

**UGRO CAPITAL LIMITED**

**CIN: L67120MH1993PLC070739**

**Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2023*

The state governed Provident Fund Scheme, Employee State Insurance Scheme and National Pension Scheme (NPS) are defined contribution plans.

**Defined benefit plans –**

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in the statement of profit and loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement

The Company presents the first two components of defined benefit costs in the statement of profit and loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.

**(13.2) Short term and other long-term employee benefits**

A liability is recognized for benefits accruing to employees in respect of salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

The cost of short-term compensated absences is accounted as under:

- (i) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (ii) in case of non-accumulating compensated absences, when the absences occur.

**(13.3) Compensatory Payments (Loss of Earned Bonus)**

The company amortizes the compensatory payments over the period of twelve months, since the amount is recoverable if an employee leaves the organization within a year.



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**Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2023*

**(13.4) Share based payments**

The Company recognizes compensation expense relating to share-based payments in the statement of profit and loss using fair value in accordance with Ind AS 102 – Share-based payments. The estimated fair value of the award is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance multiple awards with a corresponding increase to share options outstanding amount. The share price of the Company was simulated using a binomial model. The simulation was done from each valuation date to maturity of the ESOP.

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the retained earnings within equity and if the grant lapses before the vesting period, the cumulative discount recognised as expense in respect of such grant is credited to the statement of profit and loss.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**(14) Finance costs**

Finance costs include interest and other ancillary borrowing costs. Ancillary costs include issue costs such as loan processing fees, arranger fees, stamping expense and rating expense etc. The Company recognizes interest expense and other ancillary costs on the borrowings as per Effective Interest Rate Method, which is calculated by considering any ancillary costs incurred and any premium payable on its maturity.

Finance costs are charged to the Statement of Profit and Loss.

**(15) Provisions, contingent liabilities and contingent assets**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).



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**Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2023*

A Contingent liability is disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent assets are neither recognised nor disclosed in the Financial Statements.

Provisions, contingent liabilities, and contingent assets are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

**(16) Commitments**

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

- (a) estimated amount of contracts remaining to be executed on capital account and not provided for;
- (b) uncalled liability on shares and other investments partly paid;
- (c) funding related commitment to associate companies; and
- (d) other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of the management.

**(17) Foreign Currencies**

(i) The functional currency and presentation currency of the Company is Indian Rupee (INR/ Rs.). Functional currency of the Company has been determined based on the primary economic environment in which the Company operates considering the currency in which funds are generated, spent and retained.

(ii) Transactions in currencies other than the Company's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the prevailing closing spot rate. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise.

**(18) Cash and cash equivalents**

Cash and cash equivalents include cash at banks and cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(19) Segment reporting**

Operating segments are those components of the business whose operating results are regularly reviewed by the chief operating decision making body in the Company to make decisions for performance assessment and resource allocation. The reporting of segment information is the same as provided to the management for the purpose of the performance assessment and resource allocation to the segments. Segment accounting policies are in line with the accounting policies of the Company.



**UGRO CAPITAL LIMITED**

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**Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2023*

**(20) Financial Instruments**

**(20.1) Recognition of financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments.

**(20.2) Initial measurement of financial instruments**

Financial assets and financial liabilities are initially measured at fair value. However, trade receivables that do not contain a significant financing component are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from their respective fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the statement of profit and loss.

A financial asset and a financial liability is offset and presented on a net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously.

**(20.3) Classification and subsequent measurement of financial instruments**

**(20.3.1) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**(20.3.1.1) Financial assets carried at amortised cost (AC)**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated as at fair value through profit or loss on initial recognition).

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



**UGRO CAPITAL LIMITED**

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**Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2023*

**Effective Interest Rate Method**

The Effective Interest Rate 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 that form an integral part of the effective interest rate, transaction costs and premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**(20.3.1.2) Financial assets at fair value through other comprehensive income (FVTOCI)**

A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

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

Movements in the carrying amount of such financial assets are recognised in other comprehensive income (OCI). When the investment is disposed-off, the cumulative gain or loss previously accumulated in this reserve is reclassified to the statement of profit and loss.

