# Annual Report

# Fincare Business Services Limited

# 2020-21

# Contents

# DIRECTORS' REPORT

To,
The Members,
Fincare Business Services Limited ("The Company")

Your Directors take pleasure in presenting the 7th Annual Report on the business and operations of the Company together with the Audited Financial Statements for financial year ended March 31, 2021 (FY 21) on standalone and consolidated basis.

## 1. FINANCIAL HIGHLIGHTS – FY 21

The summary of Company's financial performance, both on a Consolidated and Standalone basis for FY 21 compared to the previous year, FY 20 is given below:

**(Amount in INR)**

| Particulars | Standalone | | Consolidated | |
|---|---|---|---|---|
| | Year End 31.03.2021 | Year End 31.03.2020 | Year End 31.03.2021 | Year End 31.03.2020 |
| Total Revenue | 8,99,14,871 | 7,50,04,665 | 14,48,19,30,264 | 12,00,51,96,284 |
| Total Expenses | 14,55,09,679 | 12,98,06,466 | 13,55,48,81,933 | 10,13,86,35,348 |
| **Profit before tax** | **(5,55,94,808)** | **(5,48,01,801)** | **92,70,48,331** | **1,86,65,60,936** |
| **Net Profit Before Tax** | **(5,55,94,808)** | **(5,48,01,801)** | **92,70,48,331** | **1,86,65,60,936** |
| **Tax Expenses:**<br>Current Tax<br>MAT expense<br>Deferred Tax<br>Prior Period Tax | 42,73,758<br>-<br>-<br>(18,96,861) | -<br>-<br>40,09,512<br>19,89,657 | 59,59,91,792<br>-<br>(37,51,19,396)<br>23,76,897 | 79,18,66,376<br>-<br>(18,64,75,203)<br>19,89,657 |
| **Profit/ (Loss) after Tax** | **(5,79,71,705)** | **(6,08,00,970)** | **70,37,99,039** | **1,25,91,80,106** |
| **Other Comprehensive Income (OCI) – net of taxes** | **-** | **-** | **2,83,68,893** | **15,19,65,842** |
| **Net Profit After Tax (inclusive of OCI)** | **(5,79,71,705)** | **(6,08,00,970)** | **73,21,67,931** | **1,41,11,45,948** |
| Earnings Per Share – Basic & Diluted (in Rs.) | (0.18)<br>(0.18) | (0.19)<br>(0.19) | 1.93<br>1.91 | 3.54<br>3.51 |

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## 2. FINANCIAL PERFORMANCE – FY 21

**Standalone**

As a Core Investment Company, the Company's investments are in the securities of its subsidiary company. Accordingly, most of its standalone revenue depends on income from investments made in its subsidiary company.

The gross revenue of the Company stood at Rs. 8,99,14,871 (Rupees Eight Crores Ninety Nine lakhs Fourteen Thousand Eight Hundred And Seventy One) for the year ended 31st March, 2021 as against 7,50,04,665 (Rupees Seven Crores Fifty Lakhs Four Thousand Six Hundred And Sixty Five) in the previous year. The Company incurred a net loss of Rs. 5,79,71,705 (Rupees Five Crores SeventyNine lakhs Seventy One Thousand Seven Hundred And Five) for the year ended 31st March, 2021 as compared to a net loss of Rs. 6,08,00,970 (Rupees Six Crores Eight Lakhs Nine Hundred And Seventy) in the previous year.

**Consolidated**

The consolidated gross revenue of Fincare Group ('Fincare Group' shall mean Fincare Business Services Limited along with its subsidiary) was at Rs. 14,48,19,30,264 (Rupees Fourteen Hundred Forty Eight Crores Nineteen Lakhs Thirty Thousand Two Hundred And Sixty Four) as against Rs. 12,00,51,96,284 (Rupees Twelve Hundred Crores Fifty One Lakhs Ninety Six Thousand Two Hundred And Eighty Four) during the previous financial year. The Fincare Group has incurred a consolidated net profit (including OCI) amount of Rs. 73,21,67,931 (Rupees Seventy Three Crores Twenty One Lakhs Sixty Seven Thousand Nine Hundred And Thirty One) as against Rs. 1,41,11,45,948 (Rupees One Hundred Forty One Crores Eleven Lakhs Forty Five Thousand Nine Hundred And Forty Eight) in the previous year.

The consolidated financials reflect the cumulative performances of Fincare Business Services Limited along with its subsidiary, Fincare Small Finance Bank Limited. Detailed description about the business carried on by the subsidiary is contained in the Management Discussion and Analysis report of the subsidiary company enclosed herewith as **'Annexure – I'** to this report.

## 3. DIVIDEND

In order to conserve financial resources as well as to support ongoing business needs, the Directors do not recommend any dividend for the FY 21.

## 4. AMOUNTS TRANSFERRED TO RESERVES

As per the standalone financial statements, during the year, no amount was appropriated from the profit after tax to statutory reserves.

## 5. CHANGE IN NATURE OF BUSINESS

There has been no change in the nature of business of the Bank during the year under review.

## 6. THE STATE OF AFFAIRS OF THE COMPANY

Your Company continues to be categorized as Non-Banking Financial Company- Non Deposit taking Core Investment Company (NBFC-CIC-ND) under RBI Regulations and is primarily engaged in the business of a Core Investment Company and for that purpose to acquire and hold either in the name of the Company or in that of any nominee, shares, stocks, debentures, debenture stock, bonds, notes and to invest or to deposit or to hold funds in such group companies.

The Company is the promoter of Fincare Small Finance Bank Limited ("FSFB") and has its investment only in FSFB. Further, during the year under review, FSFB has formally kick started its initial public offering (IPO) process by filing the Draft Red herring prospectus with Securities and Exchange Board of India. wherein the Company is participating as a selling shareholder under offer for sale (OFS) portion of such number of shares amounting to Rs. 1,000 crore (where amount may be revised as per the limits permitted under applicable law). The DRHP was filed by FSFB on May 9, 2021 with Securities and Exchange Board of India.

## 7. CAPITAL STRUCTURE OF THE COMPANY

During the year, there was no increase in the Authorized Share Capital of the Company. The Authorized Share Capital of the Company as on 31$^{st}$ March, 2021 was Rs. 115,50,00,000 (Rupees one hundred fifteen crores and fifty lakhs) divided in to 105,50,00,000 (one hundred five crore and fifty lakhs) Equity Shares of Rs. 1 (Rupees One) each and 1,00,00,000 (one crore) Preference Shares of Rs. 10 (Rupees Ten) each.

The issued, subscribed and paid-up capital of the Bank as on 31$^{st}$ March, 2021 stood at Rs. 32,84,17,440 (Rupees thirty-two crores eighty four lakhs seventeen thousand four hundred and forty) divided into 32,84,17,440 (thirty two crores eighty four lakhs seventeen thousand four hundred and forty) equity shares of Rs. 1 (Rupees One) each.

During FY 21, the Company has not issued any shares with differential rights, sweat equity shares, and Bonus shares. The Company has not bought back any of its securities.

Details of ESOPs granted are included in separate head.

## 8. ANNUAL RETURN

In accordance with the Companies Act, 2013, the annual return in the prescribed format is available at www.fincare.com.

## 9. NUMBER OF MEETINGS OF THE BOARD DURING THE FY 21

The Board of Directors of the Company met 7 times during the FY 21. The maximum interval between any two meetings did not exceed 120 days and the minutes of all the Board Meetings were duly recorded in the Minutes Book as prescribed in the Companies Act, 2013. The details of the meeting held during the year are mentioned hereunder:-

| Quarter 1 (April – June) | Quarter 2 (July – September) | Quarter 3 (October- December) | Quarter 4 (January- March) |
|---|---|---|---|
| April 13, 2020 | July 31, 2020 (adjourned) | November 21, 2020 | March 3, 2021 |

| | | | |
|---|---|---|---|
| | | | |
| June 29, 2020 | September 3, 2020 | - | March 29, 2021 |

The Details of Attendance of Directors are cited in the Corporate Governance Report Annexed as '**Annexure II**' to this report.

**10. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

Details of loans and guarantees as covered under Section 186 of the Act are provided in the Standalone Financial Statements.

Being a Core Investment Company, requirement to disclose Investments is not applicable to the Company.

**11. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES**

No related party transactions were entered into during FY 21. Disclosures relating to related party transactions as required under Indian Accounting Standard (Ind AS-24) are reported in the Financial Statements of your Company.

**12. STATUTORY AUDITORS AND THEIR REPORT THEREON**

M/s Walker Chandiok & Co LLP, Chartered Accountants, (Firm Registration No. 001076N) were re-appointed as Statutory Auditors of the Company for a period of 4 (four) years from the conclusion of 6th Annual General Meeting held on September 30, 2020 till the conclusion of 10th Annual General Meeting.

In order to comply with the requirements of the notification of the Reserve Bank of India dated 27 April 2021, with regard to maximum number of statutory audits of NBFCs that an audit firm can concurrently take up, M/s Walker Chandiok & Co LLP expressed their inability to continue to be the statutory auditors of the Company beyond the ensuing general meeting of the Company.

Accordingly, the board has recommended appointment of M/s Bhushan Khot & Company, Chartered Accountants (Firm Registration No.: 116888W) as statutory Auditors for a period 5 (five) years in terms of section 139 of the Companies Act from the conclusion of ensuing Annual General Meeting till the conclusion of 12th Annual General Meeting of the Company.

In pursuance of provisions of section 141 of the Companies Act, 2013 M/s M/s Bhushan Khot & Company, Chartered Accountants, have given their consent and confirmed their eligibility to be Auditor of the Company for a period of five years commencing from financial year 2021-22 till 2025-26.

Further, there is no qualification, reservation, disclaimer or adverse remark made by the Statutory Auditors in the Audit report for FY 21. Also, no frauds are reported by auditors under sub-section (12) of section 143.

**13. MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT**

There were no material changes that happened during the year.

14. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO IN THE MANNER AS PRESCRIBED IN RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014:**

**a) Conservation of Energy:**

There are no matters to be reported under this head as the company is not engaged in power intensive activities and hence not applicable to this company.

**b) Technology Absorption:**

There are no matters to be reported under this head as the company is not entered into any technical collaboration agreements.

**c) Foreign Exchange Earnings or Expenses during the year:**

During the year the company has neither earned nor incurred any expense in foreign currency.

15. **SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES**

Your Company has one subsidiary viz Fincare Small Finance Bank Limited (FSFB), which is registered as a Small Finance Bank (earlier as Non-Banking Financial Company) with the Reserve Bank of India. As on March 31, 2021 the Company is holding 5,78,29,856 (five crore seventy eight lakh twenty nine thousand eight hundred and fifty six) equity shares i.e. 90.91% in FSFB.

Your Company does not have any joint ventures or associate companies. Further, none of the Company became or ceased to become subsidiaries, joint ventures or associate Companies during the year.

The salient features of the Subsidiary companies are disclosed in ‘**Annexure III’** (Form AOC-1).

16. **RISK MANAGEMENT POLICY**

Your Company is a Core Investment Company (CIC) and its operations are limited to being a CIC. The risks therefore primarily relate to investments made in its subsidiary. The operations of the subsidiary and the risks faced by it and the risk mitigation tools followed by it to manage these risks are reviewed periodically by the respective Risk Management Committees/Audit Committees and the Boards of the subsidiary. Details of the same are covered in the Management Discussion and Analysis Report annexed as ‘**Annexure I’**, which forms the part of this report.

17. **DEPOSITS**

Your Company is a non-deposit taking Core Investment Company hence the requirements on disclosures of deposit related information is not applicable.

## 18. DIRECTORS

The Company's Board consists of professionals who are having knowledge and experience required in the industry. The responsibilities of the Board include, inter alia, formulation of policies, taking new initiatives, reviewing performance, monitoring plans and pursuing policies and procedures, and ensuring that the Company operates within the regulatory framework laid down by the regulator.

### A) Change in Directors

During the year under review, there was no change in the composition of the Board of Directors. However, Mr. Divya Sehgal, Nominee Director, resigned from directorship w.e.f. July 9, 2021 i.e. after the closure of FY 2020-21.

Mr. Dhiraj Poddar, Nominee Director of the Company who retired by rotation in 6th Annual General Meeting held on 30th September,2020, was re-appointed on the same date.

A detailed composition of the Board of Directors along with number of meetings held during the year is provided in the Corporate Governance Report annexed as '**Annexure II**' which forms part of this report.

Mr. Maninder Singh Juneja, Non-Executive, Nominee Director, retires by rotation this year, and being eligible, offers himself for re-appointment. The Board recommends his re-appointment as Director of the Company liable to retire by rotation. Appropriate resolution in this regard shall be placed for approval of the shareholders at the ensuing Annual General Meeting.

### B) Changes in Key Managerial Personnel

During the period under review, Ms. Parul Molri was appointed as Company Secretary of the Company w.e.f. March 3, 2021 in place of Ms. Deepa Gusain who resigned from the position of Company Secretary effective February 1, 2021.

Further, after the period under review, Mr. Gautam Gupta was appointed as Chief Financial Officer of the Company in place of Mr. Uma Sankar Rao w.e.f. May 20, 2021

## 19. 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 material orders passed by the Regulators/Courts/Tribunals during FY21, which would impact the going concern status of the Company and its future operations. The Company has complied with the applicable requirements and no penalties were imposed on the Company by any regulatory authority.

## 20. UPDATE ON INTERNAL FINANCIAL CONTROL OVER FINANCIAL REPORTING

Your Company has deployed mechanism to ensure adequacy of Internal Financial Controls with reference to the Financial Statements. The management periodically reviews the financial performance of your Company against the approved plans and takes necessary actions, as required from time to time. These measures help in ensuring adequacy of internal financial controls commensurate with the nature and scale of operations of the Company.

## 21. DECLARATION OF INDEPENDENT DIRECTORS

The Independent Directors have submitted their disclosures to the Board that they fulfil all the requirements as stipulated in section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules.

## 22. DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

In compliance with section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has adopted a Corporate Social Responsibility Policy. The CSR policy of the Company is framed in line with the Guidelines on Corporate Social Responsibility for Private and Public enterprises.

Statutory disclosures with respect to the CSR Committee and a Report on CSR Activities forms part of this Report as '**Annexure IV'.**

## 23. COMMITTEES OF THE BOARD

The Board has constituted various Committees to take informed decisions in the interest of the Company and to establish best corporate governance practices. The Board Committees deal with specific matters as per powers delegated and monitor the activities falling under different functional areas of the Company in acquiescence of provisions of Companies Act, 2013, the relevant rules made thereunder, other guidelines issued by RBI from time to time and the Articles of Association of the Company.

Details of Composition of various committees are specified in the Corporate Governance Report forming part of this report as '**Annexure II'**.

Further there were no instances when Board had not accepted any recommendation of the Audit Committee.

## 24. STATEMENT INDICATING THE MANNER IN WHICH FORMAL ANNUAL EVALUATION HAS BEEN MADE BY THE BOARD OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS

The Directors had carried out evaluation of the Board as a whole, its Committees and the Directors (Executive, Non-Executive & Independent Directors). Performance evaluation procedures as recommended by the Nomination and Remuneration Committee (Nomination Committee) for evaluation of performance of (i) Board/ Committees (ii) Directors such as Board Composition, level of involvement, performance of duties, attendance etc. The Directors are updated by the Nomination Committee on various evaluation attributes. The Nomination

Committee found the performance of all the Directors to be satisfactory and the Board's overall functioning as well as that of its Committees was effective.

**EVALUATION OF THE BOARD**

The Board evaluated its performance as a whole and was satisfied with its performance and composition of independent and non-independent directors. Further, the Board appreciated that it comprised of professionals from diverse backgrounds which brings different diversity of thinking and inputs to the table for effective functioning.

**EVALUATION OF THE COMMITTEES OF THE BOARD**

The Board evaluated its various committees and was satisfied with their composition, functioning, frequency of meetings and the performance of all its Committees.

**EVALUATION OF THE DIRECTORS BY THE BOARD**:

The Board reviewed the individual performance of all the Directors of the Bank including Executive, Non-Executive and Independent Directors and noted that the performance of each Director met the expectations of the Company. The Board is of opinion that it is advisable to continue with the existing terms of appointment of the Independent Directors.

**25. SEPARATE MEETING OF INDEPENDENT DIRECTORS**:

The Independent Directors of the Company have met separately without the presence of other directors and / or management team members as required under Schedule IV of the Companies Act, 2013 and other applicable provisions of the Act.

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

The Company has always been committed to provide a safe and dignified work environment; which is free of discrimination, intimidation and abuse. During the year under review the Company has not received any complaint of sexual harassment.

| | |
|---|---|
| No. of Complaints Pending at the Beginning of the year | Nil |
| No. of Complaints received during the year | Nil |
| No. of Complaints resolved during the year | Nil |
| No. of Complaints Pending at the End of the year | Nil |

**27. MANAGEMENT DISCUSSION & ANALYSIS**

The Management Discussion and Analysis report is annexed to this report in '**Annexure I'.**

## 28. PROCEEDING PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016

There are no ongoing proceedings under Insolvency and Bankruptcy Code, 2016 against the Company.

## 29. DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of section 134(5) of the Companies Act, 2013, the Board hereby submits its responsibility Statement:

a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
b. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
d. the Directors had prepared the annual accounts on a going concern basis; and
e. 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; and
f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## 30. REMUNERATION OF DIRECTORS

Information with respect section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is available for inspection at the registered office of the Company during business hours on working days of the Company. If any member is interested in obtaining a copy, such member may write to the Company Secretary in this regard.

## 31. CORPORATE GOVERNANCE REPORT

A Report on Corporate Governance is attached as **Annexure II** and forms part of the Directors' Report. Details on number of Meetings of Board and Committees and composition of various Committees of the Board are given in the Corporate Governance Report.

## 32. COMPLIANCE OF SECRETARIAL STANDARDS

The Company always ensures compliance with the Secretarial Standards issued by the Institute of Company Secretaries of India, along with the other requirements of the Companies Act, 2013 and other applicable provisions.

### 33. DISCLOSURE ON MAINTAINANCE OF COST RECORDS

The maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is not applicable to the Company and hence the same is not maintained.

### 34. POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

Pursuant to the provisions of Section 134 and 178 of the Companies Act, 2013, the Company has formulated and adopted the policy on appointment and remuneration of Directors and Key Managerial Personnel. The Salient features of the policy is included in the Corporate Governance Report forming part of this report as Annexure II. Further, a copy of the policy is placed on the website of the Company at www.fincare.com.

### 35. EMPLOYEE STOCK OPTION SCHEME

Information as required under Section 62 of the Act and Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014:

| **Particulars** | **Details as on 31st March, 2021** |
|---|---|
| Options granted | Total Grant: 86,55,600<br>Grant 1: 23,56,200<br>Grant 2: 29,85,300<br>Grant 3: 33,40,400 |
| Options vested | 68,46,618 |
| Options exercised | 0 |
| The total number of shares arising as a result of exercise of option | 0 |
| Options lapsed | 8,90,200 |
| The exercise price | Grant 1 : ₹ 30.50<br>Grant 2 : ₹ 40.50<br>Grant 3: ₹ 52.50 |
| Variation of terms of options | **1. Grant 1&2** : FV of underlying shares changed from FV=10 to FV=1, hence number of options increased and Exercise Price reduced, by a factor of 10<br>**2. Grant 1&2**: vesting schedule revised from 2/3rd and 1/3rd at end of 12 & 24 months respectively to 100% at end of 12 months |
| Money realized by exercise of options | Nil |
| Total number of options in force | 77,65,400 |
| **Employee wise details of options granted to:** | |

| | |
|---|---|
| (i) Key Managerial Personnel | Managing Director: Nil<br>Chief Financial Officer*: 24,500<br>Company Secretary : Nil<br>Total : 24,500 |
| (ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year | **Fincare Small Finance Bank Personnel (Subsidiary of the Company)**<br>1. Chief Financial Officer : 7,81,200 (9.1%)<br>2. COO - Rural Banking : 7,81,200 (9.1%)<br>3. Chief People Officer: 4,73,500 (5.5%)<br>4. COO - Retail Banking: 4,57,800 (5.3%)<br>5. Chief Technology Officer: 4,54,500 (5.3%) |
| (iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant | Nil |

***Note:*** *Refer Note 39 to the Standalone Financial statements and Note 43 to the Consolidated Financial Statements*
*Mr. Uma Sankar Rao ceased to be Chief Financial Officer of the Company w.e.f. May 20, 2021

## 36. ACKNOWLEDGMENTS

The Directors take this opportunity to thank all investors, business partners, vendors, banks, auditors, regulatory and governmental authorities for their continued support during the year. Your Directors place on record their appreciation of the contribution made by the employees at all levels for their commendable teamwork, dedicated and wholehearted effort.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-**
**G. Dasarathareddy**
Managing Director
DIN: **01760054**
Add: Plot No. 162, 1st Floor, Ammacts Kars Green City, V Kota Mandal, V Kota, Venkatagirikota, Chittoor, Andhra Pradesh 517424

Date: August 30, 2021
Place: Chittoor

**Sd/-**
**Dhiraj Poddar**
Director
DIN: **01760054**
Add: 001, Springs, Island City Centre, Bombay Dyeing, G. D. Ambedkar Marg, Dadar East, Mumbai – 400 014

Date August 30, 2021
Place: Mumbai

**Annexure I**

**Management Discussion and Analysis**

## Indian economy

Despite a hard-hitting 2nd wave of Covid-related infections, India is set to record the highest GDP growth amongst all major economies, albeit on a low base. The consumption scale seems to be normalising, fuelled by festive-season demand. Revival of contact-intensive sectors may be skewed, particularly in the event of a third wave of the pandemic.

Although India's GDP contracted 7.3% in FY21 against a 4% growth in FY20, India witnessed an interesting V-curve resurgence. After a contraction for the first half of FY21, India recovered smartly and emerged as one of the few economies that witnessed positive year-on-year growth in the three-month period of October-December 2020. This growth further strengthened to 1.6% in the fourth quarter of FY21. The improvement was predominantly due to calibrated and steady opening of the economy.

The Reserve Bank of India (RBI), as well as central and state governments provided much needed support to the economy during the crisis. The RBI softened the monetary policies by cutting the repo rates by 115 bps during early FY20. The RBI also maintained liquidity surplus through various monetary measures.

The external sector exhibited resilience as current account turned surplus for the first time since 2004, due to weaker domestic demand, falling oil prices and the strength of India's services exports. FDI and equity FII flows were strong, driving India's forex reserves to an all-time high of ~US$580 billion by the end of FY21, against ~US$475 billion by the end of FY20.

As the pandemic recedes, India may well get on the path of a swift recovery, with quarter-on-quarter growth and improvement in various macroeconomic indicators. This economic recovery is likely to be bolstered by the pick-up in the mass vaccination campaign, with expectations of a rapid turnaround in the services sector and opportunities for strong growth in consumption and investment.

## Indian Banking sector

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1,485 urban cooperative banks and 96,000 rural cooperative banks, in addition to cooperative credit institutions.

India's banking sector has undergone a paradigm shift in the recent times. It has evolved in terms of asset quality, technology, and regulations. It has made a shift from physical mode to the digital mode through adoption of technology. Digital platforms, mobile and net banking, payment channels, have played a major role in the ongoing digital revolution of banking. The digital revolution has played an important role in shaping the growth trajectory of the banking sector in India and helped significantly in leveraging and enhancing resource productivity. The adoption of Core Banking Solution (CBS) has given a stimulus for building a sophisticated technology framework.

**Banking in 2020-21:** FY 2020-21 was a mixed baggage for the Indian banking industry. While credit growth remained subdued, deposits continued to grow and Non-Performing Assets (NPAs) for the sector declined.
As per the data released by the Reserve Bank of India (RBI), bank credit grew 5.56% to Rs 109.51 Lakh Crore, while deposits rose 11.4% to Rs 151.13 Lakh Crore as on March 31, 2021.

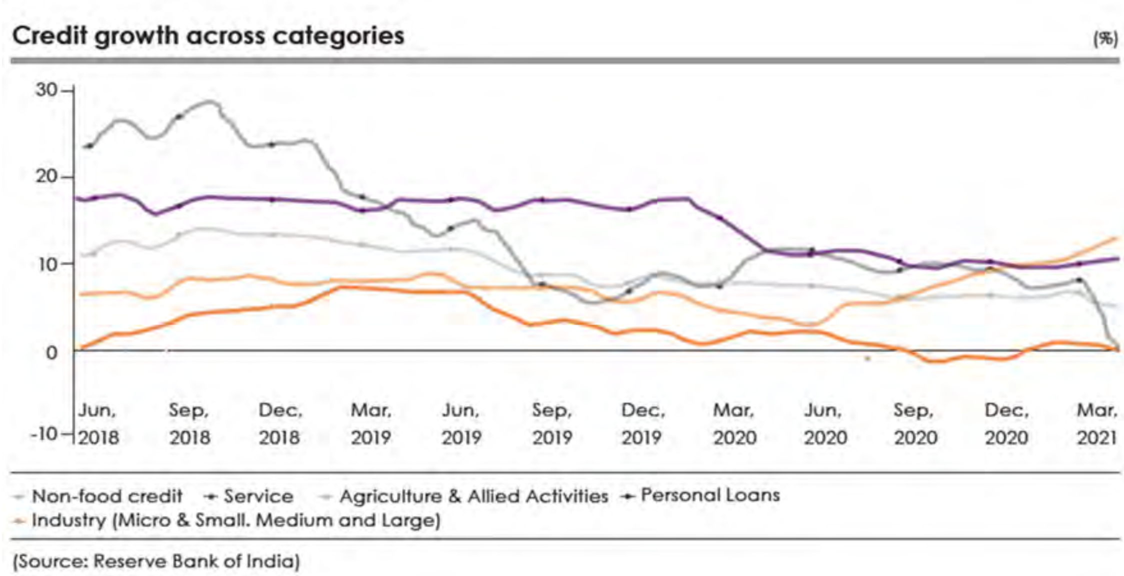
**Credit & Deposit growth trends (in % )**

| Banking Group | Indicator | Q1/FY21 | Q2/FY21 | Q3/FY21 | Q4/FY21 |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| Public Sector Banks | Aggregate Deposits | 10.8 | 10.3 | 9.5 | 10.4 |
| | Bank Credit | 5.7 | 5.7 | 6.5 | 3.6 |
| | | | | | |
| Foreign Banks | Aggregate Deposits | 17.5 | 21.2 | 15.4 | 10.3 |
| | Bank Credit | 2.9 | (7.1) | (5.7) | (3.3) |
| | | | | | |
| Private Sector Banks | Aggregate Deposits | 11.2 | 10.6 | 13.7 | 16.6 |
| | Bank Credit | 7.2 | 6.9 | 6.7 | 9.1 |
| | | | | | |
| Small Finance Banks | Aggregate Deposits | 59.8 | 41.3 | 33.5 | 40.3 |
| | Bank Credit | 42.4 | 18.8 | 15.3 | 19.7 |
| | | | | | |
| Commercial Banking (incl. RRBs) | Aggregate Deposits | 11.2 | 10.6 | 13.7 | 16.6 |
| | Bank Credit | 7.2 | 6.9 | 6.7 | 9.1 |
| | | | | | |
| | **Credit-Deposit Ratio** | **73.1** | **72.0** | **72.5** | **71.5** |

*(Source: RBI)*

As per The Reserve Bank of India, lending to industry, services, and retail segment moderated in FY21. The agriculture and allied segment were the only bright spot with growth rising to 12.1 per cent in FY21 from 4.1 per cent in FY20. Credit growth remained particularly tepid in the first half, but it gathered steam from October in tandem with the sharp economic recovery.




Banks of all categories and sizes (both in the private and public sector) focused on enhancing liquidity buffer and quite a few of them raised capital and made accelerated provisions during the year to preserve the strength of the Balance Sheet.

Though the interest rates of banks have reduced by 107 basis points from February 2020 to February 2021, the overall credit growth continued to moderate due to risk aversion and continued parking of excess liquidity with the RBI.

**Small Finance Bank**

The idea behind SFBs can be traced back to 2013 when an internal group of the RBI committee recommended that much like microfinance institutions (MFIs), banks should begin viewing the poor as profitable customers.

Based on its observations, the panel proposed the establishment of a set of new private, well-governed, deposit-taking SFBs that could operate in a contiguous (small) area.

According to the RBI, which carved out a new category called a ‘small bank’ in India’s financial universe just half a decade ago, small finance banks need to list on the public stock exchange within three years of attaining a net worth of ₹500 Crore. And since past 5 years, the loan book of SFBs has swiftly grown, accounting for ~ 10% of total small loan accounts.

**Covid management through SFBs:** To assist low-income groups due to the second wave of the pandemic, the RBI has decided to provide Rs 10,000 Crore for three years at the repo rate to SFBs to lend to individuals, small and medium enterprises (SMEs), etc. The RBI has also incentivised SFBs to lend to microfinance institutions (MFIs) by granting priority sector lending status to such exposure.

**Fincare SFB – 4th Year as a Bank**

FY21 has been an eventful year for the Bank.

The health emergency put Banks under the spotlight, positioning them as the critical supply line for financial resources. Fincare Small Finance Bank adopted the digital route as a business mandate well before the pandemic which facilitated in reaching out to the masses in time of need.

The Bank’s total grew to Rs. [7966.22] Crore during the year under review. The Bank expanded geographical reach across [19] states and Union Territories through a network of [809] banking outlets.

The Bank’s net NPAs stood at [2.55] % (including IBPC) in FY21, showcasing the effectiveness of the Bank’s robust ‘rural’ focussed model, strength of client outreach and relationship practices as well as data and analytics driven collection policies. The Bank remained well-capitalised through the year under consideration with CRAR maintained well above the regulatory requirement of 15% for Small Finance Banks. The Bank’s net worth, as on March 31, 2021, was Rs. [1017.90] Crore with a CRAR of [29.56] %.

The Bank continued its focus on financial literacy and enablement, encouraging its microloan borrowers to open savings accounts with debit card facility. A strong believer of leveraging people power, Fincare prepared its 8300+ strong workforce to deliver outcomes in a well-directed manner, investing in their safety, well-being, job security, on-the-job learning, clear communication and such HR best practices – all of this contributed to getting Fincare Small Finance Bank Certified as a Great Place to Work by the GPTW Institute.

Key highlights of FY21:

- Introduced a Video KYC (VKYC) option for account opening - this enables the customer to open a completely digital Full KYC account.
- Updated WhatsApp Banking – migrated from a Menu-driven interface to Natural Language Processing based Multi-lingual and conversational BOT
- Introduced tab-based gold loan application – this enables processing of gold loans, disbursement, collections, renewals & closures, all on the tab
- Introduced Virtual debit cards – this enables customers to use a debit card seamlessly in a contact-less manner

## Governance

The Bank's Corporate Governance Philosophy is based on "Total commitment to ethical practices in the conduct of business." At the heart of the Corporate Governance framework is the Board of Directors, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Bank.

The philosophy stems from the belief that Corporate Governance is a key element in improving efficiency and growth as well as enhancing confidence of investors and other stakeholders. The Bank strongly believes in ethical conduct and self-discipline at all times, to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency and accountability in all its dealings.

The Bank believes that an active, well informed, and independent Board is necessary to ensure the highest standards of Corporate Governance. The Bank's Corporate Governance practices are aimed at meeting the requirements as per the Reserve Bank of India ("RBI"), Securities Exchange Board of India ("SEBI") and other Regulators besides good practices either recommended by professional bodies or practiced by leading Banks/ Companies in India.

## Information Technology

The Bank has prudently leveraged technology to balance its 'touch & tech' strategy where the high touch enables it to nurture customer relationship and the right tech allows it to delight customers with accurate and efficient services.

Prudent technology solutions, built around customer segments, have allowed the Bank to emerge as 'digital-first' frontrunner in the SFB space.

During the year, the Bank successfully implemented business critical initiatives. It strengthened its Core Banking System with numerus additional features to meet the business and regulatory requirements well on time, including EMI Moratorium functionality, Positive Pay and RTGS 24*7.

From a customer experience perspective, the Bank further strengthened its Fraud Risk Management System with more business / risk management rules to minimise online frauds. This has helped in alerting customers well in time and minimising fraudulent online transactions. It also implemented AEPS (Aadhaar-enabled Payment Services) to speed track financial inclusion and serve the underbanked sections of the society.

Additionally, the Bank significantly revamped its Customer Relationship and Phone Banking systems with additional features. More than 50% of the customer queries are addressed through phone banking system; the new features have resulted in 20% improvement in speed of response to customer queries, increasing customer satisfaction.

The Bank manages the data residing in its CBS and surround systems through a highly secure, Tier-IV data center in Mumbai with a real-time Disaster Recovery (DR) unit in Hyderabad. The homegrown applications of the Bank have also been migrated to the Tier-IV data center at Amaravati (Andhra Pradesh) with the disaster recovery (DR) unit at Kochi.

## Marketing

Fincare Small Finance Bank's 'Wish More, Get More' campaign positions the Bank as a highly creative and contemporary brand that not only offers more to customers, but also demonstrates its own unwavering passion for doing more in terms of its products, processes, tech with the objective of enhancing the customer experience.

During the pandemic, the Bank conducted numerous awareness sessions for its customers in using digital platforms and gaining confidence to use these channels effectively. Despite the challenging circumstances, the Bank went ahead and expanded its footprint in cities like Mumbai, Gandhinagar and Bangalore.

As a first-time initiative, the Bank extended its branding initiatives to airports in major cities to create awareness among the well-heeled customer segments. The Bank covered three high-footfall airports, namely, Mumbai, Ahmedabad, and Delhi. This helped the Bank in gaining considerable visibility during the window which was evident from the increase in the number of enquiries received in the period.

**People Power**

People power was under spotlight once again in FY21 during the global health crisis. From the start of the pandemic, the Bank left no stone unturned in order to ensure safety and well being of its people. The Bank introduced a special Covid-care benefit package. Among other things, the bank paid all salaries on time, ensured zero job losses due to covid, paid leave for infected staff, besides an array of allowances as a confidence-building measure. These steps helped build motivation and morale among the staff to a large extent.

The bank also leveraged the Microsoft Kaizala platform to facilitate employee engagement during work-from-remote times – an engagement group called Chalo Kuch Karona was created, a 'Junior Talent scope' to engage the children of staff was launched.

