.40                    | -                       |
|  | <b>558.87</b>           | <b>313.95</b>           |
| <b>Net deferred tax assets/(liabilities)</b>                       | <b>70.32</b>            | <b>1,999.79</b>         |

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

#### 11.1: DEFERRED TAX ASSETS (NET)

##### Movement in deferred tax balances for the year ended March 31, 2020

| Particulars   | Net Balance<br>April 1, 2019 | (Charge)/<br>Credit in<br>Profit & Loss | Recognised<br>in<br>OCI | Recognised<br>in<br>Other Equity | Net Balance<br>March 31,<br>2020 | Deferred<br>Tax Assets/<br>(Deferred Tax<br>Liabilities) |
|---|------------------------------|---|-------------------------|----------------------------------|----------------------------------|--|
| <b>Deferred tax assets/ (liabilities)</b>                   |                              |   |                         |                                  |                                  |  |
| Impact of difference between tax depreciation/ amortisation | 46.63                        | (9.61)                                  | -                       | -                                | 37.02                            | 37.02  |
| Remeasurement gain / (loss) on defined benefit plan         | 1.07                         | (0.30)                                  | 4.41                    | -                                | 5.18                             | 5.18   |
| Impairment allowance for loans                              | 1,401.72                     | (950.10)                                | -                       | -                                | 451.62                           | 451.62   |
| Expenses incurred on Initial Public Offering                | -                            | -                                       | -                       | 30.29                            | 30.29                            | 30.29  |
| MAT Credit Entitlement                                      | 774.35                       | (774.35)                                | -                       | -                                | -                                | -  |
| Other items   | (223.98)                     | (226.73)                                | (3.05)                  | -                                | (453.79)                         | (453.79)   |
| <b>Net Deferred tax assets / (liabilities)</b>              | <b>1,999.79</b>              | <b>(1,961.09)</b>                       | <b>1.36</b>             | <b>30.29</b>                     | <b>70.32</b>                     | <b>70.32</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Movement in deferred tax balances for the year ended March 31, 2019

| Particulars  | Net Balance<br>April 1, 2018 | (Charge)/<br>Credit in<br>Profit & Loss | Recognised<br>in<br>OCI | Recognised<br>in<br>Other Equity | Net Balance<br>March 31,<br>2019 | Deferred<br>Tax Assets/<br>(Deferred Tax<br>Liabilities) |
|--|------------------------------|---|-------------------------|----------------------------------|----------------------------------|--|
| <b>Deferred tax assets/ (liabilities)</b>                      |                              |   |                         |                                  |                                  |  |
| Impact of difference between<br>tax depreciation/ amortisation | 38.21                        | 8.42                                    | -                       | -                                | 46.63                            | 46.63  |
| Remeasurement gain / (loss) on<br>defined benefit plan         | 1.36                         | (1.32)                                  | 1.03                    | -                                | 1.07                             | 1.07   |
| Impairment allowance for loans                                 | 3,047.54                     | (1,645.82)                              | -                       | -                                | 1,401.72                         | 1,401.72   |
| MAT Credit Entitlement   | 763.71                       | 10.64                                   | -                       | -                                | 774.35                           | 774.35   |
| Other items  | (9.98)                       | 25.24                                   | (240.69)                | -                                | (223.98)                         | (223.98)   |
| <b>Net Deferred tax assets /<br/>(liabilities)</b>             | <b>3,840.84</b>              | <b>(1,602.84)</b>                       | <b>(239.66)</b>         | <b>-</b>                         | <b>1,999.79</b>                  | <b>1,999.79</b>  |

## 12. PROPERTY, PLANT & EQUIPMENT

(Rupees in million unless otherwise stated)

| Particulars                | Land &<br>Building# | Leasehold<br>improvements | Furniture<br>& Fixtures | Office<br>Equipment | Vehicles     | Computers     | Right of<br>use asset | Total         |
|----------------------------|---------------------|---------------------------|-------------------------|---------------------|--------------|---------------|-----------------------|---------------|
| <b>Gross block</b>         |                     |                           |                         |                     |              |               |                       |               |
| <b>At April 1, 2018</b>    | <b>2.01</b>         | <b>95.40</b>              | <b>54.99</b>            | <b>15.18</b>        | <b>3.52</b>  | <b>119.95</b> | <b>-</b>              | <b>291.05</b> |
| Addition*                  | -                   | -                         | 16.32                   | 14.22               | 2.07         | 42.48         | -                     | 75.09         |
| Disposals                  | -                   | -                         | 0.23                    | 0.23                | -            | 1.53          | -                     | 1.99          |
| <b>At March 31, 2019</b>   | <b>2.01</b>         | <b>95.40</b>              | <b>71.07</b>            | <b>29.17</b>        | <b>5.59</b>  | <b>160.90</b> | <b>-</b>              | <b>364.15</b> |
| Addition                   | -                   | -                         | 10.88                   | 3.64                | 9.59         | 21.52         | 114.27                | 159.91        |
| Disposals                  | -                   | -                         | -                       | -                   | -            | 0.43          | -                     | 0.43          |
| <b>At March 31, 2020</b>   | <b>2.01</b>         | <b>95.40</b>              | <b>81.95</b>            | <b>32.81</b>        | <b>15.17</b> | <b>181.99</b> | <b>114.27</b>         | <b>523.64</b> |
| <b>Depreciation</b>        |                     |                           |                         |                     |              |               |                       |               |
| <b>At April 1, 2018</b>    | <b>0.05</b>         | <b>83.38</b>              | <b>36.91</b>            | <b>10.59</b>        | <b>2.87</b>  | <b>98.72</b>  | <b>-</b>              | <b>232.54</b> |
| Charge for the year**      | 0.10                | 7.59                      | 17.98                   | 6.20                | 0.36         | 28.34         | -                     | 60.57         |
| Disposals                  | -                   | -                         | 0.26                    | 0.11                | -            | 0.33          | -                     | 0.70          |
| <b>At March 31, 2019</b>   | <b>0.15</b>         | <b>90.97</b>              | <b>54.63</b>            | <b>16.67</b>        | <b>3.24</b>  | <b>126.73</b> | <b>-</b>              | <b>292.41</b> |
| Charge for the year**      | 0.09                | 2.81                      | 12.09                   | 6.83                | 2.96         | 27.92         | 26.69                 | 79.37         |
| Disposals                  | -                   | -                         | -                       | -                   | -            | 0.42          | -                     | 0.42          |
| <b>At March 31, 2020</b>   | <b>0.24</b>         | <b>93.77</b>              | <b>66.73</b>            | <b>23.50</b>        | <b>6.20</b>  | <b>154.23</b> | <b>26.69</b>          | <b>371.36</b> |
| <b>Net carrying amount</b> |                     |                           |                         |                     |              |               |                       |               |
| At April 1, 2018           | 1.96                | 12.02                     | 18.08                   | 4.59                | 0.65         | 21.23         | -                     | 58.54         |
| At March 31, 2019          | 1.86                | 4.43                      | 16.45                   | 12.49               | 2.35         | 34.17         | -                     | 71.74         |
| <b>At March 31, 2020</b>   | <b>1.77</b>         | <b>1.62</b>               | <b>15.23</b>            | <b>9.31</b>         | <b>8.99</b>  | <b>27.76</b>  | <b>87.58</b>          | <b>152.28</b> |

# Mortgaged as security against non-convertible debentures.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**
**Intangible assets**

| Particulars                | Computer Software | Total         |
|----------------------------|-------------------|---------------|
| <b>Gross block</b>         |                   |               |
| At April 1, 2018           | 95.86             | 95.86         |
| Addition                   | 9.48              | 9.48          |
| Disposals                  | 0.03              | 0.03          |
| <b>At March 31, 2019</b>   | <b>105.31</b>     | <b>105.31</b> |
| Addition                   | 0.02              | 0.02          |
| <b>At March 31, 2020</b>   | <b>105.33</b>     | <b>105.33</b> |
| <b>Amortization</b>        |                   |               |
| At April 1, 2018           | 69.83             | 69.83         |
| Charge for the year        | 13.28             | 13.28         |
| <b>Disposals</b>           | 0.01              | 0.01          |
| <b>At March 31, 2019</b>   | <b>83.10</b>      | <b>83.10</b>  |
| Addition                   | 8.92              | 8.92          |
| <b>At March 31, 2020</b>   | <b>92.02</b>      | <b>92.02</b>  |
| <b>Net carrying amount</b> |                   |               |
| At April 1, 2018           | 26.03             | 26.03         |
| At March 31, 2019          | 22.21             | 22.21         |
| <b>At March 31, 2020</b>   | <b>13.31</b>      | <b>13.31</b>  |

\* Addition includes gross block of Subsidiary (Criss Financial Holdings Limited) on the day of acquisition of control by the Parent Company.

\*\* charge for the year includes depreciation charge on gross block of Subsidiary (Criss Financial Holdings Limited)

**13. OTHER NON-FINANCIAL ASSETS**

(Rupees in million unless otherwise stated)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>Unsecured, considered good</b>         |                         |                         |
| Prepaid expenses                          | 5.51                    | 1.78                    |
| Capital advances                          | 1.65                    | 0.63                    |
| Advance against sum assured               | 71.23                   | 24.03                   |
| Other advances                            | 34.15                   | 103.26                  |
| <b>Unsecured, considered doubtful</b>     |                         |                         |
| Others                                    | 1.70                    | 1.70                    |
| Amounts deposited with courts             | 6.24                    | 5.89                    |
| Advance against sum assured               | 12.90                   | 10.50                   |
| Other advances                            | -                       | -                       |
| <b>Less: Provision for doubtful debts</b> | (20.95)                 | (18.10)                 |
|   | <b>112.43</b>           | <b>129.69</b>           |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 14. (A) DEBT SECURITIES (AT AMORTISED COST):

(Rupees in million unless otherwise stated)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| <b>(i) Debentures</b>  |                         |                         |
| <b>Secured</b>   |                         |                         |
| 325 (March 31, 2019: 325), 13.15% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Seventy Two months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.   | 342.53                  | 342.30                  |
| Nil (March 31, 2019: 180,000,000) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each. redeemable at the end of Thirty Six Months from the date of allotment i.e. October 26, 2017   | -                       | 178.41                  |
| Nil (March 31, 2019: 120,000,000) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each, redeemable at the end of Thirty Six months from the date of allotment i.e. August 21, 2017  | -                       | 119.13                  |
| 825 (March 31, 2019: 4,000), 12.90% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of Twelve or Twenty Four months from the date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.   | 178.26                  | 2,157.01                |
| 1,000 (March 31, 2019: 1,000), 14% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Seventy Two months from the date of allotment i.e. September 18, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of Thirty Six months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.  | 1,004.16                | 1,003.18                |
| Nil (March 31, 2019: 1500), 12.20% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Thirty Six months from the date of allotment i.e. May 31, 2018 (subject to exercise of put option by the lender at the end of Twelve months or Eighteen months or Twenty Four months or Thirty months or call option by the Company at the end of Eighteen months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender. | -                       | 1,136.76                |
| 820 (March 31, 2019: 820), 13.12% Secured, Redeemable, Non-convertible Debentures of face value of ₹ 1,000,000 each redeemable at par at the end of Thirty Six months from the date of allotment i.e. December 7, 2018 .   | 853.16                  | 851.09                  |
| Nature of security<br>The above debentures are secured by way of first and exclusive charge over eligible book debts of the Company. NCDs issued on September 18, 2017 are also secured by a first charge on land and building.  |                         |                         |
| <b>Unsecured</b>   |                         |                         |
| Nil (March 31, 2019: 200), 13.30% Fully paid up Senior Unsecured, Redeemable, Non-Convertible Debentures of face value of ₹ 1 Mn each redeemable at par at the end of Thirty Six months from the date of allotment i.e. September 26, 2017 (subject to exercise of put option by the lender at the end of 367 days or Twenty Four months). Redeemable on maturity if option not exercised or communication for roll-over received from lender.   | -                       | 212.10                  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**

(Rupees in million unless otherwise stated)

|   | <b>As at<br/>March 31, 2020</b> | <b>As at<br/>March 31, 2019</b> |
|---|---------------------------------|---------------------------------|
| <b>Sub-Total</b>  | <b>2,378.11</b>                 | <b>5,999.98</b>                 |
| <b>(ii) Borrowing under securitisation arrangement</b>  |                                 |                                 |
| From Banks  | 5,398.17                        | 7,719.66                        |
| From non-banking financial companies  | -                               | -                               |
| <b>Total Debt Securities</b>  | <b>7,776.28</b>                 | <b>13,719.64</b>                |
| Secured borrowings*   | 7,776.28                        | 13,719.64                       |
| Unsecured borrowings #  | -                               | -                               |
| <b>Net amount</b>   | <b>7,776.28</b>                 | <b>13,719.64</b>                |
| Borrowings in India   | 7,776.28                        | 13,719.64                       |
| Borrowings outside India  | -                               | -                               |
| <b>Total</b>  | <b>7,776.28</b>                 | <b>13,719.64</b>                |
| <b>(b) Borrowings (Other than Debt Securities)</b>  |                                 |                                 |
| <b>Secured</b>  |                                 |                                 |
| Indian rupee loan from banks  | 18971.53                        | 10,297.00                       |
| Indian rupee loan from non-banking financial companies  | 3251.60                         | 5,457.79                        |
| Cash credit from bank (secured)*  | 50.21                           | -                               |
| <b>Total Borrowings (Other than Debt Securities)</b>  | <b>22,273.34</b>                | <b>15,754.79</b>                |
| Secured borrowings*   | 22,273.34                       | 15,754.79                       |
| Unsecured borrowings #  | -                               | -                               |
| <b>Net amount</b>   | <b>22,273.34</b>                | <b>15,754.79</b>                |
| Borrowings in India   | 22,273.34                       | 15,754.79                       |
| Borrowings outside India  | -                               | -                               |
| <b>Total</b>  | <b>22,273.34</b>                | <b>15,754.79</b>                |
| Cash credit from bank carries interest rate @ 9.70% p.a with monthly interest repayment   |                                 |                                 |
| <b>(c) Subordinated Liabilities (at amortised cost)</b>   |                                 |                                 |
| <b>Unsecured Term Loan</b>  |                                 |                                 |
| Indian rupee loan from Bank   | 201.67                          | 201.56                          |
| Loans and advances from related party (unsecured)<br>(Loans from related party carries interest rate @ 15.00% pa with monthly interest repayment) | 1.61                            | 1.38                            |
| <b>Total Subordinated Liabilities</b>   | <b>203.28</b>                   | <b>202.94</b>                   |
| Secured borrowings*   | 203.28                          | 202.94                          |
| Unsecured borrowings #  | -                               | -                               |
| <b>Net amount</b>   | <b>203.28</b>                   | <b>202.94</b>                   |
| Borrowings in India   | 203.28                          | 202.94                          |
| Borrowings outside India  | -                               | -                               |
| <b>Total</b>  | <b>203.28</b>                   | <b>202.94</b>                   |

\* The secured borrowings are secured by hypothecation of book debts and margin money deposits.