**(20.3.1.3) Financial assets at fair value through profit or loss (FVTPL)**

A financial asset which is not classified in any of the above categories is measured at FVTPL.

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instrument at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Revenue from operations' line item.



**(20.4) Impairment of financial asset**

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVTOCI and other contractual rights to receive cash or other financial assets.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

Category of financial instrument	Manner of recognition of loss allowance
Financial assets measured at amortised cost	Recognised in profit or loss with corresponding adjustment in the carrying value through a loss allowance account.
Debt investments measured at FVTOCI	Recognised in profit or loss with corresponding adjustment in OCI. The loss allowance is accumulated in the 'Reserve for debt instruments through OCI', and is not adjusted with the carrying value of the financial asset

**Impairment methodology:**

**Overall impairment methodology**

Particulars	Stage 1 (Performing)	Stage 2 (Under-performing)	Stage 3 (Non-performing)
Credit quality	Not deteriorated significantly since its initial recognition.	Deteriorated significantly since its initial recognition	Objective evidence of impairment
ECL model	PD / LGD Model	PD / LGD Model	Cash flow model
ECL	12-month ECL	Life-time ECL	Life-time ECL
ECL Computation	(PD * LGD * EAD)	(PD * LGD * EAD)	Expected Cash Flow basis

**A) For loans, cash credit and term loans measured at amortised cost**

a) Definition of default:

A default shall be considered to have occurred when any of the following criteria are met:

- a) An account shall be tagged as NPA once the day end process is completed for the 91<sup>st</sup> day past due.
- b) If one facility of borrower is NPA, all the facilities of that borrower are to be treated as NPA.

For the purpose of counting of days past due for the assessment of default, special dispensations in respect of any class of assets, if any (e.g. under COVID-19 relief package of RBI) are applied in line with the notification by the RBI in this regard.



**UGRO CAPITAL LIMITED**

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**Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2023*

b) Portfolio segmentation:

The entire portfolio is segmented into homogenous risk segments. Common factors for segmentation includes asset classes, internal rating grade, size, geography, product etc.

c) Probability of Default (PD):

An internally developed statistical model that computes rating at a loan level & categorizes them from Least Risk to High Risk is used for the computation of PD. These internal credit score bands along with external default performance from bureau have been observed & calibrated to derive benchmarked 12-month PD rates. These benchmarked 12-month PD rates have been categorized across 5 Bands viz Risk Band 1 (RB1 – Least Risk) to Risk Band 5 (RB5 – Highest Risk) for secured & unsecured asset types respectively.

Since PD benchmarks for each Risk band have been determined separately for “Secured” and “Unsecured” category, therefore, from a segmentation point, all the business segments are classified into either Secured or Unsecured category. Business segments, wherever risk coverage is available, is factored over and above the PD benchmarks depending on the nature of coverage.

The PD applied in the ECL (Expected Credit Loss) computation model is based on the recomputed/refreshed/updated Risk band/rating at a loan level. All the loans are rated & Risk Bands are recomputed every quarter using the latest credit bureau scrub. For the loan disbursed in the current/latest quarter, wherever the band from credit bureau scrub is not available, the Risk Band at point of origination is applied. Wherever the band is not available at a loan level (either at origination/scrub), the average PD across the 5 Risk Bands shall be applicable for the respective Secured & Unsecured categories.

The 12-month PD shall continue to be applicable in calculating expected credit loss for Stage 1 assets & Lifetime PD shall be applicable for Stage 2 assets.

Life-time PD:

Life-time PD is applied for Stage 2 accounts.

Life-time PDs are computed based on survival approach. Survival analysis is statistics for analysing the expected duration of time until default event happens.

Life-time PD is computed =  $(1 - (\text{Probability of surviving in year 1}) ^ \text{remaining tenure})$

d) Loss given default:

Loss given default (LGD) represents recovery from defaulted assets. Foundational-Internal Rating Based (F-IRB) approach is used for the LGD computation.

**(20.5) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss



that had been recognised in other comprehensive income and accumulated in equity is recognised in the statement of profit and loss.

## **(20.6) Financial liabilities and equity instruments**

### **(20.6.1) Classification as debt or equity**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **(20.6.2) Equity instruments**

An Equity Instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

### **(20.6.3) Compound financial instruments**

The component parts of compound financial instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

### **(20.6.4) Financial Liabilities**

A financial liability is any liability that is:

- Contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments.