The Bank also ensured that learning did not stop during this phase and moved all training to online mode, using Bluejeans and Kaizala. The bank focussed on holistic development and introduced e-learning courses for skill-building as well as behavioural and leadership aspects, through the 'Learn and Lead' series.

**Risk & Compliance**

Risk Management is integral to the core philosophy and working of the Bank. Prediction and mitigation of risk attains a higher significance in case of a Bank, where trust of the people is the core capital.

The Board is entrusted with the ultimate responsibility for the Bank's risk management framework. It is responsible for approving enhancement in risk-taking abilities or risk appetite, risk tolerance and related strategies and policies. To ensure a sound system of risk management and internal controls, a dedicated Risk Management Committee of the Board (RMCB) has been set up. The Committee monitors the risk appetite, policies, procedures, strategies, and controls at the bank. It also reviews limits, portfolio composition and impaired credits for wholesale lending.

The Bank has an independent Compliance function as well, tasked to ensure adherence of banking operations to the guidelines laid down by the regulatory bodies, upkeep of the institution's reputation and, resolution of regulatory risks.

The Bank's comprehensive compliance framework is aligned to the required rules and guidelines, allowing the Bank to operate seamlessly, in a tightly regulated environment. For the Bank, Compliance is the second line of defence. As such, the department keeps an oversight on, and carries out an unbiased review of the activities of the first line of defence.

The Compliance Function is responsible for all aspects of regulatory issues across the Bank. There are dedicated resources deployed to focus on areas like KYC and AML, besides reviewing, monitoring, and providing guidance on regulatory issues to the line functions. The compliance framework, approved by the Board, broadly sets out the compliance risk management processes and tools to be used by businesses, management, and Compliance Officers for managing its risks

**Treasury Funding**

The Treasury function focusses primarily on liquidity, interest rates and ALM. The Bank maintained optimum liquidity throughout the year and invested in liquid securities so as to have a fairly liquid portfolio, against which funding can be raised through Repo or secondary market transactions.

The Bank's ALM, under the guidelines of Asset Liability Committee (ALCO), is managed by investing and borrowing in appropriate buckets, efficiently managing liquidity gaps and interest rate sensitive gaps which are key areas for Structural Liquidity Statement (SLS) and interest-rate sensitivity (IRS) calculations. On the other hand, Management Investment Committee (MIC) and Management Borrowing Committee (MBC) are in place for providing guidance on effective investment strategies and borrowing decisions.

The Bank normally raised funds through refinance from SIDBI, NABARD and MUDRA, issuance of Certificate of Deposits (CD) and Interbank Participation certificates (IBPC). The bank further strengthened bank's liquidity options by developing interbank relationships with major private and PSU banks and creating contingency funding lines.

Further, the Bank commenced trading desk with an objective to generate income by anticipating interest rate movements, within a conservative risk management framework.

Also, during the Covid-19 induced lockdown phase, the Treasury unit successfully operated from two different BCP locations as well as home setup with adequate IT security & controls in place.

**Cautionary Statement**

Statements made in this MD&A describing the Bank's objectives, projections, estimates, general market trends, expectations etc., constitute 'forward looking statements' within the ambit of applicable laws and regulations. These 'forward looking statements' involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the 'forward looking statements.

These risks and uncertainties include but are not limited to our ability to successfully implement our strategies, future levels of non-performing advances, our growth and expansion, the adequacy of our allowance for credit losses, our provisioning policies, technological changes, investment income, cash flow projections, our exposure to market risks or other risks.

**Annexure-II**

# Report on Corporate Governance

Your Company has put in place a Corporate Governance process that aims to meet stakeholders' aspirations and societal expectations. It is not a discipline imposed by a regulator, but is a culture that guides the Board, Management and Staff to function towards best interest of stakeholders. The Corporate Governance philosophy stems from the belief that Corporate Governance is a key element in improving efficiency and growth as well as enhancing investor confidence. Your Company strongly believes in ethical values and self-discipline to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency and accountability to its stakeholders.

## FINCARE'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company's Corporate Governance Philosophy is based on the phrase "Total commitment to ethical practices in the conduct of business." At the core of its Corporate Governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. The Company believes that an active, well informed and independent Board is necessary to ensure the highest standards of Corporate Governance. Our Corporate Governance practices are aimed at meeting the Corporate Governance requirements as per the Reserve Bank of India ("RBI"), and other Regulators besides good practices either recommended by professional bodies or practiced by leading Companies in India.

## BOARD OF DIRECTORS:

The Company has optimal combination of Executive Director, Non-Executive Directors and Independent Directors in compliance with the provisions of the Companies Act, 2013, and the Directions issued by the RBI for NBFC-CIC-ND from time to time. The Board's actions and decisions are aligned with Company's best interests. It is committed to the goal of sustainably elevating Company's value creation. The Board critically evaluates Company's strategic direction, management policies and their effectiveness. In terms of the Corporate Governance philosophy, all statutory and other significant material information is placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

## 1. COMPOSITION OF THE BOARD DURING THE FY 2020-21:

| Category | Name of Directors | Designation | Board meetings attended** | Attendance at Last AGM | Other Directorships(As on 30/08/2021) |
|---|---|---|---|---|---|
| Executive Director | Mr. G. Dasarathareddy | Managing Director | *8* | *Yes* | *0* |
| Independent Directors | Mr. Satyanarayana Peravali | Independent Director | *1* | *Yes* | *0* |
| | Ms. Nandini Parekh | Independent Director | *7* | *No* | *3* |
| Non-Executive Directors | Mr. Dhiraj Poddar | Nominee Director | *8* | *No* | *9* |

| | | | | | |
|---|---|---|---|---|---|
| | Mr. Divya Sehgal* | Nominee Director | *7* | *No* | *3* |
| | Mr. Maninder Singh Juneja | Nominee Director | *1* | *No* | *7* |
| | Mr. Bhavya Gulati | Nominee Director | *8* | *No* | *2* |

**Mr. Divya Sehgal resigned from the Directorship of the Company w.e.f.9th June, 2021.*
*** The Board meeting scheduled on 31st July, 2020 was adjourned to 3rd August, 2020 due to lack of quorum.*

**2. DISCLOSURE OF RELATIONSHIPS BETWEEN DIRECTORS INTER-SE:**

The Directors do not have any relationship inter-se.

**3. NUMBER OF SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NON-EXECUTIVE DIRECTORS:**

None of the Non-Executive Directors of the Company holds equity shares or convertible instruments in the Company.

**BOARD MEETINGS:**

The Board of Directors of the Company met 8 (Eight) times in the FY 2020-21. However, the meeting scheduled on 31st July, 2020 was adjourned to 3rd August, 2020 due to lack of quorum. The maximum interval between any two Meetings did not exceed 120 days and the Minutes of all the Board Meetings were duly recorded in the Minutes Book as prescribed in the Companies Act, 2013. The details of the meetings held in the year are mentioned hereunder:-

| Sl No. | DATE OF BOARD MEETING | QUARTER |
|---|---|---|
| 1. | 13-04-2020 | I |
| 2. | 29-06-2020 | |
| 3. | 31-07-2020 (Adjourned) | II |
| 4. | 03-08-2020 | |
| 5. | 03-09-2020 | |
| 6. | 21-11-2020 | III |
| 7. | 03-03-2021 | IV |
| 8. | 29-03-2021 | |

Prior to each meeting of Board of Directors, agenda items along with detailed background information were circulated to the Board Members in compliance with Secretarial Standards (SS-1) and applicable provisions of the Companies Act, 2013. In addition to items which were required to be placed before the Board for its noting and /or approval, information on various other significant items was also provided.

**COMMITTEES OF THE BOARD:**

During the period under review, the Board had 4 (Four) Committees, namely,

- Audit Committee;
- Nomination and Remuneration Committee;
- Corporate Social Responsibility Committee; and
- Risk Management Committee.

The Committees assist the Board of Directors by focusing on specific responsibilities in greater detail than what is achievable for the Board as a whole, reporting to the Board and making any necessary recommendations.

**AUDIT COMMITTEE:**

**Composition:**

The Audit Committee has been constituted in accordance with provisions of section 177 of the Companies Act, 2013 and RBI Master Direction Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

The composition of the Audit Committee as on 31st March, 2021 is as follows:

1. Mr. Bhavya Gulati – Nominee Director
2. Mr. Satyanarayana Peravali – Independent Director
3. Ms. Nandini Parekh- Independent Director

During the year under review the Audit Committee of the Board met 3 (three) times viz. 29th June, 2020, 31st July, 2020 and 3rd September, 2020.

**Audit Committee Meeting Attendance:**

| Name | Nature of Directorship | No of meetings attended |
|---|---|---|
| Mr. Bhavya Gulati | Nominee Director | 3 |
| Mr. Satyanarayana Peravali | Independent Director | 1 |
| Ms. Nandini Parekh | Independent Director | 3 |

**Functioning of the Audit Committee:**

The Board of Directors has formed and approved Audit Committee Policy setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013, applicable guidelines of the Reserve Bank of India and all other applicable regulatory requirements, the terms of reference of the Audit Committee is covered by its policy. Its functioning inter alia broadly includes the following:

- Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommendation for appointment, remuneration and terms of appointment of statutory auditors of the Company;
- Reviewing with the Management financial statements before submission to the Board for approval;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;

- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Reviewing with the Management, performance of the statutory and internal auditors and adequacy of the internal control systems;
- To review the functioning of the Whistle Blower mechanism/Vigil mechanism.

**NOMINATION AND REMUNERATION COMMITTEE:**

The Nomination and Remuneration Committee ("the NRC") has been constituted in accordance with provisions of section 178 of the Companies Act, 2013 and RBI Master Direction Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The functioning of the Nomination and Remuneration Committee is governed by the terms of reference of the Nomination and Remuneration Committee as defined in the Companies Act, 2013 and Nomination and Remuneration Policy adopted by the Company.

**Composition:**

The Nomination and Remuneration Committee consisted of the following members as on 31st March, 2021:

1. Mr. Divya Sehgal – Nominee Director
2. Mr. Dhiraj Poddar – Nominee Director
3. Mr. Satyanarayana Peravali – Independent Director
4. Ms. Nandini Parekh- Independent Director

The Nomination and Remuneration Committee of the Board met 2 (two) times during the year under review:

**Nomination and Remuneration Committee Meeting Attendance:**

| Name | Nature of Directorship | No. of meetings attended |
|---|---|---|
| Mr. Divya Sehgal | Nominee Director | 2 |
| Mr. Dhiraj Poddar | Nominee Director | 2 |
| Mr. Satyanarayana Peravali | Independent Director | 1 |
| Ms. Nandini Parekh | Independent Director | 2 |

The Board of Directors has formed and approved the Nomination and Remuneration Policy setting out the roles, responsibilities and functioning of this Committee. In addition to adherence to the provisions of the Companies Act, 2013 and applicable RBI guidelines, the terms of reference of Nomination and Remuneration Committee is covered by the said policy.

**CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:**

The Corporate Social Responsibility Committee (the "CSR Committee") has been constituted in accordance with Section 135 of the Companies Act, 2013 read with applicable rules as amended from time to time. The functioning of the Corporate Social Responsibility Committee is governed by the terms of reference of the Corporate Social Responsibility Committee as defined in the Companies Act, 2013 and as defined by the Board from time to time.

The Committee consisted of the following members as on 31st March, 2021:

1. Ms. Nandini Parekh- Independent Director
2. Mr. G. Dasarathareddy- Managing Director
3. Mr. Maninder Singh Juneja- Nominee Director
4. Mr. Bhavya Gulati- Nominee Director
5. Mr. Dhiraj Poddar- Nominee Director

During the year under review the Corporate Social Responsibility Committee of the Board met twice on 3rd September, 2020 and 30th March, 2021.

**Corporate Social Responsibility Committee Meeting Attendance:**

| Name | Nature of Directorship | No. of meetings attended |
|---|---|---|
| Mr. Bhavya Gulati | Nominee Director | 2 |
| Mr. Dhiraj Poddar | Nominee Director | 2 |
| Mr. Maninder Singh Juneja | Nominee Director | 0 |
| Mr. G. Dasarathareddy | Managing Director | 2 |
| Ms. Nandini Parekh | Independent Director | 2 |

A detailed Report on Corporate Social Responsibility (CSR) Activities for FY 2020-21 is enclosed as Annexure IV.

**<u>RISK MANAGEMENT COMMITTEE:</u>**

The Company has formed a Risk Management Committee of the Board pursuant to Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 at the Meeting of the Board held on 26th September, 2019 for assisting the Board to establish a risk culture and risk governance framework in the organization to manage the integrated risk. The committee was further re-constituted at the Board Meeting held on 13th November, 2019.

The Risk Management Committee consisted of the following members as on 31st March, 2021:

1. Mr. Satyanarayana Peravali - Independent Director
2. Mr. Maninder Singh Juneja- Nominee Director
3. Mr. Bhavya Gulati- Nominee Director
4. Mr. Dhiraj Poddar- Nominee Director
5. Mr. Divya Sehgal- Nominee Director

During the year under review the Risk Management Committee of the Board met twice on 3rd September, 2020 and 29th March, 2021.

**Risk Management Committee Meeting Attendance:**

| Name | Nature of Directorship | No. of meetings attended |
|---|---|---|
| Mr. Bhavya Gulati | Nominee Director | 2 |
| Mr. Dhiraj Poddar | Nominee Director | 2 |
| Mr. Divya Sehgal | Nominee Director | 2 |
| Mr. Maninder Singh Juneja | Nominee Director | 0 |
| Mr. Satyanarayana Peravali | Independent Director | 2 |

## GENERAL BODY MEETINGS:

a) **Annual General Meeting:**

Annual General Meetings (AGM) is the principal forum for interaction with shareholders, where the Board answers specific queries raised by the shareholders. The Board acknowledges its responsibility towards its shareholders and therefore encourages open and active dialogue with all its shareholders - be it individuals, domestic institutional investors or foreign investors.

The Annual General Meeting during the FY 2020-21 was held on 30th September, 2020 at the Registered Office of the Company.

Annual Forms were filed in time with the Registrar of Companies.

| Form No. | Type of Form | Relevant section |
|---|---|---|
| MGT-7 | Annual Return | 92(1) |
| AOC-4 | Standalone Balance Sheet and Profit and loss A/c | 137 |
| AOC-4 CFS | Consolidated Balance Sheet and Profit and loss A/c | 137 |

**b) Extra-Ordinary General Meeting:**

During FY 2020-21, 3 (three) Extra-Ordinary General Meetings were held on 7th May, 2020, 10th December, 2020, and 1st February, 2021.

## REMUNERATION OF DIRECTORS

The Company has in place a Nomination and Remuneration Policy which is guided by the principles and objectives as enumerated in Section 178 of the Act which is also disclosed on our website www.fincare.com. The compensation to the Executive Director of the Company is within the limits as prescribed under the Act. The details of the same are provided in Annual Return available on Company's website at www.fincare.com. No Sitting fee was paid to Executive Director for attending any Board/Committee meeting.

During the year under review, no remuneration/commission was paid to Non-executive Directors. However, the Company has paid the sitting fees to the Independent Directors, details of which are provided in Annual Return available on Company's website at www.fincare.com.

The Independent Directors of the Company are not eligible for stock options. The Directors are not paid/ entitled to any remuneration except as disclosed in this Report. There is no pecuniary relationship or transaction between the Company and its Non-Executive/Independent Directors.

## OTHER DISCLOSURES

During the period under review,

1. the Company has not applied/obtained any Registration/ licence/ authorisation, by whatever name called, from other financial sector regulators.

2. no penalties were imposed by RBI and other regulators including strictures or directions on the basis of inspection reports or other adverse findings.

3. auditor has not expressed any modified opinion(s) or other reservation(s) in his audit report in respect of the financial results of any previous financial year which has an impact on the profit or loss of the reportable period.

**REGISTRAR AND TRANSFER AGENT**

The shares of the Company are dematerialized through KFin Technologies Private Limited.

KFin Technologies Private Limited
Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda, Hyderabad – 500032
Phone: +91 40 6716 1604
**For and on behalf of the Board of Directors**

| | |
|---|---|
| **Sd/-** | **Sd/-** |
| **G. Dasarathareddy** | **Dhiraj Poddar** |
| **Managing Director** | **Director** |
| **DIN: 01760054** | **DIN: 01946905** |
| **Date: August 30, 2021** | **Date: August 30, 2021** |
| **Place: Chittoor** | **Place: Mumbai** |

**Annexure-III**

**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**

(Information in respect of each subsidiary to be presented with amounts in Lakhs.)

**1. Fincare Small Finance Bank Limited**

| Sl. No. | Particulars | Details |
|---|---|---|
| 1. | Name of the subsidiary | Fincare Small Finance Bank Limited |
| 2. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | Reporting period of holding company and subsidiary company are same i.e. 1st April, 2020 to 31st March, 2021. |
| 3. | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | N.A |
| 4. | Share capital | Rs. 6,361 |
| 5. | Reserves & surplus | Rs. 95,330 |
| 6. | Total assets | Rs. 7,96,622 |
| 7. | Total Liabilities | Rs. 7,96,622 |
| 8. | Investments | Rs. 1,27,936 |
| 9. | Turnover | Rs. 1,25,103 |
| 10. | Profit during the year (PAT) | Rs. 11,314 |
| 11. | Provision for taxation | Rs. 5,960 |
| 12. | Proposed Dividend | Nil |
| 13. | % of shareholding | 90.91% |

**Notes:** The following information:

1. Names of subsidiaries which are yet to commence operations – Nil
2. Names of subsidiaries which have been liquidated or sold during the year– Nil

**Part "B": Associates and Joint Ventures: Not Applicable**

**For and on behalf of the Board of Directors**

**Sd/-**
**G. Dasarathareddy**
**Managing Director**
**DIN: 01760054**
**Date: August 30, 2021**
**Place:Chittoor**

**Sd/-**
**Dhiraj Poddar**
**Director**
**DIN: 01946905**
**Date: August 30, 2021**
**Place:Mumbai**

**Annexure-IV**

## REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR FY 2020-21

1. **Brief outline on CSR Policy of the Company:**

   The Corporate Social Responsibility Policy (CSR Policy) of the Company sets out the broad framework guiding the Company's CSR activities. The Policy also sets out the principles and the rules that needs to be adhered while taking up and implementing CSR activities as specified in Schedule VII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

   The CSR policy encompasses the Company's philosophy for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programs for welfare & sustainable development of the community at large.

2. **Composition of CSR Committee as on 31st March, 2021:**

| S. No. | Name of the Director | Designation/Nature of Directorship | Number of meetings of CSR committee held during the year | Number of meetings of CSR committee attended during the year |
|---|---|---|---|---|
| 1 | Mr. G. Dasarathareddy | Member, Managing Director | 2 | 2 |
| 2 | Ms. Nandini Parikh | Member, Independent Director | 2 | 2 |
| 3. | Mr. Dhiraj Poddar | Member, Nominee Director | 2 | 2 |
| 4. | Mr. Maninder Singh Juneja | Member, Nominee Director | 2 | 0 |
| 5. | Mr. Bhavya Gulati | Member, Nominee Director | 2 | 2 |

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company**:

   www.fincare.com

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable:**

   Not applicable

5. **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:**

   Not Applicable

6. **Average net profit of the Company for last three (3) financial years:**

| | |
|---|---|
| Net Profit for the Financial Year 2017-18 | 1,68,01,179 |
| Net Profit for the Financial Year 2018-19 | 4,51,19,064 |
| Net Profit for the Financial Year 2019-20 | (5,48,01,799) |
| Average Net Adjusted Profit for the three preceeding years | 23,72,815 |
| 2% Average Net Profit of the last three years | 47,456 |

**7. Prescribed CSR Expenditure for Financial year ended 2020-21:**

a. **(i) Two percent of average net profit of the company as per section 135(5) pertaining to FY 2020-21:** Rs. 47,456/-
**(ii) Total amount spent in FY 2020-21 which was carried forward from FY 2019-20** Rs. 1,60,500 (Rupees One Lakh Sixty Thousand and Five Hundred Only) against the budget of Rs. 1,22,141 (Rupees One Lakh Twenty Two Thousand One Hundred Forty One Only).
**(iii) Total amount spent in FY 2020-21 carried forward from FY 2019-20:** Rs. 9,96,445/- (Rupees nine lakh ninety six thousand four hundred forty five only) in respect of Lok Management Services Private Limited, the entity that was merged with the Company vide RD order dated March 5, 2020.
b. Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil
c. Amount required to be set off for the financial year: Nil
d. Total CSR obligation for the financial year (7a+7b-7c): Rs. 47,456/-

**8. CSR amount spent or unspent for the financial year:**
**a.** Amount unspent: Nil
**b.** **Details of CSR amount spent against ongoing projects for the financial year:**

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Name of the Project</th><th rowspan="2">Item from the list of activities in Schedule VII to the Act.</th><th rowspan="2">Local area (Yes/No).</th><th colspan="2">Location of the project.</th><th rowspan="2">Amount spent for the project (in Rs.).</th><th rowspan="2">Mode of implementation - Direct (Yes/No).</th><th colspan="2">Mode of Implementation - Through Implementing Agency</th></tr>
<tr><th>State</th><th>District</th><th>Name</th><th>CSR Registration number.</th></tr>
<tr><td>1</td><td>Grocery Kit Distribution Program</td><td>(i)</td><td>No</td><td>AP</td><td>Chittoor</td><td>241945</td><td>Yes</td><td></td><td></td></tr>
<tr><td>2</td><td>Grocery Kit Distribution Program</td><td>(i)</td><td>No</td><td>GJ</td><td>mahisagar</td><td rowspan="2">98861</td><td>Yes</td><td></td><td></td></tr>
<tr><td>3</td><td>Grocery Kit Distribution Program</td><td>(i)</td><td>No</td><td>GJ</td><td>Panchmahal</td><td>Yes</td><td></td><td></td></tr>
<tr><td>4</td><td>Grocery Kit Distribution Program</td><td>(i)</td><td>Yes</td><td>KA</td><td>Chikkaballapur</td><td rowspan="2">60000</td><td>Yes</td><td></td><td></td></tr>
<tr><td>5</td><td>Masks Distribution Activity</td><td>(i)</td><td>Yes</td><td>KA</td><td>Chikkaballapur</td><td>Yes</td><td></td><td></td></tr>
</table>

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 6 | Grocery Kit Distribution Program | (i) | No | MH | Bhandara | 194289 | Yes | | |
| 7 | Grocery Kit Distribution Program | (i) | No | MH | kolhapur | | Yes | | |
| 8 | Grocery Kit Distribution Program | (i) | No | MH | Nagpur | | Yes | | |
| 9 | Grocery Kit Distribution Program | (i) | No | MP | Harda | 261458 | Yes | | |
| 10 | Grocery Kit Distribution Program | (i) | No | MP | Indore | | Yes | | |
| 11 | Grocery Kit Distribution Program | (i) | No | MP | Jhabua | | Yes | | |
| 12 | Grocery Kit Distribution Program | (i) | No | MP | Katni | | Yes | | |
| 13 | Grocery Kit Distribution Program | (i) | No | MP | Mandsour | | Yes | | |
| 14 | Grocery Kit Distribution Program | (i) | No | MP | Neemuch | | Yes | | |
| 15 | Grocery Kit Distribution Program | (i) | No | MP | Ratlam | | Yes | | |
| 16 | Masks& Sanitizer Distribution Activity | (i) | No | RJ | Chittorgarh | 4000 | Yes | | |
| 17 | Grocery Kit Distribution Program | (i) | No | TN | Perambalur | 199265 | Yes | | |
| 18 | Grocery Kit Distribution Program | (i) | No | TN | Thanjavur | | Yes | | |
| 19 | Grocery Kit Distribution Program | (i) | No | TN | Tiruvannamalai | | Yes | | |
| 20 | Masks& Sanitizer Distribution Activity | (i) | No | TN | Tiruvannamalai | | Yes | | |
| 21 | Grocery Kit Distribution Program | (i) | No | TN | Villupuram | | Yes | | |
| 22 | Masks& Sanitizer Distribution Activity | (i) | No | TN | Villupuram | | Yes | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 23 | SMS - Steamer, Mask & Sanitizer Distribution | (i) | No | TS | Kamareddy | 144583 | Yes | | |
| 24 | Masks& Sanitizer Distribution Activity | (i) | No | TS | Karinagar | | Yes | | |
| 25 | SMS - Steamer, Mask & Sanitizer Distribution | (i) | No | TS | Medak | | Yes | | |
| 26 | SMS - Steamer, Mask & Sanitizer Distribution | (i) | No | TS | Nizamabad | | Yes | | |
| 27 | SMS - Steamer, Mask & Sanitizer Distribution | (i) | No | TS | RajannaSiricilla | | Yes | | |
| 28 | SMS - Steamer, Mask & Sanitizer Distribution | (i) | No | TS | Sangareddy | | Yes | | |
| 29 | Total | | | | | | | | |

c. **Details of CSR amount spent against other than ongoing projects for the financial year:** Nil
d. **Amount spent in Administrative Overheads:** Nil
e. **Amount spent on Impact Assessment, if applicable:** N.A.
f. **Total amount spent for the Financial Year (8b+8c+8d+8e):** Rs. 12,04,401*
g. **Excess amount for set off, if any:** N.A
**Includes CSR expenditure for FY 2019-20*

9. **a. Details of Unspent CSR amount for the preceding three financial years:** N.A.
**b. Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):** Nil

10. **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year** – N.A.

11. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).:** N.A.

**For and on behalf of the Board of Directors**

**Sd/-**
**G. Dasarathareddy**
**Managing Director**
**DIN: 01760054**
**Date: August 30, 2021**
**Place: Chittoor**

**Sd/-**
**Dhiraj Poddar**
**Director**
**DIN: 01946905**
**Date: August 30, 2021**
**Place: Mumbai**

**Walker Chandiok & Co LLP**
11th Floor, Tower II,
One International Center,
S B Marg, Prabhadevi (W),
Mumbai - 400013
Maharashtra, India
**T** +91 22 6626 2699
**F** +91 22 6626 2601

**Independent Auditor's Report**

**To the Members of Fincare Business Services Limited**

**Report on the Audit of the Standalone Financial Statements**

**Opinion**

1. We have audited the accompanying standalone financial statements of **Fincare Business Services Limited** ('the Company'), which comprise the Balance Sheet as at **31 March 2021**, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2021, and its loss (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

**Emphasis of matter – COVID 19**

3. We draw attention to Note 44 to the standalone financial statements, which describes the effects of uncertainties relating to the COVID-19 pandemic on the carrying value of investment in Fincare Small Finance Bank, subsidiary of the Company, the extent of which is dependent on future developments.

   Our opinion is not modified in respect of this matter.

**Basis for Opinion**

4. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

5. The Company's Board of Directors is responsible for the Director's Report ("Other information"). The other information does not include the standalone financial statements and our auditor's report thereon.

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

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

   The other information is not made available to us at the date of this auditor's report. We have nothing to report in this regard.

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

6. The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

8. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

9. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

10. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

11. 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.

12. 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.

**Report on Other Legal and Regulatory Requirements**

13. As required by section 197(16) of the Act, based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.

14. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

15. Further to our comments in Annexure I, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying standalone financial statements;

    b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

    c) the standalone financial statements dealt with by this report are in agreement with the books of account;

    d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under section 133 of the Act;

e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of section 164(2) of the Act;

f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 10 June 2021 as per Annexure II expressed unmodified opinion; and

g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

  i. the Company, as detailed in note 30 to the standalone financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2021;

  ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2021;

  iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020; and

  iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

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

MANISH ANILKUMAR GUJRAL

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Date: 2021.06.10 16:43:38 +05'30'

**Manish Gujral**
Partner
Membership No:105117

**UDIN:21105117AAAADC6340**

Place: Mumbai
Date: 10 June 2021

**Annexure I to the Independent Auditor's Report of even date to the members of Fincare Business Services Limited, on the standalone financial statements for the year ended 31 March 2021**

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year, however, there is a regular program of verification once in two years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.

(ii) The Company is a Non-Banking Financial Company, primarily engaged in managing the capital requirements in associate companies does not hold any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has complied with the provisions of Sections 186 of the Act in respect of investments. Further, in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of loans, guarantees and security.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of costs records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii) (a) The Company is regular in depositing undisputed statutory dues including provident fund, employee's state insurance, income-tax, sales-tax, goods and services tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period more than six months from the date they become payable.

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

**Statement of Disputed Dues**

| Name of the statute | Nature of dues | Amount (₹) | Amount paid under Protest (₹) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|---|
| Income tax Act, 1961 | Income tax | 150,155,250 | 60,062,100 | AY 2015-16 | Commissioner of Income Tax Appeals |

**Annexure I (Contd)**

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or debenture-holders during the year. The Company has no loans or borrowings payable to a bank or government during the year.

(ix) In our opinion, the Company has applied moneys raised by way of term loans for the purposes for which these were raised. The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) during the year.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Section 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the Directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is required to be registered under Section 45I-A of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company.

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

MANISH ANILKUMAR GUJRAL

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Date: 2021.06.10 16:44:27 +05'30'

**Manish Gujral**
Partner
Membership No:105117

**UDIN:21105117AAAADC6340**

Place: Mumbai
Date: 10 June 2021

**Annexure II to the Independent Auditor’s Report of even date to the members of Fincare Business Services Limited on the standalone financial statements for the year ended 31 March 2021**

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

1. In conjunction with our audit of the standalone financial statements of **Fincare Business Services Limited** (‘the Company’) as at and for the year ended **31 March 2021**, we have audited the internal financial controls over financial reporting (‘IFCoFR’) of the Company as at that date.

**Management’s Responsibility for Internal Financial Controls**

2. The Company’s Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company’s business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor’s Responsibility**

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (‘ICAI’) and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (‘the Guidance Note’) issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s IFCoFR.

**Meaning of Internal Financial Controls over Financial Reporting**

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

**Annexure II (Contd)**

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

**Opinion**

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

MANISH
ANILKUMAR
GUJRAL

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Date: 2021.06.10 16:44:54
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**Manish Gujral**
Partner
Membership No:105117

**UDIN:21105117AAAADC6340**

Place: Mumbai
Date: 10 June 2021

**Fincare Business Services Limited**
**Standalone Balance Sheet as at 31 March 2021**
(All amounts in ₹, unless stated otherwise)

| Particulars | Notes | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 4 | 21,712,575 | 10,652,871 |
| Bank balances other than cash and cash equivalents | 5 | 3,094,965 | 27,839,945 |
| Loans | 6 | 68,527,740 | 40,000,000 |
| Trade receivables | 7 | 20,363 | 1,124,064 |
| Investments | 8 | 7,322,441,623 | 7,740,239,219 |
| Other financial assets | 9 | 1,178,042 | 4,323,099 |
| | | **7,416,975,308** | **7,824,179,198** |
| **Non Financial assets** | | | |
| Current tax assets (net) | 10 | 21,036,894 | 31,524,893 |
| Deferred tax assets (net) | 11 | 5,597,878 | 4,901,888 |
| Property, plant and equipment | 12 | 3,351,892 | 5,044,027 |
| Other intangible assets | 13 | - | - |
| Other non financial assets | 14 | 64,463,616 | 67,547,389 |
| | | **94,450,280** | **109,018,197** |
| **Total assets** | | **7,511,425,588** | **7,933,197,395** |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| **Financial Liabilities** | | | |
| Trade payables | | | |
| a) total outstanding dues to micro and small enterprises; and | | - | - |
| b) total outstanding dues to creditors other than micro and small enterprises | | - | - |
| Borrowings | 15 | 373,184,381 | 766,636,496 |
| Other financial liabilities | 16 | 5,990,052 | 15,397,841 |
| | | **379,174,433** | **782,034,337** |
| **Non Financial Liabilities** | | | |
| Current tax liabilities (net) | 17 | - | 1,354,131 |
| Provisions | 18 | 956,500 | 706,000 |
| Other non financial liabilities | 19 | 476,035 | 1,295,422 |
| | | **1,432,535** | **3,355,553** |
| **EQUITY** | | | |
| Equity share capital | 20 | 328,417,440 | 328,417,440 |
| Other equity | 21 | 6,802,401,180 | 6,819,390,065 |
| | | **7,130,818,620** | **7,147,807,505** |
| **Total liabilities and equity** | | **7,511,425,588** | **7,933,197,395** |

Summary of significant accounting policies 2 - 4

The accompanying notes are an integral part of the financial statements.
This is the balance sheet referred to in our report of even date.

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

MANISH ANILKUMAR GUJRAL Digitally signed by MANISH ANILKUMAR GUJRAL Date: 2021.06.10 16:45:20 +05'30'

**Manish Gujral**
Partner
Membership No.: 105117

Mumbai
10 June 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY Digitally signed by DASARATHAREDDY GUNNAMREDDY Date: 2021.06.10 14:06:39 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054

Bengaluru
10 June 2021

DHIRAJ PODDAR Digitally signed by DHIRAJ PODDAR Date: 2021.06.10 14:35:28 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905

Mumbai
10 June 2021

GAUTAM GUPTA Digitally signed by GAUTAM GUPTA Date: 2021.06.10 13:44:58 +05'30'

**Gautam Gupta**
Chief Financial Officer

Ahmedabad
10 June 2021

PARUL MOLRI Digitally signed by PARUL MOLRI Date: 2021.06.10 13:57:53 +05'30'

**Parul Molri**
Company Secretary
M.No. ACS32934
Bengaluru
10 June 2021

**Fincare Business Services Limited**
**Standalone Statement of Profit and Loss for the year ended 31 March 2021**
(All amounts in ₹, unless stated otherwise)

| Particulars | Notes | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|
| **Revenue from operations (I)** | | | |
| Interest income | 22 | 16,976,566 | 38,284,608 |
| Fee and commission income | 23 | 24,876,768 | 22,813,172 |
| Net gain on fair value changes | 24 | 1,059,581 | 592,149 |
| **Total Revenue from operations** | | **42,912,915** | **61,689,929** |
| **Other income (II)** | 25 | 47,001,956 | 13,314,736 |
| **Total income (I+II)** | | **89,914,871** | **75,004,665** |
| **Expenses:** | | | |
| Finance costs | 26 | 109,946,279 | 56,943,417 |
| Employee benefits expenses | 27 | 10,017,013 | 17,766,493 |
| Depreciation, amortization and impairment | 28 | 1,741,730 | 1,541,060 |
| Other expenses | 29 | 23,804,657 | 53,555,496 |
| **Total expenses** | | **145,509,679** | **129,806,466** |
| **Loss before tax for the year** | | **(55,594,808)** | **(54,801,801)** |
| **Tax expense** | | | |
| Current tax | | 4,273,758 | - |
| Deferred tax expense | | - | 4,009,512 |
| Prior period tax | | (1,896,861) | 1,989,657 |
| **Total tax expense** | | **2,376,897** | **5,999,169** |
| **Loss for the year** | | **(57,971,705)** | **(60,800,970)** |
| **Total comprehensive income for the year** | | **(57,971,705)** | **(60,800,970)** |
| **Earnings per share (basic and diluted)** | 31 | | |
| Basic (₹1 per share) | | (0.18) | (0.19) |
| Diluted (₹1 per share) | | (0.18) | (0.19) |
| Summary of significant accounting policies | 2 - 4 | | |

The accompanying notes are an integral part of the financial statements.
This is the Statement of Profit and Loss referred to in our report of even date.