# The Unsecured borrowings are in the nature of subordinated debt and non-convertible debentures.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 14. (A) TERMS OF PRINCIPAL REPAYMENT OF BORROWINGS AS AT MARCH 31, 2020\*\*

(Rupees in million unless otherwise stated)

| Original maturity of loan               | Interest rate | Due within 1 year   |                      | Due between 1 to 2 Years |                      | Due between 2 to 3 Years |                      | Due beyond 3 Years  |                      | Total     |
|---|---------------|---------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|---------------------|----------------------|-----------|
|   |               | No. of installments | Amount (in Millions) | No. of installments      | Amount (in Millions) | No. of installments      | Amount (in Millions) | No. of installments | Amount (in Millions) |           |
| Debt Securities                         |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| Monthly                                 |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| 1-3 years                               | 8.50%-9.00%   | 24                  | 2,237.50             | 3                        | 97.68                | -                        | -                    | -                   | -                    | 2,335.18  |
|   | 9.01%-9.50%   | 18                  | 896.47               | 0                        | -                    | -                        | -                    | -                   | -                    | 896.47    |
|   | 9.51%-10.00%  | 25                  | 1,873.01             | 0                        | -                    | -                        | -                    | -                   | -                    | 1,873.01  |
|   | 10.01%-10.50% | 10                  | 284.62               | 0                        | -                    | -                        | -                    | -                   | -                    | 284.62    |
| Quarterly                               |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| 1-3 years                               | 13.5%-14.00%  | 8                   | 178.75               | -                        | -                    | -                        | -                    | -                   | -                    | 178.75    |
| Half Yearly                             |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| 1-3 years                               | 13.01%-13.50% | 2                   | 410.00               | 2                        | 410.00               | -                        | -                    | -                   | -                    | 820.00    |
| Bullet                                  |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| 1-3 years                               | 13.01%-13.50% | 1                   | 325.00               | -                        | -                    | -                        | -                    | -                   | -                    | 325.00    |
|   | 13.51%-14.00% | 1                   | 1,000.00             | -                        | -                    | -                        | -                    | -                   | -                    | 1,000.00  |
| Borrowings (Other than Debt Securities) |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| Monthly                                 |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| 1-3 years                               | 9.50%-10.00%  | 76                  | 2,349.57             | 79                       | 2,410.71             | 5                        | 177.08               | -                   | -                    | 4,937.37  |
|   | 10.01%-10.50% | 21                  | 351.19               | 5                        | 59.52                | -                        | -                    | -                   | -                    | 410.71    |
|   | 10.51%-11.00% | 70                  | 1,503.76             | 10                       | 118.73               | -                        | -                    | -                   | -                    | 1,622.49  |
|   | 11.01%-11.50% | 135                 | 3,281.40             | 23                       | 546.04               | -                        | -                    | -                   | -                    | 3,827.44  |
|   | 11.51%-12.00% | 73                  | 2,771.74             | 12                       | 562.96               | -                        | -                    | -                   | -                    | 3,334.70  |
|   | 12.01%-12.50% | 44                  | 480.05               | 4                        | 55.94                | -                        | -                    | -                   | -                    | 535.99    |
|   | 12.51%-13.00% | 32                  | 322.45               | 12                       | 83.34                | 5                        | 34.71                | -                   | -                    | 440.50    |
|   | 13.01%-13.50% | 30                  | 464.97               | 17                       | 181.23               | -                        | -                    | -                   | -                    | 646.20    |
|   | 13.51%-14.00% | 19                  | 445.33               | 4                        | 55.99                | -                        | -                    | -                   | -                    | 501.32    |
| Quarterly                               |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| 1-3 years                               | 9.51%-10.00%  | 23                  | 1,147.50             | 13                       | 639.38               | -                        | -                    | -                   | -                    | 1,786.88  |
|   | 10.51%-11.00% | 12                  | 955.36               | 7                        | 857.14               | -                        | -                    | -                   | -                    | 1,812.50  |
|   | 11.01%-11.50% | 4                   | 125.00               | -                        | -                    | -                        | -                    | -                   | -                    | 125.00    |
|   | 11.51% - 12%  | 4                   | 857.14               | 2                        | 428.57               | -                        | -                    | -                   | -                    | 1,285.71  |
|   | 12.51% - 13%  | 2                   | 125.00               | -                        | -                    | -                        | -                    | -                   | -                    | 125.00    |
|   | 13.01%-13.50% | 1                   | 27.27                | -                        | -                    | -                        | -                    | -                   | -                    | 27.27     |
| Above 3 years                           | 12.51%-13.00% | 4                   | 83.33                | -                        | -                    | -                        | -                    | -                   | -                    | 83.33     |
| Bullet                                  |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| 1 - 3 years                             | 9.51%-10.00%  | 4                   | 500.00               | -                        | -                    | -                        | -                    | -                   | -                    | 500.00    |
|   | 10.51%-11.00% | 1                   | 125.00               | -                        | -                    | -                        | -                    | -                   | -                    | 125.00    |
| Subordinated Liabilities                |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| Bullet                                  |               |                     |                      |                          |                      |                          |                      |                     |                      |           |
| Above 3 years                           | 14.51%-15.00% | -                   | -                    | -                        | -                    | -                        | -                    | 1                   | 200.00               | 200.00    |
| Grand Total                             |               | 644                 | 23,121.41            | 193                      | 6,507.24             | 10                       | 211.79               | 1                   | 200.00               | 30,040.44 |
| Impact of EIR                           |               |                     |                      |                          |                      |                          |                      |                     |                      | 162.25    |
| Grand Total                             |               |                     |                      |                          |                      |                          |                      |                     |                      | 30,202.69 |

\*\*The Above schedule does not include Cash Credit of ₹ 50.2 Mn

Note: The Holding Company applied to Banks and Financial Institutions for re-schedulement of repayment dates subsequent to the nation wide lockdown announced by central government on March 24,2020 on account of the Novel Coronavirus (COVID 19) pandemic and also pursuant to COVID-19 Regulatory package announced by Reserve Bank of India circular dated March 27, 2020, where in moratorium was permitted from March 1,2020. Repayment of ₹ 459.67 Mn has not been paid as on March 31, 2020. However, all these amounts were subsequently paid in April 2020, irrespective of receipt of moratorium approval from these institutions. The lender wise details are tabulated as under;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(₹ in million)

| Bank / Financial institution | Amount of delay<br>as on the Balance<br>sheet date | Period of delay<br>since |
|------------------------------|--|--------------------------|
| Bank of Baroda               | 186.45   | 28-Mar-20                |
| Hinduja Leyland Finance      | 8.20   | 26-Mar-20                |
| IDFC Bank Limited            | 53.83  | 31-Mar-20                |
| Indusind Bank Limited        | 79.50  | 24-Mar-20                |
| Kotak Mahindra Bank Limited  | 41.60  | 29-Mar-20                |
| Manappuram Finance limited   | 1.35   | 31-Mar-20                |
| RBL Bank Limited             | 11.55  | 31-Mar-20                |
| Standard Chartered Bank      | 7.58   | 31-Mar-20                |
| Ujjivan Small Finance Bank   | 1.83   | 31-Mar-20                |
| Woori bank                   | 3.48   | 31-Mar-20                |
| Yes Bank Limited             | 64.30  | 28-Mar-20                |

### 14. (A) TERMS OF PRINCIPAL REPAYMENT OF BORROWINGS AS AT MARCH 31, 2019

(Rupees in millions unless otherwise stated)

| Original<br>maturity of loan                           | Interest rate | Due within 1 year      |                         | Due between 1 to 2 Years |                         | Due between 2 to 3 Years |                         | Due beyond 3 Years     |                         | Total            |
|--|---------------|------------------------|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------|------------------------|-------------------------|------------------|
|  |               | No. of<br>installments | Amount<br>(in Millions) | No. of<br>installments   | Amount<br>(in Millions) | No. of<br>installments   | Amount<br>(in Millions) | No. of<br>installments | Amount<br>(in Millions) |                  |
| <b>Debt Securities</b>                                 |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| <b>Monthly</b>   |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| 1-3 years  | 9.01%-9.50%   | 52                     | 2,930.21                | 10                       | 332.84                  | -                        | -                       | -                      | -                       | 3,263.05         |
|  | 9.51%-10.00%  | 45                     | 3,509.65                | 1                        | 5.88                    | -                        | -                       | -                      | -                       | 3,515.53         |
|  | 10.01%-10.50% | 1                      | 2.30                    | -                        | -                       | -                        | -                       | -                      | -                       | 2.30             |
|  | 11.01%-11.50% | 9                      | 950.36                  | -                        | -                       | -                        | -                       | -                      | -                       | 950.36           |
| <b>Quarterly</b>                                       |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| 1-3 years  | 12.01%-12.50% | 1                      | 1,125.00                | -                        | -                       | -                        | -                       | -                      | -                       | 1,125.00         |
|  | 12.51%-13.00% | 2                      | 2,161.25                | -                        | -                       | -                        | -                       | -                      | -                       | 2,161.25         |
| <b>Half Yearly</b>                                     |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| 1-3 years  | 13.01%-13.50% | -                      | -                       | 2                        | 410.00                  | 2                        | 410.00                  | -                      | -                       | 820.00           |
| <b>Annually</b>  |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| 1-3 years  | 12.51%-13.00% | 1                      | 200.00                  | -                        | -                       | -                        | -                       | -                      | -                       | 200.00           |
| <b>Bullet</b>  |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| 1-3 years  | 12.01%-12.50% | -                      | -                       | 2                        | 300                     | -                        | -                       | -                      | -                       | 300.00           |
|  | 13.01%-13.50% | -                      | -                       | 1                        | 325.00                  | -                        | -                       | -                      | -                       | 325.00           |
|  | 13.51%-14.00% | -                      | -                       | 1                        | 1,000.00                | -                        | -                       | -                      | -                       | 1,000.00         |
| <b>Borrowings<br/>(Other than Debt<br/>Securities)</b> |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| <b>Monthly</b>   |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| 1-3 years  | 10.01%-10.50% | 24                     | 500.00                  | 9                        | 187.50                  | -                        | -                       | -                      | -                       | 687.50           |
|  | 10.51%-11.00% | 78                     | 1,337.35                | 46                       | 827.83                  | 8                        | 66.95                   | -                      | -                       | 2,232.12         |
|  | 11.01%-11.50% | 108                    | 3,329.98                | 59                       | 1,616.89                | -                        | -                       | -                      | -                       | 4,946.87         |
|  | 11.51%-12.00% | 99                     | 1,245.23                | 62                       | 1,386.22                | 19                       | 347.90                  | -                      | -                       | 2,979.34         |
|  | 12.51%-13.00% | 24                     | 80.37                   | 11                       | 39.11                   | -                        | -                       | -                      | -                       | 119.48           |
|  | 13.51%-14.00% | 18                     | 415.97                  | 3                        | 83.33                   | -                        | -                       | -                      | -                       | 499.30           |
|  | 14.01%-14.50% | 9                      | 33.33                   | -                        | -                       | -                        | -                       | -                      | -                       | 33.33            |
|  | 14.51%-15.00% | 14                     | 72.22                   | -                        | -                       | -                        | -                       | -                      | -                       | 72.22            |
| <b>Quarterly</b>                                       |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| 1-3 years  | 10.51%-11.00% | 19                     | 2,142.86                | 4                        | 312.50                  | -                        | -                       | -                      | -                       | 2,455.36         |
|  | 11.01%-11.50% | 4                      | 125.00                  | 4                        | 125.00                  | -                        | -                       | -                      | -                       | 250.00           |
|  | 11.51% - 12%  | 4                      | 500.00                  | 0                        | -                       | -                        | -                       | -                      | -                       | 500.00           |
|  | 12.51% - 13%  | 10                     | 547.62                  | 6                        | 208.33                  | -                        | -                       | -                      | -                       | 755.95           |
|  | 13.01%-13.50% | 4                      | 109.09                  | 1                        | 27.27                   | -                        | -                       | -                      | -                       | 136.36           |
| <b>Bullet</b>  |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| 1 - 3 years  | 10.51%-11.00% | 1                      | 125.00                  | -                        | -                       | -                        | -                       | -                      | -                       | 125.00           |
| <b>Subordinated<br/>Liabilities</b>                    |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| <b>Bullet</b>  |               |                        |                         |                          |                         |                          |                         |                        |                         |                  |
| Above 3 years  | 14.51%-15.00% | 0                      | -                       | -                        | -                       | -                        | -                       | 1                      | 200.00                  | 200.00           |
| <b>Grand Total</b>                                     |               | <b>420</b>             | <b>14,050.27</b>        | <b>211</b>               | <b>6,849</b>            | <b>29</b>                | <b>824.84</b>           | <b>1</b>               | <b>200.00</b>           | <b>29,655.31</b> |
| <b>Impact of EIR</b>                                   |               |                        |                         |                          |                         |                          |                         |                        |                         | <b>22.06</b>     |
| <b>Grand Total</b>                                     |               |                        |                         |                          |                         |                          |                         |                        |                         | <b>29,677.37</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 15. OTHER FINANCIAL LIABILITIES

(Rupees in million unless otherwise stated)

|                               | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|-------------------------------|-------------------------|-------------------------|
| Expenses payable              | 27.59                   | 31.89                   |
| Lease Liability               | 113.22                  | -                       |
| Employee benefits payable     | 310.64                  | 242.68                  |
| Assignment and other payables | 1,820.45                | 170.28                  |
|                               | <b>2,271.90</b>         | <b>444.85</b>           |

### 16. CURRENT TAX LIABILITIES (NET)

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| Provision for Tax (net of advance tax) | 647.07                  | 62.83                   |
|  | <b>647.07</b>           | <b>62.83</b>            |

### 17. PROVISIONS

|                                 | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---------------------------------|-------------------------|-------------------------|
| Provision for employee benefits |                         |                         |
| Gratuity (net of contribution)  | 28.00                   | 3.59                    |
|                                 | <b>28.00</b>            | <b>3.59</b>             |

### 18. OTHER NON-FINANCIAL LIABILITIES

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| Other payables  | 71.27                   | 38.09                   |
| Unfructified service tax liability [net of amount paid under protest ₹ 9.93 Mn (March 31, 2019: ₹ 9.93 Mn)] | 149.89                  | 141.36                  |
| Statutory dues payable  | 80.29                   | 45.40                   |
|   | <b>301.45</b>           | <b>224.85</b>           |

### 19. SHARE CAPITAL

|  | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|--|-------------------------|-------------------------|
| <b>Authorized</b>  |                         |                         |
| 900,000,000 (March 31, 2019: 900,000,000) equity shares of ₹ 10 each             | 9,000.00                | 9,000.00                |
| <b>Authorized</b>  |                         |                         |
| 1,250,000,000 (March 31, 2019: 1,250,000,000) preference shares of ₹ 10 each     | 12,500.00               | 12,500.00               |
| <b>Issued, subscribed and paid-up</b>  |                         |                         |
| 64,315,483 (March 31, 2019: 59,633,683) equity shares of ₹ 10 each fully paid up | 643.15                  | 596.34                  |
| <b>Total</b>   | <b>643.15</b>           | <b>596.34</b>           |

#### (a) Terms / rights attached to equity shares

The parent company has only one class of equity shares of par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The parent company declares and pays dividends in Indian rupees. During the current financial year no dividend has been proposed by the parent Company.