All financial liabilities are subsequently measured at amortised cost using the effective interest rate method or at FVTPL.



**UGRO CAPITAL LIMITED**

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**Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2023*

**(20.6.4.1) Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit and loss.

**(20.6.5) Write-off**

Loans and debt securities are written-off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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 subject to the write-off. A write-off constitutes a de-recognition event. The Company may apply enforcement activities to financial assets written-off. Recoveries resulting from the Company's enforcement activities will result in impairment gains.

**(21) Derivative financial instruments**

The Company enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include interest rate swaps and cross-currency interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the resulting gain/loss is recognised through other comprehensive income (OCI). The Company designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

**(22) Hedge accounting policy**

The Company makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Company applies hedge accounting for transactions that meet specific criteria. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Company would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.



**UGRO CAPITAL LIMITED****CIN: L67120MH1993PLC070739****Notes forming part of the financial statements (continued)***For the year ended March 31, 2023***(23) Cash flow Hedges**

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect the statement of profit and loss. For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in Finance Cost in the statement of profit and loss. When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss. When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

**(24) Non-current assets held for sale**

Assets acquired in satisfaction of debt (SOD) are treated as non-current assets held for sale. Assets acquired in satisfaction of debts are disclosed in the Balance Sheet at outstanding principal loan amount or fair market value (as per valuation reports) whichever is lower. In case the fair market value of assets acquired is lower than the outstanding principal loan amount, difference is charged to the statement of Profit and loss under impairment on financial instruments. In case of sale of repossessed assets, the gain/ loss on sale is adjusted in the statement of profit and loss under impairment on financial instruments.

**(25) Key accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with Ind AS requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates include useful lives of property, plant and equipment & intangible assets, expected credit loss on loan books, future obligations in respect of retirement benefit plans, fair value measurement etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

**(26) Earnings per share**

Basic earnings per share is computed by dividing the profit/ (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/ (loss) after tax as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all



dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary

operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

### **(27) Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, impairment of property, plant and equipment and intangible assets, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

Cash and cash equivalents (including bank balances) shown in the Cash Flow Statement exclude items which are not available for general use as on the date of the Balance Sheet.

### **(28) Standards issued but not yet effective**

No new standard as notified by the Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules are effective for the current year.

## **2. Corporate Information**

UGRO Capital Limited ('the Company'), is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is a systemically important non-deposit taking Non-Banking Financial Company ('NBFC-ND-SI') as defined under Section 45-IA of the Reserve Bank of India Act, 1934 under registration no. 13.00325. The Company is engaged in the business of lending and primarily deals in financing MSME sector with focus on Healthcare, Education, Chemicals, Food Processing/FMCG, Hospitality, Electrical Equipment & Components, Auto Components and Light Engineering segments.



**Notes forming part of the financial statements (continued)**  
**For the year ended March 31, 2023**

**(Rupees in lakh)**

**3. Cash and cash equivalents**

Particulars	As at March 31, 2023	As at March 31, 2022
Cash on hand	-	-
Balances with banks		
- in current accounts*	4,014.77	6,174.61
- in fixed deposits with banks (original maturity less than 3 months)	-	400.33
<b>Total</b>	<b>4,014.77</b>	<b>6,574.94</b>

\*Above balances exclude Escrow balances operated for Direct Assignment, Co-lending and Co-origination.

**4. Bank balances other than cash and cash equivalents above**

Particulars	As at March 31, 2023	As at March 31, 2022
Unclaimed dividend on equity shares	1.36	1.43
Fixed deposits with banks*	17,167.83	12,261.68
Less: Impairment loss allowance**	3.05	2.86
<b>Total</b>	<b>17,166.14</b>	<b>12,260.25</b>

\*Earmarked balances with Banks and Financial Institutions are to the tune of Rs. 17,167.83 lakh (previous year: Rs. 12,255.37 lakh)

\*\*Impairment loss allowance is calculated on fixed deposits with Banks and Financial Institutions.