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

MANISH ANILKUMAR GUJRAL Digitally signed by MANISH ANILKUMAR GUJRAL Date: 2021.06.10 16:45:47 +05'30'

**Manish Gujral**
Partner
Membership No.: 105117

Mumbai
10 June 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY Digitally signed by DASARATHAREDDY GUNNAMREDDY Date: 2021.06.10 14:11:15 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054

Bengaluru
10 June 2021

DHIRAJ PODDAR Digitally signed by DHIRAJ PODDAR Date: 2021.06.10 14:37:02 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905

Mumbai
10 June 2021

GAUTAM GUPTA Digitally signed by GAUTAM GUPTA Date: 2021.06.10 13:45:48 +05'30'

**Gautam Gupta**
Chief Financial Officer

Ahmedabad
10 June 2021

PARUL MOLRI Digitally signed by PARUL MOLRI Date: 2021.06.10 13:58:37 +05'30'

**Parul Molri**
Company Secretary
M.No. ACS32934

Bengaluru
10 June 2021

**Fincare Business Services Limited**
**Standalone Cash Flow Statement for the year ended 31 March 2021**
(All amounts in ₹, unless stated otherwise)

| | Particulars | | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|---|
| **A.** | **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| | **Net loss before tax** | | **(55,594,808)** | **(54,801,801)** |
| | **Adjustments for:** | | | |
| | Profit on sale of investments in mutual funds | | (2,622,510) | (8,818,899) |
| | Profit on sale of investments in equity shares | | (41,527,919) | - |
| | Depreciation and amortization | | 1,741,730 | 1,541,060 |
| | Fair valuation (gain)/loss on mutual fund investments | | (1,059,581) | (592,149) |
| | Loss on sale of non-convertible debentures | | 8,390,830 | 4,005,043 |
| | Provision for employee benefits | | - | (1,017,077) |
| | Amortisation of processing fee expense | | (16,636,496) | 27,886,496 |
| | Amortisation of processing fee income | | - | (1,266,588) |
| | Interest accrued on loan to FEWT | | (6,027,740) | - |
| | Interest accrued on debentures | | 3,184,381 | 374,082 |
| | **Operating (loss) before Changes in Operating Assets and Liabilities** | | **(110,152,113)** | **(32,689,833)** |
| | **Changes in working capital:** | | | |
| | **Adjustments for (increase) / decrease in operating assets and liabilities:** | | | |
| | Decrease in trade receivables | | 1,103,701 | 27,388,691 |
| | Decrease in other financial assets | | 3,145,057 | 1,772,295 |
| | Decrease/(increase) in other non financial assets | | 3,083,773 | (1,067,150) |
| | Increase in provisions | | 250,500 | 946,222 |
| | (Decrease) in other financial liabilities | | (9,407,789) | (34,085,114) |
| | (Decrease) in non-financial liabilities | | (1,301,524) | (2,202,316) |
| | **Movement in Operating Assets and Liabilities** | | **(3,126,282)** | **(7,247,372)** |
| | **Cash flow from Operations** | | **(113,278,395)** | **(39,937,205)** |
| | Less: | | | |
| | Income tax paid/(refund) (net) | | 6,543,117 | (5,235,741) |
| | **Net Cash Flow (used in) Operating Activities** | **(A)** | **(106,735,278)** | **(45,172,946)** |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| | Investment in Equity shares - Fincare Small Finance Bank Limited | | - | (894,548,437) |
| | Sale of investment in equity shares - Fincare Small Finance Bank Limited | | 328,012,547 | - |
| | Sale of non-convertible debentures | | 178,583,844 | 97,494,957 |
| | Purchase of mutual fund investments | | (245,424,662) | (1,280,285,996) |
| | Sale of mutual fund investments | | 234,427,868 | 1,185,928,579 |
| | Maturity of fixed deposits | | 24,744,980 | 105,293,833 |
| | Purchase of property, plant and equipment | | (49,595) | (163,950) |
| | **Net Cash Flow from / (used in) Investing Activities** | **(B)** | **520,294,982** | **(786,281,014)** |
| **C.** | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| | Loan repaid by individuals | | - | 19,880,477 |
| | Loan given to FEWT | | (22,500,000) | (40,000,000) |
| | Processing fees incurred on issue of non-convertible debentures | | - | (11,250,000) |
| | Redemption of non-convertible debentures | | (750,000,000) | 750,000,000 |
| | Term loan availed | | 370,000,000 | - |
| | **Net Cash Flow (used in)/from Financing Activities** | **(C)** | **(402,500,000)** | **718,630,477** |

**Fincare Business Services Limited**
**Standalone Cash Flow Statement for the year ended 31 March 2021**
(All amounts in ₹, unless stated otherwise)

| | | | |
|---|---|---|---|
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | **(A+B+C)** | **11,059,704** | **(112,823,483)** |
| Cash and cash equivalents at the beginning of the year | | 10,652,871 | 123,476,354 |
| Cash and cash equivalents at the end of the year | | 21,712,575 | 10,652,871 |
| **Reconciliation of cash and cash equivalents as per the cash flow statement** | | **11,059,704** | **(112,823,483)** |

| **Components of Cash & Cash Equivalents as at end of the period are:** | **As at 31 March 2021** | **As at 31 March 2020** |
|---|---|---|
| Cash in hand | 79,019 | 111,212 |
| Balances with banks in current account | 21,633,556 | 10,541,659 |
| **Total Cash and cash equivalents** | **21,712,575** | **10,652,871** |

This is the Cash flow statement referred to in our report of even date.

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

MANISH ANILKUMAR GUJRAL
Digitally signed by MANISH ANILKUMAR GUJRAL
Date: 2021.06.10 16:46:20 +05'30'

**Manish Gujral**
Partner
Membership No.: 105117

Mumbai
10 June 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY
Digitally signed by DASARATHAREDDY GUNNAMREDDY
Date: 2021.06.10 14:11:41 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054

Bengaluru
10 June 2021

DHIRAJ PODDAR
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Date: 2021.06.10 14:39:01 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905

Mumbai
10 June 2021

GAUTAM GUPTA
Digitally signed by GAUTAM GUPTA
Date: 2021.06.10 13:47:04 +05'30'

**Gautam Gupta**
Chief Financial Officer

Ahmedabad
10 June 2021

PARUL MOLRI
Digitally signed by PARUL MOLRI
Date: 2021.06.10 13:59:13 +05'30'

**Parul Molri**
Company Secretary
M.No. ACS32934
Bengaluru
10 June 2021

**Fincare Business Services Limited**
**Standalone Statement of changes in equity as at 31 March 2021**
(All amounts in ₹, unless stated otherwise)

**A Equity share capital**

| Particulars | Balance as at 31 March 2019 | Change in equity share capital during the year | Balance as at 31 March 2020 | Change in equity share capital during the year | Balance as at 31 March 2021 |
|---|---|---|---|---|---|
| Number of Equity Shares (Face Value ₹ 1) | 328,417,440 | - | 328,417,440 | - | 328,417,440 |
| Equity Share Capital | 328,417,440 | - | 328,417,440 | - | 328,417,440 |

**B Other equity**

| Particulars | Reserves and surplus | | | | | Total |
|---|---|---|---|---|---|---|
| | Reserve fund u/s 45-IC of RBI Act 1934 | Capital Reserve | Securities premium | Stock option reserve * | Retained earnings | |
| **Balance as at 31 March 2019** | **229,311,337** | **659,509,776** | **4,981,155,664** | **-** | **960,417,110** | **6,830,393,887** |
| Profit for the year | - | - | - | - | (60,800,970) | (60,800,970) |
| Additions during the year | - | - | - | 49,797,148 | - | 49,797,148 |
| **Balance as at 31 March 2020** | **229,311,337** | **659,509,776** | **4,981,155,664** | **49,797,148** | **899,616,140** | **6,819,390,065** |
| Profit for the year | - | - | - | - | (57,971,705) | (57,971,705) |
| Additions during the year | - | - | - | 40,982,820 | - | 40,982,820 |
| **Balance as at 31 March 2021** | **229,311,337** | **659,509,776** | **4,981,155,664** | **90,779,968** | **841,644,435** | **6,802,401,180** |

* Refer note 39

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

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

MANISH ANILKUMAR GUJRAL
Digitally signed by MANISH ANILKUMAR GUJRAL
Date: 2021.06.10 16:47:05 +05'30'

**Manish Gujral**
Partner
Membership No.: 105117

Mumbai
10 June 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY
Digitally signed by DASARATHAREDDY GUNNAMREDDY Date: 2021.06.10 14:13:32 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054

**Bengaluru**
10 June 2021

DHIRAJ PODDAR
Digitally signed by DHIRAJ PODDAR Date: 2021.06.10 14:41:02 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905

**Mumbai**
10 June 2021

GAUTAM GUPTA
Digitally signed by GAUTAM GUPTA Date: 2021.06.10 13:47:54 +05'30'

**Gautam Gupta**
Chief Financial Officer

**Ahmedabad**
10 June 2021

PARUL MOLRI
Digitally signed by PARUL MOLRI Date: 2021.06.10 13:59:40 +05'30'

**Parul Molri**
Company Secretary
M.No. ACS32934

**Bengaluru**
10 June 2021

**1 Company Overview**

Fincare Business Services Limited (formerly Fincare Business Services Private Limited) (the 'Company') is a Non-Banking Financial Company - Core Investment Company (NBFC - CIC). The Company was incorporated on 1 August 2014. The Company converted itself from a private limited company to a public limited company with effect from 23 November 2016.

Pursuant to the provisions of Section 233 of the Companies Act, 2013, the Company received 'confirmation order of scheme of amalgamation' of Lok Management Services Private Limited (Transferor Company of Karnataka) from 'Regional Director-South Each Region, Ministry of Corporate Affairs, Hyderabad on 03 March 2020.

**2 Basis of Preparation**

**(i) Statement of compliance with Indian Accounting Standards (Ind AS)**

These standalone financial statements ("the Financial Statements") have been prepared in accordance with the Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs ('MCA') under Section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act. The Company has uniformly applied the accounting policies for the periods presented in these financial statements.
The financial statements for the year ended 31 March 2021 were authorized and approved for issue by the Board of Directors on 10 June 2021.

**(ii) Historical cost convention**

These standalone financial statements have been prepared on going concern basis following accrual system of accounting and are in accordance with the Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines. Further, the financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values as explained in relevant accounting policies.

**3 Summary of significant accounting policies**

**3.1 Basis of measurement**

The standalone financial statements have been prepared using the significant accounting policies and measurement basis summarised as below. These policies have been applied consistently for all the periods presented in the standalone financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to Ind AS.

**3.2 Use of estimates**

The preparation of standalone financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the standalone financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized. Any revision to accounting estimates is recognized prospectively in the current and future periods.

*Significant management judgements*

**Recognition of deferred tax assets –** The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilised.

**Evaluation of indicators for impairment of assets –** The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**Useful lives of depreciable/amortisable assets –** Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

**3.2 Use of estimates (cont'd)**

**Fair value measurements** – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. In case of non-availability of market-observable data, Level 1, Level 2 and Level 3 hierarchy is used for fair valuation.

**Income taxes –** Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.

**3.3 Revenue recognition**

*Interest income*
Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

For all financial assets measured at amortised cost, interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Interest on financial assets subsequently measured at fair value through profit and loss, is recognized on accrual basis in accordance with the terms of the respective contract.

*Commission income*
Income from business correspondent services is recognised as and when the services are rendered as per agreed terms and conditions of the contract. A receivable is recognised when the services are delivered as this is the case of point in time recognition where consideration is unconditional because only the passage of time is required.

*Dividend income*
Dividend income is recognised at the time when the right to receive is established by the reporting date.

*Miscellaneous income*
All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization/collection.

**3.4 Earnings per share**

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

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

**3.5 Intangible assets**

*Recognition and initial measurement*
Intangible assets mainly comprise of computer software which is initially measured at acquisition cost thereof. Such assets are recognized where it is probable that the future economic benefits attributable to the assets will flow to the Company.

*Subsequent measurement (amortisation method, useful lives and residual value)*
All intangible assets with finite useful life are amortized on a straight line basis over the estimated useful lives and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. Management estimates useful life of intangible assets to be 5 years.

**3.6 Property, Plant & Equipment (PPE)**

***Recognition and initial measurement***

**Land**

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated.

**Other tangible assets**

PPE other than land are initially recognized at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company beyond one year. Maintenance or servicing costs of PPE are recognized in Statement of Profit and Loss as incurred.

*Subsequent measurement (depreciation method, useful lives, residual value and impairment)*

PPE are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on PPE is provided on the straight line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

| Asset class | Useful life |
|---|---|
| Building | 60 years |
| Plant and Machinery | 5-15 years |
| Office Equipment | 5 years |
| Computer Equipment | 3 years |
| Furniture and Fixtures | 10 years |
| Vehicles | 8-10 years |

Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

*Derecognition*

An item of PPE and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

**3.7 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Initial recognition and measurement*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

*Classification and subsequent measurement of financial assets*

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Investments in equity shares of subsidiaries and joint ventures (carried at cost in accordance with Ind AS 27)

All financial assets except for those at FVTPL or equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

**3.7 Financial instruments (cont'd)**

*Amortised cost*

A financial asset is measured at amortised cost using Effective Interest Rate (EIR) if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's loans and advances, security deposits, staff loans, cash and cash equivalents and most other receivables fall into this category of financial instruments.

A loss allowance for expected credit losses is recognised on financial assets carried at amortised cost.

*Modification of cash flows*

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

*Financial assets at FVTPL*

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortised cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

*Financial assets at FVOCI*

FVOCI financial assets comprise of equity instruments measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in statement of profit or loss.

*De-recognition of financial assets*

*<u>De-recognition of financial assets due to substantial modification of terms and conditions</u>*

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

*<u>De-recognition of financial assets other than due to substantial modification</u>*

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognised (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

*Classification and subsequent measurement of financial liabilities*

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

*Derecognition of financial liabilities*

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

**3.7 Financial instruments (cont'd)**

*First loss default guarantee*

First loss default guarantee contracts are contracts that require the Company to make specified payments to reimburse the bank and financial institution for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks and financial institutions, for whom the Company acts as 'Business Correspondent'.

These contracts are initially measured at fair value and subsequently measure at higher of:

•The amount of loss allowance (calculated as described in policy for impairment of financial assets)
• Maximum amount payable as on the reporting date to the respective bank/financial institution which is based on the amour of loans overdue for more than 90 days.

Further, the maximum liability is restricted to the cash outflow agreed in the contract.

*Derivative financial instruments and hedge accounting*

The derivative financial instruments are accounted for at FVTPL. The Company does not apply hedge accounting.

**3.8 Impairment of financial assets**

In respect of its financial assets, the Company assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

*Trade receivables*

In respect of trade receivables, the Company applies the simplified approach of Ind AS 109, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of trade receivables.

**3.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**3.10 Taxation**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax. It is recognised in Statement of Profit and Loss, except when it relates to an item that is recognised in OCI or directly in equity, in which case, tax is also recognised in OCI or directly in equity.

Current tax is determined as the tax payable in respect of taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of previous years

**3.10 Taxation (cont'd)**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

**3.11 Employee benefits**

**Short-term employee benefits**

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

**Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:**

*Defined contribution plan:*

A defined contribution plan is a plan under which the Company pays fixed contributions in respect of the employees into a separate fund. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions to Provident Fund Trust is charged to the profit or loss in the period to which the contributions relate.

**3.11 Employee benefits**

*Share Based Payments transactions of the Company:*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 39. 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. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity -settled employee benefits reserve.

### 3.12 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

• Possible obligations which will be confirmed only by future events not wholly within the control of the Company; or

• Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

In those cases, where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Contingent assets are not recognised. However, when inflow of economic benefits is probable, the related asset is disclosed.

### 3.13 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each reporting date.

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

· In the principal market for the asset or liability, or

· In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 3.14 Operating segments

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

**3.15 Leases**

**Company as a lessee**

The Company's lease asset classes primarily consist of leases for buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:
(1) the contact involves the use of an identified asset
(2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
(3) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset ("ROU") representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date.

The right-of-use assets is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate applicable to the entity. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

**4 Cash and cash equivalents**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Cash in hand | 79,019 | 111,212 |
| Balances with banks in current account | 21,633,556 | 10,541,659 |
| | **21,712,575** | **10,652,871** |

(i) There are no repatriation restrictions with respect to Cash and cash equivalents as at the end of the reporting year and prior years.

(ii) The Company has not taken bank overdraft, therefore the cash and cash equivalents for cash flow statement is same as cash and for cash equivalents.

**5 Other bank balances**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Term deposits with banks | 3,094,965 | 27,839,945 |
| | **3,094,965** | **27,839,945** |

(i) There are no repatriation restrictions with respect to Bank balances other than cash and cash equivalents as at the end of the reporting year and prior years.

(ii) The Company earns a fixed rate of interest on these term deposits.

(iii) Term deposits amounting to ₹ 29.02 lakhs (31 March 2020: ₹ 243.74 lakhs) are held as pledged against FLDG commitments.

**6 Loans *(unsecured, considered good, carried at amortised cost)***

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Loan to Fincare Employee Welfare Trust (FEWT Loan) | 62,500,000 | 40,000,000 |
| Accrued interest on FEWT Loan | 6,027,740 | - |
| **Total - Gross** | **68,527,740** | **40,000,000** |
| Less: Allowance for impairment loss for loan assets | - | - |
| **Total - Net** | **68,527,740** | **40,000,000** |
| Secured | - | - |
| Unsecured | 68,527,740 | 40,000,000 |
| **Total - Gross** | **68,527,740** | **40,000,000** |
| Less: Allowance for impairment loss for loan assets | - | - |
| **Total - Net** | **68,527,740** | **40,000,000** |
| **Loans in India** | | |
| Public sector | - | - |
| Private sector | 68,527,740 | 40,000,000 |
| Individuals | - | - |
| **Total - Gross** | **68,527,740** | **40,000,000** |
| Less: Allowance for impairment loss for loan assets | - | - |
| **Total - Net** | **68,527,740** | **40,000,000** |

**7 Trade receivables *(unsecured)***

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Considered good | 20,363 | 1,124,064 |
| Considered doubtful | - | - |
| **Total - Gross** | 20,363 | 1,124,064 |
| Less: Allowance for doubtful debts | - | - |
| **Total - Net** | **20,363** | **1,124,064** |

**8 Investments**

| Particular | Amortised cost | At Fair Value | | | At Cost | TOTAL |
|---|---|---|---|---|---|---|
| | | Through other comprehensive income | Through profit or loss | Sub-total | | |
| **As at 31 March 2021** | | | | | | |
| **Invesments** | | | | | | |
| **Debt Securities** | - | - | - | - | - | - |
| **- Fincare Small Finance Bank Limited** | | | | | | |
| ( 'Nil' (31 March 2020: 1,869) Non-convertible debenture of ₹100,000 each) | - | - | - | - | - | - |
| Interest accrued on debentures | - | - | - | - | - | - |
| **Mutual Funds (quoted)** | - | - | **118,447,350** | **118,447,350** | - | **118,447,350** |
| Axis Liquid Fund Growth | - | - | - | - | - | - |
| SBI Liquid Fund Regular Growth | | - | 118,447,350 | 118,447,350 | - | 118,447,350 |
| **Equity Instruments (in subsidiaries)** | - | - | - | - | **7,203,994,273** | **7,203,994,273** |
| **– Fincare Small Finance Bank Limited** | - | - | - | - | 7,114,947,913 | 7,114,947,913 |
| 57,829,856 (2020: 58,998,716) equity shares of ₹10 each, fully paid-up | | | | | | |
| **-- Others** | | | | | | |
| Others - ESOP plan (Refer note 39) (Deemed investment on account of ESOP issued to employees of Company and Fincare Small Finance Bank Limited) | - | - | - | - | 89,046,360 | 89,046,360 |
| **Total - Gross** | - | - | **118,447,350** | **118,447,350** | **7,203,994,273** | **7,322,441,623** |
| **Total - Net** | - | - | **118,447,350** | **118,447,350** | **7,203,994,273** | **7,322,441,623** |

**8 Investments (Contd..)**

| Particular | Amortised cost | At Fair Value | | | At Cost | TOTAL |
|---|---|---|---|---|---|---|
| | | Through other comprehensive income | Through profit or loss | Sub-total | | |
| **As at 31 March 2020** | | | | | | |
| **Invesments** | | | | | | |
| **Debt Securities** | **186,974,674** | **-** | **-** | **186,974,674** | **-** | **186,974,674** |
| **- Fincare Small Finance Bank Limited** | 186,548,853 | - | - | 186,548,853 | - | 186,548,853 |
| (1,869 (2019: 2,884) Non-convertible debenture of ₹100,000 each) | | | | | | - |
| Interest accrued on Debenture | 425,821 | - | - | 425,821 | - | 425,821 |
| **Mutual Funds (quoted)** | **-** | **-** | **103,768,465** | **103,768,465** | **-** | **103,768,465** |
| Axis Liquid Fund Growth | | | 33,568,281 | 33,568,281 | | 33,568,281 |
| SBI Liquid Fund Regular Growth | | - | 70,200,184 | 70,200,184 | - | 70,200,184 |
| **Equity Instruments (in subsidiaries)** | **-** | **-** | **-** | **-** | **7,449,496,080** | **7,449,496,080** |
| **– Fincare Small Finance Bank Limited** | - | - | - | - | 7,399,698,932 | 7,399,698,932 |
| 58,998,716 (31 March 2019:52,194,514) equity shares of ₹10 each, fully paid-up | | | | | | |
| **-- Others** | | | | | | |
| Others - ESOP plan (Refer note 39) | - | - | - | - | 49,797,148 | 49,797,148 |
| (Deemed investment on account of ESOP issued to employees of Company and Fincare Small Finance Bank Limited) | | | | | | |
| **Total - Gross** | **186,974,674** | **-** | **103,768,465** | **290,743,139** | **7,449,496,080** | **7,740,239,219** |
| **Total - Net** | **186,974,674** | **-** | **103,768,465** | **290,743,139** | **7,449,496,080** | **7,740,239,219** |

**9 Other financial assets**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Security deposits (unsecured, considered good) | 384,000 | 1,036,329 |
| Others | 794,042 | 3,286,770 |
| | **1,178,042** | **4,323,099** |

**10 Current tax assets**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Advance income tax (net of provisions for tax) | 21,036,894 | 31,524,893 |
| | **21,036,894** | **31,524,893** |

**11 Deferred tax assets (net)**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Tax effect of items constituting deferred tax assets:** | | |
| MAT credit asset | 5,597,878 | 4,901,888 |
| **Total Deferred tax assets/(liabilities) (net)** | **5,597,878** | **4,901,888** |

**Notes:**
**Movement in deferred tax assets/(liabilities) for year ended 31 March 2021**

| Particulars | As at 01 April 2020 | Recognised in other comprehensive income/ equity | Recognised in statement of profit or loss | As at 31 March 2021 |
|---|---|---|---|---|
| **Tax effect of items constituting deferred tax assets:** | | | | |
| Depreciation and amortisation | - | - | - | - |
| Provision for employee benefits | - | - | - | - |
| Financial assets at amortised cost | - | - | - | - |
| Fair valuation of financial liabilities through profit and loss | - | - | - | - |
| Impairment loss allowance and first loss default guarantee | - | - | - | - |
| MAT credit Entitlement | 4,901,888 | - | 695,990 | 5,597,878 |
| MAT credit Entitlement -Prior year | - | - | - | - |
| Others | - | - | - | - |
| **Total deferred tax assets** | **4,901,888** | **-** | **695,990** | **5,597,878** |
| **Tax effect of items constituting deferred tax liabilities** | | | | |
| Provision for employee benefits | - | - | - | - |
| Others | - | - | - | - |
| **Total deferred tax liabilities** | **-** | **-** | **-** | **-** |
| | **4,901,888** | **-** | **695,990** | **5,597,878** |

The Company could not demonstrate reasonable certainty as required by Indian Accounting Standard (Ind AS) 12 – 'Income Taxes' and hence no deferred tax asset has been recognised other than the MAT credit entitlement.

**12 Property, plant and equipment (PPE)**

| Particulars | Freehold land | Furniture and fixtures | Computer equipments | Office equipments | Total |
|---|---|---|---|---|---|
| **Gross carrying value** | | | | | |
| **Balance as at 31 March 2019** | **2,352,299** | **2,457,798** | **2,200,341** | **4,044,157** | **11,054,595** |
| Additions | - | - | 163,950 | - | 163,950 |
| Disposals | - | - | - | - | - |
| **Balance as at 31 March 2020** | **2,352,299** | **2,457,798** | **2,364,291** | **4,044,157** | **11,218,545** |
| Additions | - | - | 49,595 | - | 49,595 |
| Disposals | - | - | - | - | - |
| **Balance as at 31 March 2021** | **2,352,299** | **2,457,798** | **2,413,886** | **4,044,157** | **11,268,140** |

| Particulars | Freehold land | Furniture and fixtures | Computer equipments | Office equipments | Total |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| **Balance as at March 31, 2019** | **-** | **708,046** | **1,800,444** | **2,135,370** | **4,643,860** |
| Charge for the year | - | 316,044 | 317,403 | 897,211 | 1,530,658 |
| Adjustment for disposals | - | - | - | - | - |
| **Balance as at 31 March 2020** | **-** | **1,024,090** | **2,117,847** | **3,032,581** | **6,174,518** |
| Charge for the year | - | 724,876 | 156,630 | 860,224 | 1,741,730 |
| Adjustment for disposals | - | - | - | | - |
| **Balance as at 31 March 2021** | **-** | **1,748,966** | **2,274,477** | **3,892,805** | **7,916,248** |
| | | | | | |
| **Net carrying value as at 31 March 2020** | **2,352,299** | **1,433,708** | **246,444** | **1,011,576** | **5,044,027** |
| | | | | | |
| **Net carrying value as at 31 March 2021** | **2,352,299** | **708,832** | **139,409** | **151,352** | **3,351,892** |

**Note:**

**Contractual obligations**
There are no contractual commitments for the acquisition of property, plant and equipment.

**Capitalised borrowing cost**
There is no borrowing costs capitalised during the year ended 31 March 2021 (31 March 2020: Nil).

**13 Other intangible assets**

| Particulars | Computer Software | Total |
|---|---|---|
| **Gross carrying value** | | |
| **Balance as at 31 March 2019** | **601,200** | **601,200** |
| Additions | - | - |
| Disposals | - | - |
| **Balance as at 31 March 2020** | **601,200** | **601,200** |
| Additions | - | - |
| Disposals | - | - |
| **Balance as at 31 March 2021** | **601,200** | **601,200** |
| | | |
| **Accumulated amortisation** | | |
| **Balance as at 31 March 2019** | **590,798** | **590,798** |
| Amortisation charge for the year | 10,402 | 10,402 |
| Disposals | - | - |
| **Balance as at 31 March 2020** | **601,200** | **601,200** |
| Amortisation charge for the year | - | - |
| Disposals | - | - |
| **Balance as at 31 March 2021** | **601,200** | **601,200** |
| | | |
| **Net carrying value as at 31 March 2020** | **-** | **-** |
| **Net carrying value as at 31 March 2021** | **-** | **-** |

**14 Other non financial assets**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Balances with government authorities | 60,062,100 | 60,507,683 |
| Duties and taxes recoverables | 2,877,556 | 5,247,937 |
| Advances to suppliers | 49,327 | 156,405 |
| Prepaid expenses | 10,435 | 224,935 |
| Gratuity | 1,085,478 | 1,085,478 |
| Others | 378,720 | 324,951 |
| | **64,463,616** | **67,547,389** |

## 15 Borrowings

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **At amortised cost** | | |
| **Bonds, Term Loans and debentures** | | |
| Secured | 373,184,381 | 766,636,496 |
| Unsecured | - | - |
| **Total - (A)** | **373,184,381** | **766,636,496** |
| Debt securities in India | 373,184,381 | 766,636,496 |
| Debt securities outside India | - | - |
| **Total - (B)** | **373,184,381** | **766,636,496** |

**Terms of borrowing:**

| Loan Value | Date of of Term Loan | Maturity date | Coupon rate | Term Loan value | Outstanding amount as at 31 March 2021 |
|---|---|---|---|---|---|
| 370,000,000 | 29-Jan-21 | 30-Apr-23 | 9.00% | 373,184,381 | 373,184,381 |

**Other terms of borrowing:**

a) Redemption terms: To be redeemed at such amounts such that on such monies, an IRR equal to 15.07% is paid to the lender.

b) Nature of security: First exclusive charge by way of pledge on fully paid up equity shares of the subsidiary company Fincare Small Finance Bank Limited having a value of not less than ₹ 37 crores.

c) End use: The Company shall apply the amounts received through term loan for refinancing of existing loans and general corporate purpose upto 15% of facility amount.

## 16 Other financial liabilities

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Accrued expenses | 1,506,350 | 2,980,419 |
| Dues to employees | 1,379,140 | 20,487 |
| First loss default guarantee | 2,901,530 | 1,605,597 |
| Interest payable on NCD | - | 1,923,287 |
| Expenses payable | - | 1,094,534 |
| Amount payable under business correspondence operations | 203,032 | 7,140,835 |
| Other liabilities | - | 632,682 |
| **Total** | **5,990,052** | **15,397,841** |

## 17 Current tax liabilities (net)

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Current tax provision | - | 1,354,131 |
| Less: Advance Income Tax and TDS | - | - |
| | **-** | **1,354,131** |

## 18 Provisions

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Provision for gratuity | 865,400 | 706,000 |
| Provision for compensated absences | 91,100 | - |
| | **956,500** | **706,000** |

## 19 Other non financial liabilities

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Statutory dues | 6,600 | 239,560 |
| TDS payable | 469,435 | 1,055,862 |
| | **476,035** | **1,295,422** |

## 20 Equity share capital

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Authorised equity share capital** | | |
| 835,000,000 (March 31, 2020 : 835,000,000) Equity shares of Rs 1 each | 835,000,000 | 835,000,000 |
| 22,000,000 (31 March 2020: 22,000,000) Equity shares of ₹ 10 each | 220,000,000 | 220,000,000 |
| 10,000,000 (March 31, 2020 : 10,000,000) Preference shares of Rs 10 each | 100,000,000 | 100,000,000 |
| | **1,155,000,000** | **1,155,000,000** |
| **Issued, subscribed and paid up equity share capital** | | |
| 328,417,440 (31 March 2020: 328,417,440) Equity shares of ₹ 1 each | 328,417,440 | 328,417,440 |
| | **328,417,440** | **328,417,440** |

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

Each holder of an equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuring Annual General Meeting, except interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

| | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | No. of shares | ₹ | No. of shares | ₹ |
| **Equity share capital of Rs. 1 each fully paid up** | | | | |
| Balance at the beginning of the year | 328,417,440 | 328,417,440 | 328,417,440 | 328,417,440 |
| Add: Issued during the year | - | - | - | - |
| **Balance at the end of the year** | **328,417,440** | **328,417,440** | **328,417,440** | **328,417,440** |

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

| | | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|---|
| | | No. of shares | % holding | No. of shares | % holding |
| | **Equity shares of ₹ 10 each, fully paid up** | | | | |
| 1) | True North Fund V LLP | 65,659,060 | 19.99% | 65,659,060 | 19.99% |
| 2) | Wagner Limited | 58,535,040 | 17.82% | 58,535,040 | 17.82% |
| 3) | INDIUM IV (Mauritius) Holdings Limited | 54,085,980 | 16.47% | 54,085,980 | 16.47% |
| 4) | Omega TC Holdings Pte. Ltd. | 27,772,330 | 8.46% | 27,772,330 | 8.46% |

As per records of the Company, including its register of shareholders/members and other declarations, if any, received from shareholders regarding the beneficial interest, the above shareholding represents both legal & beneficial ownership of shares.

iv) The Company has neither issued equity shares pursuant to contract without payment being received in cash or any bonus shares nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

## 21 Other equity

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Statutory reserve u/s 45(IC) of the RBI Act, 1934 | 229,311,337 | 229,311,337 |
| Securities premium | 4,981,155,664 | 4,981,155,664 |
| Capital reserve | 659,509,776 | 659,509,776 |
| Stock option reserve | 90,779,968 | 49,797,148 |
| Retained earnings | 841,644,435 | 899,616,140 |
| | **6,802,401,180** | **6,819,390,065** |

**Nature and purpose of reserve**

**21.1 Statutory reserve u/s 45-IC of RBI Act 1934**

The Company creates a reserve fund in accordance with the provisions of section 45-IC of the Reserve Bank of India Act, 1934 and transfers therein an amount of euqal to/more than twenty per cent of its net profit of the year, before declaration of dividend.

**21.2 Securities premium reserve**

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

**21.3 Capital reserve**

The Company has on-boarded new investors post 28 February 2017 and has entered into a share purchase and share subscription agreement (SPSSA) with the new investors as on 9 January 2017. The net worth of group companies was expected to be significantly impacted due to the scheme of demonetization introduced by the Government of India. Therefore, in order to maintain the net worth of the group at a level agreed in the SPSSA, an agreement was entered into wherein a certain group of shareholders infused additional paid in capital in respect of the direct impact of demonetization. The Company will in turn infuse these funds into group companies.