In the event of liquidation of the group, the holders of equity shares will be entitled to receive remaining assets of the group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**
**(b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year.**

| Particulars  | March 31, 2020    |               | March 31, 2019    |               |
|--|-------------------|---------------|-------------------|---------------|
|  | Number of shares  | Amount        | Number of shares  | Amount        |
| Outstanding at the beginning of the year                         | 5,96,33,683       | 596.33        | 2,97,56,818       | 297.56        |
| Issued upon conversion of preference shares and share warrants** | -                 | -             | 2,77,49,295       | 277.49        |
| Issued during the year   | -                 | -             | 21,27,570         | 21.28         |
| Issued during the year - IPO*                                    | 45,43,385         | 45.43         | -                 | -             |
| Issued during the year - ESOP*                                   | 91,752            | 0.92          | -                 | -             |
| Issued during the year - ESOP*                                   | 46,663            | 0.47          | -                 | -             |
| <b>Outstanding at the end of the year</b>                        | <b>64,315,483</b> | <b>643.15</b> | <b>59,633,683</b> | <b>596.33</b> |

\*The Holding Company during the year issued and allotted 4,543,385 equity shares having face value ₹ 10/- each in its Public Issue (IPO). Further the Parent Company issued and allotted 138,415 equity shares having face value of ₹ 10/- each to the eligible employees of the Group towards exercise of ESOPs.

During the year the Holding Company has completed the Initial Public Offer (IPO) of its equity shares, comprising a fresh issue of 4,543,385 equity shares having a face value of ₹ 10 each at an offer price of ₹ 856 per share aggregating ₹ 3,889 Mn by the Holding Company and an offer for sale of 9,356,725 equity shares by existing shareholders aggregating ₹ 8,009 Mn. Pursuant to the IPO, the equity shares of the Holding Company got listed on BSE Limited and NSE Limited on August 19, 2019. The Holding company has fully utilised the IPO proceeds, in line with the objectives mentioned in the prospectus.

\*\* The Holding Company converted its preference shares (all classes) and share warrants into equity shares as per the terms of issuance of each class of securities. Accordingly, the Holding Company issued 27,749,295 number of equity shares of face value of ₹ 10 each upon conversion of preference shares and share warrants.

**(c) Details of shareholders holding more than 5% in the group:**

As per the records of the group, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the shareholding given below represents both legal and beneficial ownership of shares.

| Particulars                            | March 31, 2020   |        | March 31, 2019   |        |
|--|------------------|--------|------------------|--------|
|  | Number of shares | Amount | Number of shares | Amount |
| <b>Equity shares</b>                   |                  |        |                  |        |
| Kangchenjunga Limited                  | 29,303,172       | 45.56% | 35,270,269       | 59.14% |
| Padmaja Gangireddy                     | 10,250,953       | 15.94% | 11,670,067       | 19.57% |
| Valiant Mauritius Partners FDI Limited | 3,848,823        | 5.98%  | 4,632,570        | 7.77%  |

(d) For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company refer Note 42.

(e) Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash during the period of five years immediately preceding the reporting date:

| Nature of instrument/ convertible security                                  | Number of convertible securities | Number of equity shares issued upon conversion |
|---|----------------------------------|--|
| Class B 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each | 79,10,07,721                     | 89,48,425                                      |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(f) Other instances of conversion of convertible securities into equity shares during the period of five years immediately preceding the reporting date:

| Nature of instrument/ convertible security  | Number of convertible securities | Number of equity shares issued upon conversion |
|---|----------------------------------|--|
| Class A 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each                   | 23,49,99,997                     | 99,79,615                                      |
| Class A1 0.001% Compulsory Convertible preference shares (CCPS) of ₹ 10 each                  | 11,92,12,760                     | 50,62,542                                      |
| Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each      | 11,35,085                        | 11,35,085                                      |
| FY18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each | 2,83,771                         | 2,83,771                                       |
| FY18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each | 2,83,771                         | 2,83,771                                       |
| FY19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each | 2,83,771                         | 2,83,771                                       |
| FY19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of ₹ 10 each | 2,83,771                         | 2,83,771                                       |
| Share warrants  | 14,88,544                        | 14,88,544                                      |

### 20. OTHER EQUITY

(Rupees in million unless otherwise stated)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>Securities premium</b>   |                         |                         |
| Balance as per the last financial statements  | 15,414.96               | 2,877.61                |
| Add: Premium on conversion of Class B 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)                | -                       | 7,820.59                |
| Add: Premium on conversion of Class A 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)                | -                       | 2,250.20                |
| Add: Premium on conversion of Class A1 0.001% Compulsory Convertible preference shares (CCPS) (refer note 19)               | -                       | 1,141.50                |
| Add: Premium on conversion of Optionally Convertible Redeemable preference shares (OCRPS) - Series A, B & C (refer note 19) | -                       | 509.70                  |
| Add: Premium on conversion of share warrants (refer note 19)  | -                       | 335.64                  |
| Add: Premium on issue of equity shares  | 3,897.49                | 479.72                  |
| Less: Share Issue Expenses  | (150.46)                | -                       |
| Add: Tax on Share Issue Expense   | 37.87                   | -                       |
| <b>Closing balance</b>  | <b>19,199.86</b>        | <b>15,414.96</b>        |
| <b>General reserve*</b>   | <b>23.28</b>            | <b>23.28</b>            |
| <b>Share options outstanding reserve</b>  |                         |                         |
| Balance as per the last financial statements  | 41.25                   | -                       |
| Add: Share based payment to employees   | 43.80                   | 41.25                   |
| Less: Transfer on allotment of shares to employees pursuant to ESOP scheme  | (18.72)                 | -                       |
| Less: Transfer on cancellation of stock options   | (2.16)                  | -                       |
| <b>Closing balance</b>  | <b>64.17</b>            | <b>41.25</b>            |
| <b>Capital redemption reserve*</b>  | <b>1,526.92</b>         | <b>1,526.92</b>         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(Rupees in million unless otherwise stated)

|   | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| <b>Statutory reserve [as required by Section 45-IC of Reserve Bank of India Act, 1934]</b>                                      |                         |                         |
| Balance as per the last financial statements  | 2,566.17                | 1,948.67                |
| Add: Amount transferred from surplus of profit and loss   | 673.38                  | 617.50                  |
| <b>Closing balance</b>  | <b>3,239.55</b>         | <b>2,566.17</b>         |
| <b>Retained earnings</b>  |                         |                         |
| Balance as per the audited financial statements   | (1,722.67)              | (4,221.38)              |
| Add: Profit for the year  | 3,514.59                | 3,118.24                |
| Add: Other Comprehensive Income (Re-measurement gains/(losses) on defined benefit plans)  | (13.11)                 | (1.90)                  |
| Less: Transfer to Statutory Reserve [@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934] | (673.38)                | (617.50)                |
| Less: Dividend on CCPS all class (includes dividend distribution tax)   | -                       | (0.13)                  |
| <b>Net surplus in the statement of profit and loss</b>  | <b>1,105.43</b>         | <b>(1,722.67)</b>       |
| <b>Other items of other comprehensive income (Fair valuation of loans- to be subsequently classified to profit or loss)</b>     |                         |                         |
| Opening balance   | 448.11                  | -                       |
| Add/(Less): Fair value change during the year   | (2,584.47)              | (6.06)                  |
| Add: Impairment allowance/ other provisions reclassified to profit and loss   | 2,593.53                | 454.17                  |
| <b>Closing balance</b>  | <b>457.17</b>           | <b>448.11</b>           |
| <b>Total other equity</b>   | <b>25,616.39</b>        | <b>18,298.02</b>        |
| <b>Non Controlling Interest</b>   | <b>12.92</b>            | <b>9.22</b>             |

\*For detailed movement of reserves refer statement of changes in equity for the year ended March 31, 2020.

### Nature and purpose of other equity

#### Securities premium

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

#### General Reserve

Amounts set aside from retained profits as a reserve to be utilised for permissible general purpose as per Law.

#### Share options outstanding reserve

The stock option outstanding account is used to recognise the grant date fair value of option issued to employees under employee stock option scheme.

#### Capital redemption reserve

In accordance with section 55 of the Companies Act, 2013, the Parent company has transferred an amount equivalent of the nominal value of OCCRPS redeemed during previous years, to the Capital Redemption Reserve. The reserve can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

#### Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)

Statutory reserve represents the accumulation of amount transferred from surplus year on year based on the fixed percentage of profit for the year, as per section 451C of Reserve Bank of India Act 1934.

#### Retained earnings

Retained earnings represents the surplus in profit and loss account and appropriations.

#### Other Comprehensive income

Re-measurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest income) and net fair valuation gain/(loss) on financial assets measured at fair value through other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(Rupees in million unless otherwise stated)

### 21. INTEREST INCOME

|   | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|----------------------------------|----------------------------------|
| <b>Measured at fair value through OCI</b> |                                  |                                  |
| Interest on loans                         | 11,101.05                        | 9,661.56                         |
| <b>Measured at amortised cost</b>         |                                  |                                  |
| Interest on portfolio loans               | 300.55                           | 85.10                            |
| Interest on fixed deposits                | 37.79                            | 5.64                             |
| Interest on inter corporate advances      | 112.62                           | 120.85                           |
| Interest on margin money deposits*        | 139.93                           | 105.59                           |
|   | <b>11,691.94</b>                 | <b>9,978.74</b>                  |

\*Represent margin money deposits placed to avail term loans from banks, non banking financial companies and placed as cash collateral in connection with securitization transactions.

### 22. NET GAIN ON FAIR VALUE CHANGES

|   | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|----------------------------------|----------------------------------|
| <b>(A) Net gain / (loss) on fair value instruments at fair value through profit or loss</b> |                                  |                                  |
| (i) On trading portfolio  |                                  |                                  |
| - Investments   | 45.96                            | 110.63                           |
| (B) Others  |                                  |                                  |
| (i) Gain on derecognition of loans designated at FVTOCI                                     | 2,139.27                         | 156.13                           |
| <b>Total Net gain / (loss) on fair value changes (C)</b>                                    | <b>2,185.23</b>                  | <b>266.76</b>                    |
| Fair value Changes  |                                  |                                  |
| Realised  | 756.00                           | 175.46                           |
| Unrealised  | 1,429.23                         | 91.30                            |
| <b>Total Net gain / (loss) on fair value changes</b>  | <b>2,185.23</b>                  | <b>266.76</b>                    |

### 23. OTHERS

|                                    | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|------------------------------------|----------------------------------|----------------------------------|
| Recovery against loans written off | 105.25                           | 35.34                            |
|                                    | <b>105.25</b>                    | <b>35.34</b>                     |

### 24. OTHER INCOME

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Net gain on derecognition of property, plant and equipment | -                                | -                                |
| Advertisement income                                       | 339.02                           | 51.15                            |
| Miscellaneous income                                       | 3.06                             | 3.18                             |
|  | <b>342.08</b>                    | <b>54.33</b>                     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 25. FINANCE COST

(Rupees in million unless otherwise stated)

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| <b>Interest</b>                                      |                                  |                                  |
| On Debt Securities                                   | 1,152.54                         | 1,474.00                         |
| On Borrowings (Other than Debt Securities)           | 2,354.64                         | 2,089.00                         |
| On Subordinated Liabilities                          | 32.58                            | 11.81                            |
| On Lease liabilities                                 | 14.37                            |                                  |
| <b>Measured at fair value through profit or loss</b> |                                  |                                  |
| On income tax  | 0.88                             | 3.15                             |
| Other finance cost                                   | 8.34                             | 0.69                             |
|  | <b>3,563.35</b>                  | <b>3,578.65</b>                  |

### 26. IMPAIRMENT ON FINANCIAL INSTRUMENTS AND OTHER PROVISIONS

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| <b>Measured at fair value through OCI</b>  |                                  |                                  |
| Impairment and other provision including management overlay for COVID-19 (Refer note 48) | (2,098.47)                       | (4,769.68)                       |
| Loans written off (Refer note 48)  | 4,827.43                         | 5,223.85                         |
| <b>Measured at amortised cost</b>  |                                  |                                  |
| Impairment on loans  | 6.65                             | (1.50)                           |
| Loan Portfolio written off   | 0.11                             | 0.33                             |
|  | <b>2,735.72</b>                  | <b>453.00</b>                    |

### 27. EMPLOYEE BENEFITS EXPENSE

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Salaries, wages and bonus                      | 1,563.87                         | 1,223.97                         |
| Contribution to provident fund and other funds | 76.06                            | 20.27                            |
| Expenses on Employee Stock Option Plan         | 41.64                            | 41.25                            |
| Staff welfare expenses                         | 25.90                            | 24.97                            |
|  | <b>1,707.47</b>                  | <b>1,310.46</b>                  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 28. OTHER EXPENSES

(Rupees in million unless otherwise stated)