**5. Derivative financial instruments**

Particulars	As at March 31, 2023			As at March 31, 2022		
	Notional Amounts	Fair value - Assets	Fair value - Liabilities	Notional Amounts	Fair value - Assets	Fair value - Liabilities
<b>Part I</b>						
(i) Currency derivatives:						
-Currency swaps*	-	-	-	3,109.43	22.29	-
(ii) Interest rate derivatives	-	-	-	-	-	-
Total Derivative Financial Instruments	-	-	-	<b>3,109.43</b>	<b>22.29</b>	-
<b>Part II</b>						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
-Currency derivatives	-	-	-	-	-	-
(ii) Cash flow hedging:						
-Currency derivatives*	-	-	-	3,109.43	22.29	-
Total Derivative Financial Instruments	-	-	-	<b>3,109.43</b>	<b>22.29</b>	-

\* This refers to Cross Currency Interest Rate Swap

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.



Notes forming part of the financial statements (continued)  
For the year ended March 31, 2023

(Rupees in lakh)

**6. Loans**

Particulars	As at March 31, 2023	As at March 31, 2022
<b>Loans at amortised cost</b>		
<b>(A)</b>		
Supply chain receivables	45,887.83	25,021.38
Term loans	3,43,548.37	2,24,154.76
<b>Total Gross Loans</b>	<b>3,89,436.20</b>	<b>2,49,176.14</b>
Less: Impairment loss allowance	8,799.99	4,064.40
<b>Total Net Loans</b>	<b>3,80,636.21</b>	<b>2,45,111.74</b>
<b>(B)</b>		
Secured by book debts	50,686.61	27,988.88
Secured by property	1,31,600.04	1,04,885.65
Secured by machinery	56,091.96	23,066.06
Unsecured	1,51,057.59	93,235.55
<b>Total Gross Loans</b>	<b>3,89,436.20</b>	<b>2,49,176.14</b>
Less: Impairment loss allowance	8,799.99	4,064.40
<b>Total Net Loans</b>	<b>3,80,636.21</b>	<b>2,45,111.74</b>
<b>(C)</b>		
<b>Loans in India</b>		
Public sector	-	-
Others	3,89,436.20	2,49,176.14
<b>Total Gross Loans</b>	<b>3,89,436.20</b>	<b>2,49,176.14</b>
Less: Impairment loss allowance	8,799.99	4,064.40
<b>Total - Net (a)</b>	<b>3,80,636.21</b>	<b>2,45,111.74</b>
<b>Loans outside India (b)</b>	-	-
<b>Total - Net (a)+(b)</b>	<b>3,80,636.21</b>	<b>2,45,111.74</b>

Note :

1. There are no Loans due by directors or other officers of the Company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member as at and for the year ended March 31, 2023 and March 31, 2022.
2. The underlying securities for the assets secured by tangible assets are property, machinery and book debts.

**7. Investments**

Particulars	As at March 31, 2023	As at March 31, 2022
<b>Investments - at FVTPL</b>		
Security Receipts	1,748.92	2,648.11
<b>Investments - at amortised cost</b>		
Debt securities	4,262.60	4,296.72
Less: Impairment loss allowance	0.83	0.84
<b>Total net investments</b>	<b>6,010.69</b>	<b>6,943.99</b>
Investments in India	6,011.52	6,944.83
Investments outside India	-	-
<b>Total - Gross investments</b>	<b>6,011.52</b>	<b>6,944.83</b>
Less: Impairment loss allowance	0.83	0.84
<b>Total - Net investments</b>	<b>6,010.69</b>	<b>6,943.99</b>

Note : For valuation methodology Refer Note 54



**Notes forming part of the financial statements (continued)**  
**For the year ended March 31, 2023**

(Rupees in lakh)

**8. Other financial assets**

Particulars	As at March 31, 2023	As at March 31, 2022
Security deposits	730.84	551.15
Other receivables	1,803.56	241.64
Less: Impairment loss allowance	3.17	3.17
<b>Total</b>	<b>2,531.23</b>	<b>789.62</b>

**9. Current tax assets (net)**

Particulars	As at March 31, 2023	As at March 31, 2022
<b>Current tax assets</b>		
Advance tax and tax deducted at source (Net of provision for tax Rs.55.96 lakh (Previous year: Rs.926.44 lakh))	203.78	164.23
<b>Total</b>	<b>203.78</b>	<b>164.23</b>