**21.4 Stock option reserve**

This reserve is used to recognise grant date fair value of options issued to employees under employee stock option plans.

**21.5 Retained earnings**

All the profits or losses made by the Company are transferred to retained earnings from statement of profit and loss.

## 22 Interest income

| Particulars | For the year ended 31 March 2021 | | | For the year ended 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | On Financial Assets measured at fair value through OCI | On Financial Assets measured at Amortised Cost | Interest income on financial assets classified at FVTPL | On Financial Assets measured at fair value through OCI | On Financial Assets measured at Amortised Cost | Interest income on financial assets classified at FVTPL |
| Interest income from investments | - | 9,347,123 | - | - | 31,556,455 | - |
| Interest income on deposits from banks | - | 1,601,703 | - | - | 5,463,887 | - |
| Other interest income | - | 6,027,740 | - | - | 1,264,266 | - |
| | **-** | **16,976,566** | **-** | **-** | **38,284,608** | **-** |

## 23 Fee and commission income

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Fee income recognised over a certain period of time | 24,876,768 | 22,813,172 |
| Fee income recognised at a point of time | - | - |
| | **24,876,768** | **22,813,172** |

## 24 Net gain/(loss) on fair value changes

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **(A) Net gain on financial instruments at fair value through profit or loss** | | |
| (i) On trading portfolio | | |
| - Investments | 1,059,581 | 592,149 |
| **Total** | **1,059,581** | **592,149** |

## 25 Other income

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Profit on sale of investments in mutual funds | 2,622,510 | 8,818,899 |
| Profit on sale of investments in equity shares in subsidiary | 41,527,919 | - |
| Processing fees and other faciliation charges | 351,147 | 1,266,588 |
| Income from professional services | - | 2,098,679 |
| Miscellaneous income | 2,500,380 | 1,130,570 |
| | **47,001,956** | **13,314,736** |

## 26 Finance costs

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Interest on debt securities | 27,897,813 | 55,981,412 |
| Interest on term loan | 8,749,586 | - |
| Interest on taxes | 9,830 | 345,679 |
| Redemption premium for NCD redemption | 71,768,500 | - |
| Other finance expenses | 1,520,550 | 616,326 |
| | **109,946,279** | **56,943,417** |

## 27 Employee benefits expenses

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Salaries, bonus and commission | 8,268,720 | 16,632,356 |
| Contribution to provident and other funds | 825 | 975,927 |
| Gratuity expense (refer note 33) | 159,400 | (324,650) |
| Compensated absences | 103,221 | (692,427) |
| Staff welfare expenses | 1,484,847 | 1,175,287 |
| | **10,017,013** | **17,766,493** |

## 28 Depreciation, amortization and impairment

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Depreciation (also refer note 12) | 1,741,730 | 1,530,658 |
| Amortisation (also refer note 13) | - | 10,402 |
| | **1,741,730** | **1,541,060** |

## 29 Other expenses

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Rent, taxes and energy costs | 971,486 | 3,636,829 |
| Repairs and maintenance - others | 371,216 | 1,970,852 |
| Insurance | 76,228 | 61,125 |
| Rates and taxes | 1,176,781 | 2,107,690 |
| Travelling and conveyance | - | 668,614 |
| Printing and stationery | - | 21,300 |
| Legal and professional charges | 675,488 | 32,323,700 |
| Auditor's fees and expenses (Refer note i below) | 800,000 | 800,000 |
| Directors' fees, allowances and expenses | 130,800 | 326,970 |
| Contribution towards CSR expenses (Refer note ii below) | 1,208,436 | 1,739,398 |
| Loss on sale of Debt Securities | 8,390,830 | 4,005,043 |
| Losses incurred on BC services | 8,690,126 | 4,083,259 |
| IT Support services | 716,150 | 301,590 |
| Foreign exchange gain/loss | - | 75,545 |
| Miscellaneous expenses | 597,116 | 1,433,581 |
| | **23,804,657** | **53,555,496** |

| | | |
|---|---|---|
| i Auditors' remuneration includes: | | |
| - Audit fees | 800,000 | 800,000 |
| - Reimbursement of expenses | - | - |
| | **800,000** | **800,000** |

ii **Corporate social responsibility expenses**

As per Section 135 of the Companies Act, 2013, a Corporate Social Responsibility (CSR) committee has been formed by the Company. The areas for CSR activities are for promoting health awareness by providing free health check ups in the nature of general check ups and eye check ups to rural community.

Gross amount required to be spent by the Company during the year ended 31 March 2021 is ₹ 13.25 lakhs (31 March 2020: ₹ 27.35 lakhs).

**Amount spent during the year :**

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **a. Construction/ acquisition of any asset** | | |
| In cash | - | - |
| Yet to be paid | - | - |
| | - | - |
| b. **On purpose other than (a) above** | | |
| In cash | 1,208,436 | 1,739,398 |
| Yet to be paid | - | - |
| | **1,208,436** | **1,739,398** |
| | **1,208,436** | **1,739,398** |

## 30 Provisions and Contingencies

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Contingent liability not provided for: | | |
| Income tax demand for AY 2015-16 (refer note below) | 150,155,250 | 150,155,250 |
| Assets pledged as security (net of provision) | - | 24,373,775 |

**Note:**

(i) The Company received a notice from the Income Tax Department on 30 December 2017 under section 156 of the Income Tax Act 1961, for a demand of ₹ 150,155,120 pertaining to financial year ended 31 March 2015. The Company has filed an appeal against the disputed amount and has paid ₹ 60,062,100 (i.e.; 40% of the disputed amount).
Considering the facts of the case, the Company and the tax advisors believe that the final outcome should be in favour of the Company.

**31 Earnings per share (basic and diluted)**

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Net profit for the year | (57,971,705) | (60,800,970) |
| Weighted average number of equity shares for EPS | 328,417,440 | 328,417,440 |
| Par value per share | 1.00 | 1.00 |
| Earnings per share - Basic and diluted | (0.18) | (0.19) |
| | | |
| Weighted average potential equity shares for EPS | 328,417,440 | 331,566,923 |
| Earnings per share - Diluted | (0.18) | (0.18) |

**32 Tax expense**

| Particulars | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| (i) Current tax (including tax of earlier years) | 2,376,897 | 1,989,657 |
| (ii) Deferred tax expense/(credit) | - | 4,009,512 |
| (iii) Minimum alternate tax credit entitlement | - | - |
| | **2,376,897** | **5,999,169** |

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

| | | |
|---|---|---|
| **Profit before tax** | (55,594,808) | (54,801,801) |
| Statutory income tax rate | 26.00% | 26.00% |
| **Expected income tax expense** | **-** | **-** |
| | | |
| **Tax effect of adjustments to reconcile expected income tax expense to reported** | | |
| Adjustment for tax expense pertaining to prior years | (1,896,861) | 1,989,657 |
| Short term capital gain tax on sale of investments in subsidiary | 4,273,758 | - |
| Reversal of deferred tax | - | 4,009,512 |
| | **2,376,897** | **5,999,169** |

**33 Employee benefit obligations**

The Company had 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. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarize 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.
During the year ended 31 March 2021, the Company has only two employees eligible for gratuity benefit and therefore no actuarial valuation has been carried out.

**Reconciliation of present value of defined benefit obligation and the fair value of assets:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Defined benefit obligation | 865,400 | 706,000 |
| Fair value of plan assets | (1,085,478) | (1,085,478) |
| | **(220,078)** | **(379,478)** |

**Amount recognised in the statement of profit and loss**

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Current service cost* | 159,400 | (250,781) |
| Interest cost on benefit obligation | - | - |
| Expected return on plan assets** | - | (73,868) |
| Net benefit expense | **159,400** | **(324,649)** |

(*) Current service cost includes liabilities assumed on account of transfer of employees from companies under common control.
(**) Represents expected return as determined by the actuary.

**Changes in the present value of the defined benefit obligation are as follows:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Opening defined benefit obligation | 706,000 | 956,781 |
| Interest cost | - | - |
| Current service cost | 159,400 | (250,781) |
| Benefits paid | - | - |
| Actuarial gain on obligation | - | - |
| **Closing defined benefit obligation** | **865,400** | **706,000** |

**Changes in the fair value of plan assets are as follows:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Fair value of plan assets at the beginning of the year | 1,085,478 | 1,011,610 |
| Expected return on plan assets | - | 73,868 |
| Benefits paid | - | - |
| Actuarial gain on plan assets | - | - |
| **Fair value of plan assets at the end of the year** | **1,085,478** | **1,085,478** |

**The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Investments with insurer | 0% | 0% |

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

**The principal assumptions used in determining obligations for the Company's plans are shown below:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Discount rate | NA | NA |
| Expected rate of return on assets | NA | NA |
| Attrition rate | NA | NA |
| Salary escalation rate | NA | NA |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**Actuarial (gain)/loss recognised in other comprehensive income:**

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Actuarial gain on assets | NA | NA |
| Actuarial loss/(gain) from change in demographic assumption | NA | NA |
| Actuarial gain from change in financial assumption | NA | NA |
| Actuarial gain from experience adjustment | NA | NA |
| Total Actuarial gain on liabilities | - | - |

**Sensitivity analysis for gratuity liability**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Impact of change in discount rate | | |
| Present value of obligation at the end of the year | NA | NA |
| - Impact due to increase of 100 bps | NA | NA |
| - Impact due to decrease of 100 bps | NA | NA |
| Impact of change in salary increase | | |
| Present value of obligation at the end of the year | NA | NA |
| - Impact due to increase of 100 bps | NA | NA |
| - Impact due to decrease of 100 bps | NA | NA |
| Impact of change in attrition rate | | |
| Present value of obligation at the end of the year | NA | NA |
| - Impact due to increase of 100 bps | NA | NA |
| - Impact due to decrease of 100 bps | NA | NA |

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet.
The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

**Maturity profile of defined benefit obligation**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Within next 12 months | NA | NA |
| Between 1-5 years | NA | NA |
| Beyond 5 years | NA | NA |

The Company expects to contribute ₹ Nil (previous year ₹ Nil) to its gratuity plan for the next year.

**34 Segment reporting**

The Company is primarily engaged in the business of making investments and as such no separate information is required to be furnished in terms of IND AS 108 "Operating Segments" specified under section 133 of the Companies Act, 2013.

## 35 Related Party transactions

**a. Details of related parties:**

| Description of relationship | Names of related parties | |
|---|---|---|
| Subsidiary company | Fincare Small Finance Bank Limited | |
| Key management personnel (KMP) | | |
| | Mr. G. Dasaratha Reddy | Managing Director (appointed w.e.f. 7 June 2017) |
| | Mr. Aarti Vimal Chand Punmiya | Director (resigned w.e.f. 26 September 2019) |
| | Mr. Maninder Singh Juneja | Director (appointed w.e.f. 26 September 2019) |
| | Ms. Bhavya Gulati | Director |
| | Mr. Satyanarayana Peravali | Director |
| | Ms. Nandini Jashwantlal Parekh | Director (appointed w.e.f. 26 September 2019) |
| | Mr. Divya Sehgal | Director |
| | Mr. Dhiraj Poddar | Director |
| | Ms. Deepa Gussain | Company Secretary (Appointed w.e.f. 01 April 2019 and Resigned w.e.f. 01 February 2021) |
| | Ms. Parul Molri | Company Secretary (appointed w.e.f 03 March 2021) |
| | Mr. Kalivarapu Umasankar Rao | Chief Financial officer (appointed w.e.f. 13 November 2019 and resigned w.e.f. 20 May 2021) |
| | Mr. Gautam Gupta | Chief Financial officer (appointed w.e.f. 20 May 2021) |
| | Mrs. Kalavathi Reddy | Relative of Director of Holding company |
| | Ms. Sunakshi Agarwal | Erstwhile Director of Lok Management Services Private Limited now ceased by virtue of amalgamation with the Company |
| | Ms. Poonam Vijayvargiya | Erstwhile Company of Lok Management Services Private Limited now ceased by virtue of amalgamation with the Company |

**b. Transactions with Related Parties are as under:**

| | Related Party Entities | | Key Management Personnel | |
|---|---|---|---|---|
| | **31 March 2021** | **31 March 2020** | **31 March 2021** | **31 March 2020** |
| **(i) Transactions during the year** | | | | |
| 1) **Fincare Small Finance Bank Limited** | | | | |
| a) **Deposits** | | | | |
| Fincare Small Finance Bank Limited | 676,535,000 | 65,000 | - | |
| **Deposits redeemed** | | | | |
| Fincare Small Finance Bank Limited | 676,535,000 | 65,000 | - | |
| b) **Interest income** | | | | |
| Interest Income on Fixed deposits with Fincare Small Finance Bank Limited | 556,910 | - | - | - |
| Interest Income on Non Convertible Debentures with Fincare Small Finance Bank Limited | 391,980 | 31,556,455 | - | - |

**Fincare Business Services Limited**
**Notes forming part of financial statements for the year ended 31 March 2021**
(All amounts in ₹, unless stated otherwise)

| | | | | |
|---|---|---|---|---|
| c) **Investments** | | | | |
| Secondary sale of investments in non convertible debentures of Fincare Small Finance Bank Limited (Sale value) | 178,583,844 | 97,494,957 | - | - |
| Secondary sale of investments in equity of Fincare Small Finance Bank Limited (Sale value) | 328,012,547 | - | | |
| Others - ESOP plan (Refer note 8 and 39) | 39,249,212 | 49,797,148 | | |
| Investment in equity shares of Fincare Small Finance Bank Limited | - | 894,548,437 | - | - |

| | Related Party Entities | | Key Management Personnel | |
|---|---|---|---|---|
| 2) <u>Key management personnel (KMP)</u> | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 |
| a) **Repayment of loans including total interest** | | | | |
| Mr. G. Dasarathareddy | - | - | - | 11,087,808 |
| Mrs. Kalavathi Reddy | - | - | - | 11,081,562 |
| b) **Interest income for the period** | | | | |
| Mr. G. Dasarathareddy | - | - | - | 634,636 |
| Mrs. Kalavathi Reddy | - | - | - | 629,630 |
| c) **Remuneration** | | | | |
| Mr. G. Dasaratha Reddy | - | - | 3,007,392 | 2,269,596 |
| Ms. Deepa Gussain | - | - | 673,209 | 700,714 |
| Ms. Parul Molri | - | - | 167,619 | - |
| Ms. Snegdha Gupta | - | - | - | 1,440,638 |
| Mr. Kalivarapu Umasankar Rao | - | - | 3,405,597 | 1,021,744 |
| Ms. Sunakshi Agarwal | - | - | - | 1,559,416 |
| Ms. Poonam Vijayvargiya | - | - | - | 451,109 |
| d) **Reimbursement of expenses** | | | | |
| Mr. G. Dasaratha Reddy | - | - | 786,000 | 786,000 |
| Mr. Kalivarapu Umasankar Rao | - | - | 540,000 | 121,064 |
| Ms. Sunakshi Agarwal | - | - | - | 1,705 |
| e) **Sitting fees** | | | | |
| Mr.Satya Narayan Peravali | - | - | 15,000 | 32,000 |
| Mr. Aarti Vimal Chand Punmiya | - | - | - | 40,000 |
| Ms. Nandini Parekh | | | 105,000 | |
| f) **Professional fees** | | | | |
| Fincare Small Finance Bank Limited | - | 1,387,490 | - | - |

**(ii) Balances at year end**

| | Related Party Entities | | Key Management Personnel | |
|---|---|---|---|---|
| | **31 March 2021** | **31 March 2020** | **31 March 2021** | **31 March 2020** |
| **Fincare Small Finance Bank Limited** | | | | |
| Balance in Bank Current Account | 14,177,099 | 247,311 | - | - |
| Interest accrued on Non Convertible Debentures | - | 425,821 | - | - |
| Investment in equity shares | 7,114,947,913 | 7,399,698,932 | - | - |
| Others - ESOP plan (Refer note 8 and 39) | 89,046,360 | 49,797,148 | | |
| Investment in Non Convertible Debentures | - | 186,900,000 | - | - |

**Key management personnel remuneration includes the following expenses:**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Short-term employee benefits (current) | 1,326,000 | 908,769 |
| Post-employment benefits | - | - |
| Termination benefits | - | - |
| **Total remuneration** | **1,326,000** | **908,769** |

## 36 Financial instruments and Fair value disclosures

### A Financial instruments by category

The carrying value and fair value of financial instruments by categories were as follows:

**As at 31 March 2021**

| Particulars | Notes to schedule | FVTPL | FVTOCI | Amortised cost | Total carrying value | Total fair value |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 4 | - | - | 21,712,575 | 21,712,575 | 21,712,575 |
| Bank balances other than cash and cash equivalents | 5 | - | - | 3,094,965 | 3,094,965 | 3,094,965 |
| Loans | 6 | - | - | 68,527,740 | 68,527,740 | 68,527,740 |
| Trade receivables | 7 | - | - | 20,363 | 20,363 | 20,363 |
| Investments in non-convertible debentures | 8 | - | - | - | - | - |
| Mutual funds | 8 | 118,447,350 | - | - | 118,447,350 | 118,447,350 |
| Other financial assets | 9 | - | - | 1,178,042 | 1,178,042 | 1,178,042 |
| **Total financial assets** | | **118,447,350** | **-** | **94,533,685** | **212,981,035** | **212,981,035** |
| **Financial liabilities** | | | | | | |
| Borrowings | 15 | - | - | 373,184,381 | 373,184,381 | 373,184,381 |
| Other financial liabilities | 16 | - | - | 5,990,052 | 5,990,052 | 5,990,052 |
| **Total financial liabilities** | | **-** | **-** | **379,174,433** | **379,174,433** | **379,174,433** |

**As at 31 March 2020**

| Particulars | Notes to schedule | FVTPL | FVTOCI | Amortised cost | Total carrying value | Total fair value |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 4 | - | - | 10,652,871 | 10,652,871 | 10,652,871 |
| Bank balances other than cash and cash equivalents | 5 | - | - | 27,839,945 | 27,839,945 | 27,839,945 |
| Loans | 6 | - | - | 40,000,000 | 40,000,000 | 40,000,000 |
| Trade receivables | 7 | - | - | 1,124,064 | 1,124,064 | 1,124,064 |
| Investments in non-convertible debentures | 8 | - | - | 186,974,674 | 186,974,674 | 186,974,674 |
| Mutual funds | 8 | 103,768,465 | - | - | 103,768,465 | 103,768,465 |
| Other financial assets | 9 | - | - | 4,323,099 | 4,323,099 | 4,323,099 |
| **Total financial assets** | | **103,768,465** | **-** | **270,914,653** | **374,683,118** | **374,683,118** |
| **Financial liabilities** | | | | | | |
| Borrowings | 15 | - | - | 766,636,496 | 766,636,496 | 766,636,496 |
| Other financial liabilities | 16 | - | - | 15,397,841 | 15,397,841 | 15,397,841 |
| **Total financial liabilities** | | **-** | **-** | **782,034,337** | **782,034,337** | **782,034,337** |

* Investment in subsidiaries are measured at cost as per Ind AS 27, 'Separate financial statements' and hence, not presented here.

The management assessed that the fair value of cash and cash equivalents, other bank balances, loans, trade receivables, other financial assets and other financial liabilities approximate the carrying amount largely due to short-term maturity of this instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

(a) the use of net asset value for mutual funds on the basis of the statement received from investee party.
(b) the use of earnings capitalisation method (fair value approach) for remaining equity instruments.

## 36 Financial instruments and Fair value disclosures (cont'd)

### B Fair value of financial assets and liabilities measured at amortised cost

The management assessed that for amortised cost instruments, fair value approximate largely to the carrying amount.

### C Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are bifurcated into three levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for financial instruments.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

**Level 3:** Unobservable inputs for the asset or liability.

The following table shows the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis

**As at 31 March 2021**

| Particulars | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Financial assets** | | | |
| Mutual funds | 118,447,350 | - | - |
| **Total** | **118,447,350** | **-** | **-** |

**As at 31 March 2020**

| Particulars | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Financial assets** | | | |
| Mutual funds | 103,768,465 | - | - |
| **Total** | **103,768,465** | **-** | **-** |

**Valuation methodologies of financial instruments not measured at fair value**

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables:

- the use of net asset value for mutual funds on the basis of the statement received from investee party.

## 37 Financial risk management

### A) Credit risk

Credit risk is the risk that a counterparty fails to discharge its obligation to the Company. The Company's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, investments, loan assets, trade receivables and other financial assets. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

**A.1** The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different

(i) Low credit risk on financial reporting date
(ii) Moderate credit risk
(iii) High credit risk

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

| Asset group | Basis of categorisation | Provision for expected credit loss |
|---|---|---|
| Low credit risk | Cash and cash equivalents, trade receivables, other bank balances, loans and other financial assets | 12 month expected credit loss |
| Moderate credit risk | | Life time expected credit loss or 12 month expected credit loss |
| High credit risk | | Life time expected credit loss fully provided for |

Based on business environment in which the Company operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

## 37 Financial risk management (cont'd)

**Management of credit risk for financial assets**
**Cash and cash equivalents and bank deposits**
Credit risk related to cash and cash equivalents and bank balances is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

**Loans**
In the current year, loans are granted to Employee Welfare Trust wherein the trustees are the employees of a subsidiary company of the Company. These loans are considered high quality and hence the credit risk on such is considered very low.

**Trade receivables**
The Company's trade receivables are only with BC partners and are recoverable as per the business correspondence agreement, these trade receivables are considered high quality.
The Company recognises lifetime expected credit losses on trade receivables using a simplified approach, wherein Company has defined percentage of provision by analysing historical trend of default and such provision percentage determined have been considered to recognise life time expected credit losses on trade receivables.

**Other financial assets measured at amortized cost**
Other financial assets measured at amortized cost includes loans and advances to individuals and related parties, trade receivables, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

### A.2 Expected credit losses for financial assets

| As at 31 March 2021 | Estimated gross carrying amount at default | Expected probability of default | Expected credit losses | Carrying amount net of impairment provision |
|---|---|---|---|---|
| Cash and cash equivalents | 21,712,575 | 0% | - | 21,712,575 |
| Bank balances other than cash and cash equivalents | 3,094,965 | 0% | - | 3,094,965 |
| Loans | 68,527,740 | 0% | - | 68,527,740 |
| Trade receivables | 20,363 | 0% | - | 20,363 |
| Other financial assets | 1,178,042 | 0% | - | 1,178,042 |

| As at 31 March 2020 | Estimated gross carrying amount at default | Expected probability of default | Expected credit losses | Carrying amount net of impairment provision |
|---|---|---|---|---|
| Cash and cash equivalents | 10,652,871 | 0% | - | 10,652,871 |
| Bank balances other than cash and cash equivalents | 27,839,945 | 0% | - | 27,839,945 |
| Loans | 40,000,000 | 0% | - | 40,000,000 |
| Trade receivables | 1,124,064 | 0% | - | 1,124,064 |
| Other financial assets | 4,323,099 | 0% | - | 4,323,099 |

### A.2 Expected credit losses for financial assets
**Following is the trade receivables ageing:**

| As at 31 March 2021 | Not due | 0-30 Days | 30-90 Days | 90-180 Days | More than 180 Days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | 20,363 | - | - | - | - | 20,363 |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | 0% |
| Expected credit loss | - | - | - | - | - | - |

**A.2 Expected credit losses for financial assets (cont'd)**

**Following is the trade receivables ageing:**

| As at 31 March 2020 | Not due | 0-30 Days | 30-90 Days | 90-180 Days | More than 180 Days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | 1,124,064 | - | - | - | - | 1,124,064 |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | 0% |
| Expected credit loss | - | - | - | - | - | - |

**Reconciliation of loss allowance provision:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Loss allowance at beginning of the year** | - | - |
| Assets originated or purchased | - | - |
| Loss allowance written back | - | - |
| Write – offs | - | - |
| **Loss allowance at end of the year** | - | - |

**B Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates.

**Maturities of financial liabilities**

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

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| 31 March 2021 | Less than 1 year | 1-2 year | 2-3 year | More than 3 years | Total |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| Borrowings - Debt securities | - | 373,184,381 | - | - | **373,184,381** |
| Other financial liabilities | 5,990,052 | - | - | - | **5,990,052** |
| **Total** | **5,990,052** | **373,184,381** | **-** | **-** | **379,174,433** |

| 31 March 2020 | Less than 1 year | 1-2 year | 2-3 year | More than 3 years | Total |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| Borrowings - Debt securities | - | 766,636,496 | - | - | **766,636,496** |
| Other financial liabilities | 15,397,841 | - | - | - | **15,397,841** |
| **Total** | **15,397,841** | **766,636,496** | **-** | **-** | **782,034,337** |

**C Market risk**

**C.1 Market risk - Interest rate risk**

**C.1.1 Liabilities**

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing.
'The Company's debt securities are carried at amortised cost and are fixed rate borrowings. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

**C.1.2 Assets**

The Company's fixed deposits are carried at amortised cost and are fixed rate investments. They are therefore are not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

**C.2 Market risk - Price risk**

Exposure

The Company's exposure to price risk arises from investments held and classified in the balance sheet at fair value through profit or loss. To manage the price risk arising from investments, the Company diversifies its portfolio of assets.

Sensitivity

The table below summarises the impact of increases/decreases of the index on the Company's equity and profit for the period :

| **Impact on profit before tax** | **For the year ended 31 March 2021** | **For the year ended 31 March 2020** |
|---|---|---|
| **Mutual Funds** | | |
| Net assets value – increase by 100 bps (100 bps) | 1,184,474 | 1,037,685 |
| Net assets value – decrease by 100 bps (100 bps) | (1,184,474) | (1,037,685) |

38 **Capital management**

The Company's capital management objectives are
- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

39 **Employee Stock Option Plan (ESOP)**

**ESOP Plan 2019 - I**

The 'Fincare Business Services Stock Option Scheme' (the 'Plan I') was approved in the Extraordinary General Meeting of the members held on 13 May 2019. The Company introduced the Plan for the benefit of the employees of the subsidiary company Fincare Small Finance Bank Limited ("Fincare bank") and employees of Company. The plan provides for the creation and issue of 2,177,200 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Fincare Small Finance Bank Limited and employees of the Company. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of one year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Company granted 2,177,200 options till 31 March 2021 (31 March 2020: 2,177,200). The stock compensation cost is computed under the fair value method and has been recognised as an additional investment in the Fincare bank on a straight line basis over the vesting period upto 31 March 2021. For the year ended 31 March 2021, the Company has recorded an additional investment of ₹ 5,207,910 (31 March 2020: ₹ 39,119,882) in the Fincare Small Finance Bank Limited.

**39 Employee Stock Option Plan (ESOP) (cont'd)**

**ESOP Plan 2019 - II**

The 'Fincare Business Services Stock Option Scheme' (the 'Plan II') was approved in the Extraordinary General Meeting of the members held on 20 November 2019. The Company introduced the Plan for the benefit of the employees of the subsidiary company Fincare Small Finance Bank Limited ("Fincare bank") and employees of Company. The plan provides for the creation and issue of 2,885,300 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Fincare Small Finance Bank Limited and employees of the Company. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of one year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Company granted 2,885,300 options till 31 March 2021 (31 March 2020: 2,885,300). The stock compensation cost is computed under the fair value method and has been recognised as an additional investment in the Fincare bank on a straight line basis over the vesting period upto 31 March 2021. For the year ended 31 March 2021, the Company has recorded an additional investment of ₹ 14,720,194 (31 March 2020: 10,677,266) in the Fincare Small Finance Bank Limited.

**ESOP Plan 2020 - I**

The 'Fincare Business Services Stock Option Scheme' (the 'Plan III') was approved in the Extraordinary General Meeting of the members held on 30 March 2020. The Company introduced the Plan for the benefit of the employees of the subsidiary company Fincare Small Finance Bank Limited ("Fincare bank") and employees of Company. The plan provides for the creation and issue of 3,340,400 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Fincare Small Finance Bank Limited and employees of the Company. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of two year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Company granted 3,340,400 options till 31 March 2021 (31 March 2020: 3,340,400). The stock compensation cost is computed under the fair value method and has been recognised as an additional investment in the Fincare bank on a straight line basis over the vesting period upto 31 March 2021. For the year ended 31 March 2021, the Company has recorded an additional investment of ₹ 21,054,716 (31 March 2020: Nil) in the Fincare Small Finance Bank Limited.

| | No. of options | Weighted average exercise price |
|---|---|---|
| **Options outstanding as at 01 April 2019** | | |
| Granted / (lapsed) during the year - Plan I | 2,177,200 | 30.50 |
| Granted / (lapsed) during the year - Plan I | 2,885,300 | 40.50 |
| Granted / (lapsed) during the year - Plan I | 3,340,400 | 52.50 |
| **Options outstanding as at 31 March 2020** | **8,402,900** | **42.68** |
| Granted / (lapsed) during the year - Plan I | - | - |
| Granted / (lapsed) during the year - Plan II | (91,300) | 40.50 |
| Granted / (lapsed) during the year - Plan III | (546,200) | - |
| **Options outstanding as at 31 March 2021** | **7,765,400** | **45.71** |
| Options outstanding - Plan I | 2,177,200 | 30.50 |
| Options outstanding - Plan II | 2,794,000 | 40.50 |
| Options outstanding - Plan III | 2,794,200 | 52.50 |

The grant date fair value of each option award is estimated on the date of grant using Black-Scholes-Merton model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

| Options grant period | Vesting Percentage | Expected volatility | Dividend yield | Risk free interest rate | Weighted average exercise price (₹) | Fair value at grant date (₹) | Weighted average remaining contractual life (years) |
|---|---|---|---|---|---|---|---|
| ESOP Plan I - 1 Year vesting period | 100% | 41.15% | 0.00% | 7.07% | 30.50 | 20.36 | 2.50 |
| ESOP Plan II - 1 year vesting period | 100% | 41.95% | 0.00% | 6.17% | 40.50 | 9.09 | 2.50 |
| ESOP Plan III - 1 year vesting period | 67% | 41.09% | 0.00% | 5.82% | 52.50 | 8.54 | 2.50 |
| ESOP Plan III - 2 year vesting period | 33% | 41.75% | 0.00% | 6.36% | 52.50 | 10.99 | 3.50 |

## 40 Revenue from contracts with customers

Set out below is the disaggregation of the Company's revenue from contracts with customers and reconciliation to profit and loss account:

| | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| **Type of service** | | |
| Fee and commission income | 24,876,768 | 22,813,172 |
| | **24,876,768** | **22,813,172** |
| **Geographical markets** | | |
| India | 24,876,768 | 22,813,172 |
| Outside India | - | - |
| | **24,876,768** | **22,813,172** |
| **Timing of revenue recognition** | | |
| Services transferred over time | 24,876,768 | 22,813,172 |
| | **24,876,768** | **22,813,172** |

**Assets and liabilities related to contracts with customers**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Trade receivables | 20,363 | 1,124,064 |
| Contract liabilities | - | - |

| | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| **Revenue recognised in the period from:** | | |
| Amounts included in contract liability at the beginning of the year | - | - |
| Performance obligations satisfied in previous periods | - | - |

Trade receivables are non-interest bearing and are generally on terms of 30 days. The Company has recognised Nil provision for expected credit loss during the year 2020-21 (2019-20: Nil).

Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) we perform under the contract.

**Significant changes in contract asset and contract liability during the year are as follows:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Contract liabilities at the beginning of the year** | - | - |
| Increase due to cash received and decrease as a result of changes in the measure of progress, change in estimate | - | - |
| **Contract liabilities at the end of the year** | - | - |

**Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price**

| | For the Year Ended | |
|---|---|---|
| | **31 March 2021** | **31 March 2020** |
| Revenue as per contract | 24,876,768 | 22,813,172 |
| Adjustments | - | - |
| Revenue from contract with customers | **24,876,768** | **22,813,172** |

**Revenue recognition for contract with customers - Fee and commission income:**
The Contract with customers through which the Company earns a commission income includes the following promises:
(i) Sourcing of loans
(ii) Servicing of loans
(iii) First loss default guarantee (FLDG)

All these promises are separable from each other and do not involve significant integration. Therefore, these promises constitute separate performance obligations.

The consideration for these services is based on fixed percentage of interest and processing fee collected during the year.

This consideration has been allocated amongst the performance obligations under the contract on the basis of relative standalone prices.

Revenue recognition: Revenue from all three performance obligations being sourcing of loans, servicing of loans and FLDG shall be recognised over a period of time, as the customer benefits from these services as and when it is delivered/performed by the Company.

**41 Scheme of Amalgamation (Scheme)**

(a) The Board of Directors of the Company at its meeting held on 26 September 2019, had approved the acquisition of Lok Management Services Private Limited ('LOK') by way of a Scheme of Amalgamation. The appointed date of the Scheme was April 01 2019 and was subject to the approval of the majority of the shareholders and creditors of FBSL, the National Company Law Tribunal (NCLT) and the permission and approval of any other statutory or regulatory authorities, as applicable.

(b) Consequent to the approval of the Scheme of Amalgamation by the 'Regional Director-South Each Region, Ministry of Corporate Affairs, Hyderabad on 05 March 2019 and effected on April 01 2019 (effective date), being the date of filing with the Registrar of Companies, all the assets, liabilities and reserves of LOK were transferred to and vested in the Company with effect from April 01 2019, the appointed date.