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Rent   | 19.49                            | 36.66                            |
| Rates and taxes  | 1.80                             | 2.31                             |
| Bank charges   | 37.08                            | 16.91                            |
| Office maintenance   | 38.54                            | 36.70                            |
| Computers and network maintenance                          | 3.96                             | 8.60                             |
| Electricity charges  | 14.93                            | 12.32                            |
| Travelling expenses  | 141.58                           | 115.43                           |
| Communication expenses                                     | 8.21                             | 6.73                             |
| Credit Bureau Expenses                                     | 12.83                            | 6.25                             |
| Printing and stationery                                    | 12.70                            | 10.95                            |
| Legal and professional charges                             | 11.36                            | 9.68                             |
| Directors sitting fees                                     | 9.81                             | 9.08                             |
| Auditors remuneration (refer details below)                | 8.86                             | 10.32                            |
| Recruitment and training                                   | 4.87                             | 1.10                             |
| Subscription fees  | 7.23                             | 7.50                             |
| Other provisions and write off                             | 29.24                            | 23.51                            |
| Net loss on derecognition of property, plant and equipment | -                                | 0.37                             |
| Security charges   | 1.22                             | 0.40                             |
| CSR expenses   | 51.83                            | 21.08                            |
| Miscellaneous expenses                                     | 0.11                             | 2.90                             |
|  | <b>415.65</b>                    | <b>338.80</b>                    |
| <b>Payment to auditors</b>                                 |                                  |                                  |
| <b>As auditor:</b>   |                                  |                                  |
| Audit fee  | 7.89                             | 9.65                             |
| Out of pocket expenses                                     | 0.97                             | 0.67                             |
|  | <b>8.86</b>                      | <b>10.32</b>                     |

### 29. TAX EXPENSE

|   | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|---|----------------------------------|----------------------------------|
| Current tax   |                                  | 12.88                            |
|   | 705.16                           |                                  |
| Adjustment in respect of current income tax of prior years                                  | -                                | -                                |
| Deferred tax relating to origination and reversal of temporary differences Total tax charge | 1,959.73                         | 1,842.50                         |
| <b>Total tax Charge</b>   | <b>2,664.89</b>                  | <b>1,855.38</b>                  |
| Current tax   | 705.16                           | 12.88                            |
| Deferred tax  | 1,959.73                         | 1,842.50                         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

(Rupees in million unless otherwise stated)

### 29.1 RECONCILIATION OF THE TOTAL TAX CHARGE

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the Accounting profit multiplied by India's domestic tax rate for the years ended 31 March 2020 and 2019 is, as follows :

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Accounting profit before Tax   | 6,179.13                         | 5,420.58                         |
| At India's statutory income tax rate (2020: 25.168%)                                 | 1,555.16                         | 1,891.73                         |
| Adjustment in respect of current income tax of prior years Income not subject to tax | -                                | -                                |
| Long term capital gain on sale of shares   | -                                | -                                |
| Others   | -                                | -                                |
| <b>Non-deductible expenses</b>   |                                  |                                  |
| Penalties  | -                                | -                                |
| Others   | 13.27                            | 7.95                             |
| <b>Additional tax allowances</b>   |                                  |                                  |
| Deduction under Chapter VIA-80JJAA-Additional Manpower Cost Exemption                | (20.42)                          | (26.72)                          |
| <b>Difference on account of change in tax rate</b>                                   |                                  |                                  |
| Others   | (0.09)                           | 0.89                             |
| Income tax expense reported in the consolidated statement of profit and loss         | <b>2,664.89</b>                  | <b>1,855.38</b>                  |

The effective income tax rate for 31 March 2020 is 25.168% (31 March 2019: 34.944%).

Pursuant to the Taxation Laws (Amendment) Ordinance 2019, promulgated on September 20, 2019, the group has decided to exercise the option permitted u/s 115BAA of the Income Tax Act, 1961 to compute income tax at the revised rate (i.e 25.17%) from the current financial year. As a result, the change on account of remeasurement of deferred tax assets and reversal of MAT credit entitlement during the year ended March 31, 2020 aggregates to ₹ 1,116.97 Mn.

### 30. EARNING PER SHARE

|  | For year ended<br>March 31, 2020 | For year ended<br>March 31, 2019 |
|--|----------------------------------|----------------------------------|
| Net profit after tax as per Statement of Profit and Loss                     | 3,514.59                         | 3,119.00                         |
| <b>Net profit for calculation of basic earnings per share</b>                | <b>3,514.59</b>                  | <b>3,119.00</b>                  |
| Net profit as above  | 3,514.59                         | 3,119.00                         |
| <b>Net profit for calculation of diluted earnings per share</b>              | <b>3,514.59</b>                  | <b>3,119.00</b>                  |
| <b>Calculation of weighted average number of equity shares for basic EPS</b> |                                  |                                  |
| <b>Equity shares</b>   |                                  |                                  |
| Opening No. of shares (in Millions)  | 59.63                            | 29.76                            |
| Add: Issued during the year (in Millions)                                    | 2.89                             | 1.66                             |
|  | <b>62.52</b>                     | <b>31.41</b>                     |
| <b>Instrument compulsorily convertible into equity</b>                       |                                  |                                  |
| Share Warrants   | -                                | 1.16                             |
| OCRPS  | -                                | 1.77                             |
| CCPS Class B   | -                                | 8.95                             |
| CCPS Class A   | -                                | 9.98                             |
| CCPS Class A1  | -                                | 5.06                             |
| <b>Weighted average number of equity shares for basic EPS</b>                | <b>62.52</b>                     | <b>58.34</b>                     |
| <b>Effect of dilution</b>  |                                  |                                  |
| Conversion of OCRPS  | -                                | 0.00                             |
| Employee stock option plan   | 0.54                             | 0.12                             |
| <b>Weighted average number of equity shares for diluted EPS</b>              | <b>63.06</b>                     | <b>58.46</b>                     |
| <b>Basic earnings per share (In rupees)</b>                                  | <b>56.21</b>                     | <b>53.46</b>                     |
| <b>Diluted earnings per share (In rupees)</b>                                | <b>55.74</b>                     | <b>53.35</b>                     |
| <b>Nominal value per share (In Rupees)</b>                                   | <b>10.00</b>                     | <b>10.00</b>                     |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 31. SEGMENT REPORTING

The Group operates in a single business segment i.e. lending to customers who have similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments' notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. The Group operates in a single geographical segment i.e. domestic.

### 32. DISCLOSURE OF RELATED PARTIES IN ACCORDANCE WITH IND AS 24.

#### I. Holding Company

Kangchenjunga Limited (upto.August 14, 2019)

#### II. Entities in which Key Management Personnel and their relatives have significant influence.

- Spandana Rural and Urban Development Organization
- Abhiram Marketing Services Limited
- Spandana Employee Welfare Trust

#### III. Key Management Personnel

- Mrs. Padmaja Gangireddy - Managing Director
- Mr. Sudhesh Chandrasekar - Chief Financial Officer (w.e.f. May 17, 2019)
- Mr. Rakesh Jhinharia - Company Secretary
- Mr. Abdul Feroz Khan - Chief Strategy Officer
- Mr. Bharat Shah (Independent Director)
- Mr. Deepak Vaidya (Independent Director)
- Mr. Jagdish Capoor (Independent Director)
- Ms. Abanti Mitra (Independent Director)
- Mr. Sunish Sharma (Nominee Director)
- Mr.Kartikeya Dhruv Kaji (Nominee Director)
- Mr. Darius Dinshaw Pandole (Nominee Director)
- Mr. Amit Sobti (Nominee Director)
- Mr. Ramachandra Kasargod Kamath (Nominee Director)

#### IV. Relative of Key Management Personnel

- Mr. Revan Saahith
- Mr. Vijaya Sivarami Reddy Vendidandi
- Mrs. Hina Ansari

#### V. Related parties in accordance with RBI Master directions

- Spandana Mutual Benefit Trust
- Spandana Sphoorty Chit Funds Private Limited

#### Related party transactions during the year:

| S. No | Related Party                                     | Nature of Transactions       | Transactions during year ended March 31, 2020 | Transactions during year ended March 31, 2019 | (Payable)/Receivable |                |
|-------|---|------------------------------|---|---|----------------------|----------------|
|       |   |                              |   |   | March 31, 2020       | March 31, 2019 |
| 1     | Spandana Rural and Urban Development Organization | Rent expense                 | -   | 9.69  | -                    | (0.29)         |
|       |   | Rent deposit                 | -   | -   | 3.09                 | 3.09           |
|       |   | Interest expense on lease    | 6.60  | -   | -                    | -              |
|       |   | Lease liability payable      | 51.86   | -   | (51.86)              | -              |
|       |   | Repayment of lease liability | 0.00  | -   | -                    | -              |
|       |   | Expense reimbursement        | 0.13  | 0.04  | 0.01                 | 0.00           |
|       |   | Unsecured Loan *             | -   | -   | -                    | -              |
|       |   | Interest Expense             | 1.79  | 14.19   | (1.61)               | (0.95)         |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**

| S. No | Related Party                      | Nature of Transactions   | Transactions during year ended March 31, 2020 | Transactions during year ended March 31, 2019 | (Payable)/Receivable |                |
|-------|------------------------------------|--|---|---|----------------------|----------------|
|       |                                    |  |   |   | March 31, 2020       | March 31, 2019 |
| 2     | Abhiram Marketing Services Limited | Commission income  | 288.06  | 159.52  | 106.37               | 29.52          |
|       |                                    | Incentive income   | 82.50   | -   | 80.85                | -              |
|       |                                    | Expense reimbursement (net)  | 40.73   | 34.95   | 10.21                | 6.85           |
|       |                                    | Inter-corporate advances (net)*  | 755.00  | 187.34  | 1,150.00             | 395.00         |
|       |                                    | Other advances   | 122.19  | -   | 122.19               | -              |
|       |                                    | Interest income  | 112.62  |   | 13.10                | -              |
|       |                                    |  |   | 51.16   |                      |                |
|       |                                    | Unsecured Loan given   | -   | 75.00   | -                    | -              |
|       |                                    | Unsecured Loan taken   | 80.00   | -   | 80.00                | -              |
|       |                                    | Interest Expense   | -   | 0.40  | -                    | -              |
|       |                                    | Purchase of fixed assets & goods                                       | 53.46   | 32.14   | (0.03)               |                |
|       |                                    | Others   | 91.37   | 94.89   | (1.49)               | (0.14)         |
| 3     | Kangchenjunga Limited              | Dividend on CCPS (all class)   | -   | 0.11  | -                    | -              |
| 4     | Mr. Deepak Goswami                 | Remuneration#  | 0.32  | 7.65  | -                    | (2.08)         |
| 5     | Mr. Sudhesh Chandrasekar           | Remuneration#  | 8.24  | 3.83  | (3.45)               | (1.38)         |
|       |                                    | Equity shares issued pursuant to stock option scheme                   | 1.32  | -   | -                    | -              |
| 6     | Mr. Rakesh Jhinharia               | Remuneration#  | 2.34  | 1.87  | (0.31)               | (0.01)         |
|       |                                    | Equity shares issued pursuant to stock option scheme                   | 0.79  | -   | -                    | -              |
| 7     | Mr. Nitin Prakash Agrawal          | Remuneration#  | 0.09  | 8.97  | -                    | (1.49)         |
| 8     | Mr. Bharat Shah                    | Sitting fee  | 2.00  | 2.00  | (0.50)               | -              |
| 9     | Mr. Deepak Vaidya                  | Sitting fee  | 2.00  |   | (0.50)               | -              |
|       |                                    |  |   | 1.67  |                      |                |
| 10    | Mr. Jagdish Capoor                 | Sitting fee  | 2.00  | 1.67  | (0.50)               | -              |
| 11    | Mr. K. R. Kamath                   | Sitting fee  | 2.00  | 2.00  | (0.50)               | -              |
| 12    | Ms. Abanti Mitra                   | Sitting fee  | 1.00  | 1.00  | (0.25)               | -              |
|       |                                    | Subscription to equity shares of Holding Company                       | -   | 1.00  | -                    | -              |
| 13    | Mr. Abdul Feroz Khan               | Equity shares issued pursuant to stock option scheme                   | 4.74  | -   | -                    | -              |
|       |                                    | Remuneration#  | 6.81  | 6.39  | (1.27)               | (1.87)         |
|       |                                    | Subscription to equity shares of Holding Company                       | -   | 17.05   | -                    | -              |
| 14    | Mrs. Padmaja Gangireddy            | Balance subscription received on share warrants of Holding Company     | -   | 349.03  | -                    | -              |
|       |                                    | Balance subscription received on OCRPS (all series) of Holding Company | -   | 532.31  | -                    | -              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

| S. No | Related Party                        | Nature of Transactions        | Transactions during year ended March 31, 2020 | Transactions during year ended March 31, 2019 | (Payable)/Receivable |                |
|-------|--------------------------------------|-------------------------------|---|---|----------------------|----------------|
|       |                                      |                               |   |   | March 31, 2020       | March 31, 2019 |
|       |                                      | Subscription to equity shares | -   | 478.49  | -                    | -              |
|       |                                      | Purchase of CFHL Shares       | -   | 270.49  | -                    | -              |
|       |                                      | Dividend on OCRPS             | -   | 0.00  | -                    | -              |
|       |                                      | Remuneration#                 | 53.75   | 53.75   | (27.68)              | (4.58)         |
|       |                                      | Rent paid                     | 0.73  | 0.67  | -                    | (0.08)         |
| 15    | Mr. Revan Saahith                    | Remuneration#                 | 2.38  | 0.76  | (0.65)               | (0.20)         |
|       |                                      | Purchase of CFHL Shares       | -   | 61.82   | -                    | -              |
| 16    | Mr. Vijaya Sivarami Reddy Vendidandi | Purchase of CFHL Shares       | -   | 26.10   | -                    | -              |
| 17    | Mrs. Hina Ansari                     | Purchase of CFHL Shares       | -   | 13.33   | -                    | -              |
| 18    | Spandana Employee Welfare Trust      | Unsecured Loan *              | -   | -   | -                    | -              |
|       |                                      | Interest Expense              | 0.03  | 4.43  | -                    | (0.27)         |
| 19    | Spandana Mutual Benefit Trust        | Unsecured Loan *              | -   | -   | -                    | -              |
|       |                                      | Interest Expense              | 0.58  | 2.77  | -                    | (0.17)         |

Transactions with Criss Financial Holdings Limited and Caspian Financial Services Limited are not considered as they are subsidiaries.

\*Of the ICA given aggregating ₹ 789.65 Mn, the parent company has received repayment of ₹ 34.65 Mn including previous year outstanding (March 31, 2019: ICA given aggregating ₹ 288.62 Mn, the parent company has received repayment of ₹ 101.28 Mn) from Abhiram Marketing Services Limited.