**10. Deferred tax assets (net)**

Particulars	As at March 31, 2023	As at March 31, 2022
<b>Deferred tax assets</b>		
<b>Tax effect of timing differences on account of:</b>		
Provision for compensated absences	175.91	83.72
Provision for gratuity	50.04	24.36
Processing fees received	1,740.14	836.37
Provision for impairment losses on financial instruments	2,628.18	1,249.12
Lease rentals expense under Ind AS 116	93.63	100.25
Preliminary expenses	7.13	69.81
Disallowance on account of Employee stock options scheme outstanding	217.44	217.44
Unutilised minimum alternate tax credit entitlement	4,105.37	1,587.34
Income tax losses carried forward	3,025.64	2,856.51
Provision for bonus	349.44	203.84
Provision for long term incentive plan	67.86	-
Others	-	1.36
<b>Total (A)</b>	<b>12,460.78</b>	<b>7,230.12</b>
<b>Deferred tax liabilities</b>		
<b>Tax effect of timing differences on account of:</b>		
Difference in written down value of property, plant and equipment and intangible assets	342.76	218.84
Direct assignment and Co-lending transactions	4,200.47	447.75
Prepaid fees / charges on debt securities allowed upfront in income tax	542.37	348.20
Prepaid fees / charges on borrowings allowed upfront in income tax	991.55	624.58
Deferred loan sourcing cost allowed upfront in income tax	3,819.62	1,209.12
Others	16.65	-
<b>Total (B)</b>	<b>9,913.42</b>	<b>2,848.49</b>
<b>Deferred tax assets (net) (A-B)</b>	<b>2,547.36</b>	<b>4,381.63</b>



Notes forming part of the financial statements (continued)  
For the year ended March 31, 2023

11. Property, plant and equipment

(Rupees in lakh)

Particulars	As at March 31, 2023				As at March 31, 2022			
	IT and Office equipments	Leasehold improvements	Furniture and fixtures	Total	IT and Office equipments	Leasehold improvements	Furniture and fixtures	Total
<b>At cost as at the beginning of the year</b>	<b>502.23</b>	<b>375.75</b>	<b>28.30</b>	<b>906.28</b>	<b>381.99</b>	<b>375.75</b>	<b>14.70</b>	<b>772.44</b>
Additions during the year	74.94	-	75.85	150.79	120.24	-	13.60	133.84
Disposals/adjustments during the year	6.99	24.42	0.18	31.59	-	-	-	-
<b>At cost as at the end of the year</b>	<b>570.18</b>	<b>351.33</b>	<b>103.97</b>	<b>1,025.48</b>	<b>502.23</b>	<b>375.75</b>	<b>28.30</b>	<b>906.28</b>
<b>Accumulated depreciation as at the beginning of the year</b>	<b>206.54</b>	<b>264.71</b>	<b>4.60</b>	<b>475.85</b>	<b>118.71</b>	<b>182.10</b>	<b>3.03</b>	<b>303.84</b>
Depreciation/amortisation for the year	115.02	75.46	4.27	194.75	87.83	82.61	1.57	172.01
Disposals/adjustments during the year	2.45	21.90	0.07	24.42	-	-	-	-
<b>Accumulated depreciation as at the end of the year</b>	<b>319.11</b>	<b>318.27</b>	<b>8.80</b>	<b>646.18</b>	<b>206.54</b>	<b>264.71</b>	<b>4.60</b>	<b>475.85</b>
<b>Net carrying amounts as at the end of the year</b>	<b>251.07</b>	<b>33.06</b>	<b>95.17</b>	<b>379.30</b>	<b>295.69</b>	<b>111.04</b>	<b>23.70</b>	<b>430.43</b>

Note: No revaluation of any class of asset was carried out during the year.



Notes forming part of the financial statements (continued)  
For the year ended March 31, 2023

(Rupees in lakh)

12 . Non-current assets held for sale

Particulars	As at March 31, 2023	As at March 31, 2022
Non-current assets held for sale	2,194.55	-
<b>Total</b>	<b>2,194.55</b>	<b>-</b>

'Non-Current Assets held for sale' cover immovable properties and machinery which are repossessed in lieu of satisfaction of debts. These assets are classified as 'Non-Current Assets held for sale' till the assets acquired are finally disposed-off.