(c) In accordance with Part II of the Scheme, all of the assets and liabilities of LOK was transferred to the Company with effect from the appointed date at the respective book values in the financial statements of FBSL. Further, the difference between the investments in transferee company and the amount of Share capital in the transferor company as on the effective date have been adjusted in the securities premium account of the transferee company. Since, the Company, LOK are under common control, this transaction has been accounted in accordance with the Pooling of Interests Method outlined in IND AS 103 "Business Combination", and the deficit of the net assets acquired over the consideration issued has been debited to Retained earnings determined as follows:

| | As at 31 March 2019 ₹ |
|---|---|
| **Financial Assets** | |
| Cash and cash equivalents | 68,418,582 |
| Bank balances other than cash and cash equivalents | 133,133,779 |
| **Receivables** | |
| Trade receivables | 28,512,755 |
| Loans | 19,880,476 |
| Investments | 509,999,938 |
| Other financial assets | 6,088,860 |
| **Non-financial Assets** | |
| Current tax assets (net) | 15,596,946 |
| Deferred tax assets (net) | 3,194,000 |
| Property, plant and equipment | 3,734,440 |
| Other intangible assets | 10,402 |
| Other non-financial assets | 4,076,227 |
| **TOTAL** | **792,646,405** |
| **Liabilities and Equity** | |
| **Liabilities** | |
| **Financial Liabilities** | |
| Other financial liabilities | 48,137,706 |
| **Non-Financial Liabilities** | |
| Contract liabilities | - |
| Current tax liabilities (net) | - |
| Provisions | 776,348 |
| Other non-financial liabilities | 3,042,486 |
| **Equity** | |
| Equity share capital | 186,285,790 |
| Other equity | 554,404,075 |
| **Total Liabilities and Equity** | **792,646,405** |

**42 Core Investment Company (CIC) Compliance Ratios:**

| Sl No. | Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| i | Investments in equity shares of group companies as a proportion of Net Assets | 98.09% | 99.46% |
| ii | Capital ratio (%) [Adjusted net worth/Risk weighted assets] | 94.37% | 90.33% |
| iii | Leverage ratio (Times) [Outside liabilities/Adjusted net worth] | 0.001 | 0.003 |

**Capital Risk Adequacy Ratio:**

As per RBI Master Circular RBI/2015-16 DNBR (PD) CC.No.052/03.10.119/2015-16 maintenance of Capital Adequacy Ratio is not applicable.

**Asset Liability Management** **As on 31 March 2021**

| Particulars | Liabilities | Advances | Investments* |
|---|---|---|---|
| Upto 1 month | 5,086,947 | 24,807,540 | 118,447,350 |
| Over 1 month to 2 months | 1,379,140 | 20,363 | - |
| Over 2 months upto 3 months | - | - | - |
| Over 3 months upto 6 months | - | - | 3,601,997,136 |
| Over 6 months upto 1 year | - | - | - |
| Over 1 Year to 3 Years | 373,184,381 | 155,206,291 | - |
| Over 3 Years to 5 Years | - | - | - |
| Over 5 Years | - | - | 3,601,997,137 |
| **Total** | **379,650,468** | **180,034,194** | **7,322,441,623** |

(*) Assuming dilution pursuant to proposed Intial Public Offering of the subsidiary, Fincare Small Finance Bank Limited.

**Asset Liability Management** **As on 31 March 2020**

| Particulars | Liabilities | Advances | Investments |
|---|---|---|---|
| Upto 1 month | 16,672,776 | 38,492,816 | 103,768,465 |
| Over 1 month to 2 months | 20,487 | 1,124,064 | - |
| Over 2 months upto 3 months | - | - | - |
| Over 3 months upto 6 months | - | - | - |
| Over 6 months upto 1 year | - | - | - |
| Over 1 Year to 3 Years | - | 143,395,381 | 186,974,674 |
| Over 3 Years to 5 Years | 766,636,496 | - | - |
| Over 5 Years | - | - | 7,449,496,080 |
| **Total** | **783,329,759** | **183,012,261** | **7,740,239,219** |

| Particulars | As at 31 March 2021 Amount outstanding | Amount overdue |
|---|---|---|
| **Liabilities side** | | |
| 1 Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | | |
| a) Debentures | | |
| Secured | - | - |
| Unsecured | - | - |
| (other than falling within the meaning of public deposits) | | |
| b) Deferred credits | - | - |
| c) Term loans including accrued interest but not paid | 373,184,381 | - |
| d) Inter-corporate loans and borrowings | - | - |
| e) Commercial paper | - | - |
| f) Other loans | - | - |

**Additional disclosures pursuant to the Reserve Bank of India Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 DNBR. PD. 003/03.10.119/2016-17, dated August 25, 2016 vide paragraph 21**

| | | | As at 31 March 2020 | |
|---|---|---|---|---|
| **Particulars** | | | **Amount outstanding** | **Amount overdue** |
| | **Liabilities side** | | | |
| 1 | Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | | | |
| | a) | Debentures | | |
| | | Secured | 766,636,496 | - |
| | | Unsecured | - | - |
| | | (other than falling within the meaning of public deposits) | | |
| | b) | Deferred credits | - | - |
| | c) | Term loans including accrued interest but not paid | - | - |
| | d) | Inter-corporate loans and borrowings | - | - |
| | e) | Commercial paper | - | - |
| | f) | Other loans | - | - |

| | | | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|---|---|
| | **Assets side** | | | | |
| **2** | **Breakup of loans and advances including bills receivables** | | | | |
| | a) | Secured | | - | - |
| | b) | Unsecured | | 68,527,740 | 40,000,000 |
| **3** | **Breakup of leased assets and stock on hire and other assets counting towards AFC activities** | | | | |
| | i | Lease assets including lease rentals under sundry debtors | | | |
| | | a) | Financial lease | - | - |
| | | b) | Operating lease | - | - |
| | ii | Stock on hire including hire charges under sundry debtors | | | |
| | | a) | Assets on hire | - | - |
| | | b) | Repossessed assets | - | - |
| | iii | Other loans counting towards AFC activities | | | |
| | | a) | Loans where assets have been repossessed | - | - |
| | | b) | Loans other than (a) above | 68,527,740 | 40,000,000 |

| | | | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|---|---|
| **4** | **Breakup of investments** | | | | |
| | **Current investments** | | | | |
| | **1** | **Quoted** | | | |
| | i | Shares | | | |
| | | a) | Equity | - | - |
| | | b) | Preference | - | - |
| | ii | Debentures and bonds | | - | - |
| | iii | Units of mutual funds | | 118,447,350 | 103,768,465 |
| | iv | Government securities | | - | - |
| | v | Others | | - | - |
| | **2** | **Unquoted** | | | |
| | i | Shares | | | |
| | | a) | Equity | - | - |
| | | b) | Preference | - | - |
| | ii | Debentures and bonds | | - | - |
| | iii | Units of mutual funds | | - | - |
| | iv | Government securities | | - | - |
| | v | Others | | - | - |

**Additional disclosures pursuant to the Reserve Bank of India Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 DNBR. PD. 003/03.10.119/2016-17, dated August 25, 2016 vide paragraph 21**

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **4** | **Breakup of investments (cont'd)** | | |
| | **Long term investments** | | |
| **1** | **Quoted** | | |
| i | Shares | | |
| a) | Equity | - | - |
| b) | Preference | - | - |
| ii | Debentures and bonds | - | - |
| iii | Units of mutual funds | - | - |
| iv | Government securities | - | - |
| v | Others | - | - |
| **2** | **Unquoted** | | |
| i | Shares | - | - |
| a) | Equity | 7,114,947,913 | 7,399,698,932 |
| b) | Preference | - | - |
| ii | Debentures and bonds | - | 186,548,853 |
| iii | Units of mutual funds | - | - |
| iv | Government securities | - | - |
| v | Others | 89,046,360 | 49,797,148 |

5 Borrower group - wise classification of assets financed as in (2) and (3) above

| Category | | 31 March 2021 Net of provisions | | |
|---|---|---|---|---|
| | | Secured | Unsecured | Total |
| 1 | Related parties | | | |
| a) | Subsidiaries | - | - | - |
| b) | Companies in the same group | - | - | - |
| c) | Other related parties | - | - | - |
| 2 | Other than related parties | - | 68,527,740 | 68,527,740 |
| | | **-** | **68,527,740** | **68,527,740** |

| Category | | 31 March 2020 Net of provisions | | |
|---|---|---|---|---|
| | | Secured | Unsecured | Total |
| 1 | Related parties | | | |
| a) | Subsidiaries | - | - | - |
| b) | Companies in the same group | - | - | - |
| c) | Other related parties | - | - | - |
| 2 | Other than related parties | - | 40,000,000 | 40,000,000 |
| | | **-** | **40,000,000** | **40,000,000** |

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

| Category | | Market value / break up or fair value or NAV(*) | |
|---|---|---|---|
| | | As at 31 March 2021 | As at 31 March 2020 |
| 1 | Related parties | | |
| a) | Subsidiaries | 7,114,947,913 | 7,586,247,785 |
| b) | Companies in the same group | - | - |
| c) | Other related parties | - | - |
| 2 | Other than related parties | 118,447,350 | 103,768,465 |
| | | **7,233,395,263** | **7,690,016,250** |

**Additional disclosures pursuant to the Reserve Bank of India Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 DNBR. PD. 003/03.10.119/2016-17, dated August 25, 2016 vide paragraph 21**

7 **Other information**

| **Particulars** | **As at 31 March 2021** | **As at 31 March 2020** |
|---|---|---|
| i Gross non-performing assets | | |
| a) Related parties | - | - |
| b) Other than related parties | - | - |
| ii Net non-performing assets | | |
| a) Related parties | - | - |
| b) Other than related parties | - | - |
| iii Assets acquired in satisfaction of debt | - | - |

(*) Market value/ Break up or Fair Value or NAV is taken as same as book value in case of unquoted shares in absence of Market value/ Break up value or Fair value or NAV.

8 **Disclosure of provision for frauds**

| **Particulars** | **As at 31 March 2021** | **As at 31 March 2020** |
|---|---|---|
| Number of frauds reported during the year | - | 1 |
| Amount involved in such frauds | - | 949,456 |
| Provision made during the year (net of recovery) | - | 949,456 |
| Unamortised provision debited from other reserves | - | - |

**43 Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**

As at 31 March 2021, there are no dues to Micro and Small Enterprises that are reportable under The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The list of undertakings covered under MSMED Act, 2006 were determined by the Company on the basis of information available with the Company and have been relied upon by the Auditors.

**Fincare Business Services Limited**
**Notes forming part of standalone financial statements for the year ended 31 March 2021**
(All amounts in ₹, unless stated otherwise)

**44 COVID 19 - Impact on financial statements**

The novel coronavirus (COVID-19) pandemic (as declared by WHO) is causing significant disturbance and slowdown of economic activities globally and in India. The Company has evaluated impact of COVID-19 on its business operations, assessed the Company's liquidity position and evaluated the recoverability and carrying value of its assets including property plant and equipment and investments as at 31 March 2021. Based on its review, consideration of internal and external information up to the date of approval of these financial results, current indicators of future economic conditions relevant to the Company's operations and other market factors and information, management has concluded that no adjustments are required to the Company's financial statements at this time. However, the full extent of impact of the COVID-19 pandemic on the operations, and financial metrics (including impact on impairment of the investment in the subsidiary) will depend on government and regulatory guidelines and future developments which are uncertain and incapable of estimation at this time.

As per our report of even date.

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

MANISH ANILKUMAR GUJRAL Digitally signed by MANISH ANILKUMAR GUJRAL Date: 2021.06.10 16:48:07 +05'30'

**Manish Gujral**
Partner
Membership No.: 105117

Mumbai
10 June 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY Digitally signed by DASARATHAREDDY GUNNAMREDDY Date: 2021.06.10 14:14:50 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054

Bengaluru
10 June 2021

DHIRAJ PODDAR Digitally signed by DHIRAJ PODDAR Date: 2021.06.10 14:44:39 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905

Mumbai
10 June 2021

GAUTAM GUPTA Digitally signed by GAUTAM GUPTA Date: 2021.06.10 13:48:21 +05'30'

**Gautam Gupta**
Chief Financial Officer

Ahmedabad
10 June 2021

PARUL MOLRI Digitally signed by PARUL MOLRI Date: 2021.06.10 14:01:20 +05'30'

**Parul Molri**
Company Secretary
M.No. ACS32934

Bengaluru
10 June 2021

**Walker Chandiok & Co LLP**
11th Floor, Tower II,
One International Center,
S B Marg, Prabhadevi (W),
Mumbai - 400013
Maharashtra, India
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**Independent Auditor's Report**

**To the Members of Fincare Business Services Limited**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

1. We have audited the accompanying consolidated financial statements of **Fincare Business Services Limited** ('the Holding Company') and its subsidiary (the Holding Company and its subsidiary together referred to as 'the Group'), as listed in Annexure I, which comprise the Consolidated Balance Sheet as at **31 March 2021**, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the consolidated state of affairs of the Group, as at 31 March 2021, and their consolidated profit (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

**Basis for Opinion**

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

4. We draw attention to Note 53 to the accompanying consolidated financial statements, which describes the economic and social disruption the Group is facing as a result of COVID-19 pandemic including the moratorium period offered to borrowers as directed by the Reserve Bank of India. The full extent of impact of the events on the Group's operations and financial metrics including the impact on the impairment provision recognized towards the loan assets outstanding as at 31 March 2021 will depend on future developments which are uncertain at this time.

Our opinion is not modified in respect of this matter.

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

5. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Director's Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

   If, based on the work we have performed on the other information 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. Reporting under this section is not applicable as no other information is obtained at the date of this auditor's report.

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

6. The accompanying consolidated financial statements have been approved by the Holding Company's Board of Directors. The Holding 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 consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. Further, in terms of the provisions of the Act, the respective Board of Directors /management 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 the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

7. 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 the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

8. Those Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group.

**Auditor's Responsibilities for the Audit of the Financial Statements**

9. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

10. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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; and

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

11. 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.

**Report on Other Legal and Regulatory Requirements**

12. As required by section 197(16) of the Act, based on our audit on separate financial statements of the subsidiaries, associates and joint ventures, we report that the Holding Company paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act. Further, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to the subsidiary company, since the company is a banking company, as defined under the Banking Regulation Act, 1949 and reporting under section 197(16) in relation to whether the remuneration paid by the subsidiary company is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section is not applicable.

13. As required by Section 143 (3) of the Act, based on our audit on separate financial statements and other financial information of the subsidiary, we report, to the extent applicable, that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) the consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) in our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under section 133 of the Act;

e) on the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and its subsidiary company, none of the directors of the Group companies, are disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act.

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, and its subsidiary company, and the operating effectiveness of such controls, refer to our separate report in 'Annexure II'; and

g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the audit on separate financial statements as also the other financial information of the subsidiary:

   i. the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, as detailed in Note 42 to the consolidated financial statements;

   ii. the Holding Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2021;

   iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary company, during the year ended 31 March 2021; and

   iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

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

**Manish Gujral**
Partner
Membership No:105117

**UDIN:21105117AAAAHF5056**

Place: Mumbai
Date: 30 August 2021

**Annexure I to the Independent Auditor's Report of even date to the members of Fincare Business Services Limited on the consolidated financial statements for the year ended 31 March 2021**

**List of entities included in the Statement**

**Subsidiary:**

(a) Fincare Small Finance Bank Limited

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**Annexure II to the Independent Auditor's Report of even date to the members of Fincare Business Services Limited on the consolidated financial statements for the year ended 31 March 2021**

**Independent Auditor's Report on the internal financial controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the consolidated financial statements of Fincare Business Services Limited ('the Holding Company') and its subsidiary (the Holding Company and its subsidiary together referred to as 'the Group'), as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to financial statements of the Holding Company and its subsidiary company, which are companies covered under the Act, as at that date.

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

2. The respective Board of Directors of the Holding Company and its subsidiary company, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements**

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company and {its subsidiary company, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary company as aforesaid.

**Meaning of Internal Financial Controls with Reference to Financial Statements**

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain

**Annexure II (Contd)**

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

**Inherent Limitations of Internal Financial Controls with Reference to Financial Statements**

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

**Opinion**

8. In our opinion, the Holding Company and its subsidiary company, which are companies covered under the Act, have in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

**Manish Gujral**
Partner
Membership No:105117

**UDIN:21105117AAAAHF5056**

Place: Mumbai
Date: 30 August 2021

**Fincare Business Services Limited**
**Consolidated Balance Sheet as at 31 March 2021**
*(All amounts in INR millions, unless stated otherwise)*

| | Notes | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Financial Assets** | | | |
| Cash and cash equivalents | 3 | 11,435.84 | 10,763.01 |
| Bank balances other than cash and cash equivalents | 4 | 137.32 | 104.27 |
| Trade receivables | 5 | 0.02 | 1.12 |
| Loans | 6 | 56,208.01 | 51,671.92 |
| Investments | 7 | 13,174.48 | 10,408.43 |
| Other financial assets | 8 | 1,246.87 | 1,112.12 |
| **Non-financial Assets** | | | |
| Current tax assets (net) | 9 | 39.88 | 33.82 |
| Deferred tax assets (net) | 10 | 875.85 | 510.28 |
| Property, plant and equipment | 11 | 1,094.34 | 1,095.95 |
| Goodwill | 13 | 418.33 | 418.33 |
| Other intangible assets | 12 | 10.20 | 27.10 |
| Other non-financial assets | 14 | 211.88 | 215.51 |
| **Total Assets** | | **84,853.02** | **76,361.86** |
| **Liabilities and Equity** | | | |
| **Liabilities** | | | |
| **Financial Liabilities** | | | |
| Payables | | | |
| Other than trade payables | | | |
| Total outstanding dues of micro enterprises and small enterprises | | 3.90 | 4.63 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 185.43 | 202.72 |
| Debt securities | 15 | - | 766.64 |
| Borrowings (Other than debt securities) | 16 | 18,447.37 | 17,410.66 |
| Deposits | 17 | 53,171.70 | 46,539.86 |
| Subordinated liabilities | 18 | 1,994.20 | 1,806.58 |
| Other financial liabilities | 19 | 781.04 | 369.72 |
| **Non-Financial Liabilities** | | | |
| Current tax liabilities (net) | 20 | - | 1.35 |
| Provisions | 21 | 120.30 | 126.55 |
| Contract liabilities | 22 | 142.06 | 189.22 |
| Other non financial liabilities | 23 | 91.79 | 96.57 |
| **Equity** | | | |
| Equity share capital | 24 | 328.42 | 328.42 |
| Other equity | 25 | 8,622.36 | 7,910.98 |
| Equity attributable to equity holders of the parent company | | 8,950.78 | 8,239.40 |
| Non-controlling interest | | 964.45 | 607.96 |
| Total equity | | 9,915.23 | 8,847.36 |
| **Total liabilities and equity** | | **84,853.02** | **76,361.86** |

Summary of Significant Accounting Policies 1 - 2
The accompanying notes are an integral part of the financial statements.

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

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

**Manish Gujral**
Partner
Membership No.: 105117
Mumbai
30 August 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY Digitally signed by DASARATHAREDDY GUNNAMREDDY Date: 2021.08.30 16:21:59 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054
Chittoor
30 August 2021

GAUTAM GUPTA Digitally signed by GAUTAM GUPTA Date: 2021.08.30 16:10:59 +05'30'

**Gautam Gupta**
Chief Financial Officer
Bengaluru
30 August 2021

DHIRAJ PODDAR Digitally signed by DHIRAJ PODDAR Date: 2021.08.30 15:30:34 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905
Mumbai
30 August 2021

PARUL MOLRI Digitally signed by PARUL MOLRI Date: 2021.08.30 16:49:27 +05'30'

**Parul Molri**
Company Secretary
Membership No.: ACS32394
Bengaluru
30 August 2021

**Fincare Business Services Limited**
**Consolidated Statement of Profit and Loss for the year ended 31 March 2021**
*(All amounts in INR millions, unless stated otherwise)*

| | Notes | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|
| **Revenue from operations** | | | |
| Interest income | 26 | 12,961.06 | 11,060.71 |
| Fee and commission income | 27 | 489.86 | 433.05 |
| Net gain on fair value changes | 28 | 1.06 | 0.59 |
| Net gain on derecognition of financial instruments under amortised cost category | 29 | 541.34 | - |
| Other operating income | 30 | 411.83 | 435.58 |
| **Total revenue from operations** | | **14,405.15** | **11,929.93** |
| Other income | 31 | 76.78 | 75.27 |
| **Total Income** | | **14,481.93** | **12,005.20** |
| **Expenses** | | | |
| Finance cost | 32 | 5,702.10 | 4,697.28 |
| Net loss on fair value changes | | - | - |
| Impairment on financial instruments | 33 | 3,159.86 | 1,123.69 |
| Employee benefit expenses | 34 | 2,959.28 | 2,655.83 |
| Depreciation and amortization | 35 | 321.43 | 271.16 |
| Other expenses | 36 | 1,412.21 | 1,390.68 |
| **Total Expenses** | | **13,554.88** | **10,138.64** |
| **Profit before tax** | | **927.05** | **1,866.56** |
| **Tax expense** | | | |
| Prior year tax | 37 | 2.38 | 1.99 |
| Current tax | 37 | 595.99 | 791.87 |
| Deferred tax | 37 | (375.12) | (186.48) |
| **Profit for the year** | | **703.80** | **1,259.18** |
| **Other Comprehensive Income** | | | |
| **Items that will not be reclassified to profit and loss** | | | |
| Remeasurement of the net defined benefit plans | | 17.79 | (11.22) |
| Income tax relating to the above | 10 | (4.48) | 2.83 |
| **Items that will be reclassified to profit and loss** | | | |
| Changes in fair value of investments | | 20.13 | 211.36 |
| Income tax relating to above item | 10 | (5.07) | (51.00) |
| **Other comprehensive income for the year, net of tax** | | **28.37** | **151.97** |
| **Total comprehensive income for the year** | | **732.17** | **1,411.15** |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 634.64 | 1,163.50 |
| Non-controlling interest | | 69.16 | 95.68 |
| | | **703.80** | **1,259.18** |
| **Other Comprehensive Income attributable to:** | | | |
| Owners of the Company | | 25.79 | 140.95 |
| Non-controlling interest | | 2.58 | 11.02 |
| | | **28.37** | **151.97** |
| **Total Comprehensive Income attributable to:** | | | |
| Owners of the Company | | 660.43 | 1,304.45 |
| Non-controlling interest | | 71.74 | 106.70 |
| | | **732.17** | **1,411.15** |

*(All amounts in INR millions, unless stated otherwise)*

| | Notes | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|
| **Earning per equity share** | 38 | | |
| Basic (In INR) | | 1.93 | 3.54 |
| Diluted (In INR) | | 1.93 | 3.51 |
| Summary of Significant Accounting Policies | 1 - 2 | | |

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

This is the Consolidated Statement of Profit or Loss referred to in our report of even date.

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

**Manish Gujral**
Partner
Membership No.: 105117

Mumbai
30 August 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY Digitally signed by DASARATHAREDDY GUNNAMREDDY Date: 2021.08.30 16:22:36 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054

Chittoor
30 August 2021

GAUTAM GUPTA Digitally signed by GAUTAM GUPTA Date: 2021.08.30 16:11:24 +05'30'

**Gautam Gupta**
Chief Financial Officer

Bengaluru
30 August 2021

DHIRAJ PODDAR Digitally signed by DHIRAJ PODDAR Date: 2021.08.30 15:31:04 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905

Mumbai
30 August 2021

PARUL MOLRI Digitally signed by PARUL MOLRI Date: 2021.08.30 16:50:17 +05'30'

**Parul Molri**
Company Secretary
Membership No.: ACS32489

Bengaluru
30 August 2021

**Fincare Business Services Limited**
**Consolidated cash flow statement for the year ended 31 March 2021**
*(All amounts in INR millions, unless stated otherwise)*

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit before tax** | 927.05 | 1,866.56 |
| Adjustment for : | | |
| Depreciation and amortisation expenses | 321.43 | 271.43 |
| Profit on sale of investment | (49.35) | (19.98) |
| Loss on sale of non-convertible debentures | 8.39 | 4.01 |
| Amortisation of Investments | 61.25 | 9.12 |
| (Profit) / loss on disposal of fixed assets | (0.08) | 0.65 |
| Loan portfolio written off | 913.28 | 454.36 |
| Employee stock option expense | 49.22 | 49.80 |
| Provision on portfolio loans | 2,276.24 | 721.79 |
| Provision for other contingencies | (26.67) | (15.26) |
| Provision / depreciation - Investments | (0.51) | (0.79) |
| Net (gain) / loss on derecognition of financial instruments under amortised cost category | (541.34) | 20.29 |
| Interest accrued on securitized assets | 0.75 | 16.44 |
| Interest accrued on non-performing assets | (24.49) | (3.57) |
| Interest accrued on loan to FEWT | (6.03) | - |
| Amortization of upfront fees / premium on securitisation | (20.72) | 177.36 |
| Fair valuation of financial instruments under amortised cost category | (1.26) | (5.52) |
| Interest expense on lease obligation | 85.78 | 61.64 |
| Deferral of debit card income and expense | (42.40) | 56.18 |
| Unrealized loss / (gain) on fair valuation of investments | 2.12 | (0.32) |
| Remeasurement of defined benefit obligations reclassified to other comprehensive income | 17.79 | (12.01) |
| **Operating profit before working capital changes** | **3,950.45** | **3,652.18** |
| **Changes in working capital :** | | |
| Increase in deposits | 6,631.74 | 24,855.89 |
| (Increase) in investments | (2,789.71) | (3,075.70) |
| (Increase) in loans and advances | (7,815.05) | (19,252.95) |
| (Increase) / decrease in other financial and non financial assets | (21.48) | 690.98 |
| Increase / (decrease) in other financial and non financial liabilities | 399.31 | (413.23) |
| **Cash generated from operating activities** | **355.26** | **6,457.17** |
| Income taxes paid (net of refunds) | (606.37) | (751.81) |
| **Net cash flow (used in) / generated from operating activities** | **(251.11)** | **5,705.36** |
| **Cash flows from investing activities** | | |
| Purchase of mutual funds | (2,045.40) | (6,080.29) |
| Proceeds from sale of Investment in equity shares - FSFBL | 328.01 | - |
| Proceeds from sale of mutual funds | 2,037.29 | 5,996.56 |
| Proceeds from term money lending | (399.92) | 899.90 |
| Proceeds from sale of debt securities | 178.58 | - |
| Purchase of property, plant and equipment | (129.26) | (243.49) |
| Proceeds from sale of property, plant and equipment | 0.86 | 0.72 |
| **Net cash flow (used in) / generated from investing activities** | **(29.84)** | **573.39** |
| **Cash flow from financing activities** | | |
| Proceeds from issuance of equity share capital | - | 48.68 |
| Proceeds from borrowing under the LAF segment | (470.00) | 1,030.00 |
| Proceeds from borrowings (other than debt securities) | 5,070.00 | 4,250.00 |
| Repayment of borrowings (other than debt securities) | (3,089.76) | (7,063.67) |
| Proceeds from issue of subordinated liabilities | - | 1,097.49 |
| Loan given to FEWT | (22.50) | (40.00) |
| Payment of lease obligation | (183.85) | (123.32) |
| Share and debenture issue expenses | - | (11.25) |
| Proceeds from issue of debt securities | - | 750.00 |
| Proceeds from redemption of debt securities | (750.00) | (425.00) |
| **Net cash flow generated from / (used in) financing activities** | **553.89** | **(487.07)** |
| **Net increase in cash and cash equivalents (A + B + C)** | **272.94** | **5,791.68** |
| Cash and cash equivalents at the beginning of the year | 10,763.01 | 4,971.33 |
| **Cash and cash equivalents at the end of the year** | **11,035.95** | **10,763.01** |

**Fincare Business Services Limited**

**Consolidated cash flow statement for the year ended 31 March 2021 (cont'd)**

*(All amounts in INR millions, unless stated otherwise)*

| **Components of cash and cash equivalents** | **For the year ended 31 March 2021** | **For the year ended 31 March 2020** |
|---|---|---|
| Cash on hand | 262.84 | 180.79 |
| Balances with banks in current accounts | 2,253.11 | 1,402.22 |
| Balances with others (RBI) | 8,520.00 | 9,180 |
| **Total cash and cash equivalents (Refer note 3)** | **11,035.95** | **10,763.01** |

Summary of Significant Accounting Policies 1 - 2

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

This is the Consolidated Statement of Cash flow referred to in our report of even date.

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

**Manish Gujral**
Partner
Membership No.: 105117
Mumbai
30 August 2021

For and on behalf of the Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY Digitally signed by DASARATHAREDDY GUNNAMREDDY Date: 2021.08.30 16:22:59 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054
Chittoor
30 August 2021

GAUTAM GUPTA Digitally signed by GAUTAM GUPTA Date: 2021.08.30 16:11:49 +05'30'

**Gautam Gupta**
Chief Financial Officer
Bengaluru
30 August 2021

DHIRAJ PODDAR Digitally signed by DHIRAJ PODDAR Date: 2021.08.30 15:31:31 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905
Mumbai
30 August 2021

PARUL MOLRI Digitally signed by PARUL MOLRI Date: 2021.08.30 16:51:02 +05'30'

**Parul Molri**
Company Secretary
Membership No.: ACS32394
Bengaluru
30 August 2021

**Fincare Business Services Limited**
**Consolidated Statement of Changes in Equity as at 31 March 2021**
*(All amounts in INR millions, unless stated otherwise)*

**Statement of changes in equity**

**A Equity share capital**

| Particulars | As at 1 April 2019 | Change in equity share capital during the year | As at 31 March 2020 | Change in equity share capital during the year | As at 31 March 2021 |
|---|---|---|---|---|---|
| Equity shares of ₹ 1 each, issued, subscribed and fully paid up | 328.42 | - | 328.42 | - | 328.42 |

**B Other equity**

| Particulars | Reserve fund u/s 45-IC of RBI Act 1934 (refer note 1) | Reserve fund u/s 17(2) of Banking Regulation Act, 1949 (refer note 2) | Capital reserve | Securities premium | Investment fluctuation reserve | Stock option reserve | Retained earnings | Other Comprehensive income | Total other equity | Non controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 April 2019** | **191.93** | **299.95** | **659.51** | **4,981.18** | **31.13** | **-** | **404.14** | **9.74** | **6,577.58** | **452.58** | **7,030.16** |
| Adoption of Ind AS 116 w.e.f. April 1, 2019 (net of tax) | - | - | - | - | - | - | (20.85) | - | (20.85) | - | (20.85) |
| Profit for the year | - | - | - | - | - | - | 1,163.50 | - | 1,163.50 | 95.68 | 1,259.18 |
| Transfers to Statutory reserves | - | - | - | - | - | - | (358.66) | - | (358.66) | - | (358.66) |
| Add: Addition during the year | - | 358.66 | - | - | 43.34 | - | (43.34) | - | 358.66 | 59.70 | 418.36 |
| Add: Stock options granted during the year | - | - | - | - | - | 49.80 | - | - | 49.80 | - | 49.80 |
| Add: Changes in fair value of Investments (net of tax) | - | - | - | - | - | - | - | 149.35 | 149.35 | - | 149.35 |
| Add: Remeasurement of the net defined benefit asset (net of tax) | - | - | - | - | - | - | (8.40) | - | (8.40) | - | (8.40) |
| **Balance as at 31 March 2020** | **191.93** | **658.61** | **659.51** | **4,981.18** | **74.47** | **49.80** | **1,136.39** | **159.09** | **7,910.98** | **607.96** | **8,518.94** |
| Profit for the year | - | - | - | - | - | - | 634.64 | - | 634.64 | 69.16 | 703.80 |
| Transfers to Statutory reserves | - | - | - | - | - | - | (282.86) | - | (282.86) | - | (282.86) |
| Add: Addition during the year | - | 282.86 | - | - | 8.39 | - | (8.39) | - | 282.86 | 287.33 | 570.19 |
| Add: Stock options granted during the year | - | - | - | - | - | 50.95 | - | - | 50.95 | - | 50.95 |
| Add: Changes in fair value of Investments (net of tax) | - | - | - | - | - | - | - | 12.48 | 12.48 | - | 12.48 |
| Add: Remeasurement of the net defined benefit asset (net of tax) | - | - | - | - | - | - | 13.31 | - | 13.31 | - | 13.31 |
| **Balance as at 31 March 2021** | **191.93** | **941.47** | **659.51** | **4,981.18** | **82.86** | **100.75** | **1,493.09** | **171.57** | **8,622.36** | **964.45** | **9,586.81** |

1 The transfer to statutory reserve u/s 17(2) of the Banking Regulation Act, 1949 for the year ended 31 March 2020 and 31 March 2021 was computed on the profit after tax reported under the GAAP for FSFBL and has not been adjusted for IND AS adjustments.

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

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

**Manish Gujral**
Partner
Membership No.: 105117

Mumbai
30 August 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY Digitally signed by DASARATHAREDDY GUNNAMREDDY Date: 2021.08.30 16:27:24 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054

Chittoor
30 August 2021

DHIRAJ PODDAR Digitally signed by DHIRAJ PODDAR Date: 2021.08.30 15:31:55 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905

Mumbai
30 August 2021

GAUTAM GUPTA Digitally signed by GAUTAM GUPTA Date: 2021.08.30 16:12:06 +05'30'

**Gautam Gupta**
Chief Financial Officer

Bengaluru
30 August 2021

PARUL MOLRI Digitally signed by PARUL MOLRI Date: 2021.08.30 16:51:56 +05'30'

**Parul Molri**
Company Secretary
ACS32394

Bengaluru
30 August 2021

*(All amounts in INR Millions, unless stated otherwise)*

## 1. Summary of significant accounting policies and other explanatory information

### a) Group overview

Fincare Business Services Limited (formerly Fincare Business Services Private Limited) (the 'Company') is a Non-Banking Financial Company. The Company was incorporated on 1 August 2014. The Company has converted itself from a private limited company to a public limited company with effect from 23 November 2016.

The Company was incorporated primarily as a private company under the Companies Act,1956, to manage the capital requirement in associate companies and also provides the financial management and consultancy services. The Company has converted into a non-deposit accepting Non- Banking Financial Company - Core Investment Company (NBFC - CIC) with the Reserve Bank of India ('RBI') with effect from 2 February 2017.

Pursuant to the provisions of section 233 of the Companies Act, 2013, the Company received 'confirmation order of scheme of amalgamation' of Lok Management Services Private Limited (Transferor company of Karnataka) from 'Regional Director-South East Region, Ministry of Corporate Affairs, Hyderabad on 03 March 2020 and the Company made changes in MOA and reported to the 'RBI'.

The consolidated financial statements for the year ended 31 March 2021 were authorized and approved for issue by the Board of Directors on 30 August 2021.

The consolidated financial statements comprise of the financial statements of Fincare Business Services Limited (the Holding Company) and its subsidiary (collectively known as "the Group") as listed below:

| Name of the entity | Country of incorporation | Effective ownership interest (%) | |
|---|---|---|---|
| | | 31 March 2021 | 31 March 2020 |
| **Subsidiary:** | | | |
| Fincare Small Finance Bank Limited | India | 90.91% | 92.75% |

### b) Basis of preparation and presentation

### (i) Basis of preparation

In accordance with the notification issued by the Ministry of Corporate Affairs, the Group is required to prepare its consolidated financial statements as per the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS'). Accordingly, the Group has prepared these consolidated financial statements which comprise the Consolidated Balance Sheet as at 31 March 2021, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year ended 31 March 2021, and a summary of significant accounting policies and other explanatory information (together hereinafter referred to as 'consolidated financial statements').