\*Of the Unsecured loan given aggregating ₹ 131.5 Mn, the parent company has received repayment of ₹ 131.5 Mn (March 31, 2019: ICA given aggregating ₹ 218.40 Mn, the parent company has received repayment of ₹ 218.40 Mn) from Spandana Rural and Urban Development Organization.

\*Of the Unsecured loan given aggregating ₹ 2.3 Mn, the parent company has received repayment of ₹ 2.3 Mn (March 31, 2019: ICA given aggregating ₹ 8.8 Mn, the parent company has received repayment of ₹ 8.8 Mn) from Spandana Employee Welfare Trust.

\*Of the Unsecured loan given aggregating ₹ 45.5 Mn, the parent company has received repayment of ₹ 45.5 Mn (March 31, 2019: ICA given aggregating ₹ 51.9 Mn, the parent company has received repayment of ₹ 51.9 Mn) from Spandana Mutual Benefit Trust.

All above transactions are in the ordinary course of business and on arms length basis. All outstanding balances are to be settled in cash and are unsecured.

#As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Transactions during the year are shown net of service tax/GST and inclusive of TDS.

### 33. CONTINGENT LIABILITIES

(Rupees in million unless otherwise stated)

#### a. Claims against the Company not acknowledged as debt:

| Particulars                  | March 31, 2020 | March 31, 2019 |
|------------------------------|----------------|----------------|
| Service tax open assessments | 48.66          | 48.66          |
| Income tax open assessments  | 558.16         | 0.00           |
| <b>Total</b>                 | <b>606.82</b>  | <b>48.66</b>   |

- The Group is of the opinion that the above demands are not tenable and expects to succeed in its appeals / defence.
- The Commissioner, Service Tax Commissionerate, Hyderabad ("CST"), through two orders dated August 7, 2012 and October 9, 2013, levied service tax, interest and penalty on pre-closure interest charged by the Holding Company on loans

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

pre-closed during FY 2006-07 to FY 2011-12. The CST also issued an order dated March 27, 2015, levying service tax, interest and penalty on a part of profit on portfolio sale during FY 2007-08 to FY 2010-11, deeming it to be consideration for collection and remittance of loan instalments. The Holding Company filed an appeal against these orders before the Custom, Excise and Service Tax Appellate Tribunal (CESTAT) which is pending for hearing on March 31, 2020. The service tax and interest thereon in respect of these matters have been provided for in earlier years based on Holding Company's assessment. However, given the facts of these cases, legal precedents, and general opinion, the penalty indicated in these orders aggregating ₹ 48.66 Mn is considered as a contingent liability as at March 31, 2020.

- iii) The Group received an income tax assessment-cum-demand order for FY 2016-17, inter alia, raising a demand of ₹ 606.82 Mn (including interest) under section 69A read with section 115BBE of the Income Tax Act, 1961. The Group has filed an appeal against this order before the Commissioner of Income Tax (Appeals) that will be heard in due course. However, based on the expert opinions obtained, the group is confident that the matter will be decided in its favour. Accordingly, the aforesaid amount has been considered as a contingent liability as at March 31, 2020. The Group has deposited ₹ 72.97 Mn against such demand in the process of filling the aforesaid appeal.
- iv) It is not practicable for the Group to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

(Rupees in million unless otherwise stated)

### b. Guarantees excluding financial guarantees

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Bank Guarantee towards Initial Public Offer (Deposit with the National Stock Exchange of India Limited) | 90.09          | 0.00           |
| <b>Total</b>  | <b>90.09</b>   | <b>0.00</b>    |

### 34. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

This note describes the fair value measurement.

#### Valuation framework

The Group will assess the fair values for assets qualifying for fair valuation.

The Group's valuation framework includes:

1. Benchmarking prices against observable market prices or other independent sources;
2. Development and validation of fair valuation models using model logic, inputs, outputs and adjustments.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions.

#### Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortised cost, have been arrived at as under:

1. Fair values of investments held under FVTPL have been determined under level 1 using quoted Net Asset Value of the underlying instruments;
2. Fair value of loans held under a business model that is achieved by both collecting contractual cash flows and selling the loans are measured at FVOCI. The fair value of these loans has been determined under level 2.

Refer Note 34.1 for further details

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 34.1: FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

#### Fair value measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

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

Level 2 - The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data (either directly as prices or indirectly derived from prices) and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The financial instruments included in Level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market.

Level 3 - If one or more of the significant inputs is not based on observable market data (unobservable), the instrument is included in level 3.

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosure is required):-

**I. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31, 2020:**

#### Assets measured at fair value on a recurring basis

| Financial Assets ( Assets measured at fair value)             | Fair value      |                  |             |                  |
|---|-----------------|------------------|-------------|------------------|
|   | Level -1        | Level - 2        | Level-3     | Total            |
| Loans (measured at FVOCI)                                     | -               | 46,844.86        | -           | 46,844.86        |
| Investments in equity shares (measured at FVTPL)              | -               | -                | 1.00        | 1.00             |
| Investments in liquid / debt mutual funds (measured at FVTPL) | 4,873.62        | -                | -           | 4,873.62         |
| <b>Total</b>  | <b>4,873.62</b> | <b>46,844.86</b> | <b>1.00</b> | <b>51,719.48</b> |

**II. The following table shows an analysis of financial instruments that are not carried at fair value by level of the fair value hierarchy as at March 31, 2020:**

| Fair value of financial assets measured at amortised cost | Amortized cost  | Fair value |                 |          |                 |
|---|-----------------|------------|-----------------|----------|-----------------|
|   |                 | Level -1   | Level - 2       | Level-3  | Total           |
| Loans   | 1,679.09        | -          | 1,686.84        | -        | 1,686.84        |
| <b>Total</b>  | <b>1,679.09</b> | <b>-</b>   | <b>1,686.84</b> | <b>-</b> | <b>1,686.84</b> |

| Fair value of financial liabilities measured at amortised cost | Amortized cost   | Fair value |                  |          |                  |
|--|------------------|------------|------------------|----------|------------------|
|  |                  | Level -1   | Level - 2        | Level-3  | Total            |
| Debt securities  | 7,776.28         | -          | 7,822.56         | -        | 7,822.56         |
| Borrowings (other than debt securities)                        | 22,273.34        | -          | 22,360.81        | -        | 22,360.81        |
| Subordinated liabilities                                       | 203.28           | -          | 239.71           | -        | 239.71           |
| <b>Total</b>   | <b>30,252.90</b> | <b>-</b>   | <b>30,423.08</b> | <b>-</b> | <b>30,423.08</b> |

**III. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31, 2019:**

#### Assets measured at fair value on a recurring basis

| Financial Assets ( Assets measured at fair value) | Fair value |                  |             |                  |
|---|------------|------------------|-------------|------------------|
|   | Level -1   | Level - 2        | Level-3     | Total            |
| Loans (measured at FVOCI)                         | -          | 41,653.89        | -           | 41,653.89        |
| Investments in equity shares (measured at FVTPL)  | -          | -                | 1.00        | 1.00             |
| <b>Total</b>                                      | <b>-</b>   | <b>41,653.89</b> | <b>1.00</b> | <b>41,654.89</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

IV. The following table shows an analysis of financial instruments that are not carried at fair value by level of the fair value hierarchy as at March 31, 2019:

| Fair value of financial assets measured at amortised cost | Amortized cost  | Fair value |                 |          |                 |
|---|-----------------|------------|-----------------|----------|-----------------|
|   |                 | Level - 1  | Level - 2       | Level-3  | Total           |
| Loans   | 1,023.70        | -          | 1,033.85        | -        | 1,033.85        |
| <b>Total</b>  | <b>1,023.70</b> | <b>-</b>   | <b>1,033.85</b> | <b>-</b> | <b>1,033.85</b> |

| Fair value of financial liabilities measured at amortised cost | Amortized cost   | Fair value |                  |          |                  |
|--|------------------|------------|------------------|----------|------------------|
|  |                  | Level - 1  | Level - 2        | Level-3  | Total            |
| Debt securities  | 13,719.64        | -          | 13,856.50        | -        | 13,856.50        |
| Borrowings (other than debt securities)                        | 15,754.79        | -          | 15,787.19        | -        | 15,787.19        |
| Subordinated liabilities                                       | 202.94           | -          | 230.18           | -        | 230.18           |
| <b>Total</b>   | <b>29,677.37</b> | <b>-</b>   | <b>29,873.87</b> | <b>-</b> | <b>29,873.87</b> |

The management assessed that carrying value of financial assets (except loan and investments) and financial liabilities (except debt securities, borrowings (other than debt securities) and subordinated liabilities) approximate their fair value largely due to short term maturities of these instruments.

Assets categorized under Level 3 as on March 31, 2020 are ₹ 1 Mn (As on March 31, 2019 ₹ 1 Mn)

### Valuation technique used

#### Assets measured at fair value on a recurring basis

##### For Loans

The scheduled future cash flows (including principal and interest) are discounted using the lending rate prevailing as at the Balance sheet date. The discounting factor is applied assuming the cash flows will be evenly received in a month. Further the overdue cash flows upto 90 Days (upto stage 2) are discounted assuming they will be received in the third month. Fairvalue of cash flows for stage 3 loans are assumed as carrying value less provision for expected credit loss.

##### For Investment in Equity Instruments

For Investments in equity instruments and liquid/debt mutual funds, the company has assessed the carrying value as an approximation of the fair value.

#### Financial liabilities measured at amortised cost

##### For Borrowing

The fair value of fixed rate borrowings is determined by discounting expected future contractual cash flows using current market interest rate being charged for new borrowings. The fair value of floating rate borrowing is deemed to equal its carrying value.

There have been no transfer between Level 1, 2 and 3 during the year ended March 31, 2020 and March 31, 2019.

## 35. CAPITAL MANAGEMENT

The Group's objective for capital management is to maximize shareholders' value, safeguard business continuity, meet the regulatory requirement and support the growth of the Company. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through borrowings, retained earnings and operating cash flows generated.

As an NBFC, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Company ensures to maintain a healthy CRAR at all the times.

The Group has a board approved policy on resource planning which states that the resource planning of the Group shall be based on its Asset Liability Matching (ALM) requirement. The policy of the Group on resource planning will also cover the objectives of the regulatory requirement. The policy prescribes the sources of funds, threshold for mix from various sources, tenure, manner of raising the funds etc.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Regulatory Capital

#### Spandana Sphoorty Financial Limited. (Parent Company)

(Rupees in millions unless otherwise stated)

| Particulars          | March 31, 2020   | March 31, 2019   |
|----------------------|------------------|------------------|
| Tier I Capital       | 24,265.62        | 16,842.07        |
| Tier II Capital      | 90.44            | 455.02           |
| <b>Total Capital</b> | <b>24,356.06</b> | <b>17,297.09</b> |
| Risk weighted assets | 51,338.58        | 43,670.96        |
| Tier I CRAR          | 47.27%           | 38.57%           |
| Tier II CRAR         | 0.18%            | 1.04%            |
| <b>Total CRAR</b>    | <b>47.44%</b>    | <b>39.61%</b>    |

#### Criss Financial Holdings Limited. (Subsidiary Company)

| Particulars          | March 31, 2020  | March 31, 2019  |
|----------------------|-----------------|-----------------|
| Tier I Capital       | 6,226.02        | 4,885.68        |
| Tier II Capital      | 67.16           | 14.84           |
| <b>Total Capital</b> | <b>6,293.18</b> | <b>4,900.52</b> |
| Risk weighted assets | 17,970.44       | 10,246.85       |
| Tier I CRAR          | 34.65%          | 47.68%          |
| Tier II CRAR         | 0.37%           | 0.14%           |
| <b>Total CRAR</b>    | <b>35.02%</b>   | <b>47.82%</b>   |

CRAR is computed in line with RBI notification dated 13 March 2020 w.r.t implementation of Indian Accounting Standards and accordingly not comparable with CRAR as at 31st March 2019.

### 36. EMPLOYEE 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 limit of ₹ 2,000,000 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarized the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

#### Movement in defined benefit obligations

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Defined benefit obligation as at the beginning of the year  | 27.80          | 21.87          |
| Current service cost  | 10.15          | 3.72           |
| Interest on defined benefit obligation                      | 1.96           | 1.63           |
| Remeasurements- Actuarial (gain)/ Loss on total liabilities | 14.07          | 3.62           |
| Benefits paid   | (3.51)         | (3.04)         |
| <b>Defined benefit obligation as at the end of the year</b> | <b>50.47</b>   | <b>27.80</b>   |

#### Movement in plan assets

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Fair value of plan assets as at the beginning of the year  | 24.21          | 17.75          |
| Actual return on plan assets                               | (1.73)         | 2.00           |
| Actuarial gains  | -              | -              |
| Employer contributions                                     | 3.52           | 7.50           |
| Benefits paid  | (3.51)         | (3.04)         |
| <b>Fair value of plan assets as at the end of the year</b> | <b>22.49</b>   | <b>24.21</b>   |

The Holding Company expects to contribute Nil (march 31,2019 ₹ 3.40 Mn) to gratuity in the next financial year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)**
**Reconciliation of net liability/ asset**

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| <b>Net defined benefit liability/ (asset) as at the beginning of the year</b> | <b>3.59</b>    | <b>4.12</b>    |
| Expense charged to statement of profit & loss                                 | 10.41          | 4.03           |
| Amount recognised in other comprehensive income                               | 17.52          | 2.94           |
| Employer contributions  | (3.52)         | (7.50)         |
| <b>Net defined benefit liability/ (asset) as at the end of the year</b>       | <b>28.00</b>   | <b>3.59</b>    |

**Balance Sheet**
**Amount recognised in balance sheet**

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Present value of obligations                                     | 50.48          | 27.80          |
| Fair value on plan assets  | 22.48          | 24.21          |
| <b>Net defined benefit liability recognised in balance sheet</b> | <b>28.00</b>   | <b>3.59</b>    |

**Expenses charged to the statement of profit and loss**

| Particulars          | March 31, 2020 | March 31, 2019 |
|----------------------|----------------|----------------|
| Current service cost | 10.15          | 3.72           |
| Interest Cost        | 0.25           | 0.31           |
| <b>Total</b>         | <b>10.40</b>   | <b>4.03</b>    |