13 . Right of use assets

Particulars	As at March 31, 2023	As at March 31, 2022
<b>At fair value as at the beginning of the year</b>	<b>3,896.26</b>	<b>1,971.28</b>
Remeasurement of assets	43.22	10.42
Additions during the year	1,632.02	1,914.56
Deletions during the year	(234.47)	-
<b>At fair value as at the end of the year</b>	<b>5,337.03</b>	<b>3,896.26</b>
<b>Accumulated depreciation as at the beginning of the year</b>	<b>1,357.98</b>	<b>876.97</b>
Depreciation for the year	614.97	481.01
<b>Accumulated depreciation as at the end of the year</b>	<b>1,972.95</b>	<b>1,357.98</b>
<b>Net carrying amount as at the end of the year</b>	<b>3,364.08</b>	<b>2,538.28</b>

14. Capital work in progress

Particulars	As at March 31, 2023	As at March 31, 2022
Capital work in progress	2.82	20.25
<b>Total</b>	<b>2.82</b>	<b>20.25</b>

The ageing for capital work in progress as at March 31, 2023 is as follows

Particulars	Amount in Capital Work-in-progress for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	2.82	-	-	-	<b>2.82</b>
Projects temporarily suspended	-	-	-	-	-
<b>TOTAL</b>	<b>2.82</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.82</b>

The ageing for capital work in progress as at March 31, 2022 is as follows

Particulars	Amount in Capital Work-in-progress for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	20.25	-	-	-	<b>20.25</b>
Projects temporarily suspended	-	-	-	-	-
<b>TOTAL</b>	<b>20.25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20.25</b>



Notes forming part of the financial statements (continued)  
For the year ended March 31, 2023

(Rupees in lakh)

15. Intangible assets under development

Particulars	As at March 31, 2023	As at March 31, 2022
Softwares	1,431.41	568.54
<b>Total</b>	<b>1,431.41</b>	<b>568.54</b>

The ageing for Intangible assets under development as at March 31, 2023 is as follows

Particulars	Amount in Intangible assets under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	946.07	165.89	280.19	39.26	1,431.41
Projects temporarily suspended	-	-	-	-	-
<b>TOTAL</b>	<b>946.07</b>	<b>165.89</b>	<b>280.19</b>	<b>39.26</b>	<b>1,431.41</b>

The ageing for Intangible assets under development as at March 31, 2022 is as follows

Particulars	Amount in Intangible assets under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	208.85	276.94	72.33	10.42	568.54
Projects temporarily suspended	-	-	-	-	-
<b>TOTAL</b>	<b>208.85</b>	<b>276.94</b>	<b>72.33</b>	<b>10.42</b>	<b>568.54</b>

16. Other intangible assets

Particulars	As at March 31, 2023	As at March 31, 2022
<b>Software :</b>		
<b>At cost as at the beginning of the year</b>	<b>4,092.98</b>	<b>2,972.79</b>
Additions during the year	3,093.51	1,136.78
Disposal/ adjustments during the year	-	(16.59)
<b>At cost as at the end of the year</b>	<b>7,186.49</b>	<b>4,092.98</b>
<b>Accumulated amortisation as at the beginning of the year</b>	<b>1,490.94</b>	<b>910.77</b>
Amortisation for the year	954.02	588.76
Disposals/ adjustments during the year	-	(8.59)
<b>Accumulated amortisation as at the end of the year</b>	<b>2,444.96</b>	<b>1,490.94</b>
<b>Net carrying amount as at the end of the year</b>	<b>4,741.53</b>	<b>2,602.04</b>

Note: No revaluation of any class of asset was carried out during the year.