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below. These accounting policies have been used throughout all periods presented in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair values at the end of each reporting period, as explained in the accounting policies below.

### (ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2021. Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights, including potential voting rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights; and
- The size of the group’s holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

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.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member’s financial statements in preparing the consolidated financial statements to ensure conformity with the group’s accounting policies.

The financial statements of all members of the Group used for the purpose of consolidation are drawn up to same reporting date as that of the Holding Company, i.e., year ended on 31 March. When the end of the reporting period of the Holding Company is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the Holding Company to enable the Holding Company to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

**Consolidation procedures**

a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the Holding Company with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

**Consolidation procedures (Cont'd)**

b) Offset (eliminate) the carrying amount of the Holding Company's investment in each subsidiary and the Holding Company's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Non- controlling interest represents the amount of equity not attributable, directly or indirectly, to the Company at the date on which investment in a subsidiary is made and its share of movements in equity since that date. Non-controlling interests and equity of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss, consolidated statement of changes in equity and consolidated balance sheet respectively. Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity shareholders of the Holding Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:
- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the Consolidated Statement of Profit or Loss; and

Reclassifies the Holding Company's share of components previously recognised in OCI to Consolidated Statement of Profit or Loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**(iii) Statement of compliance with Indian Accounting Standards (Ind AS)**

These Consolidated Financial Statements ("the Financial Statements") have been prepared in accordance with the Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs ('MCA') under Section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act. The Group has uniformly applied the accounting policies for all the periods presented in this financial statements.

## c) Summary of significant accounting policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarized as below. These policies are applied consistently for all the periods presented in the financial statements, except where the Group has applied certain accounting policies and exemptions upon transition to Ind AS.

### i. Property, plant and equipment

*Recognition and initial measurement*

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit and loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are recognised in statement of profit and loss.

*Subsequent measurement (depreciation method, useful lives and residual value)*

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on the straight-line method over the useful life of the assets as estimated by the management.

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

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

The Group has used the following rates to provide depreciation on its tangible assets:

| Tangible asset description | Useful life |
| --- | --- |
| Office equipments | 5 Years |
| Computer equipments | 3 Years |
| Furniture and fixtures | 10 Years |
| Leasehold improvements (*) | Over the period of lease |

(*) Lease period being shorter than the estimated useful life.

Depreciation is charged on a proportionate basis for all assets purchased and sold during the year.

*De-recognition*

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

## c) Summary of significant accounting policies (Cont'd)

### i. Property, plant and equipment (Cont'd)

*Capital work-in-progress*
Capital work-in-progress are carried at cost, comprising direct cost and related incidental expenses acquire property, plant and equipment. Assets which are not ready to intended use are also shown under capital work-in-progress.

### ii. Intangible assets

*Recognition and initial measurement*
Intangible assets are stated at their cost of acquisition. The cost comprises purchase price including any import duties and other taxes (other than those subsequently recoverable from taxation authorities), borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

*Subsequent measurement (amortisation method, useful lives and residual value)*
Intangible assets are amortised on a straight line basis over the expected useful life from the date when the assets are available for use. The estimated useful life (amortisation period) of the intangible assets is arrived basis the expected pattern of consumption of economic benefits and is reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

| Intangible asset description | Useful life |
|---|---|
| Computer Software | 3 Years |

### iii. Revenue recognition

As per the standard Ind AS 115, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry.

*Interest and processing fee income on loans*
Interest and processing fee income is recorded on accrual basis using the effective interest rate (EIR) method. Additional interest/overdue interest/penal charges, if any, are recognised only when it is reasonable certain that the ultimate collection will be made.

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

*Commission income*
Income from business correspondent services is recognised as and when the services are rendered as per agreed terms and conditions of the contract. A receivable is recognised when the services are delivered as this is the case of point in time recognition where consideration is unconditional because only the passage of time is required.

## c) Summary of significant accounting policies (Cont'd)

### iii. Revenue recognition (Cont'd)

*Dividend income*
Dividend income is recognised at the time when the right to receive is established by the reporting date.

*Miscellaneous income*
All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization/collection.

### iv. Borrowing costs

Borrowing costs that are directly attributable to the acquisition and/or construction of a qualifying asset, till the time such qualifying assets become ready for its intended use sale, are capitalised. Borrowing cost consists of interest and other cost that the Group incurred in connection with the borrowing of funds. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred basis the effective interest rate method.

### v. Taxation

Tax expense recognized in Statement of Profit and Loss comprises the sum of deferred tax and current tax except to the extent it recognized in other comprehensive income or directly in equity.

Current tax comprises the tax payable or receivable on taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Current tax is computed in accordance with relevant tax regulations. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received after considering uncertainty related to income taxes, if any. Current tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred tax is recognised in respect of temporary differences between carrying amount of assets and liabilities for financial reporting purposes and corresponding amount used for taxation purposes. Deferred tax assets are recognised on unused tax loss, unused tax credits and deductible temporary differences to the extent it is probable that the future taxable profits will be available against which they can be used. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously. Deferred tax relating to items recognised outside statement of profit and loss is recognised outside statement of profit or loss (either in other comprehensive income or in equity).

### c) Summary of significant accounting policies (Cont'd)

#### vi. Employee benefits

**Short-term employee benefits**

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

**Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:**

**Defined contribution plans**

The Group has a defined contribution plans namely provident fund, pension fund and employees state insurance scheme. The contribution made by the Group in respect of these plans are charged to the Statement of Profit and Loss.

**Defined benefit plans**

The Group has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees, where in the employee will receive on retirement is defined by reference to employee's length of service and last drawn salary. Under the defined benefit plan, the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. The liability recognised in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries. Actuarial gains/losses resulting from re-measurements of the liability/asset are included in other comprehensive income.

**Other long-term employee benefits**

The Group also provides the benefit of compensated absences to its employees which are in the nature of long-term employee benefit plan. Liability in respect of compensated absences becoming due and expected to availed after one year from the Balance Sheet date is estimated in the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to Statement of Profit and Loss in the year in which such gains or losses are determined.

As per the subsidiary's policy, in general, 40% of cash variable pay (where it exceeds a specified threshold) of any employee of the subsidiary shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement. The deferred cash variable pay has been recognised as liability at present value of the defined benefit obligation at the balance sheet date, as required by Ind AS-19 on Employee Benefits. The present value has been determined using actuarial valuation after factoring in assumptions of attrition and discounting.

**Share based payments transactions of the Group**

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

## c) Summary of significant accounting policies (Cont'd)

### Share based payments transactions of the Group (Cont'd)

value of equity-settled share based transactions are set out in note 43. 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 Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity -settled employee benefits reserve.

### vii. Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Recoverable amount is higher of an asset's net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Consolidated Statement of Profit and Loss. If at the reporting date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

### viii. Impairment of financial assets

*Loan assets*
The Group follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 (1-30 days) includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.
- Stage 2 (31-60 days) includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 (more than 90 days) includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

**Probability of Default (PD)** - The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.

**Loss Given Default (LGD)** – LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and preference of claim and availability of collateral or other credit support.

**Exposure at Default (EAD)** – EAD is based on the amounts the Group expects to be owed at the time of default. For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Forward-looking economic information (including management overlay) is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

## c) Summary of significant accounting policies (Cont'd)

### viii. Impairment of financial assets (Cont'd)

However, RBI has not made changes in the prudential norms which requires certain minimum provisions for MFIs. As such, the Group has conservatively decided that if ECL is calculated to be lower than the provisions done earlier as per prudential norms, such minimum amounts are maintained.

*Trade receivables*
In respect of trade receivables, the Group applies the simplified approach of Ind AS 109, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of trade receivables.

*Other financial assets*
In respect of its other financial assets, the Group assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

*Write-offs*
Financial assets are written off either partially or in their entirety to the extent that there is no realistic prospect of recovery. Any subsequent recoveries are credited to impairment on financial instrument on statement of profit and loss.

### ix. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including imprest), balances with RBI, balances with other banks, money at call and short notice, demand deposits and short-term highly liquid investments (certificate of deposits and commercial paper) that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents includes bank overdrafts, if that are repayable on demand and form an integral part of the Group's cash management.

### x. Provisions, contingent assets and contingent liabilities

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or

**c) Summary of significant accounting policies (Cont'd)**

**Provisions, contingent assets and contingent liabilities (Cont'd)**

- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognised nor disclosed except when realisation of income is virtually certain, related asset is disclosed.

xi. **Leases**

**Group as a lessee**

The Group's lease asset classes primarily consist of leases for buildings. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contact involves the use of an identified asset
- the Group has substantially all of the economic benefits from use of the asset through the period of the lease and
- the Group has the right to direct the use of the asset.

The Group recognizes a right-of-use asset ("ROU") representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date.

The right-of-use assets is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Consolidated Statement of profit and loss.

The lease liability is initially and subsequently measured at the present value of the future lease payments that are not paid at the commencement date/reporting date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate applicable to the entity. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

xii. **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.

**c) Summary of significant accounting policies (Cont'd)**

**Financial instruments (cont'd)**

*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

**Non-derivative financial assets**

Subsequent measurement

i. **Financial assets carried at amortised cost** – a financial asset is measured at the amortised cost if both the following conditions are met:

   i. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

   ii. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss.

ii. **Financial assets carried at fair value through other comprehensive income** – a financial asset is measured at fair value, with changes in fair value being carried to other comprehensive income, if both the following conditions are met:

   i. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

   ii. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

*De-recognition of financial assets*

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

**Non-derivative financial liabilities**

*Financial liabilities - Subsequent measurement*

Subsequent to initial recognition, all non-derivative financial liabilities, except compulsorily convertible preference shares, are measured at amortised cost using the effective interest method.

**c) Summary of significant accounting policies (Cont'd)**

**Financial instruments (cont'd)**

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

**First loss default guarantee**

First loss default guarantee contracts are contracts that require the Group to make specified payments to reimburse the bank and financial institution for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks and financial institutions, for whom the Group acts as 'Business Correspondent'.

These contracts are initially measured at fair value and subsequently measure at higher of:

- The amount of loss allowance (calculated as described in policy for impairment of financial assets)
- Maximum amount payable as on the reporting date to the respective bank/financial institution which is based on the amount of loans overdue for more than 90 days.

Further, the maximum liability is restricted to the cash outflow agreed in the contract.

**Offsetting of financial instruments**

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

xiii. **Earnings per share**

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

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

xiv. **Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition of share capital and financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs incurred towards Issuance of share capital is expensed to the Statement of Profit and Loss.

### c) Summary of significant accounting policies (Cont'd)

#### xv. Segment reporting

The Group identifies segment basis the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are regularly reviewed by the CODM ('chief operating decision maker') in deciding how to allocate resources and in assessing performance. The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship with the operating activities of the segment.

#### xvi. Foreign currency

*Functional and presentation currency*
Items included in the financial statement of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements have been prepared and presented in Indian Rupees (INR), which is the Group's functional and presentation currency.

*Transactions and balances*
Foreign currency transactions are translated into the functional currency, by applying the exchange rates on the foreign currency amounts at the date of the transaction. Foreign currency monetary items outstanding at the balance sheet date are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the Statement of Profit and Loss in the year in which they arise.

#### xvii. Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in the other comprehensive income on the acquisition date and accumulated in equity as capital reserve.

Business combinations between entities under common control is accounted for at carrying value under the provisions of Ind AS 103, Business Combinations. No adjustments are made to reflect fair values, or recognize any new assets or liabilities. Adjustments are only made to harmonize accounting policies.
The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.

## c) Summary of significant accounting policies (Cont'd)

### Business Combination (cont'd)

The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.

The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.

The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

Transaction costs that the Group incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred and the services are received.

## d) Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

*Significant management judgements*

**Recognition of deferred tax assets** – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

**Business model assessment** - The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**Evaluation of indicators for impairment of assets** – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**Expected credit loss ('ECL')** – The measurement of expected credit loss allowance for financial assets measured at amortised cost requires use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. likelihood of customers defaulting and resulting losses). The Group makes significant judgements with regard to the following while assessing expected credit loss:

- Determining criteria for significant increase in credit risk;

**d) Significant management judgement in applying accounting policies and estimation uncertainty (Cont'd)**

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

**Provisions –** At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding contingent liabilities. However, the actual future outcome may be different from this judgement.

*Significant estimates*

**Useful lives of depreciable/amortisable assets** – Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

**Defined benefit obligation (DBO)** – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

**Fair value measurements** – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument.

*(All amounts in INR millions, unless stated otherwise)*

## 3 Cash and cash equivalents

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Cash on hand | 262.84 | 180.79 |
| Balances with banks in current account | 2,253.11 | 1,402.22 |
| Balances with others (RBI) | 8,520.00 | 9,180.00 |
| Money Market Instruments (inclusive of accrued interest) | 399.89 | - |
| Term deposits for original maturity of 3 months or less with scheduled banks (inclusive of accrued interest) | - | - |
| | **11,435.84** | **10,763.01** |

(i) There are no repatriation restrictions with respect to cash and cash equivalents as at the end of the reporting year and prior years.

## 4 Bank balances other than cash and cash equivalents

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Term deposits with bank (inclusive of accrued interest) | 100.19 | 76.43 |
| Margin money deposits with bank (inclusive of accrued interest)[1, 2] | 37.13 | 27.84 |
| | **137.32** | **104.27** |

(i) The Group earns a fixed rate of interest on these term deposits.

1 Includes term deposits amounting to INR 31.23 million (31 March 2020: INR 25 million) lien marked towards term loans availed from banks and financial institutions and Nil amount (31 March 2020: INR 41 million) placed as cash collateral in connection with assignment / securitisation of advances.

*2* Includes term deposits amounting to INR 2.90 million (31 March 2020: INR 24 million) held as pledged against FLDG commitments.

## 5 Trade receivables

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Unsecured, considered good | 0.02 | 1.12 |
| Unsecured, considered doubtful | - | - |
| Provision for expected credit loss | - | - |
| | **0.02** | **1.12** |

## 6 Loans

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **At amortised cost** | | |
| Term loans | 59,539.64 | 52,835.92 |
| Loans repayable on demand | 269.83 | 208.81 |
| **Total - Gross** | **59,809.47** | **53,044.73** |
| Less: Allowance for impairment loss | (3,601.46) | (1,372.81) |
| **Total - Net (A)** | **56,208.01** | **51,671.92** |
| Secured by tangible assets | 12,167.78 | 10,495.03 |
| Unsecured | 47,641.69 | 42,549.70 |
| **Total - Gross** | 59,809.47 | 53,044.73 |
| Less: Allowance for impairment loss | (3,601.46) | (1,372.81) |
| **Total - Net (B)** | **56,208.01** | **51,671.92** |
| **Loans in India** | | |
| Public sector | - | - |
| Others | 59,809.47 | 53,044.73 |
| **Total - Gross** | 59,809.47 | 53,044.73 |
| Less: Allowance for impairment loss | (3,601.46) | (1,372.81) |
| **Total - Net (C)** | **56,208.01** | **51,671.92** |
| **Loans outside India** | - | - |
| Less: Allowance for impairment loss for loan assets | - | - |
| **Total - Net (D)** | - | - |

*(All amounts in INR millions, unless stated otherwise)*

**7 Investments**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **At fair value through profit and loss account** | | |
| Mutual funds (Quoted) | 118.45 | 103.77 |
| **At fair value through other comprehensive income** | | |
| Government securities | 13,056.03 | 10,304.66 |
| | **13,174.48** | **10,408.43** |
| Investments outside India | - | - |
| Investments in India | 13,174.48 | 10,408.43 |
| | **13,174.48** | **10,408.43** |
| Less: Allowance for impairment loss | **-** | **-** |
| **Total Investments - net** | **13,174.48** | **10,408.43** |

**8 Other financial assets**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Security deposits (unsecured, considered good) | 94.73 | 86.51 |
| Interest accrued (net of impairment loss) | 1,085.64 | 1,001.60 |
| Others | 66.50 | 24.01 |
| | **1,246.87** | **1,112.12** |

**9 Current tax assets (net)**

| | | |
|---|---|---|
| Advance tax [net of provision for tax] | 39.88 | 33.82 |
| | **39.88** | **33.82** |

*(All amounts in INR millions, unless stated otherwise)*

**10 Deferred tax assets (net)**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Tax effect of items constituting deferred tax assets:** | | |
| Depreciation and amortisation | 46.50 | 33.26 |
| Provision for employee benefits | 41.76 | 34.20 |
| Financial assets at amortised cost | 100.88 | 101.63 |
| Fair valuation of financial instruments through profit and loss | - | - |
| Impairment loss allowance and first loss default guarantee | 703.60 | 345.53 |
| Deferred debit card maintenance fees (net of unamortised cost) | 24.71 | 35.38 |
| MAT credit asset | 5.60 | 4.90 |
| Lease accounting under Ind AS 116 | 27.77 | 16.02 |
| Others | 0.86 | 2.35 |
| **Tax effect of items constituting deferred tax liabilities:** | | |
| Fair valuation of financial instruments through profit and loss | 4.43 | 2.55 |
| Financial liabilities at amortised cost | 1.77 | 2.40 |
| Fair valuation of loan assets through other comprehensive income | 61.64 | 56.57 |
| Interest income recognised on non-performing assets | 7.99 | 1.47 |
| **Total Deferred tax assets (net)** | **875.85** | **510.28** |

**Movement in above mentioned deferred tax assets and (liabilities)**

| Particulars | As at 31 March 2020 | Recognised in statement of profit and loss | Recognised in other comprehensive income | As at 31 March 2021 |
|---|---|---|---|---|
| **Tax effect of items constituting deferred tax assets and liabilities** | | | | |
| Depreciation and amortisation | 33.26 | 13.24 | - | 46.50 |
| Provision for employee benefits | 34.20 | 7.56 | - | 41.76 |
| Expenses deductible on payment basis | - | 4.48 | (4.48) | - |
| Deferred debit card maintenance fees (net of unamortised cost) | 35.38 | (10.67) | - | 24.71 |
| Financial assets at amortised cost | 101.63 | (0.75) | - | 100.88 |
| Financial liabilities at amortised cost | (2.40) | 0.63 | - | (1.77) |
| Fair valuation of financial instruments through profit and loss | (2.55) | (1.88) | - | (4.43) |
| Fair valuation of loan assets through other comprehensive income | (56.57) | - | (5.07) | (61.64) |
| Provision for service tax reconciliation | - | - | - | - |
| Impairment loss allowance and first loss default guarantee | 345.53 | 358.07 | - | 703.60 |
| Accumulated losses | - | - | - | - |
| MAT credit asset | 4.90 | 0.70 | - | 5.60 |
| Adoption of Ind AS 116 - Leases | 16.02 | 11.75 | - | 27.77 |
| Interest income recognised on non-performing assets | (1.47) | (6.52) | - | (7.99) |
| Others | 2.35 | (1.49) | - | 0.86 |
| | **510.28** | **375.12** | **(9.55)** | **875.85** |

Fincare Business Services Limited
Notes to Consolidated Financial Statements for the year ended 31 March 2021
*(All amounts in INR millions, unless stated otherwise)*

## 11 Property, Plant and Equipment

| | Right-of-use asset (*) | Land | Furniture and Fixtures | Computers & equipments | Office Equipment | Leasehold improvement | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross Block** | | | | | | | | |
| **Balance as at 01 April 2019** | **-** | **2.35** | **76.35** | **142.32** | **105.58** | **130.46** | **4.12** | **461.18** |
| Adoption of Ind AS 116 as at 01 April 2019 | 592.54 | - | - | - | - | - | - | 592.54 |
| Additions during the year | 306.97 | - | 37.58 | 74.43 | 55.54 | 51.84 | - | 526.36 |
| Disposals during the year | - | - | 0.12 | 0.80 | 2.91 | 0.28 | - | 4.11 |
| **Balance as at 31 March 2020** | **899.51** | **2.35** | **113.81** | **215.95** | **158.21** | **182.02** | **4.12** | **1,575.97** |
| Additions during the year | 174.43 | - | 23.03 | 32.60 | 25.84 | 41.89 | 4.70 | 302.48 |
| Disposals during the year | - | - | 0.21 | 2.06 | 2.32 | 1.08 | 0.04 | 5.72 |
| **Balance as at 31 March 2021** | **1,073.94 #** | **2.35** | **136.62** | **246.49** | **181.72** | **222.82** | **8.78** | **1,872.73** |
| **Accumulated depreciation** | | | | | | | | |
| **Balance as at 01 April 2019** | **-** | **-** | **21.87** | **61.23** | **35.43** | **33.83** | **0.98** | **153.34** |
| Adoption of Ind AS 116 as at 01 April 2019 | 84.20 | - | - | - | - | - | - | 84.20 |
| Charge for the year | 100.86 | - | 16.08 | 61.45 | 29.44 | 36.49 | 0.64 | 244.96 |
| Disposals during the year | - | - | 0.11 | 0.57 | 1.77 | 0.03 | - | 2.48 |
| **Balance as at 31 March 2020** | **185.06** | **-** | **37.84** | **122.11** | **63.10** | **70.29** | **1.62** | **480.02** |
| Charge for the year | 149.60 | | 15.94 | 66.08 | 34.70 | 36.17 | 0.82 | 303.31 |
| Disposals during the year | | | 0.19 | 1.84 | 1.80 | 1.07 | 0.04 | 4.94 |
| **Balance as at 31 March 2021** | **334.66** | **-** | **53.59** | **186.35** | **95.99** | **105.39** | **2.40** | **778.39** |
| **Net block** | | | | | | | | |
| **Balance as at 01 April 2019** | **-** | **2.35** | **54.48** | **81.09** | **70.15** | **96.63** | **3.14** | **307.84** |
| **Balance as at 31 March 2020** | **714.45** | **2.35** | **75.97** | **93.84** | **95.11** | **111.73** | **2.50** | **1,095.95** |
| **Balance as at 31 March 2021** | **739.29** | **2.35** | **83.03** | **60.14** | **85.74** | **117.43** | **6.38** | **1,094.34** |

(*) Refer note 50

## 12 Other Intangible assets

| | Computer Software |
|---|---|
| **Gross Block** | |
| **Balance as at 01 April 2019** | **64.04** |
| Additions during the year | 24.43 |
| Disposals during the year | - |
| **Balance as at 31 March 2020** | **88.47** |
| Additions during the year | 1.21 |
| Disposals during the year | - |
| **Balance as at 31 March 2021** | **89.69** |
| **Amortisation** | |
| **Balance as at 01 April 2019** | **35.17** |
| Charge for the year | 26.20 |
| Disposals during the year | - |
| **Balance as at 31 March 2020** | **61.37** |
| Charge for the year | 18.12 |
| Disposals during the year | - |
| **Balance as at 31 March 2021** | **79.49** |
| **Net block** | |
| **Balance as at 01 April 2019** | **28.87** |
| **Balance as at 31 March 2020** | **27.10** |
| **Balance as at 31 March 2021** | **10.20** |

*(All amounts in INR millions, unless stated otherwise)*

## 13 Goodwill

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Opening balance | 418.33 | 418.33 |
| Written off during the year | - | - |
| **Closing balance** | **418.33** | **418.33** |

Goodwill represents the excess of purchase consideration over net asset value of acquired subsidiaries on the date of such acquisition. Such goodwill is tested for impairment annually or more frequently, if there are indicators for impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGU) or groups of CGUs, which benefit from the synergies of the acquisition. The chief operating decision maker reviews the goodwill for any impairment at the operating segment level, which is represented through groups of CGUs.

The recoverable amount of a cash generating unit is the higher of its fair value less costs of disposal and its value in use. For the purpose of impairment test, fair value of a CGU is determined based on the market capitalization and the value in use is determined based on specific calculations. The recoverable amount of all CGUs has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

As at 31 March 2021, the estimated recoverable amount of each of the CGUs exceeded its carrying amount, hence impairment is not triggered. The carrying amount of the CGU was computed by allocating the net assets to operating segments for the purpose of impairment testing.

## 14 Other non-financial assets

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Prepaid expenses | 76.89 | 81.31 |
| Balance with government authorities | 115.04 | 97.85 |
| Advances to suppliers | 14.11 | 18.76 |
| Gratuity (excess of plan assets over obligation) | - | 1.09 |
| Others | 5.84 | 16.50 |
| | **211.88** | **215.51** |

## 15 Debt securities

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **At amortised cost** | | |
| Bonds and debentures | | |
| Secured | - | - |
| Unsecured | - | 766.64 |
| **Total - (A)** | **-** | **766.64** |
| Debt securities in India | - | 766.64 |
| Debt securities outside India | - | - |
| **Total - (B)** | **-** | **766.64** |

*Refer note 39*

## 16 Borrowings (other than debt securities)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **At amortised cost (Refer note 39)** | | |
| **Term loans - Secured** | | |
| i) from Banks | - | - |
| ii) from other parties | 406.23 | 5,043.85 |
| LAF - Reserve Bank of India - Secured | 560.00 | 1,030 |
| **Term loans - Unsecured** | | |
| i) from Banks | - | 300.00 |
| ii) from other parties | 16,655.00 | 10,276.60 |
| Lease liabilities | 826.14 | 760 |
| **Total - (A)** | **18,447.37** | **17,410.66** |
| Borrowings in India | 18,447.37 | 17,410.66 |
| Borrowings outside India | - | - |
| **Total - (B)** | **18,447.37** | **17,410.66** |

*(All amounts in INR millions, unless stated otherwise)*

## 17 Deposits

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **At amortised cost** | | |
| Public deposits | 26,098.42 | 25,285.84 |
| From banks | 15,011.95 | 16,700.17 |
| From Others | 12,061.33 | 4,553.85 |
| **Total - (A)** | **53,171.70** | **46,539.86** |
| Deposits in India | **53,171.70** | **46,539.86** |
| Deposits outside India | **-** | **-** |
| **Total - (B)** | **53,171.70** | **46,539.86** |

**Details of deposits received from Key management personnel**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Key management personnel** | | |
| Mr. Rajeev Yadav | 1.10 | 2.50 |
| Mr. Keyur Doshi | 2.70 | 3.00 |
| Ms. Shefaly Kothari | 0.90 | 1.70 |
| **Relative of key management personnel** | 90.60 | 26.40 |
| | **95.30** | **33.60** |

## 18 Subordinated Liabilities

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **At amortised cost (Refer note 39)** | | |
| Unsecured redeemable debentures/bonds | 1,994.20 | 1,806.58 |
| **Total - (A)** | **1,994.20** | **1,806.58** |
| Subordinated liabilities in India | 1,994.20 | 1,806.58 |
| Subordinated liabilities outside India | - | - |
| **Total - (B)** | **1,994.20** | **1,806.58** |

## 19 Other financial liabilities

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Interest accrued | 143.86 | 60.21 |
| Employee related payable | 193.97 | 146.83 |
| Provision for first loss default guarantee | 2.90 | 1.61 |
| Amount payable under business correspondence operations | 0.20 | 7.14 |
| Interbank payables towards ATM transactions | - | 25.25 |
| Others | 440.11 | 128.69 |
| | **781.04** | **369.72** |

## 20 Current tax liabilities

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Provision for tax (net) | - | 1.35 |
| | **-** | **1.35** |

*(All amounts in INR millions, unless stated otherwise)*

**21 Provisions**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Provision for employee benefits | | |
| Gratuity | 14.47 | 41.78 |
| Compensated absences | 102.08 | 75.53 |
| Other provisions | 3.75 | 9.24 |
| | **120.30** | **126.55** |

**22 Contract liabilities**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Income received in advance | 142.06 | 189.22 |
| | **142.06** | **189.22** |

**23 Other non financial liabilities**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Statutory dues payable | 91.79 | 96.57 |
| | **91.79** | **96.57** |

(All amounts in INR millions, unless stated otherwise)

## 24 Equity share capital

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Authorised equity share capital** | | |
| 835,000,000 (31 March 2020 : 835,000,000) Equity shares of ₹ 1 each | 835.00 | 835.00 |
| 22,000,000 (31 March 2020: 22,000,000) Equity shares of ₹ 10 each | 220.00 | 220.00 |
| 10,000,000 (31 March 2020 : 10,000,000 ) Preference shares of ₹ 10 each | 100.00 | 100.00 |
| | **1,155.00** | **1,155.00** |
| **Issued, subscribed and paid up equity share capital** | | |
| 328,417,440 (31 March 2020: 328,417,440) Equity shares of ₹ 1 each | 328.42 | 328.42 |
| | **328.42** | **328.42** |

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

Each holder of an equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuring Annual General Meeting, except interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

| | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | **No. of shares** | **₹** | **No. of shares** | **₹** |
| **Equity share capital of ₹ 1 each fully paid up** | | | | |
| Balance at the beginning of the year | 328,417,440 | 328.42 | 328,417,440 | 328.42 |
| Add: Issued during the year | - | - | - | - |
| **Balance at the end of the year** | **328,417,440** | **328.42** | **328,417,440** | **328.42** |

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

| | | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|---|
| | | **No. of shares** | **% holding** | **No. of shares** | **% holding** |
| | **Equity shares of ₹ 1 each, fully paid up** | | | | |
| 1) | True North Fund V LLP | 65,659,060 | 19.99% | 65,659,060 | 19.99% |
| 2) | Wagner Limited | 58,535,040 | 17.82% | 58,535,040 | 17.82% |
| 3) | INDIUM IV (Mauritius) Holdings Limited | 54,085,980 | 16.47% | 54,085,980 | 16.47% |
| 4) | Omega TC Holdings Pte. Ltd. | 27,772,330 | 8.46% | 27,772,330 | 8.46% |

As per records of the Company, including its register of shareholders/members and other declarations, if any, received from shareholders regarding the beneficial interest, the above shareholding represents both legal & beneficial ownership of shares.

**iv)** The Company has neither issued equity shares pursuant to contract without payment being received in cash or any bonus shares nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

**v)** There are no shares of the Company reserved for issue under any option, contracts, commitments for the sale of share or disinvestment.

*(All amounts in INR millions, unless stated otherwise)*

## 25 Other equity

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Reserve fund u/s 45-IC of RBI Act 1934 | 191.93 | 191.93 |
| Reserve fund u/s 17(2) of Banking Regulation Act, 1949 | 941.47 | 658.61 |
| Capital reserve | 659.51 | 659.51 |
| Securities premium | 4,981.18 | 4,981.18 |
| Investment fluctuation reserve | 82.86 | 74.47 |
| Retained earnings | 1,493.09 | 1,136.39 |
| Stock option reserve | 100.75 | 49.80 |
| Other comprehensive income | 171.57 | 159.09 |
| | **8,622.36** | **7,910.98** |

**Nature and purpose of reserves**

**Reserve fund u/s 45-IC of RBI Act 1934**

Statutory reserve represents reserve fund created pursuant to Section 45-IC of the RBI Act, 1934 through transfer of specified percentage of net profit every year before any dividend is declared. The reserve fund can be utilised only for limited purposes as specified by RBI from time to time and every such utilisation shall be reported to the RBI within specified period of time from the date of such utilisation.

**Reserve fund u/s 17(2) of Banking Regulation Act, 1949**

Statutory reserve represents reserve fund created pursuant to Section 17(2) of the Banking Regulation Act, 1949 through transfer of specified percentage of net profit every year before any dividend is declared. The reserve fund can be utilised only for limited purposes as specified by the Act from time to time and every such utilisation shall be reported to the RBI within specified period of time from the date of such utilisation.

**Capital Reserve**

The Group has on-boarded new investors post 28 February 2017 and has entered into a share purchase and share subscription agreement (SPSSA) with the new investors as on 9 January 2017. The net worth of group companies was expected to be significantly impacted due to the scheme of demonetization introduced by the Government of India. Therefore, in order to maintain the net worth of the group at a level agreed in the SPSSa, an agreement was entered into wherein a certain group of shareholders infused additional paid in capital in respect of the direct impact if demonetization. The company will in turn infuse these funds into group companies.

**Securities premium reserve**

Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

**Investment fluctuation reserve**

Investment Fluctuation Reserve represents the reserve created with a view to building up of an adequate reserve to protect against increase in yields in future of the investments in FVOCI category. As per the Prudential Norms for Classification, Valuation and Operation of Investment portfolio by Banks – Spreading of MTM losses and creation of Investment Fluctuation Reserve (IFR), issued in RBI Circular DBR.No.BP.BC.102/21.04.048/2017-18 dated 2 April 2018, all banks are advised to create an Investment Fluctuation Reserve (IFR) with effect from the year 2018-19, being an amount not less than the lower of (a) net profit on sale of investments during the year and (b) net profit for the year less mandatory appropriations. The transfer to the reserve is required to be made, until the amount of IFR is at least 2 percent of the FVOCI portfolio, on a continuing basis. The same is required to be achieved within a three year period and hence Fincare Small Finance Bank Limited (the subsidiary) creates a provision of 0.25% of the portfolio every quarter, in order to achieve the target over two years.

**Retained earnings**

All the profits or losses made by the Group are transferred to retained earnings from statement of profit and loss.

**Stock option reserve**

This reserve is used to recognise grant date fair value of options issued to employees under employee stock option plans.

**Other comprehensive income**

Other comprehensive income comprises of fair valuation impact of investments made in equity instruments.