**Remeasurement gains/(losses) in the other comprehensive income**

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| <b>Actuarial Gain / (Loss) on Liabilities</b>                   |                |                |
| -due to change in financial assumptions                         | (1.97)         | (0.26)         |
| -due to change in demographic assumptions                       | -              | -              |
| -due to experience variance                                     | (12.10)        | (3.36)         |
| <b>Total -A</b>   | <b>(14.07)</b> | <b>(3.62)</b>  |
| <b>Actuarial Gain / (Loss) on assets</b>                        |                |                |
| -Expected Interest Income                                       | 1.71           | 1.32           |
| -Actual Income on Plan Asset                                    | (1.73)         | 2.00           |
| <b>Total -B</b>   | <b>(3.44)</b>  | <b>0.68</b>    |
| <b>Amount recognised under Other Comprehensive Income (A+B)</b> | <b>(17.51)</b> | <b>(2.94)</b>  |

**The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:**

| Category of Assets      | March 31, 2020 | March 31, 2019 |
|-------------------------|----------------|----------------|
| Fund managed by Insurer | 100%           | 100%           |
| <b>Total</b>            | <b>100%</b>    | <b>100%</b>    |

**Summary of Actuarial Assumptions**

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Discount rate   | 5.66% - 6.23%  | 7.05%-7.48%    |
| Expected return on plan assets                          | 7.05%          | 7.44%          |
| Rate of Increase in compensation levels                 | 5.00% - 10.00% | 5.00%-10.00%   |
| Retirement age (years)                                  | 58             | 58             |
| Weighted average duration of defined benefit obligation | 5 - 10 Years   | 5 - 10 Years   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

A quantitative sensitivity analysis for significant assumptions as at the balance sheet date are as shown below:

| Particulars            | March 31, 2020 | March 31, 2019 |
|------------------------|----------------|----------------|
| Discount rate (+0.5%)  | (0.73)         | (0.33)         |
| Discount rate (-0.5%)  | 0.76           | 0.35           |
| Salary Inflation (+1%) | 1.43           | 0.64           |
| Salary Inflation (-1%) | (1.36)         | (0.62)         |
| Withdrawal Rate (+5%)  | (3.23)         | (0.89)         |
| Withdrawal Rate (-5%)  | 4.06           | 1.09           |

### Projected plan cash flow

| Particulars  | March 31, 2020 | March 31, 2019 |
|--------------|----------------|----------------|
| Year 1       | 10.75          | 7.30           |
| Year 2       | 8.93           | 5.82           |
| Year 3       | 7.84           | 4.63           |
| Year 4       | 7.32           | 3.80           |
| Year 5       | 6.56           | 3.15           |
| After year 5 | 19.69          | 9.33           |

**Discount rate:** The discount rate is based on the 5 years government bond yields as at the balance sheet date for the estimated term of the obligations.

**Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

**Salary escalation rate:** The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

## 37. LEASES

### Holding Company as a lessee

The Holding Company's significant leasing arrangements are in respect of operating leases of office premises (Head office and branch offices). The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreements carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine to eleven years with an escalation clause of fifteen percent at a three years interval. There are no sub-leases. Lease rentals of ₹ 18.11 million pertaining to short-term leases and low value assets has been directly debited to statement of profit and loss.

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Operating lease payments recognized in the Statement of Profit & Loss | 18.11          | 36.66          |

### Minimum lease obligations

| Particulars                                       | As at<br>March 31, 2020 | As at<br>March 31, 2019 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 3.85                    | 6.61                    |
| Later than one year and not later than five years | -                       | 3.85                    |
| Later than five years                             | -                       | -                       |

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| Particulars                 | ROU assets   | Total        |
|-----------------------------|--------------|--------------|
| <b>As at April 1, 2018</b>  | -            | -            |
| Addition                    | -            | -            |
| Depreciation                | -            | -            |
| <b>As at March 31, 2019</b> | -            | -            |
| Addition                    | 114.27       | 114.27       |
| Depreciation                | 26.69        | 26.69        |
| <b>As at March 31, 2020</b> | <b>87.58</b> | <b>87.58</b> |

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

| Particulars                 | Amount        |
|-----------------------------|---------------|
| <b>As at April 1, 2018</b>  | -             |
| Addition                    | -             |
| Accretion of interest       | -             |
| Payments                    | -             |
| <b>As at March 31, 2019</b> | -             |
| Addition                    | 114.27        |
| Accretion of interest       | 14.37         |
| Payments                    | 15.42         |
| <b>As at March 31, 2020</b> | <b>113.22</b> |

### The Maturity analysis of lease liabilities as at March 31, 2020

| Particulars       | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total         |
|-------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|---------------|
| Lease Liabilities | 0.09         | 0.09          | 0.09          | 0.51          | 1.73               | 8.48         | 15.46        | 86.75        | <b>113.22</b> |

The following are the amounts recognised in statement of profit or loss:

| Particulars                                      | As at<br>March 31, 2020 |
|--|-------------------------|
| Depreciation expense of right-of-use assets      | 26.69                   |
| Interest expense on lease liabilities            | 14.37                   |
| Expense relating to short-term leases            | 18.11                   |
| Expense relating to leases of low-value assets   | -                       |
| Variable lease payments                          | -                       |
| <b>Total amount recognised in profit or loss</b> | <b>59.17</b>            |

The Holding Company had total cash outflows for leases of ₹ 15.41 Mn in FY 2020. The Holding Company also had non-cash additions to right-of-use assets and lease liabilities of ₹ 114.27 Mn in FY 2020.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

| Particulars       | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total         |
|-------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|---------------|
| Lease Liabilities | 1.29         | 1.29          | 1.29          | 4.08          | 8.79               | 35.47        | 39.62        | 122.85       | <b>214.67</b> |

Effective April 01, 2019 the Holding Company has adopted Ind AS 116 'Leases' and applied it to all lease contracts existing on April 01, 2019 using the 'Modified Retrospective Approach'. Based on the same and as permitted under the specific transitional provisions in the standard, the Holding Company has not restated the comparative figures. On transition, the adoption of the new standard has resulted in recognition of right-to-use asset and a corresponding lease liability of ₹ 114.27 Mn. The effect of this adoption is not material to the profit for the year and earnings per share.

### 38. AMOUNT PAYABLE TO MICRO SMALL AND MEDIUM ENTERPRISES

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

As at March 31, 2020 & March 31, 2019, no supplier has intimated the Group about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

### 39. RISK MANAGEMENT AND FINANCIAL OBJECTIVES

Risk is an integral part of the Group's business and sound risk management is critical to the success. As a financial intermediary, the Group is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Group has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors.

The Group has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the context of

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

The Group has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

### 39.1 CREDIT RISK

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behaviour also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria.

The Group is a rural focused NBFC with a geographically diversified presence in India and offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. Further, as we focus on providing micro-loans in Rural Areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. Our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans.

In order to mitigate the impact of credit risk in the future profitability, the Group creates impairment loss allowance basis the expected credit loss (ECL) model for the outstanding loans as at balance sheet date.

The criteria of default, significant increase in credit risk and stage assessment is mentioned in note 3(e) of the significant accounting policies. The below discussion describes the Company's approach for assessing impairment.

#### A) Probability of default (PD)

Old AP Portfolio

Considering that the old AP portfolio has already defaulted, there is no further requirement to estimate any probability of default. Accordingly, the Parent Company is carrying a 100% loss reserve against the Old AP portfolio.

New portfolio

The Group determines PD on a collective basis by stratifying the entire portfolio into meaningful categories as discussed below.

The Group uses historical vintage information of its loan portfolio to estimate PD. Based on uncertainties and risks arising from its operations in different geographical states in the country, the Group bifurcates the entire portfolio into different states. Further the Group performs analysis of its defaults in various states over different observation periods. Such observation time frame varies depending upon the type of underlying assets analysed by the Group i.e, for Stage II, timeframe used is more than 1 year.

In determining the above PD's, an effort is made to eliminate outliers for a particular observation period which are not likely to happen in future. Accordingly, the Group determines PD for each state depending upon the underlying classification of asset (i.e. Stage I or Stage II).

**A. Summary of PD rates determined by the Group for its portfolio are as follows:**

| State          | Parent Company |            |                |           | Subsidiary Company (Criss Financial Holdings Limited) |          |                |          |
|----------------|----------------|------------|----------------|-----------|---|----------|----------------|----------|
|                | March 31, 2019 |            | March 31, 2020 |           | March 31, 2019  |          | March 31, 2020 |          |
|                | Stage-I        | Stage-II   | Stage-I        | Stage-II  | Stage-I   | Stage-II | Stage-I        | Stage-II |
| Madhya Pradesh | 0.42%          | 70.88%     | 1.33%          | 87.27%    | -   | -        | -              | -        |
| Orissa         | 0.14%          | 80.30%     | 0.73%          | 91.50%    | -   | -        | -              | -        |
| Karnataka      | 0.28%          | 43.66%     | 1.11%          | 75.88%    | -   | -        | -              | -        |
| Maharashtra    | 0.48%          | 78.70%     | 0.79%          | 85.00%    | -   | -        | -              | -        |
| Chhattisgarh   | 0.33%          | 84.86%     | 0.94%          | 82.76%    | -   | -        | -              | -        |
| Jharkhand      | 0.37%          | 79.13%     | 1.13%          | 93.11%    | -   | -        | -              | -        |
| Kerala         | 1.65%          | 72.29%     | 2.36%          | 42.20%    | -   | -        | -              | -        |
| Andhra Pradesh | 1.55%          | 56.90%     | 0.13%          | 56.34%    | 0.01%   | 0.00%    | 0.03%          | 61.61%   |
| Gujarat        | 0.67%          | 82.30%     | 1.53%          | 88.00%    | -   | -        | -              | -        |
| Bihar          | 0.02%          | 0.00%      | 0.16%          | 91.50%    | -   | -        | -              | -        |
| Rajasthan      | 0.00%          | 0.00%      | 0.10%          | 100.00%   | -   | -        | -              | -        |
| Others         | 0% -7.73%      | 0% -78.04% | 0% - 4.88%     | 0% - 100% | 0.02%   | 20.54%   | 0.03%          | 35.94%   |

For stage-III portfolio the PD rate is 100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### B) Exposure at default (EAD)

Exposure at default (EAD) is the sum of outstanding principal and the interest amount accrued loans as at reporting date. Such outstanding balances as at the reporting date is considered as EAD by the Group. Considering that the PD determined above factors in amount at default, there is no separate requirement to estimate EAD.

### C) Loss given default

The Group determines its expectation of lifetime loss by estimating recoveries towards its entire loan portfolio at state level through analysis of historical information. The Group determines its recovery rates by analysing the recovery trends over different periods of time after a loan has defaulted. Based on its analysis of historical trends, the Group has assessed that significant recoveries happen in the year in which default has occurred. Accordingly, it believes no significant difference arise from discounting such recoveries for determining ultimate loss rates. In estimating LGD, the group reviews macro-economic developments taking place in the economy.

A summary of LGD rates determined by the Group are given below:

| State          | Parent Company |                | Subsidiary Company (Criss Financial Holdings Limited) |                |
|----------------|----------------|----------------|---|----------------|
|                | March 31, 2019 | March 31, 2020 | March 31, 2019  | March 31, 2020 |
| Madhya Pradesh | 92.20%         | 88.90%         | -   | -              |
| Orissa         | 83.12%         | 89.25%         | -   | -              |
| Karnataka      | 93.64%         | 82.90%         | -   | -              |
| Maharashtra    | 95.79%         | 84.10%         | -   | -              |
| Chhattisgarh   | 93.07%         | 94.63%         | -   | -              |
| Jharkhand      | 77.90%         | 83.49%         | -   | -              |
| Kerala         | 77.70%         | 80.64%         | -   | -              |
| Andhra Pradesh | 91.49%         | 90.31%         | 100.00%   | -              |
| Gujarat        | 90.39%         | 84.86%         | -   | -              |
| Bihar          | 0.00%          | 44.53%         | -   | -              |
| Rajasthan      | 0.00%          | 44.53%         | -   | -              |
| Others         | 0% -92.66%     | 0% -98.91%     | 58.24%  | 5.86%          |

Analysis of concentration risk of Group is as follows:-

| State          | Parent Company |                | Subsidiary Company (Criss Financial Holdings Limited) |                |
|----------------|----------------|----------------|---|----------------|
|                | March 31, 2019 | March 31, 2020 | March 31, 2019  | March 31, 2020 |
| Madhya Pradesh | 21.33%         | 17.48%         | -   | -              |
| Orissa         | 20.05%         | 17.69%         | -   | -              |
| Karnataka      | 13.36%         | 12.93%         | -   | -              |
| Maharashtra    | 11.49%         | 13.26%         | -   | -              |
| Chhattisgarh   | 9.08%          | 8.28%          | -   | -              |
| Jharkhand      | 5.18%          | 4.72%          | -   | -              |
| Kerala         | 4.57%          | 4.64%          | -   | -              |
| Andhra Pradesh | 4.45%          | 6.95%          | 88.88%  | 99.90%         |
| Gujarat        | 2.99%          | 2.96%          | -   | -              |
| Bihar          | 2.63%          | 4.76%          | -   | -              |
| Rajasthan      | 2.24%          | 3.71%          | -   | -              |
| Telangana      | 0.43%          | 0.56%          | 11.12%  | 0.10%          |
| Others         | 2.20%          | 2.04%          | -   | -              |
| <b>Total</b>   | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b>  | <b>100.00%</b> |

### Collateral and other credit enhancement

The Group's secured portfolio includes loans against security of Gold and property (including land and building). Although collateral is an important mitigant credit risk, the Group's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of the product and the Group's assessment of the customer's credit risk, a loan may be offered with suitable collateral.

**39.1.a** Inter-corporate advance given by the Company to related parties are repayable on demand and governed by Company's policy on demand loans approved by the board of directors. Such policy requires credit appraisal of the financial and operational performance of the counter parties, to be performed by the Company before renewing/rolling over of the advance.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 39.1.b CREDIT RISK DUE TO COVID-19 PANDEMIC

The Novel Coronavirus (COVID-19) pandemic (declared as such by the World Health Organisation on March 11, 2020), has contributed to a significant decline and volatility in global and Indian markets, and a significant decrease in economic activity. On March 24, 2020, the Government of India announced a nation-wide lockdown till April 14, 2020, which was extended till May 31, 2020 through subsequent announcements, to contain the spread of the virus. This has led to significant disruptions and dislocations for individuals and businesses, impacting Group's regular operations including lending and collection activities due to inability of employees to physically reach borrowers which has consequently impacted the carrying value of the financial assets, financial position and performance of the Group.