Notes forming part of the financial statements (continued)  
For the year ended March 31, 2023

(Rupees in lakh)

17. Other non-financial assets

Particulars	As at March 31, 2023	As at March 31, 2022
Advances to vendors and employees	2,616.33	1,190.04
Goods and services tax input credit receivable	1,022.57	693.63
Prepaid expenses	1,695.91	1,198.14
Deferred staff loan cost	-	0.02
<b>Total</b>	<b>5,334.81</b>	<b>3,081.83</b>

18. Derivative financial instruments

Particulars	As at March 31, 2023			As at March 31, 2022		
	Notional Amounts	Fair value - Assets	Fair value - Liabilities	Notional Amounts	Fair value - Assets	Fair value - Liabilities
<b>Part I</b>						
(i) Currency derivatives:						
-Currency swaps*	23,746.43	-	9.27	-	-	-
(ii) Interest rate derivatives	-	-	-	-	-	-
Total Derivative Financial Instruments	<b>23,746.43</b>	<b>-</b>	<b>9.27</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Part II</b>						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
-Currency derivatives	-	-	-	-	-	-
(ii) Cash flow hedging:						
-Currency derivatives*	23,746.43	-	9.27	-	-	-
Total Derivative Financial Instruments	<b>23,746.43</b>	<b>-</b>	<b>9.27</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* This refers to Cross Currency Interest rate Swap and Full Currency Swap.

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.



Notes forming part of the financial statements (continued)  
For the year ended March 31, 2023

(Rupees in lakh)

19. Payables

Particulars	As at March 31, 2023	As at March 31, 2022
<b>Trade payables</b>		
Due to micro and small enterprises	145.97	0.08
Due to others	1,168.80	666.93
<b>Other payables</b>		
Due to micro and small enterprises	-	-
Due to others		
- Accrued employee benefits	78.92	27.17
- Payable to customers	17.86	15.04
<b>Total</b>	<b>1,411.55</b>	<b>709.22</b>

The ageing for trade payables as at March 31, 2023 is as follows:

Particulars	Outstanding for the following periods from the due date of payment					Total
	Less than 6 months	6 Months - 1 year	1-2 years	2-3 years	More than 3 years	
MSME	145.97	-	-	-	-	145.97
Others	1,032.70	0.41	110.00	18.73	6.96	1,168.80
Disputed dues - MSME	-	-	-	-	-	-
Disputed dues - Others	-	-	-	-	-	-
<b>Total</b>	<b>1,178.67</b>	<b>0.41</b>	<b>110.00</b>	<b>18.73</b>	<b>6.96</b>	<b>1,314.77</b>

The ageing for trade payables as at March 31, 2022 is as follows:

Particulars	Outstanding for the following periods from the due date of payment					Total
	Less than 6 months	6 Months - 1 year	1-2 years	2-3 years	More than 3 years	
MSME	-	0.08	-	-	-	0.08
Others	530.84	38.59	53.80	39.60	4.10	666.93
Disputed dues - MSME	-	-	-	-	-	-
Disputed dues - Others	-	-	-	-	-	-
<b>Total</b>	<b>530.84</b>	<b>38.67</b>	<b>53.80</b>	<b>39.60</b>	<b>4.10</b>	<b>667.01</b>

Details of dues to micro, small and medium enterprises

The Company has sent confirmations to suppliers to confirm whether they are covered under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act, 2006) as well as they have filled the required memorandum with the prescribed authorities. Out of the confirmations sent to the parties, some confirmations have been received till the date of finalisation of the Balance Sheet. Based on the confirmations received, the outstanding amounts payable to vendors covered under the Micro, Small and Medium Enterprises Development Act 2006 are given below :

Particulars	As at March 31, 2023	As at March 31, 2022
1. The principal amount remaining unpaid at the end of the accounting year.	145.97	0.08
2. Interest amount remaining unpaid at the end of the accounting year.	-	-
3. The amount of interest paid by the Company in terms of section 16 of The MSMED Act, 2006, along with the amounts of the payment made to the suppliers beyond the appointed day during the year	-	-
4. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under The MSMED Act, 2006	-	-
5. The amount of interest due and payable for the period (where the principal has been paid but interest under The MSMED Act, 2006 not paid)	-	-
6. The amount of interest accrued and remaining unpaid at the end of accounting year	-	-
7. The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of The MSMED Act, 2006.	-	-
<b>The balance of MSMED parties as at the end of the year</b>	<b>145.97</b>	<b>0.08</b>