*(All amounts in INR millions, unless stated otherwise)*

## 26 Interest income

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **On Financial Assets measured at Amortised Cost** | | |
| Interest on loans | 11,910.64 | 10,184.48 |
| Interest income on money market instruments | 15.81 | 21.29 |
| Interest income on deposits, certificate of deposits and commercial papers | 327.17 | 348.67 |
| Other interest income | 6.09 | - |
| | **12,259.71** | **10,554.44** |
| **On Financial Assets measured at fair value through other comprehensive income** | | |
| Interest income from investments | 701.35 | 506.27 |
| | **701.35** | **506.27** |

## 27 Fee and commission income

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Fee income recognised over a certain period of time (Refer note 49) | 404.02 | 370.40 |
| Fee income recognised at a point of time (Refer note 49) | 85.84 | 62.65 |
| | **489.86** | **433.05** |

## 28 Net gain on fair value changes

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Net gain on financial instruments at fair value through profit or loss** | | |
| On trading portfolio | | |
| - Investments | 1.06 | 0.59 |
| **Total net gain on fair value changes** | **1.06** | **0.59** |
| Fair value changes: | | |
| -Realised | - | - |
| -Unrealised | **1.06** | 0.59 |
| **Total net gain on fair value changes** | **1.06** | **0.59** |

## 29 Net gain on derecognition of financial instruments under amortised cost category

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Gain on derecognition of financial instruments | 541.34 | - |
| | **541.34** | **-** |

## 30 Other operating income

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Income from sale of priority sector lending certificate | 409.57 | 433.79 |
| Profit on sale of investments | 2.26 | 1.79 |
| | **411.83** | **435.58** |

## 31 Other income

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Other interest income | 5.85 | 5.56 |
| Income from professional service | - | 0.71 |
| Income from space sharing arrangement | 0.03 | 38.17 |
| Profit on sale of mutual funds | 5.56 | 18.19 |
| Profit on sale of investments in equity shares in subsidiary | 41.53 | - |
| Profit on sale of land, buildings and other assets | 0.08 | - |
| Miscellaneous | 23.73 | 12.64 |
| | **76.78** | **75.27** |

*(All amounts in INR millions, unless stated otherwise)*

## 32 Finance cost

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **On financial liabilities measured at amortised cost** | | |
| Interest on deposits | 4,159.62 | 3,019.46 |
| Interest on borrowings (other than debt securities) | 1,194.32 | 1,420.49 |
| Interest on debt securities | 27.51 | 158.88 |
| Interest on subordinated liabilities | 246.91 | 91.30 |
| Redemption premium for NCD redemption | 71.77 | - |
| Other interest expense | 1.97 | 7.15 |
| | **5,702.10** | **4,697.28** |

## 33 Impairment on financial instruments

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **On Financial Assets measured at Amortised Cost** | | |
| - Portfolio loans written off (net of recoveries against loans written off) | 893.53 | 428.36 |
| - Impairment loss allowance on loan assets and interest accrued | 2,266.33 | 695.34 |
| | **3,159.86** | **1,123.69** |

## 34 Employee benefit expenses

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Salaries and wages | 2,570.49 | 2,312.32 |
| Contributions to provident and other funds | 164.54 | 141.26 |
| Gratuity expense (Refer note 40) | 34.36 | 28.86 |
| Compensated absences (Refer note 40) | 40.65 | 47.37 |
| Share based payment to employees (Refer note 43) | 49.22 | 49.80 |
| Staff welfare expenses | 100.02 | 76.22 |
| | **2,959.28** | **2,655.83** |

## 35 Depreciation and amortization

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Depreciation of tangible assets | 303.31 | 244.96 |
| Amortisation of intangible assets | 18.12 | 26.20 |
| | **321.43** | **271.16** |

## 36 Other expenses

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Rent and electricity expenses (*) | 135.72 | 167.75 |
| Credit bureau charges | 15.14 | 81.68 |
| Repairs and maintenance - others | 54.37 | 71.73 |
| Insurance | 47.78 | 21.53 |
| Travelling and conveyance | 53.40 | 100.02 |
| Postage, telegrams, telephones, etc. | 114.90 | 123.04 |
| Communication costs | 46.52 | 26.41 |
| Printing and stationery | 56.60 | 67.53 |
| Legal and professional charges | 284.21 | 278.62 |
| Auditor's fees and expenses (Refer note i below) | 7.39 | 9.17 |
| Directors' fees, allowances and expenses | 11.47 | 10.07 |
| Advertisement and publicity | 50.42 | 102.93 |
| Contribution towards CSR expenses (Refer note ii below) | 16.07 | 5.54 |
| ATM recycler charges | 98.55 | 121.74 |
| Fees and commission | 197.51 | 55.19 |
| Losses on securitisation | - | - |
| Loss on sale of fixed assets | - | 0.65 |
| Foreign exchange loss | - | 0.08 |
| Balances written off | - | 4.08 |
| Loss on sale of debt securities | 15.36 | 4.01 |
| Miscellaneous expenses | 206.80 | 138.91 |
| | **1,412.21** | **1,390.68** |

(*) Rent expense for the year ending 31 March 2021 comprises of leases whose lease term is less than 12 months from the date of initial application of Ind AS 116. (Refer note 51)

(i) **Payment to auditors** (including GST)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Audit fees | 7.15 | 6.81 |
| Tax audit fees | 0.20 | 0.11 |
| Other audit services | - | 1.39 |
| Reimbursement of expenses | 0.04 | 0.86 |
| | **7.39** | **9.17** |

*(All amounts in INR millions, unless stated otherwise)*

**36 Other expenses (cont'd)**

(ii) **Corporate social responsibility expenses**

As per Section 135 of the Companies Act, 2013, a Corporate Social Responsibility (CSR) committee has been formed by the Group. The areas for CSR activities are for promoting health awareness by providing free health check ups in the nature of general check ups and eye check ups to rural community.

Gross amount spent by the Group during the year ended 31 March 2021 is INR 16.07 million (31 March 2020: INR 5.54 million).

**Amount spent during the year :**

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| a Construction/ acquisition of any asset | | |
| In cash | - | - |
| Yet to be paid | - | - |
| | - | - |
| b On purpose other than (b) above | | |
| In cash | 16.07 | 5.54 |
| Yet to be paid | - | - |
| | **16.07** | **5.54** |
| | **16.07** | **5.54** |

**37 Tax expense**

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Prior period tax | 2.38 | 1.99 |
| Current tax | 595.99 | 791.87 |
| Deferred tax charge/(credit) (refer note 10) | (375.12) | (186.48) |
| | **223.25** | **607.38** |

The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in Consolidated Statement of Profit and Loss is as follows:

| | | |
|---|---|---|
| **Profit before tax** | **927.05** | **1,866.56** |
| Statutory income tax rate | 25.17% | 25.17% |
| **Expected income tax expense** | **233.34** | **469.81** |

**Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense**

| | | |
|---|---|---|
| Adjustment for tax expense pertaining to prior years | (1.90) | (12.02) |
| Impact of brought forward losses set off against taxable profit | - | 13.79 |
| Reversal of deferred tax on service tax provision | - | - |
| Reversal / (creation) of deferred tax asset on brought forward losses | - | 109.87 |
| Tax on expense not eligible for deduction | 21.59 | 30.82 |
| Other deductions availed under income tax act | (47.29) | (34.75) |
| Impact of change in tax rates | - | 37.66 |
| Other adjustments | 17.51 | (7.80) |
| | **223.25** | **607.38** |

**38 Earning per equity share**

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Net profit attributable to equity shareholders | 634.64 | 1,163.50 |
| **Weighted average number of shares outstanding for computing basic EPS (nos)** | **328,417,440** | **328,417,440** |
| Add: Effect of potential shares for conversion of ESOPs (nos) | - | 3,149,483 |
| | **328,417,440** | **331,566,923** |
| **Weighted average number of shares outstanding for computing basic and diluted EPS (nos)** | | |
| Earning per equity share - Basic (in INR) | 1.93 | 3.54 |
| Earning per equity share - Diluted (in INR) | 1.93 | 3.51 |
| Nominal value - per equity share (in INR) | 1.00 | 1.00 |

## 39 Details of terms & conditions of Debt securities, Borrowings and Subordinate liabilities

### a Debt Securities:

| Original maturity of loan | Rate of interest | Book Debt collateral | Cash collateral | Balance outstanding as at 31 March 2021 | Balance outstanding as at 31 March 2020 |
|---|---|---|---|---|---|
| **Fixed rate borrowings** | | | | | |
| *Bullet repayment* | | | | | |
| Less than 2 years | - | - | - | - | - |
| 2-3 years | - | - | - | - | 766.64 |
| 3-5 years | - | - | - | - | - |
| More than 5 years | - | - | - | - | - |
| **Total** | | | | **-** | **766.64** |

### b Borrowings (Other than debt securities)

| Original maturity of loan | Rate of interest | Book Debts | Cash collateral | Balance outstanding as at 31 March 2021 | Balance outstanding as at 31 March 2020 |
|---|---|---|---|---|---|
| **Fixed rate borrowings** | | | | | |
| *Monthly repayment* | | | | | |
| Less than 2 years | - | - | - | - | 4,971.50 |
| 2-3 years | - | - | - | - | - |
| 3-5 years | - | - | - | - | - |
| More than 5 years | - | - | - | - | - |
| *Quarterly repayment* | | | | | |
| Less than 2 years | 5.5% - 10% | - | 25.00 | 3,641.49 | 3,189.96 |
| 2-3 years | 5.5% - 9% | - | - | 1,424.20 | 399.64 |
| 3-5 years | 5.65% - 6.65% | - | - | 1,141.04 | - |
| More than 5 years | 5.65% | - | - | 97.40 | - |
| *Bullet repayment* | | | | | |
| Less than 2 years | 3.15% - 8.25% | - | - | 5,744.62 | - |
| 2-3 years | 9% | 250% | - | 373.18 | 499.50 |
| 3-5 years | - | - | - | - | - |
| More than 5 years | - | - | - | - | - |
| *Half yearly* | | | | | |
| Less than 2 years | 8.25%-11.50% | 118% | - | 3,039.30 | 3,166.10 |
| 2-3 years | 8.25%-9.50% | - | - | 1,400.00 | 1,493.75 |
| 3-5 years | 8.25% | - | - | 200.00 | 1,600.00 |
| More than 5 years | - | - | - | - | - |

**39 Details of terms & conditions of Debt securities, Borrowings and Subordinate liabilities (cont'd)**

**b Borrowings (other than debt securities) (cont'd)**

| Original maturity of loan | Rate of interest | Book Debts | Cash collateral | Balance outstanding as at 31 March 2021 | Balance outstanding as at 31 March 2020 |
|---|---|---|---|---|---|
| **Floating rate borrowings** | | | | | |
| *Quarterly repayment* | | | | | |
| Less than 2 years | - | - | - | - | 300.00 |
| 2-3 years | - | - | - | - | - |
| 3-5 years | - | - | - | - | - |
| More than 5 years | - | - | - | - | - |
| **Lease liability** | | | | | |
| **Fixed rate borrowing** | | | | | |
| Monthly repayment | | | | | |
| Tenure ranging 3 months to 98 months | 9.00% | - | - | 826.14 | 760.21 |
| **LAF - Reserve Bank of India** | | | | | |
| **Bullet repayment** | | | | | |
| Less than 2 years | 5.15% | 96.38% | - | 560.00 | 1,030.00 |
| **Total** | | | | **18,447.37** | **17,410.66** |

**c Subordinated liabilities**

| Original maturity of loan | Rate of interest | Book Debts | Cash collateral | Balance outstanding as at 31 March 2021 | Balance outstanding as at 31 March 2020 |
|---|---|---|---|---|---|
| **Fixed rate borrowings** | | | | | |
| *Bullet repayment* | | | | | |
| Less than 2 years | 12.60% | - | - | 249.52 | - |
| 2-3 years | - | - | - | - | 249.29 |
| 3-5 years | 11.30%-12.87% | - | - | 1,744.68 | 562.04 |
| More than 5 years | - | - | - | - | 995.25 |
| **Total** | | | | **1,994.20** | **1,806.58** |

*(All amounts in INR millions, unless stated otherwise)*

**40 Employee benefit obligations**

**Amount recognised in the balance sheet is as under:**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Defined benefit plans** | | |
| Gratuity | 14.47 | 41.78 |
| Leave encashment | 102.08 | 75.53 |

**Gratuity**

(i) The Group provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employee's last drawn basic salary per month computed proportionately for 15 days multiplied by the number of years of service.

(ii) **Amount recognised in total comprehensive income**

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Current service cost | 32.96 | 27.46 |
| Interest cost (net) | 6.78 | 3.59 |
| Expected Return on plan assets | (5.47) | (2.27) |
| Admin expenses /taxes paid from plan assets | 0.09 | 0.08 |
| Actuarial (gain)/loss recognised during the year | (17.79) | 11.22 |
| **Amount recognised in total comprehensive income** | **16.57** | **40.08** |

(iii) **Movement in the present value of defined benefit obligation recognised in the balance sheet**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Present value of defined benefit obligation as at the beginning of the year** | | |
| Opening defined benefit obligation | **106.77** | **62.03** |
| Interest cost | 6.78 | 3.59 |
| Current service cost | 32.96 | 31.69 |
| Benefits paid | (8.67) | (3.24) |
| Actuarial (gain) / loss on obligation | (18.36) | 12.70 |
| **Present value of defined benefit obligation as at the end of the year** | **119.48** | **106.77** |

(iv) **Movement in the plan assets recognised in the balance sheet**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Fair value of plan assets at the beginning of the year** | 64.99 | 15.28 |
| Expected return on plan assets | 5.47 | 2.27 |
| Actuarial (loss) / gain on plan assets | (0.58) | 1.48 |
| Contributions | 39.03 | 46.04 |
| Employer direct benefit payments | 4.86 | - |
| Benefits paid | (8.67) | - |
| Admin expenses /taxes paid from plan assets | (0.09) | (0.08) |
| **Fair value of plan assets at the end of the year** | **105.01** | **64.99** |

(v) **Reconciliation of present value of defined benefit obligation and the fair value of assets:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Present value of funded obligation as at the end of the year | 119.48 | 106.77 |
| Fair value of plan assets as at the end of the period funded status | 105.01 | 64.99 |
| **(Unfunded) net liability recognized in balance sheet** | **(14.47)** | **(41.78)** |

*(All amounts in INR millions, unless stated otherwise)*

**40 Employee benefit obligations (cont'd)**

(vi) **Actuarial loss recognised in other comprehensive income:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Actuarial (gain)/loss on assets** | **0.58** | **(1.48)** |
| **Actuarial (gain) / loss on liabilities** | | |
| Actuarial (gain) from change in demographic assumption | - | (0.93) |
| Actuarial loss/(gain) from change in financial assumption | (14.87) | 12.61 |
| Actuarial loss/(gain) from experience adjustment | (3.50) | 1.02 |
| **Total Actuarial loss/(gain) on liabilities** | **(18.37)** | **12.70** |
| **Total actuarial loss/(gain)** | **(17.79)** | **11.22** |

(vii) **Actuarial assumptions used for determination of the liability of the Company:**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Discount rate | 6.67% | 6.03% |
| Expected rate of return on assets | 6.67% | 6.03% |
| Attrition rate | 30.00% | 30.00% |
| Salary escalation rates | 10.00% | 11.00% |
| Retirement age | 60 Yrs | 60 Yrs |
| Expected average remaining working lives of employees (in years) | 8.40 | 9.24 |

**Notes to actuarial assumptions:**

(a) Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age.

(b) These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management’s historical experience.

(c) The discount rate is based on the prevailing market yield of Government of India bonds as at the balance sheet date for the estimated terms of obligations.

(d) The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

(viii) **Sensitivity analysis for gratuity liability**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Impact of change in discount rate** | | |
| Present value of obligation at the end of the year | 119.48 | 106.77 |
| - Impact due to increase of 100 bps | (8.39) | (8.05) |
| - Impact due to decrease of 100 bps | 9.68 | 9.37 |
| **Impact of change in salary increase** | | |
| Present value of obligation at the end of the year | 119.48 | 106.77 |
| - Impact due to increase of 100 bps | 8.05 | 7.44 |
| - Impact due to decrease of 100 bps | (7.30) | (6.79) |
| **Impact of change in attrition rate** | | |
| Present value of obligation at the end of the year | 119.48 | 106.77 |
| - Impact due to increase of 100 bps | (2.76) | (3.18) |
| - Impact due to decrease of 100 bps | 3.04 | 3.55 |
| **Impact of change in mortality rate** | | |
| Present value of obligation at the end of the year | 119.48 | 106.77 |
| - Impact due to increase of 10% | (0.06) | - |

The above sensitivity analysis is based on a change an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

(ix) **Maturity profile of defined benefit obligation**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Within next 12 months | 13.90 | 10.67 |
| Between 1-5 years | 34.44 | 26.82 |
| Beyond 5 years | 177.52 | 160.14 |

*(All amounts in INR millions, unless stated otherwise)*

**40 Employee benefit obligations (cont'd)**

(x) **Category of plan assets**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Fund managed by issuer | 103.97 | 64.74 |

The Company expects to contribute ₹ 14.68 million (previous year ₹ 0.83 million) to its gratuity plan for the next year.

**41 Operating segments**

The Group is primarily engaged in the business of micro finance and the business activity falls within one operating segment, as this is how the chief operating decision maker of the Group looks at the operations. All activities of the Group revolve around the main business. The Group operates primarily in India and there is no other geographical segment.

**42 Contingent liabilities and commitments**

(i) **Claims against the Group not acknowledged as debts**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| i) Cash collateral | - | 65.13 |
| ii) Unfunded guarantee | - | 30.47 |
| iii) Principal subordination | 32.66 | 64.72 |
| iv) Interest subordination | - | 47.73 |
| | **32.66** | **208.05** |

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Income tax demand for AY 2015-16 (refer note (a) below) | 150.15 | 150.15 |

(a) The Group received a notice from the Income Tax Department on 30 December 2017 under section 156 of the Income Tax Act 1961, for a demand of ₹ 150,155,120 pertaining to financial year ended 31 March 2015. The Group has filed an appeal against the disputed amount and has paid ₹ 60,062,100 (i.e.; 40% of the disputed amount).
Considering the facts of the case, the Group and the tax advisors believe that the final outcome should be in favor of the Group.

(b) The Hon'ble Supreme Court had, in its decision dated 28 February 2019, ruled that special allowance would form part of basic wages for computing the Provident Fund (PF) contribution. The management has obtained a legal opinion to ascertain whether this is applicable to the Group basis its wage structure and believes that it will not have any material adverse effect on the financial position and results of its operations.

*(All amounts in INR millions, unless stated otherwise)*

## 43 Employee Stock Option Plan (ESOP)

### ESOP Plan 2019 - I

The 'Fincare Business Services Stock Option Scheme' (the 'Plan I') was approved in the Extraordinary General Meeting of the members held on 13 May 2019. The Group introduced the Plan for the benefit of the employees. The plan provides for the creation and issue of 2,177,200 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Group. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of one year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Group granted 2,177,200 options till 31 March 2021 (31 March 2020: 2,177,200). The stock compensation cost is computed under the fair value method and has been recognised as employee cost on a straight line basis over the vesting period upto 31 March 2021. For the year ended 31 March 2021, the Group has recorded an additional employee cost of ₹ 5,207,910 (31 March 2020: ₹ 39,119,882) in the Consolidated Statement of Profit or Loss.

### ESOP Plan 2019 - II

The 'Fincare Business Services Stock Option Scheme' (the 'Plan II') was approved in the Extraordinary General Meeting of the members held on 20 November 2019. The Group introduced the Plan for the benefit of the employees. The plan provides for the creation and issue of 2,885,300 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Group. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of one year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Group granted 2,885,300 options till 31 March 2021 (31 March 2020: 2,885,300). The stock compensation cost is computed under the fair value method and has been recognised as employee cost on a straight line basis over the vesting period upto 31 March 2021. For the year ended 31 March 2021, the Group has recorded an additional employee cost of ₹ 14,720,194 (31 March 2020: ₹ 10,677,266) in the Consolidated Statement of Profit or Loss.

### ESOP Plan 2019 - III

The 'Fincare Business Services Stock Option Scheme' (the 'Plan II') was approved in the Extraordinary General Meeting of the members held on 30 March 2020. The Group introduced the Plan for the benefit of the employees. The plan provides for the creation and issue of 3,340,400 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Group. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of two year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Group granted 3,340,400 options till 31 March 2021 (31 March 2020: 3,340,400). The stock compensation cost is computed under the fair value method and has been recognised as an additional employee cost on a straight line basis over the vesting period upto 31 March 2021. For the year ended 31 March 2021, the Group has recorded an additional employee cost ₹ 21,054,716 (31 March 2020: Nil) in the Consolidated Statement of Profit or Loss.

### ESOP-2018-FSFB Plan

At their meetings held on 29 March 2019 and 10 May 2019, the Board and the shareholders of the Bank respectively passed a resolution approving the "Fincare Small Finance Bank Stock Option Scheme" (as amended from time to time) (herein after referred as 'the scheme') to create, offer, issue and allot in one or more tranches, to or for the benefit of employees including Managing Director and Whole Time Directors of the Bank, such number of employee options, not exceeding 1,000,000, that would eventually convert into equity shares of ₹ 10 each in the hands of the employees of the Bank.

The eligible employees under this scheme are determined by the NRC of the Bank at its sole discretion. The NRC would determine the vesting schedule of any grant made under this scheme and the same would be intimated to the eligible employee at the time of the grant. An eligible employee shall be entitled to exercise the vested option(s) and seek allotment of the shares of the Bank as per this scheme, within a period of five years from the vesting date at the exercise price intimated at the time of the grant.

The Bank had granted 48,188 options as at 10 May 2019 and 75,296 options as at 22 January 2020 to the MD & CEO which has been accounted during the year after due approval received from the RBI. The options vest in a graded manner over a period of three years and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse. Further, the Bank has granted 187,500 options on 07 December 2020 to the MD & CEO under the scheme for which approval is awaited from the RBI. Therefore, the cost pertaining to this grant has not been accounted for in these financial statements.

| | No. of options | Weighted average exercise price |
|---|---|---|
| **Options outstanding as at 01 April 2019** | | |
| Granted / (lapsed) during the year - Plan I | 2,177,200 | 30.50 |
| Granted / (lapsed) during the year - Plan II | 2,885,300 | 40.50 |
| Granted / (lapsed) during the year - Plan III | 3,340,400 | 52.50 |
| Granted / (lapsed) during the year - ESOP-2018-FSFB Plan | - | - |
| **Options outstanding as at 31 March 2020** | **8,402,900** | **42.68** |
| Granted / (lapsed) during the year - Plan I | - | - |
| Granted / (lapsed) during the year - Plan II | (91,300) | 40.50 |
| Granted / (lapsed) during the year - Plan III | (546,200) | 52.50 |
| Granted / (lapsed) during the year - ESOP-2018-FSFB Plan | 123,484 | 280.85 |
| **Options outstanding as at 31 March 2021** | **7,888,884** | **45.75** |
| Options outstanding - Plan I | 2,177,200 | 30.50 |
| Options outstanding - Plan II | 2,794,000 | 40.50 |
| Options outstanding - Plan III | 2,794,200 | 52.50 |
| Options outstanding - ESOP-2018-FSFB Plan | 123,484 | 280.85 |

The grant date fair value of each option award is estimated on the date of grant using Black-Scholes-Merton model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

| Options grant period | Expected volatility | Dividend yield | Risk free interest rate | Weighted average exercise price (₹) | Fair value at grant date (₹) | Weighted average remaining contractual life (years) |
|---|---|---|---|---|---|---|
| ESOP Plan I - 1 Year vesting period | 41.15% | 0.00% | 7.07% | 30.50 | 20.36 | 2.50 |
| ESOP Plan II - 1 year vesting period | 41.95% | 0.00% | 6.17% | 40.50 | 9.09 | 2.50 |
| ESOP Plan III - 1 year vesting period | 41.09% | 0.00% | 5.82% | 52.50 | 8.54 | 2.50 |
| ESOP Plan III - 2 year vesting period | 41.75% | 0.00% | 6.36% | 52.50 | 10.99 | 3.50 |
| ESOP-2018-FSFB Plan - 3 year vesting period | 33.50% - 36.40% | 0.00% | 6.48% -7.19% | 280.85 | 109.04 -117.83 | 3.50 - 5.50 |

*(All amounts in INR millions, unless stated otherwise)*

## 44 Related Party transactions

**a. Details of related parties:**

| Description of relationship | Names of related parties | Designation |
|---|---|---|
| Subsidiary Company | Fincare Small Finance Bank Limited | |
| Key management personnel (KMP) | Mr. G. Dasaratha Reddy | Managing Director (appointed w.e.f. 7 June 2017) |
| | Mr. Aarti Vimal Chand Punmiya | Director (resigned w.e.f. 26 September 2019) |
| | Mr. Maninder Singh Juneja | Director (appointed w.e.f. 26 September 2019) |
| | Mr. Bhavya Gulati | Director |
| | Mr. Satya Narayan Peravali | Director |
| | Ms. Nandini Jashwantlal Parekh | Director (appointed w.e.f. 26 September 2019) |
| | Mr.Divya Sehgal | Director |
| | Mr. Dhiraj Poddar | Director |
| | Ms. Deepa Gussain | Company Secretary (appointed w.e.f 01 April 2019 and resigned w.e.f 01 February 2021) |
| | Ms Parul Molri | Company Secretary (appointed w.e.f 03 March 2021) |
| | Mr. Kalivarapu Umasankar Rao | Chief Financial officer (appointed w.e.f. 13 November 2019 and resigned w.e.f. 20 May 2021) |
| | Mr. Gautam Gupta | Chief Financial officer (appointed w.e.f. 20 May 2021) |
| | Mrs. Kalavathi Reddy | Relative of Director of Holding company |
| | Ms. Sunakshi Agarwal | Erstwhile Director of Lok Management Services Private Limited now ceased by virtue of amalgamation with the Company |
| | Ms. Poonam Vijayvargiya | Erstwhile Company Secretary of Lok Management Services Private Limited now ceased by virtue of amalgamation with the Company |

**b. Transactions with Related Parties are as under:**

| | For the year ended | |
|---|---|---|
| 1) **Key management personnel (KMP)** | **31 March 2021** | **31 March 2020** |
| a) **Repayment of loans** | | |
| Mr. G. Dasarathareddy | - | 11.09 |
| Mrs. Kalavathi Reddy | - | 11.08 |
| b) **Interest income** | | |
| Mr. G. Dasarathareddy | - | 0.63 |
| Mrs. Kalavathi Reddy | - | 0.63 |
| c) **Remuneration** | | |
| Mr. G. Dasaratha Reddy | 3.01 | 2.27 |
| Ms. Deepa Gussain | 0.67 | 0.70 |
| Ms. Parul Molri | 0.17 | - |
| Ms. Snegdha Gupta | - | 0.79 |
| Mr. K. Uma Sankar Rao | 3.41 | 1.02 |
| Ms. Sunakshi Agarwal | - | 1.56 |
| Ms. Snegdha Gupta | - | 0.65 |
| Ms. Poonam Vijayvargiya | - | 0.45 |
| d) **Reimbursement of expenses** | | |
| Mr. G. Dasaratha Reddy | 0.79 | 0.79 |
| Mr. K. Uma Sankar Rao | 0.54 | 0.12 |
| Ms. Sunakshi Agarwal | - | 0.00 |
| f) **Sitting fees** | | |
| Mr.Satya Narayan Peravali | 0.02 | 0.03 |
| Mr. Aarti Vimal Chand Punmiya | - | 0.04 |
| Ms. Nandini Parekh | 0.11 | - |
| 2) **Related party entities** | | |
| a) **Investment** | | |
| i) Secondary sale of investments in non convertible debentures of Fincare Small Finance Bank Limited (Sale value) | 178.58 | 97.49 |
| ii) Secondary sale of investments in equity of Fincare Small Finance Bank Limited (Sale value) | 328.01 | - |

**c. Balances at year end**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Key Management Personnel** | | |
| **Dues to employees** | | |
| Mr. G. Dasaratha Reddy | - | - |
| **Key management personnel remuneration includes the following expenses:** | | |
| Short-term employee benefits (current) | 1.33 | 0.91 |
| Post-employment benefits | - | - |
| Termination benefits | - | - |
| **Total remuneration** | **1.33** | **0.91** |

*(All amounts in INR millions, unless stated otherwise)*

## 45 Financial instruments and Fair value disclosures

### Financial instruments

### A Financial assets and liabilities

The carrying amounts of financial instruments by category are as follows:

| Particulars | Notes | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **Financial assets measured at fair value through profit and loss** | | | |
| Investments | 7 | 118.45 | 103.77 |
| **Financial assets measured at fair value through other comprehensive income** | | | |
| Investments | 7 | 13,056.03 | 10,304.66 |
| **Financial assets measured at amortised cost** | | | |
| Cash and cash equivalents | 3 | 11,435.84 | 10,763.01 |
| Bank balances other than cash and cash equivalents | 4 | 137.32 | 104.27 |
| Trade receivables | 5 | 0.02 | 1.12 |
| Loans | 6 | 56,208.01 | 51,671.92 |
| Other financial assets | 8 | 1,246.87 | 1,112.12 |
| **Total** | | **82,202.53** | **74,060.87** |
| **Financial liabilities measured at amortised cost** | | | |
| Other payables | | 189.33 | 207.35 |
| Debt securities | 15 | - | 766.64 |
| Borrowings (Other than debt securities) | 16 | 18,447.37 | 17,410.66 |
| Deposits | 17 | 53,171.70 | 46,539.86 |
| Subordinated liabilities | 18 | 1,994.20 | 1,806.58 |
| Other financial liabilities | 19 | 781.04 | 369.72 |
| **Total** | | **74,583.64** | **67,100.81** |

### B Fair values hierarchy

The fair value of financial instruments as referred to in note 'A' above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

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

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

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

### B.1 Financial assets and liabilities measured at fair value - recurring fair value measurements

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

| As at 31 March 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments measured at fair value through profit and loss | 118.45 | - | - | **118.45** |
| Investments measured at fair value through OCI | - | 13,056.03 | - | **13,056.03** |

| As at 31 March 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments measured at fair value through profit and loss | 103.77 | - | - | **103.77** |
| Investments measured at fair value through OCI | - | 10,304.66 | - | **10,304.66** |

### B.2 Valuation process and technique used to determine fair value

(i) The fair value of investments in mutual fund units is based on the net asset value (NAV) as stated by the issuers of these mutual fund units in the published statements as at the balance sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.

*(All amounts in INR millions, unless stated otherwise)*

**45 Financial instruments and Fair value disclosures (cont'd)**

**B.2 Valuation process and technique used to determine fair value**

(ii) The fair value of investments in government securities have been determined based on the rates published by Financial Benchmark India Private Limited ("FBIL") and for the investments in treasury shares, the fair value has been determined based on the yield rates arrived at using the rates published by FBIL for different maturity dates.

**B.3 Fair value of instruments measured at amortised cost**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The management assessed the fair values of the following financial instruments to be approximate their respective carrying amounts:

| Particulars | Notes to schedule | Carrying Value | |
|---|---|---|---|
| | | As at 31 March 2021 | As at 31 March 2020 |
| **Financial assets measured at amortised cost** | | | |
| Cash and cash equivalents | 3 | 11,435.84 | 10,763.01 |
| Bank balances other than cash and cash equivalents | 4 | 137.32 | 104.27 |
| Trade receivables | 5 | 0.02 | 1.12 |
| Loans | 6 | 56,208.01 | 51,671.92 |
| Other financial assets | 8 | 1,246.87 | 1,112.12 |
| **Financial liabilities measured at amortised cost** | | | |
| Other payables | | 189.33 | 207.35 |
| Debt securities | 15 | - | 766.64 |
| Borrowings (Other than debt securities) | 16 | 18,447.37 | 17,410.66 |
| Deposits | 17 | 53,171.70 | 46,539.86 |
| Subordinated liabilities | 18 | 1,994.20 | 1,806.58 |
| Other financial liabilities | 19 | 781.04 | 369.72 |

| Particulars | Notes to schedule | Fair Value | |
|---|---|---|---|
| | | As at 31 March 2021 | As at 31 March 2020 |
| **Financial assets measured at amortised cost** | | | |
| Cash and cash equivalents | 3 | 11,435.84 | 10,763.01 |
| Bank balances other than cash and cash equivalents | 4 | 137.32 | 104.27 |
| Trade receivables | 5 | 0.02 | 1.12 |
| Loans | 6 | 56,208.01 | 51,671.92 |
| Other financial assets | 8 | 1,246.87 | 1,112.12 |
| **Financial liabilities measured at amortised cost** | | | |
| Other payables | | 189.33 | 207.35 |
| Debt securities | 15 | - | 766.64 |
| Borrowings (Other than debt securities) | 16 | 18,447.37 | 17,410.66 |
| Deposits | 17 | 53,171.70 | 46,539.86 |
| Subordinated liabilities | 18 | 1,994.20 | 1,806.58 |
| Other financial liabilities | 19 | 781.04 | 369.72 |

**Financial risk management**

The Group's activities expose it to market risk, liquidity risk and credit risk. The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

| **Risk** | **Exposure arising from** | **Measurement** | **Management** |
|---|---|---|---|
| Credit risk | Cash and cash equivalents, loans, trade receivables and other financial assets | Ageing analysis, stress testing, modelling of credit risk | Bank deposits, diversification of asset base, and credit limits. |
| Liquidity risk | Financial liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |
| Market risk - security price | Investments in mutual funds | Sensitivity analysis | Diversification of portfolio, with focus on strategic investments |

The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

*(All amounts in INR millions, unless stated otherwise)*

**45 Financial instruments and Fair value disclosures (cont'd)**

**A Credit risk**

Credit risk is the risk that a counterparty fails to discharge its obligation to the Group. The Group's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, other receivables, loan assets and other financial assets. The Group continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

The Group assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Group assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.
(i) Low credit risk
(ii) Moderate credit risk
(iii) High credit risk

| Asset group | Basis of categorisation | Provision for expected credit loss |
|---|---|---|
| Low credit risk | Cash and cash equivalents, other bank balances, investments, loans, trade receivables and other financial assets | Life time expected credit loss or 12 month expected credit loss |
| Moderate credit risk | Loans | Life time expected credit loss or 12 month expected credit loss. |
| High credit risk | Loans | Life time expected credit loss or fully provided for. |

Based on business environment in which the Group operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or a litigation decided against the Group. The Group continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made are recognised in statement of profit and loss.

**A.1 Management of credit risk for financial assets other than loans**

**Cash and cash equivalents and bank deposits**

Credit risk related to cash and cash equivalents and bank deposits is considered to be very low as the Group only deals with high rated banks. The risk is also managed by diversifying bank deposits and accounts in different banks across the country.

**Trade receivables**

The Group's trade receivables are only with BC partners and are recoverable as per the business correspondence agreement, these trade receivables are considered high quality.

The Group recognises lifetime expected credit losses on trade receivables using a simplified approach, wherein Group has defined percentage of provision by analysing historical trend of default and such provision percentage determined have been considered to recognise life time expected credit losses on trade receivables.