Further, pursuant to the Reserve Bank of India circulars dated March 27, 2020 and May 23, 2020 allowing lending institutions to offer moratorium to borrowers on payment of installments falling due between March 1, 2020 and August 31, 2020, the Group has extended/ will be extending moratorium to its borrowers in accordance with its Board approved policy.

In management's view, providing moratorium to borrowers at a mass scale based on RBI directives, by itself is not considered to result in a significant increase in credit risk ('SICR') for such borrowers. Accordingly, considering the unique and widespread impact of COVID-19 pandemic, the Group has estimated and recorded a management overlay allowance in its provision for expected credit loss, based on information available at this point in time to reflect, among other things, the deterioration in the macro-economic factors. Given the dynamic nature of the pandemic situation, these estimates are based on early indicators, subject to uncertainty and may be affected by the severity and duration of the pandemic and the actual impact of the pandemic, including governmental and regulatory measures, on the business and financial metrics of the Group (including credit losses) could be different from that estimated by the Group.

### 39.2 LIQUIDITY RISK

Liquidity risk refers to the risk that the Group may not meet its financial obligations. Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group consistently generates sufficient cash flows from operating and financing activities to meet its financial obligations as and when they fall due. Our resource mobilization team sources funds from multiple sources, including from banks, financial institutions and capital markets to maintain a healthy mix of sources. The resource mobilization team is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies to ensure the liquidity risk is well addressed. In order to reduce dependence on a single lender, the Group has adopted a cap on borrowing from any single lender at 25%. The maturity schedule for all financial liabilities and assets are regularly reviewed and monitored. Group has a asset liability management (ALM) policy and ALM Committee to review and monitor the liquidity risk and ensure the compliance with the prescribed regulatory requirement. The ALM Policy prescribes the detailed guidelines for managing the liquidity risk

The tables below provide details regarding the contractual maturities of significant financial assets and liabilities as on:-

#### Maturity pattern of assets and liabilities as on March 31, 2020:

| Particulars                 | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total     |
|-----------------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|-----------|
| Borrowings*                 | 2,658.83     | 1,547.25      | 2,188.27      | 7,823.89      | 10,778.45          | 7,353.53     | 238.22       | -            | 32,588.44 |
| Other Financial Liabilities | 2,023.34     | 0.09          | 0.09          | 0.51          | 137.16             | 8.48         | 15.46        | 86.75        | 2,271.90  |
| Loans**                     | -            | -             | 4,733.86      | 11,503.84     | 18,663.13          | 24,390.61    | 291.28       | 171.60       | 59,754.32 |
| Other Financial Assets      | 4,884.84     | 1,582.06      | 307.44        | 505.62        | 2,285.67           | 765.88       | 243.11       | -            | 10,574.61 |

\*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

\*\* As per the Covid-19 regulatory package announced by RBI to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic vide Circular No.RBI/2019-20/186 & DOR.No.BPBC.47/21.04.048/2019-20, the Group has extended moratorium to its borrowers whose loans were standard as on March 01, 2020, for the period April 01, 2020 to May 31, 2020. Hence, the repayment schedule for such loans as also the residual tenor, is shifted across the board by two months. Further, the same moratorium has been availed by the Holding company towards payments under securitization arrangement.

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

| Particulars                 | Upto 1 month | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total     |
|-----------------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|--------------|-----------|
| Borrowings*                 | 2,041.39     | 3,896.11      | 2,383.92      | 7,620.43      | 7,519.38           | 8,708.32     | 55.15        | 213.07       | 32,437.77 |
| Other Financial Liabilities | 442.48       | -             | -             | 2.39          | -                  | -            | -            | -            | 444.87    |
| Loans                       | 5,063.01     | 4,692.35      | 3,675.27      | 11,155.60     | 14,797.08          | 9,177.43     | 204.79       | 5.82         | 48,771.35 |
| Other Financial Assets      | 1,813.13     | 91.72         | 83.18         | 364.00        | 573.67             | 1,231.43     | 0.81         | 1.00         | 4,158.94  |

\*Represents debt securities, borrowings (other than debt securities) and subordinated liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Maturity Analysis of assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered and settled.

|  | March 31, 2020   |                  |                  | March 31, 2019   |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
|  | Within 12 Months | After 12 Months  | Total            | Within 12 Months | After 12 Months  | Total            |
| <b>ASSETS</b>                                      |                  |                  |                  |                  |                  |                  |
| <b>Financial assets</b>                            |                  |                  |                  |                  |                  |                  |
| Cash and cash equivalents                          | 596.31           | -                | 596.31           | 1,486.12         | -                | 1,486.12         |
| Bank balances other than cash and cash equivalents | 1,082.66         | 892.39           | 1,975.05         | 1,551.02         | 480.84           | 2,031.86         |
| Trade receivables                                  | 223.68           | -                | 223.68           | 35.49            | -                | 35.49            |
| Loans  | 27,179.21        | 21,344.74        | 48,523.95        | 34,036.51        | 8,641.08         | 42,677.59        |
| Investments  | 4,873.62         | 1.00             | 4,874.62         | -                | 1.00             | 1.00             |
| Other financial assets                             | 2,788.98         | 115.99           | 2,904.96         | 582.47           | 22.00            | 604.47           |
| <b>Subtotal - Total financial assets</b>           | <b>36,744.46</b> | <b>22,354.12</b> | <b>59,098.58</b> | <b>37,691.60</b> | <b>9,144.92</b>  | <b>46,836.53</b> |
| <b>Non-financial assets</b>                        |                  |                  |                  |                  |                  |                  |
| Current tax assets (net)                           | 153.13           | -                | 153.13           | 83.37            | -                | 83.37            |
| Deferred tax assets (net)                          | -                | 70.32            | 70.32            | -                | 1,999.79         | 1,999.79         |
| Property, plant and equipment                      | -                | 152.28           | 152.28           | -                | 71.74            | 71.74            |
| Intangible assets                                  | -                | 13.31            | 13.31            | -                | 22.21            | 22.21            |
| Goodwill   | -                | 173.74           | 173.74           | -                | 173.74           | 173.74           |
| Other non-financial assets                         | 112.43           | -                | 112.43           | 129.69           | -                | 129.69           |
| <b>Subtotal - Total non-financial assets</b>       | <b>265.56</b>    | <b>409.65</b>    | <b>675.21</b>    | <b>213.06</b>    | <b>2,267.48</b>  | <b>2,480.54</b>  |
| <b>Total assets</b>                                | <b>37,010.01</b> | <b>22,763.77</b> | <b>59,773.79</b> | <b>37,904.67</b> | <b>11,412.40</b> | <b>49,317.07</b> |
| <b>LIABILITIES AND EQUITY</b>                      |                  |                  |                  |                  |                  |                  |
| <b>LIABILITIES</b>                                 |                  |                  |                  |                  |                  |                  |
| <b>Financial liabilities</b>                       |                  |                  |                  |                  |                  |                  |
| Debt securities                                    | 7,268.62         | 507.66           | 7,776.28         | 10,891.74        | 2,827.90         | 13,719.64        |
| Borrowings (other than debt securities)            | 16,064.98        | 6,208.36         | 22,273.34        | 10,525.49        | 5,229.30         | 15,754.79        |
| Subordinated liabilities                           | 3.92             | 199.36           | 203.28           | 3.73             | 199.21           | 202.94           |
| Other financial liabilities                        | 2,161.20         | 110.70           | 2,271.90         | 444.85           | -                | 444.85           |
| <b>Subtotal - Total financial liabilities</b>      | <b>25,498.72</b> | <b>7,026.08</b>  | <b>32,524.80</b> | <b>21,865.81</b> | <b>8,256.41</b>  | <b>30,122.22</b> |
| <b>Non-financial liabilities</b>                   |                  |                  |                  |                  |                  |                  |
| Current tax liabilities (net)                      | 647.07           | -                | 647.07           | 62.83            | -                | 62.83            |
| Provisions   | 28.00            | -                | 28.00            | 3.59             | -                | 3.59             |
| Other non-financial liabilities                    | 301.45           | -                | 301.45           | 224.85           | -                | 224.85           |
| <b>Subtotal - Total non-financial liabilities</b>  | <b>976.52</b>    | <b>-</b>         | <b>976.52</b>    | <b>291.27</b>    | <b>-</b>         | <b>291.27</b>    |
| <b>Total Liabilities</b>                           | <b>26,475.23</b> | <b>7,026.08</b>  | <b>33,501.31</b> | <b>22,157.07</b> | <b>8,256.41</b>  | <b>30,413.48</b> |
| <b>Net</b>   | <b>10,534.78</b> | <b>15,737.68</b> | <b>26,272.46</b> | <b>15,747.60</b> | <b>3,155.99</b>  | <b>18,903.58</b> |

### 39.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity and other market changes. The Group is exposed to two types of market risks as follows:

#### 39.3a Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

The Group has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax is affected through the impact on floating rate borrowings, as follows:

|                     | March 31, 2020 | March 31, 2019 |
|---------------------|----------------|----------------|
| <b>Finance Cost</b> |                |                |
| 0.50 % Increase     | (22.44)        | (16.79)        |
| 0.50 % Decrease     | 22.44          | 16.79          |

### 39.3b Price Risk

The Parent Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surpluses in the highly liquid debt funds for very short durations. The Parent Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

## 40. TRANSFER OF FINANCIAL ASSETS

### a. Securitization Transaction:

During the current and previous year, the Parent Company has entered into securitisation arrangement with various parties. Under such arrangement, the Parent Company has transferred a pool of loan portfolio, which does not fulfil the derecognition criteria specified under Ind AS 109 as the Parent Company has concluded that risk and rewards with respect to these assets are not substantially transferred.

Following such transfer, the Parent Company's involvement in these assets is as follows:

- As a servicer of the transferred assets
- To the extent of credit enhancements provided to such parties

**The value of Financial assets and liabilities as on :-**

| Particulars                               | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Carrying amount of assets                 | 4,915.87       | 6,638.38       |
| Carrying amount of associated liabilities | 5,398.17       | 7,719.66       |
| Fair value of assets                      | 4,987.94       | 6,727.73       |
| Fair value of associated liabilities      | 5,415.69       | 7,804.93       |

The excess of fair value of associated liabilities over fair value of assets is ₹ 427.75 Mn ( PY: ₹ 1077.20 Mn)

### b. Assignment Transaction:

During the year ended March 31, 2020, the Parent Company has sold some loans and advances measured at FVOCI as per assignment deals, as a source of finance. As per the terms of deal, since the derecognition criteria as per Ind AS 109, including transaction of substantially all the risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognised.

The management has evaluated the impact of the assignment transactions done during the year for its business model. Based on the future business plan, the company's 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/(loss) on derecognition, per type of asset

| Particulars                                      | For the year ended<br>31st Mar 2020 | For the year ended<br>31st Mar 2019 |
|--|-------------------------------------|-------------------------------------|
| Carrying amount of derecognised financial assets | 19,155.84                           | 1,403.81                            |
| Gain/(loss) from derecognition                   | 2,139.27                            | 156.13                              |

Since the Parent Company transferred the above financial asset in a transfer that qualified for derecognition in its entirety, therefore the whole of the interest spread (over the expected life of the asset) is recognised on the date of derecognition itself as interest only strip receivable and correspondingly recognised as profit on derecognition of financial asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 41. EMPLOYEE STOCK OPTION PLAN (ESOP)

The Group has provided various equity settled share based payment schemes to its employees. The details are ESOP scheme are as follows.

| Particulars      | Grant     | Number of Options granted | Vesting Period (In years) | Vesting Conditions  |
|------------------|-----------|---------------------------|---------------------------|---|
| ESOP Scheme 2018 | Grant I   | 3,38,854                  | 5                         | 20% vests every year subject to continuance of services                   |
|                  | Grant II  | 8,17,500                  | 4                         | 30%, 30%, 20% and 20% vests every year subject to continuance of services |
|                  | Grant III | 13,500                    | 4                         | 30%, 30%, 20% and 20% vests every year subject to continuance of services |
|                  | Grant IV  | 90,500                    | 5                         | 20% vests every year subject to continuance of services                   |
|                  | Grant V   | 3,36,500                  | 4                         | 30%, 30%, 20% and 20% vests every year subject to continuance of services |
|                  | Grant VI  | 36,500                    | 5                         | 20% vests every year subject to continuance of services                   |

Exercise period for all the above schemes is 9 years from the date of grant of the options.

The expense recognised for employee services received during the year is ₹ 41.64 Mn.