Notes forming part of the financial statements (continued)  
For the year ended March 31, 2023

(Rupees in lakh)

20. Debt securities

Particulars	As at March 31, 2023		As at March 31, 2022	
	At amortised cost	Total	At amortised cost	Total
<b>Secured</b>				
Redeemable non-convertible debentures	85,495.83	85,495.83	54,621.07	54,621.07
Liabilities arising out of securitization transactions	16,130.24	16,130.24	3,358.04	3,358.04
<b>Unsecured</b>				
Commercial Paper	12,146.52	12,146.52	11,472.03	11,472.03
Redeemable non-convertible debentures	661.86	661.86	990.29	990.29
<b>Total</b>	<b>1,14,434.45</b>	<b>1,14,434.45</b>	<b>70,441.43</b>	<b>70,441.43</b>
Debt securities in India	1,14,434.45	1,14,434.45	70,441.43	70,441.43
Debt securities outside India	-	-	-	-
<b>Total</b>	<b>1,14,434.45</b>	<b>1,14,434.45</b>	<b>70,441.43</b>	<b>70,441.43</b>

Security and other terms of debt securities :

(i) Terms of repayment (repayment schedule mentioned below represents principal outstanding) as at March 31, 2023:

Rate of Interest	0-12 months	12-24 months	24-36 months	36-60 months	More than 60 Months	Total
6.75 - 8.99 %	7,000.00	-	-	-	-	7,000.00
9.00 - 10.99 %	46,290.63	5,185.10	9,401.06	2,500.00	-	63,376.79
11.00 - 13.00 %	1,166.67	3,666.67	9,928.11	10,700.00	-	25,461.45
<b>Total</b>	<b>54,457.30</b>	<b>8,851.77</b>	<b>19,329.17</b>	<b>13,200.00</b>	<b>-</b>	<b>95,838.24</b>

(ii) Terms of repayment (repayment schedule mentioned below represents principal outstanding) as at March 31, 2022:

Rate of Interest	0-12 months	12-24 months	24-36 months	36-60 months	More than 60 Months	Total
6.75 - 8.99 %	8,000.00	2,000.00	-	-	-	10,000.00
9.00 - 10.99 %	18,136.65	16,833.35	2,500.00	-	-	37,470.00
11.00 - 13.00 %	1,166.66	1,166.66	1,166.68	5,000.00	10,700.00	19,200.00
<b>Total</b>	<b>27,303.31</b>	<b>20,000.01</b>	<b>3,666.68</b>	<b>5,000.00</b>	<b>10,700.00</b>	<b>66,670.00</b>

The above secured debt securities are secured by specific charge on receivables under financing activities. The Company has maintained the required security cover with respect to its debt securities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

(i) Terms of repayment of borrowings under Securitization (repayment schedule mentioned below represents principal outstanding) as at March 31, 2023:

Rate of Interest	0-12 months	12-24 months	24-36 months	36-60 months	More than 60 Months	Total
Rate of Interest 8.50 % to 11.50%*	11,618.47	4,316.18	405.34	-	-	16,339.99
<b>Total</b>	<b>11,618.47</b>	<b>4,316.18</b>	<b>405.34</b>	<b>-</b>	<b>-</b>	<b>16,339.99</b>

(ii) Terms of repayment of borrowings under Securitization (repayment schedule mentioned below represents principal outstanding) as at March 31, 2022:

Rate of Interest	0-12 months	12-24 months	24-36 months	36-60 months	More than 60 Months	Total
Rate of Interest 9.75 % to 11.04%*	1,036.54	927.10	924.94	531.03	-	3,419.61
<b>Total</b>	<b>1,036.54</b>	<b>927.10</b>	<b>924.94</b>	<b>531.03</b>	<b>-</b>	<b>3,419.61</b>

\* Rate of interest is considered on an annualised basis payable monthly for reporting purpose.

Security and other terms of debt securities are as follows :

- Out of the the above, Non-convertible debentures as at March 31, 2023 are not guaranteed by directors. Non-convertible debentures amounting to Rs 5,000 lakh as at March 31, 2022 are guaranteed by directors.
- Debt Securities were used fully for the purpose for which the same were obtained.
- There are no default in repayment of debt securities.