**a. The following table lists the input to the black scholes models used for the options granted during the year ended March 31, 2020**

| Particulars   | Grant I   | Grant II  | Grant III | Grant IV  | Grant V   | Grant VI  |
|---|---|-----------|-----------|-----------|-----------|-----------|
| Date of Grant   | 13-Aug-18   | 13-Aug-18 | 07-Feb-19 | 28-Jan-20 | 28-Jan-20 | 03-Mar-20 |
| Date of Board / Compensation/ Committee Approval        | 13-Aug-18   | 13-Aug-18 | 07-Feb-19 | 28-Jan-20 | 28-Jan-20 | 03-Mar-20 |
| Number of Options Granted                               | 3,38,854  | 8,17,500  | 13,500    | 90,500    | 3,36,500  | 36,500    |
| Method of settlement                                    | Equity  | Equity    | Equity    | Equity    | Equity    | Equity    |
| Graded Vesting Period                                   |   |           |           |           |           |           |
| Day following the expiry of 12 months from grant        | 20%   | 30%       | 30%       | 20%       | 30%       | 20%       |
| Day following the expiry of 24 months from grant        | 20%   | 30%       | 30%       | 20%       | 30%       | 20%       |
| Day following the expiry of 36 months from grant        | 20%   | 20%       | 20%       | 20%       | 20%       | 20%       |
| Day following the expiry of 48 months from grant        | 20%   | 20%       | 20%       | 20%       | 20%       | 20%       |
| Day following the expiry of 60 months from grant        | 20%   | NA        | NA        | 20%       | NA        | 20%       |
| Exercise Period   | 9 Years from the date of grant                      |           |           |           |           |           |
| Vesting conditions                                      | Employee must be in service at the time of vesting. |           |           |           |           |           |
| Weighted average of remaining contractual Life in Years |   |           |           |           |           |           |
| Year I  | 0.00  | 7.37      | 7.85      | 8.83      | 8.83      | 8.92      |
| Year II   | 7.37  | 7.37      | 7.85      | 8.83      | 8.83      | 8.92      |
| Year III  | 7.37  | 7.37      | 7.85      | 8.83      | 8.83      | 8.92      |
| Year IV   | 7.37  | 7.37      | 7.85      | 8.83      | 8.83      | 8.92      |
| Year V  | 7.37  | NA        | NA        | 8.83      | NA        | 8.92      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

- b. The details of activity under ESOP Scheme 2018 Plan with an exercise price for the year ended March 31, 2020 have been summarised as below:

| Particulars  | Grant I       | Grant II        | Grant III    | Grant IV      | Grant V         | Grant VI      |
|--|---------------|-----------------|--------------|---------------|-----------------|---------------|
| Exercise Price per Share                                   | 263.35        | 263.35          | 263.35       | 1,077.37      | 1,077.37        | 1,091.58      |
| Number of options Outstanding at the beginning of the year | 1,62,000      | 6,89,000        | 7,500        | -             | -               | -             |
| Number of options Granted during the year                  | -             | -               | -            | 90,500        | 3,36,500        | 36,500        |
| Number of Options Exercised during the year                | 20,925        | 1,17,490        | -            | -             | -               | -             |
| Number of Options Lapsed during the year                   | 49,875        | 1,50,160        | 1,500        | -             | 15,000          | -             |
| Outstanding at the end of the year *                       | <b>91,200</b> | <b>4,21,350</b> | <b>6,000</b> | <b>90,500</b> | <b>3,21,500</b> | <b>36,500</b> |

- c. Details of Stock Options granted during the year

The weighted fair value of stock option granted during the year was ₹ 445.09 for Grant IV, ₹ 429.05 for Grant V, ₹ 477.69 for Grant VI The Black -Scholes Model has been used for computing the weighted average fair value considering the following:

| Grant -IV                           | Tranche I | Tranche II | Tranche III | Tranche IV | Tranche V |
|-------------------------------------|-----------|------------|-------------|------------|-----------|
| Share price on the date of Grant    | 1045.5    | 1045.5     | 1045.5      | 1045.5     | 1045.5    |
| Exercise Price                      | 1077.37   | 1077.37    | 1077.37     | 1077.37    | 1077.37   |
| Expected Volatility(%)              | 26.80%    | 26.80%     | 26.80%      | 26.80%     | 26.80%    |
| Life of the options granted in year | 5.5       | 6.0        | 6.5         | 7.0        | 7.5       |
| Risk Free Interest Rate(%)          | 6.58%     | 6.58%      | 6.83%       | 6.83%      | 6.83%     |
| Expected dividend rate(%)           | 0.00%     | 0.00%      | 0.00%       | 0.00%      | 0.00%     |
| Fair Value of the option            | 398.00    | 420.29     | 448.50      | 469.31     | 489.35    |

| Grant -V                            | Tranche I | Tranche II | Tranche III | Tranche IV |
|-------------------------------------|-----------|------------|-------------|------------|
| Share price on the date of Grant    | 1045.5    | 1045.5     | 1045.5      | 1045.5     |
| Exercise Price                      | 1077.37   | 1077.37    | 1077.37     | 1077.37    |
| Expected Volatility(%)              | 26.80%    | 26.80%     | 26.80%      | 26.80%     |
| Life of the options granted in year | 5.5       | 6.0        | 6.5         | 7.0        |
| Risk Free Interest Rate(%)          | 6.58%     | 6.58%      | 6.83%       | 6.83%      |
| Expected dividend rate(%)           | 0.00%     | 0.00%      | 0.00%       | 0.00%      |
| Fair Value of the option            | 398.00    | 420.29     | 448.50      | 469.31     |

| Grant -VI                           | Tranche I | Tranche II | Tranche III | Tranche IV | Tranche V |
|-------------------------------------|-----------|------------|-------------|------------|-----------|
| Share price on the date of Grant    | 1082.35   | 1082.35    | 1082.35     | 1082.35    | 1082.35   |
| Exercise Price                      | 1091.58   | 1091.58    | 1091.58     | 1091.58    | 1091.58   |
| Expected Volatility(%)              | 29.25%    | 29.25%     | 29.25%      | 29.25%     | 29.25%    |
| Life of the options granted in year | 5.5       | 6.0        | 6.5         | 7.0        | 7.5       |
| Risk Free Interest Rate(%)          | 6.21%     | 6.21%      | 6.47%       | 6.47%      | 6.53%     |
| Expected dividend rate(%)           | 0.00%     | 0.00%      | 0.00%       | 0.00%      | 0.00%     |
| Fair Value of the option            | 430.06    | 452.50     | 480.76      | 501.72     | 523.42    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### 42. DISCLOSURE OF INVESTING AND FINANCING TRANSACTIONS THAT DO NOT REQUIRE THE USE OF CASH AND CASH EQUIVALENTS

For the year ended March 31, 2020

| Name of instrument     | Opening Balance  | Converted into equity share capital* | Premium added on issue of ESOP's | Cash Flows      | Closing Balance  |
|------------------------|------------------|--------------------------------------|----------------------------------|-----------------|------------------|
| Equity Share capital** | 11,808.64        | -                                    | 18.72                            | 3,925.59        | 15,752.95        |
| Total Borrowings       | 29,677.37        | -                                    | -                                | 575.53          | 30,252.90        |
| <b>Total</b>           | <b>41,486.01</b> | <b>-</b>                             | <b>18.72</b>                     | <b>4,501.12</b> | <b>46,005.85</b> |

\*\* Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital and premium amount added on issue of ESOP's.

For the year ended March 31, 2020

| Name of instrument     | Opening Balance  | Converted into equity share capital* | Premium added on conversion of preference shares into equity shares | Cash Flows      | Closing Balance  |
|------------------------|------------------|--------------------------------------|---|-----------------|------------------|
| CCPS Class A           | 2,350.00         | (2,350.00)                           | -   | -               | -                |
| CCPS Class B           | 7,910.08         | (7,910.08)                           | -   | -               | -                |
| CCPS Class A1          | 1,192.13         | (1,192.13)                           | -   | -               | -                |
| Share Warrants         | 14.89            | (14.89)                              | -   | -               | -                |
| OCRPS (all series)     | 0.10             | (22.70)                              | -   | 22.61           | -                |
| Equity Share capital** | 297.57           | 277.49                               | 11,212.30   | 21.28           | 11,808.64        |
| Total Borrowings       | 23,313.77        | -                                    | -   | 6,363.60        | 29,677.37        |
| <b>Total</b>           | <b>35,078.54</b> | <b>(11,212.31)</b>                   | <b>11,212.30</b>  | <b>6,407.49</b> | <b>41,486.01</b> |

\*\* Closing balance of equity share capital includes premium amount added on conversion of CCPS (all class) into equity share capital

### 43. BUSINESS COMBINATIONS

On December 27, 2018, the Group acquired 95.97% of the voting shares (2,837,135 shares) of Criss Financial Holdings Limited, a non-listed NBFC based in India for a purchase consideration of ₹ 375.24 Mn. Further, the Group has invested ₹ 250.00 Mn on December 28, 2018 in lieu for fresh issue of 1,890,217 equity of shares by Criss Financial Holdings Limited. Thereafter, Group holds 97.54% of the voting shares of Criss Financial Holdings Limited. Goodwill has been recorded since the Group considers equity interest in Criss Financial Holdings Limited as long term strategic business with no intention to liquidate in the near future.

Non Controlling Interest has been calculated based on the proportionate share in Fair value of Net Assets acquired.

#### Details of acquisition transaction

| Particulars                                       | Amount   | Amount     |
|---|----------|------------|
| Components of consideration paid                  |          |            |
| Cash  |          | 375.24     |
| Market value of asset acquired:                   |          | 1,518.64   |
| Cash and Cash Equivalents                         | 14.29    |            |
| Bank Balances other than cash and cash equivalent | 21.64    |            |
| Loan Portfolio (Note (i) below)                   | 1,475.01 |            |
| Deferred Tax Assets (net)                         | 1.41     |            |
| Property, Plant and Equipment                     | 1.17     |            |
| Intangible Assets                                 | 0.76     |            |
| Other Non Financial Assets                        | 4.36     |            |
| Market value of Liabilities acquired:             |          | (1,308.69) |
| Borrowings (Other than Debt Securities)           | 1,125.15 |            |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

| Particulars                     | Amount | Amount        |
|---------------------------------|--------|---------------|
| Subordinated Liabilities        | 118.68 |               |
| Other Financial Liabilities     | 14.45  |               |
| Current Tax Liabilities (net)   | 48.19  |               |
| Provisions                      | 0.43   |               |
| Other Non Financial liabilities | 1.79   |               |
| Non Controlling Interest        |        | (8.46)        |
| Goodwill (Note (ii) below)      |        | 173.74        |
| <b>Total</b>                    |        | <b>375.24</b> |

- a. The revenue and net profit of the acquiree since the date of acquisition included in the consolidated statement of Profit or loss for the FY 2018-19 are ₹ 88.39 Mn and ₹ 30.46 Mn respectively and consolidated revenue and net profit of the combined entity for FY 2018-19 are ₹ 10,485.29 Mn and ₹ 3,119.00 Mn respectively
- b. The revenue and net profit of the combined entity for the FY 2018-19 as though the acquisition date for the business combination that occurred during the year had been as of the beginning of the April 01, 2018 are ₹ 10,727.15 Mn and ₹ 3,226.47 Mn respectively.

### Notes:

#### i. Loan portfolio

| Particulars  | Amount   |
|--|----------|
| Fair value of the loan portfolio   | 1,475.01 |
| Gross contractual amounts receivable   | 1,476.64 |
| The best estimate at the acquisition date of the contractual cash flows not expected to be collected | 1.63     |

- ii. Goodwill is tested annually on March 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. An impairment loss on goodwill recognized in the statement of profit and loss is not reversed in the subsequent period. Based upon the assessment performed with respect to Parent Company's investment in Subsidiary, no adjustment on account of impairment is required to be effected to the carrying value of goodwill.

| Particulars                                    | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Cost as at beginning of the year               | 173.74         | -              |
| Addition relating to acquisition of subsidiary | -              | 173.74         |
| Cost as at end of the year                     | 173.74         | 173.74         |
| Impairment as at beginning of the year         | -              | -              |
| Charges for the year                           | -              | -              |
| Impairment as at end of the year               | -              | -              |
| Net carrying value as at beginning of the year | 173.74         | -              |
| Net carrying value as at end of the year       | 173.74         | 173.74         |

- iii. The Group has considered the entire subsidiary as a cash generating unit for the purpose of testing impairment of goodwill. The recoverable amounts which exceed the carrying value has been determined based on value in use calculations taking into consideration the operating results, business plans and future cashflows of the subsidiary. Based upon the assessment performed with respect to the parent company's investment in subsidiary, no adjustment on account of impairment is required to be made to the carrying value of goodwill.
- iv. Goodwill is not deductible for tax purposes.

#### 44. REVENUE FROM CONTRACTS WITH CUSTOMERS

| Particulars  | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| <b>Type of services</b>                                    |                |                |
| Service fees for management of assigned portfolio of loans | 5.12           | 5.85           |
| Service and administration charges                         | -              | -              |
| Commission & other Income                                  | 709.57         | 270.67         |
| <b>Total</b>   | <b>714.69</b>  | <b>276.53</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (Contd.)

### Geographical markets

| Particulars   | March 31, 2020 | March 31, 2019 |
|---------------|----------------|----------------|
| India         | 714.69         | 276.53         |
| Outside India | -              | -              |
| <b>Total</b>  | <b>714.69</b>  | <b>276.53</b>  |

### Timing of revenue recognition

| Particulars                             | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| Services transferred at a point in time | 714.69         | 276.53         |
| Services transferred over time          | -              | -              |
| <b>Total</b>                            | <b>714.69</b>  | <b>276.53</b>  |

### Receivables

| Particulars               | March 31, 2020 | March 31, 2019 |
|---------------------------|----------------|----------------|
| Commission & other Income | 221.37         | 29.52          |

Impairment allowance recognised on receivables is Nil (Previous year: Nil)

**45.** Previous year figures have been regrouped / rearranged wherever necessary to conform with current year's classification.

### **46. CSR EXPENSES**

| Particulars   | March 31, 2020 | March 31, 2019 |
|---|----------------|----------------|
| a) Gross amount required to be spent by the Group during the year                             | 50.89          | 23.25          |
| b) Amount spent during the year on purposes other than construction/ acquisition of any asset | 51.91          | 19.93          |
| Paid  | 51.40          | 19.93          |
| Yet to be paid  | 0.51           | 1.15           |
| <b>Total</b>  | <b>51.91</b>   | <b>21.08</b>   |

**47.** The Group has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Group has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability where applicable in the financial statements. Refer note 33(a) for details on tax litigations.

**48.** During the quarter ended March 31, 2020, the Holding Company has made an additional provision and write-off of ₹ 1,292.16 Mn towards COVID-19 and others.

**49.** The Group is in correspondence with Reserve Bank of India ("RBI") with respect to the pricing of credit guidelines prescribed under paragraph 56 of the Master Direction - Non-Banking Financial Group - Systemically Important Non-Deposit taking Group and Deposit taking Group (Reserve Bank) Directions, 2016, dated September 1, 2016, as amended ("Master Directions"). In respect of the observation made by the RBI in its inspection report, the Group believes, supported by an external legal opinions, that its interpretation is in compliance with aforesaid Master Directions and has accordingly not charged any excess interest. However, at RBI's directions, the Group has revised its interest rates prospectively effective February 26, 2020, while continuing to represent its views to RBI. Further, in these financial statements, the Group has adequately recognized the impact of aforesaid observation made by RBI.

**50.** There have been no events after the reporting date that require adjustment / disclosure in these financial statements.

As per our report of even date

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

Chartered Accountants

ICAI Firm registration number : 301003E/E300005

per **Viren H. Mehta**

Partner

Membership No.048749

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

**Deepak Calian Vaidya**

Chairman

DIN: 00337276

Place: Mumbai

Date: June 02, 2020

**Sudhesh Chandrasekar**

Chief Financial Officer

Place: Hyderabad

Date: June 02, 2020

**Padmaja Gangireddy**

Managing Director

DIN: 00004842

Place: Hyderabad

Date: June 02, 2020

**Rakesh Jhinharia**

Company Secretary

Membership No. F8325

Place: Hyderabad

Date: June 02, 2020

Place: Mumbai  
Date: June 02, 2020





## NOTES

[illegible]





**SPANDANA**

SPANDANA SPHOORTY FINANCIAL LIMITED

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