**Other financial assets measured at amortised cost**

Other financial assets measured at amortised cost includes advances to employees, security deposits and interest accrued on loans. Credit risk related to other financial assets is managed by monitoring the recoverability of such amounts continuously.

**A.2 Expected credit losses for financial assets other than loans**

| As at 31 March 2021 | Estimated gross carrying amount at default | Expected probability of default | Expected credit losses | Carrying amount net of impairment provision |
|---|---|---|---|---|
| Cash and cash equivalents | 11,435.84 | 0% | - | 11,435.84 |
| Bank balances other than cash and cash equivalents | 137.32 | 0% | - | 137.32 |
| Trade receivables | 0.02 | 0% | - | 0.02 |
| Other financial assets | 1,286.00 | 3% | 39.13 | 1,246.87 |

| As at 31 March 2020 | Estimated gross carrying amount at default | Expected probability of default | Expected credit losses | Carrying amount net of impairment provision |
|---|---|---|---|---|
| Cash and cash equivalents | 10,763.01 | 0% | - | 10,763.01 |
| Bank balances other than cash and cash equivalents | 104.27 | 0% | - | 104.27 |
| Trade receivables | 1.12 | 0% | - | 1.12 |
| Other financial assets | 1,112.12 | 0% | - | 1,112.12 |

**45 Financial instruments and Fair value disclosures (cont'd)**

**A.4 Management of credit risk for loans**

Credit risk on loans is the single largest risk of the Group's business, and therefore the Group has developed several processes and controls to manage it. The Group is primarily engaged in micro finance lending activities to provide financial assistance to women borrowers of economically weaker society, who are organized as joint liability groups (‘JLG’), with a view of enhancement of their livelihoods in a financially viable manner, primarily in the rural areas of India. Further, the Group is engaged in providing financial assistance to the borrowers to use the money to augment the household income through loan against property (LAP). In addition, the Group offers other products, including institutional finance loans (IF), gold loan (LAG), two wheeler loans (TWL) and overdraft facility against fixed deposits or properties (ODFD/ODAP). The Group operates in the states of Gujarat, Rajasthan, Madhya Pradesh, Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh, Haryana, Chandigarh, Chhattisgarh, Kerala, Telangana, Uttar Pradesh and the Union Territory of Pondicherry and Delhi.

Credit default risk is the risk of loss arising from a debtor being unlikely to pay the loan obligations in full or the debtor is more than 90 days past due on any material credit obligation. The Group majorly manages this risk by following "joint liability mechanism" wherein the loans are disbursed to borrowers who form a part of an informal joint liability group (“JLG”). Each member of the JLG provides a joint and several guarantee for all the loans obtained by each member.

In addition to this, there is a set criteria followed by the Group to process the loan applications. Loans are generally disbursed to the identified target segments. Out of the people identified out of target segments, loans are only disbursed to those people who meet the set criterion - both financial and non-financial as defined in the risk management policy of the Group. Some of the criteria include - annual income, per capita income, repayment capacity, multiple borrowings, age, group composition, health conditions, employment and economic activity etc. Also, in case of LAP, LAG, IF, ODFD, ODAP and TWL, the Group obtains adequate collateral in the form of property, gold, book debt, fixed deposits and two wheelers etc.

**A.4.1 Credit risk measurement - Expected credit loss measurement**

Ind AS 109 outlines a "three stage" model for impairment based on changes in credit quality since initial recognition as summarised below:
- A financial instrument that is not credit impaired on initial recognition and whose credit risk has not increased significantly since initial recognition is classified as "Stage 1".
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.
- If a financial instrument is credit impaired, it is moved to "Stage 3".

ECL depends on the stage of financial instrument:
- Financial instrument in Stage 1 have their ECL measured at an amount equal to expected credit loss resulting from default events possible within the next 12 months.
- Instruments in Stage 2 or Stage 3 criteria have their ECL measured based on the default events possible in the entire lifetime.

**A.4.2 Criteria for significant increase in credit risk**

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria are met.

**(i) Quantitative criteria**

The remaining lifetime probability of default at the reporting date has increased, compared to the residual lifetime probability of default expected at the reporting date when the exposure was first recognized. The Group considers loan assets as Stage 2 when the default in repayment is within the range of 30 to 90 days.

**(ii) Qualitative criteria**

If other qualitative aspects indicate that there could be a delay/default in the repayment of the loans, the Group assumes that there is significant increase in risk and loan is moved to stage 2.

The Group considers the date of initial recognition as the base date from which significant increase in credit risk is determined.

**A.4.3 Criteria for default and credit-impaired assets**

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets the following criteria:
(i) Quantitative criteria
The Group considers loan assets as Stage 3 when the default in repayment has moved beyond 90 days.

(ii) Qualitative criteria
The Group considers factors that indicate unlikeliness of the borrower to repay the loan which include instances like the significant financial difficulty of the borrower, borrower deceased or breach of any financial covenants by the borrower etc

**A.4.4 Measuring ECL - explanation of inputs, assumptions and estimation techniques**

Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:
- PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.
- EAD is based on the amounts that the Group expects to be owed at the time of default over the next 12 months or remaining lifetime of the instrument.
- LGD represents the Group’s expectation of loss given that a default occurs. LGD is expressed in percentage and remains unaffected from the fact that whether the financial instrument is a Stage 1 asset, or Stage 2 or even Stage 3. However, it varies by type of borrower, availability of security or other credit support.

**Probability of default (PD) computation model**

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The PD rates are calculated by averaging of best case and worst case scenario.

*(All amounts in INR millions, unless stated otherwise)*

**45 Financial instruments and Fair value disclosures (cont'd)**

**A.4.4 Measuring ECL - explanation of inputs, assumptions and estimation techniques (cont'd)**

**Loss given default (LGD) computation model**

The loss rate is the likely loss intensity in case a borrower defaults. It provides an estimation of the exposure that cannot be recovered in the event of a default and thereby captures the severity of the loss. The loss rate is computed by factoring the main drivers for losses (e.g. joint group liability mechanism, historical recoveries trends etc.) and arriving at the replacement cost.

**Forward looking information**

The Group has calculated PD and LGD using historical data, and has also assessed forward looking estimates such as GDP growth rate and other economic factors affecting the regions in which the Group operates, and considers that the provisions appropriately reflect future expected losses for the year ending 31 March 2021.

For the year ended 31 March 2020, the Group did not use GDP as the basis because of the uncertainties involved. Instead the Group created multiple scenarios based on broader market data from reputed credit rating agencies, and its own historical data to determine the forward looking overlays.

**A.4.5 Expected credit losses for loans**

| As at 31 March 2021 | Estimated gross carrying amount at default | Expected probability of default | Expected credit losses | Carrying amount net of impairment provision |
|---|---|---|---|---|
| Term loans | 59,539.64 | 6.04% | 3,595.89 | 55,943.75 |
| Loans repayable on demand | 269.83 | 2.07% | 5.57 | 264.26 |

| As at 31 March 2020 | Estimated gross carrying amount at default | Expected probability of default | Expected credit losses | Carrying amount net of impairment provision |
|---|---|---|---|---|
| Term loans | 52,835.92 | 2.59% | 1,370.08 | 51,465.84 |
| Loans repayable on demand | 208.81 | 1.31% | 2.73 | 206.08 |

**A.5 Credit risk exposure**

| | As at 31 March 2021 | | | |
|---|---|---|---|---|
| | ECL Staging | | | |
| **Categories** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Term loans** | | | | |
| JLG* (Micro finance) | | | | |
| - Category 1 | 3,201.65 | 22.62 | 8.84 | 3,233.11 |
| - Category 2 | 10,143.90 | 319.51 | 936.97 | 11,400.38 |
| - Category 3 | 6,718.37 | 94.09 | 268.79 | 7,081.25 |
| - Category 4 | 334.86 | 13.28 | 21.59 | 369.73 |
| - Category 5 | 8,291.35 | 157.32 | 507.03 | 8,955.70 |
| - Category 6 | 2,771.52 | 69.85 | 231.14 | 3,072.51 |
| - Category 7 | 5,304.48 | 139.42 | 442.38 | 5,886.28 |
| - Category 8 | 3,909.86 | 115.24 | 167.65 | 4,192.75 |
| - Category 9 | 1,654.90 | 10.03 | 0.29 | 1,665.22 |
| - Category 10 | 1,631.04 | 48.39 | 12.57 | 1,691.98 |
| LAP (Loan against property) | 5,570.96 | 360.88 | 529.64 | 6,461.48 |
| RLAP (Rural loan against property) | 159.66 | 35.86 | 8.12 | 203.64 |
| LAG (Loan against gold) | 2,660.86 | 767.86 | 89.70 | 3,518.42 |
| IF (Institutional finance) | 780.78 | - | 120.16 | 900.94 |
| RMEL (Rural Micro-enterprise loans) | 2.89 | 0.48 | 1.70 | 5.07 |
| AHL (Affordable Housing loans) | 796.11 | 12.03 | 10.74 | 818.88 |
| STFL (Staff loans) | 18.08 | 1.08 | 0.00 | 19.16 |
| TWL (Two-wheeler loan) | 44.25 | 15.84 | 3.01 | 63.10 |
| **Loans repayable on demand** | | | | |
| ODAP (Overdraft against property) | 1.99 | 3.04 | 7.45 | 12.48 |
| ODFD (Overdraft against fixed deposit) | 103.23 | 41.59 | 44.02 | 188.84 |
| Loan to FEWT (Fincare employee welfare trust) | 68.53 | - | - | 68.53 |
| **Gross carrying amount** | **54,169.27** | **2,228.41** | **3,411.79** | **59,809.47** |
| Loss allowance | 847.09 | 460.70 | 2,293.67 | 3,601.46 |
| **Carrying amount** | **53,322.18** | **1,767.71** | **1,118.12** | **56,208.01** |

*(All amounts in INR millions, unless stated otherwise)*

## 45 Financial instruments and Fair value disclosures (cont'd)

### A.5 Credit risk exposure (cont'd)

| | As at 31 March 2020 | | | |
|---|---|---|---|---|
| | ECL Staging | | | |
| **Categories** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Term loans** | | | | |
| JLG* (Micro finance) | | | | |
| - Category 1 | 2,451.98 | 0.02 | 0.28 | 2,452.28 |
| - Category 2 | 10,842.21 | 66.60 | 86.75 | 10,995.56 |
| - Category 3 | 6,668.19 | 20.67 | 99.44 | 6,788.30 |
| - Category 4 | 390.50 | 0.27 | 0.29 | 391.06 |
| - Category 5 | 8,896.27 | 19.51 | 175.39 | 9,091.17 |
| - Category 6 | 2,627.87 | 6.73 | 291.80 | 2,926.40 |
| - Category 7 | 5,363.83 | 28.18 | 172.56 | 5,564.57 |
| - Category 8 | 4,310.07 | 2.10 | 4.37 | 4,316.54 |
| LAP (Loan against property) | 5,066.08 | 74.15 | 116.54 | 5,256.77 |
| RLAP (Rural loan against property) | 304.94 | - | 0.08 | 305.02 |
| LAG (Loan against gold) | 1,834.91 | 0.62 | 0.75 | 1,836.28 |
| IF (Institutional finance) | 2,537.74 | 3.86 | - | 2,541.60 |
| RMEL (Rural Micro-enterprise loans) | 27.50 | 0.00 | 13.75 | 41.25 |
| AHL (Affordable Housing loans) | 201.48 | - | - | 201.48 |
| STFL (Staff loans) | 25.05 | - | - | 25.05 |
| TWL (Two-wheeler loan) | 102.53 | 0.05 | 0.05 | 102.63 |
| **Loans repayable on demand** | | | | |
| ODAP (Overdraft against property) | 5.03 | 0.72 | 8.55 | 14.30 |
| ODFD (Overdraft against fixed deposit) | 102.09 | 22.90 | 29.45 | 154.44 |
| Loans to individuals | 40.03 | - | - | 40.03 |
| **Gross carrying amount** | **51,798.30** | **246.38** | **1,000.05** | **53,044.73** |
| Loss allowance | 1,065.51 | 63.34 | 243.96 | 1,372.81 |
| **Carrying amount** | **50,732.79** | **183.04** | **756.09** | **51,671.92** |

* The Group categorises MFI loans disbursed on the basis of geography

### A.6 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:
- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL.

- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.

- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following table further explains changes in the gross carrying amount of the Loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| **Gross amount** | **12 months ECL** | **Lifetime ECL** | **Lifetime ECL** | **Total** |
| **Balance as at 1 April 2019** | **33,521.87** | **189.61** | **956.25** | **34,667.73** |
| New assets originated | 41,163.28 | 82.64 | 93.44 | **41,339.36** |
| Transfers from Stage 1 | (760.42) | 307.60 | 452.82 | **-** |
| Transfers from Stage 2 | 31.50 | (51.06) | 19.56 | **-** |
| Transfers from Stage 3 | 29.82 | 2.47 | (32.29) | **-** |
| Assets derecognised or repaid | (22,187.73) | (284.87) | (489.76) | **(22,962.36)** |
| **Balance as at 31 March 2020** | **51,798.32** | **246.39** | **1,000.02** | **53,044.73** |

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| **Gross amount** | **12 months ECL** | **Lifetime ECL** | **Lifetime ECL** | **Total** |
| **Balance as at 1 April 2020** | **51,798.32** | **246.39** | **1,000.02** | **53,044.73** |
| New assets originated | 35,968.61 | 1,007.46 | 598.87 | **37,574.94** |
| Transfers from Stage 1 | (4,348.37) | 1,476.78 | 2,871.59 | **-** |
| Transfers from Stage 2 | 23.45 | (157.25) | 133.80 | **-** |
| Transfers from Stage 3 | 7.65 | 4.72 | (12.37) | **-** |
| Assets derecognised or repaid | (29,280.39) | (349.69) | (1,180.12) | **(30,810.20)** |
| **Balance as at 31 March 2021** | **54,169.27** | **2,228.41** | **3,411.79** | **59,809.47** |

*(All amounts in INR millions, unless stated otherwise)*

**45 Financial instruments and Fair value disclosures (cont'd)**

**A.6 Loss allowance (cont'd)**

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

| Loss allowance | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Balance as at 1 April 2019** | 293.00 | 62.00 | 325.89 | **680.89** |
| New assets originated | 815.67 | 20.05 | 30.36 | **866.08** |
| Transfers from Stage 1 | (12.38) | 4.64 | 7.74 | **-** |
| Transfers from Stage 2 | 7.12 | (14.47) | 7.35 | - |
| Transfers from Stage 3 | 16.19 | 1.40 | (17.59) | **-** |
| Additional provision created during the year (net of provision reversed on account of assets derecognised or repaid) | (92.20) | (3.73) | (78.23) | **(174.16)** |
| **Balance as at 31 March 2020** | **1,027.40** | **69.89** | **275.52** | **1,372.81** |

| Loss allowance | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Balance as at 1 April 2020** | 1,027.40 | 69.89 | 275.52 | **1,372.81** |
| New assets originated | 570.48 | 81.57 | 273.10 | **925.15** |
| Transfers from Stage 1 | (103.49) | 28.29 | 75.20 | **-** |
| Transfers from Stage 2 | 2.44 | (35.11) | 32.67 | **-** |
| Transfers from Stage 3 | 2.58 | 0.63 | (3.21) | **-** |
| Additional provision created during the year (net of provision reversed on account of assets derecognised or repaid) | (652.32) | 315.43 | 1,640.39 | **1,303.50** |
| **Balance as at 31 March 2021** | **847.09** | **460.70** | **2,293.67** | **3,601.46** |

**A.7 Write off policy**

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include:
- Ceasing enforcement activity
- Where the Group's recovery method is foreclosing and there is no reasonable expectation of recovery in full.
- Where the receivable is overdue for the respective products as mentioned below:

| | |
|---|---|
| JLG loans | NPAs would be ordinarily technically written off after 1 year after they become NPAs. Such accounts will be written off every month basis status on month end. Further, if the loan account has remained in NPA bucket for more than 180 days ( 180+ DPD in NPA bucket ) and if there is no payment received for the said loan account in the last 90 days, such cases may also be written off every month basis status on month end. |
| LAG | NPAs would be technically written off 90 days after they become NPAs. Such accounts will be written off every month basis status on month end. |
| LAP/RLAP/IF/ODAP | Loss assets i.e. NPAs beyond 3 years, would be technically written off. Such accounts will be written off every month basis status on month end. |
| TWL | Loss assets i.e.NPAs beyond 1 year would be technically written off. Such accounts will be written off every month basis status on month end. |

The Group may write off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 March 2021 was INR 912.06 million (31 March 2020 INR 454.36 million). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

**B Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates.

**Maturities of financial liabilities**

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

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| **As at 31 March 2021** | **Less than 1 year** | **1-5 year** | **More than 5 years** | **Total** |
|---|---|---|---|---|
| Other payables | | | | |
| Total outstanding dues of micro enterprises and small enterprises | 3.90 | - | - | 3.90 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 185.43 | - | - | 185.43 |
| Borrowings (Other than Debt Securities) | 8,784.77 | 9,565.22 | 97.40 | 18,447.39 |
| Subordinated Liabilities | - | 1,994.20 | - | 1,994.20 |
| Deposits | 21,513.04 | 31,657.97 | 0.69 | 53,171.70 |
| Other financial liabilities | 749.60 | 31.43 | - | 781.03 |

*(All amounts in INR millions, unless stated otherwise)*

**45 Financial instruments and Fair value disclosures (cont'd)**

**B Liquidity risk (cont'd)**

| As at 31 March 2020 | Less than 1 year | 1-5 year | More than 5 years | Total |
|---|---|---|---|---|
| Other payables | 202.72 | - | - | 202.72 |
| Debt securities | 59.88 | 911.61 | - | 971.49 |
| Borrowings (Other than Debt Securities) | 10,752.29 | 8,265.68 | 358.38 | 19,376.35 |
| Subordinated Liabilities | 244.36 | 1,585.91 | 1,064.88 | 2,895.15 |
| Deposits | 19,725.78 | 26,811.41 | 2.12 | 46,539.31 |
| Other financial liabilities | 374.35 | - | - | 374.35 |

**C.1 Market risk - Interest rate risk**
**C.1.1 Liabilities**

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. At March 31, 2021, the Group is not exposed to changes in market interest rates through bank borrowings at variable interest rates. The Group's investments in fixed deposits all pay fixed interest rates.

*Interest rate risk exposure*
Below is the overall exposure of the Group to interest rate risk:

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Debt securities | | |
| Variable rate | - | - |
| Fixed rate | - | 766.64 |
| Borrowings (other than debt securities) | | |
| Variable rate | - | 300.00 |
| Fixed rate | 18,447.37 | 17,110.66 |
| Subordinated liabilities | | |
| Variable rate | - | - |
| Fixed rate | 1,994.20 | 1,806.58 |

**Sensitivity**
The table below summarises the impact of increases/decreases of the index on the Group's equity and profit for the period :

| Impact on profit before tax | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| ***Interest sensitivity**** | | |
| Interest rates – increase by 0.50% | - | 1.50 |
| Interest rates – decrease by 0.50% | - | (1.50) |

** Holding all other variables constant*

**C.1.2 Assets**

The Group's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

**C.2 Market risk - Price risk**

**Exposure**
The Group's exposure to price risk arises from investments held and classified in the balance sheet at fair value through profit or loss. To manage the price risk arising from investments, the Group diversifies its portfolio of assets.

**Sensitivity**
The table below summarises the impact of increases/decreases of the index on the Group's equity and profit for the period :

| Impact on profit before tax | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Mutual Funds** | | |
| Net assets value – increase by 1% | 1.18 | 1.04 |
| Net assets value – decrease by 1% | (1.18) | (1.04) |

**46 Capital management**
The Group's capital management objectives are
- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders
The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares.

*(All amounts in INR millions, unless stated otherwise)*

## 47 Maturity analysis of assets and liabilities

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

| | As at 31 March 2021 | | | As at 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| **Assets** | | | | | | |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | 11,435.84 | - | **11,435.84** | 10,763.01 | - | **10,763.01** |
| Bank balances other than cash and cash | 137.32 | - | **137.32** | 104.27 | - | **104.27** |
| Trade receivables | 0.02 | - | **0.02** | 1.12 | - | **1.12** |
| Loans | 32,763.83 | 23,444.18 | **56,208.01** | 30,418.70 | 21,253.22 | **51,671.92** |
| Investments | 7,846.66 | 5,327.82 | **13,174.48** | 4,365.13 | 6,043.30 | **10,408.43** |
| Other financial assets | 1,004.98 | 241.89 | **1,246.87** | 1,054.54 | 57.58 | **1,112.12** |
| **Non-financial Assets** | | | | | | |
| Current tax assets (net) | - | 39.88 | **39.88** | - | 33.82 | **33.82** |
| Deferred tax assets (net) | - | 875.85 | **875.85** | - | 510.28 | **510.28** |
| Property plant and equipment | - | 1,094.34 | **1,094.34** | - | 1,095.95 | **1,095.95** |
| Capital work in progress | - | - | **-** | - | - | **-** |
| Goodwill | - | 418.33 | **418.33** | - | 418.33 | **418.33** |
| Other intangible assets | - | 10.20 | **10.20** | - | 27.10 | **27.10** |
| Other non-financial assets | 146.37 | 65.51 | **211.88** | 19.15 | 196.36 | **215.51** |
| **Total** | **53,335.02** | **31,518.00** | **84,853.02** | **46,725.92** | **29,635.94** | **76,361.86** |
| **Liabilities and Equity** | | | | | | |
| **Liabilities** | | | | | | |
| **Financial Liabilities** | | | | | | |
| Other payables | 189.34 | - | **189.34** | 202.72 | - | **202.72** |
| Debt securities | - | - | **-** | - | 766.64 | **766.64** |
| Borrowings (Other than Debt Securities) | 8,784.77 | 9,662.61 | **18,447.38** | 9,933.69 | 7,476.97 | **17,410.66** |
| Deposits | 21,513.04 | 31,658.66 | **53,171.70** | 19,726.33 | 26,813.53 | **46,539.86** |
| Subordinated Liabilities | - | 1,994.20 | **1,994.20** | - | 1,806.58 | **1,806.58** |
| Other financial liabilities | 749.60 | 31.43 | **781.03** | 374.35 | - | **374.35** |
| **Non-Financial Liabilities** | | | | | | |
| Current tax liabilities (net) | - | - | **-** | 1.35 | - | **1.35** |
| Provisions | 46.67 | 73.63 | **120.29** | 72.56 | 53.99 | **126.55** |
| Contract liabilities | 142.06 | - | **142.06** | 189.22 | - | **189.22** |
| Other non financial liabilities | 91.79 | - | **91.79** | 96.57 | - | **96.57** |
| **Total** | **31,517.27** | **43,420.53** | **74,937.79** | **30,596.79** | **36,917.71** | **67,514.50** |

*(All amounts in INR millions, unless stated otherwise)*

**48 Reconciliation of liabilities arising from Group's financing activities**

| Particulars | Notes to accounts | As at 31 March 2019 | Adoption of Ind AS 116 | As at 1 April 2019 | Cash flow | | Non-cash | | | | As at 31 March 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Additions | Repayment | Amortisation of upfront fees/premium on redemption | Loss on sale of Non-convertible debentures | Additions/ Reclassifications | Interest expense on lease liabilities | |
| Debt securities | 15 | 424.47 | - | 424.47 | 738.75 | (425.00) | 28.42 | - | - | - | 766.64 |
| Borrowings (other than debt securities and lease liability) | 16 | 18,432.69 | - | 18,432.69 | 5,280.00 | (7,063.67) | 1.42 | - | - | - | 16,650.44 |
| Lease liability | 16 | - | 514.93 | 514.93 | - | (123.32) | - | - | 306.97 | 61.64 | 760.21 |
| Subordinated Liabilities | 18 | 710.64 | - | 710.64 | 1,097.49 | - - | 5.56 | 4.01 | - | - | 1,806.58 |
| **Total liabilities from financing activities** | | **19,567.80** | **514.93** | **20,082.72** | **7,116.24** | **(7,611.99)** | **24.28** | **4.01** | **306.97** | **61.64** | **19,983.87** |

| Particulars | Notes to accounts | As at 1 April 2020 | Cash flow | | Non-cash | | | | | As at 31 March 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Additions | Repayment | Amortisation of upfront fees/premium on redemption | Loss on sale of Non-convertible debentures | Additions/ Reclassifications | Interest expense on lease liabilities/Interest accrued on Debentures | Gain on derecognition | |
| Debt securities | 15 | 766.64 | - | (750.00) | (16.64) | - | - | | - | 0.00 |
| Borrowings (other than debt securities and lease liability) | 16 | 16,650.44 | 468,379.12 | (466,874.34) | 1.43 | - | 2.74 | 3.18 | (541.34) | 17,621.23 |
| Lease liability | 16 | 760.21 | - | (183.85) | - | - | 164.00 | 85.78 | - | 826.14 |
| Subordinated liabilities | 18 | 1,806.58 | 178.58 | - | 0.65 | 8.39 | - | - | - | 1,994.20 |
| **Total liabilities from financing activities** | | **19,983.87** | **468,557.70** | **(467,808.19)** | **(14.56)** | **8.39** | **166.74** | **88.96** | **(541.34)** | **20,441.57** |

*(All amounts in INR millions, unless stated otherwise)*

## 49 Transfer of financial assets

**Transferred financial assets that are not derecognised in their entirety**

In the course of its micro finance or lending activity, the Group makes transfers of financial assets, where legal rights to the cash flows from the asset are passed to the counterparty and where the Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty.

The Group has securitized its loan assets to unrelated and unconsolidated special purpose vehicles (SPV's). The Group does not hold any equity or other interest in the SPV and does not control these SPV's. As per the terms of the agreements, the Group is exposed to first loss default guarantee and cash collateral and therefore continues to be exposed to significant risk and rewards relating to the underlying loan assets. Hence, these loan assets are not derecognised and proceeds received are presented as borrowings.

The Group has also issued Interbank Participatory Certificates (IBPC) with risk sharing to other banks with respect to its JLG portfolio. Such agreements are entered for a period ranging between 90 - 180 days as compared to the average tenure of 24 months of such loans. As such the Group continues to be exposed to significant risk and rewards related to the underlying loan assets. Hence, the loan assets are not derecognised and proceeds received are presented as borrowings.

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

| Securitisation | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Carrying value and fair value of securitised assets | - | 600.10 |
| Carrying value and fair value of associated liabilities | - | 603.50 |
| **IBPC** | | |
| Carrying value and fair value of IBPC assets | 5,245.00 | 4,368.00 |
| Carrying value and fair value of associated liabilities | 5,245.00 | 4,368.00 |

## 50 Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers and reconciliation to profit and loss account:

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Type of service** | | |
| Fee and commission income | 489.86 | 433.05 |
| | **489.86** | **433.05** |
| **Geographical markets** | | |
| India | 489.86 | 433.05 |
| Outside India | - | - |
| | **489.86** | **433.05** |
| **Timing of revenue recognition** | | |
| Services transferred at a point in time | 85.84 | 62.65 |
| Services transferred over time | 404.02 | 370.40 |
| | **489.86** | **433.05** |

**Significant changes in contract asset and contract liability during the period are as follows:**

Ind AS 115 also requires disclosure of 'revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period' and 'revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods. Same has been disclosed as below:

**Assets and liabilities related to contracts with customers**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Trade receivables | 0.02 | 1.12 |
| Contract liabilities | 142.06 | 189.22 |

Trade receivables are non-interest bearing and are generally on terms of 30 days. The Group has recognised Nil provision for expected credit loss on trade receivables during the year 2020-21 (2019-20: Nil).

Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) we perform under the contract.

*(All amounts in INR millions, unless stated otherwise)*

**50 Revenue from contracts with customers (cont'd)**

**Assets and liabilities related to contracts with customers (cont'd)**

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Contract liabilities at the beginning of the year** | 189.22 | 119.26 |
| Increase due to cash received and decrease as a result of changes in the measure of progress, change in estimate | (47.16) | 69.96 |
| **Contract liabilities at the end of the year** | **142.06** | **189.22** |

**Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price**

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Revenue as per contract | 489.86 | 433.05 |
| Adjustments | - | - |
| Revenue from contract with customers | **489.86** | **433.05** |

**Revenue recognition for contract with customers - Fee and commission income:**

(i) The Contract with customers through which the Group earns a commission income includes the following promises:
(i) Sourcing of loans
(ii) Servicing of loans
(iii) First loss default guarantee (FLDG)

All these promises are separable from each other and do not involve significant integration. Therefore, these promises constitute separate performance obligations.
The consideration for these services is based on fixed percentage of interest and processing fee collected during the year.
This consideration has been allocated amongst the performance obligations under the contract on the basis of relative standalone prices.
Revenue recognition: Revenue from all three performance obligations being sourcing of loans, servicing of loans and FLDG shall be recognised over

(ii) The Group also issues debit cards to its customers for which an upfront fee and subsequently an annual fee is charged. Revenue from such contracts shall be recognized over a period of time, as the customer benefits from the services over the period for which the fees is charged.

*(All amounts in INR millions, unless stated otherwise)*

**51 Lease disclosure**

**Where the Group is the lessee:**

The Group's significant leasing arrangements are in respect of leases for office premises which are renewable on mutual consent at agreed terms.

Head office, registered office and branch office premises are obtained on lease. The branch office premises are generally rented on cancellable term ranging from twelve months to thirty six months with escalation clause; however none of the branch lease agreement carries non-cancellable lease periods. There are no restrictions imposed by lease arrangements. There are no subleases. Certain offices of the Group have non-cancellable lease arrangements.

i) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| Particulars | Buildings | Total |
|---|---|---|
| **As at 1 April 2019** | **508.35** | **508.35** |
| Additions | 306.97 | 306.97 |
| Depreciation expenses | (100.86) | (100.86) |
| **As at 31 March 2020** | **714.46** | **714.46** |
| **As at 1 April 2020** | **714.46** | **714.46** |
| Additions | 174.43 | 174.43 |
| Depreciation expenses | (149.60) | (149.60) |
| **As at 31 March 2021** | **739.29** | **739.29** |

ii) Set out below are the carrying amounts of lease liabilities (included under Borrowings (other than debt securities) and the movements during the period:

| Particulars | Buildings | Total |
|---|---|---|
| **As at 1 April 2019** | **514.93** | **514.93** |
| Additions | 306.97 | 306.97 |
| Accretion of interest | 61.64 | 61.64 |
| Payment | (123.32) | (123.32) |
| **As at 31 March 2020** | **760.23** | **760.23** |
| **As at 1 April 2020** | **760.23** | **760.23** |
| Additions | 163.98 | 163.98 |
| Accretion of interest | 85.78 | 85.78 |
| Payment | (183.85) | (183.85) |
| **As at 31 March 2021** | **826.14** | **826.14** |

iii) The effective interest rate for lease liabilities is 9%, with maturity between 2021-28.

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Lease payments** | | |
| Not later than one year | 195.42 | 133.24 |
| Later than one year and not later than five years | 677.39 | 558.85 |
| Later than five years | 196.84 | 358.38 |
| **Total** | **1,069.65** | **1,050.47** |

| iv) Amount recognised in Consolidated Statement of profit and loss account | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Depreciation on right of use assets | 149.60 | 100.86 |
| Interest on lease liabilities | 85.78 | 61.64 |
| Expenses relating to short term leases | 135.72 | 165.52 |
| Expenses relating to low value assets | - | - |

| v) Amount recognised in Consolidated Cashflow Statement under financing activity | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Total cash outflow for leases | (183.85) | (123.32) |

*(All amounts in INR millions, unless stated otherwise)*

**52 Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**

| | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| i) Principal amount remaining unpaid (but within due date as per the MSMED Act) | 3.9 | 4.6 |
| ii) Interest due thereon remaining unpaid | - | - |
| iii) Interest paid by the Bank in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the year. | - | - |
| iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006 | - | - |
| v) Interest accrued and remaining unpaid | - | - |
| vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises | - | - |

There are no delays in payments to micro and small enterprises as required to be disclosed under ‘The Micro, Small and Medium Enterprises Development Act, 2006’. The determination has been made to the extent such parties were identified by the management based on the information available and are relied upon by the auditor.

**53 COVID 19 - Impact on financial statements**

The Covid-19 pandemic has contributed to a significant decline and volatility in the economic activity, in the global and Indian markets. The nation-wide lockdown imposed in the month of April and May 2020 has significantly impacted the livelihood of individuals and various business operations. The second wave of Covid-19 pandemic (“second wave”), where the number of new cases has increased significantly in India, has resulted in re-imposition of localised/regional lockdown measures in various parts of the country.

As ‘Fincare Business Services Limited’ is an NBFC-CIC-ND-SI, our balance sheet is substantially the investment in our subsidiary company, Fincare Small Finance Bank Limited (the ‘Bank”). COVID-19 has impacted the livelihood of borrowers and various other aspects, consequently impacting the Bank’s regular operations including lending and collection activities due to restrictions on the movement of employees across different states/districts to reach the borrowers.

The full extent of impact of the pandemic on the Bank’s operations and financial metric (including impact on provision for loan portfolio) will depend on future developments including the second wave that has significantly increased the number of cases in India, governmental and regulatory measures and the Bank’s responses thereto, which are uncertain at this time.

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of portfolio assets of the Bank and in developing the assumptions relating to the possible future uncertainties due to this pandemic. The Group as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts etc. for assumptions used and based on current estimates expects the carrying amount of these assets to be recovered. The actual impact of COVID-19 on the Group’s consolidated financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

*(All amounts in INR millions, unless stated otherwise)*

**54 Disclosures mandated by schedule III of Companies Act, 2013, by way of additional information, as at 31 March 2021**

| | Net assets (total assets - total liabilities) | | Share in profit or loss | | Share in OCI | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| **Name of entities** | **As a % of consolidated net assets** | **Amount** | **As a % of share in profit/(loss)** | **Amount** | **As a % of share in OCI** | **Amount** | **As a % of consolidated profit** | **Amount** |
| **Parent:** | | | | | | | | |
| Fincare Business Services Limited | 3.34% | 330.97 | -8.29% | (58.36) | 0.00% | - | -7.97% | (58.36) |
| **Subsidiary** | | | | | | | | |
| Fincare Small Finance Bank Limited | 86.94% | 8,619.81 | 98.46% | 693.00 | 90.91% | 25.79 | 98.17% | 718.79 |
| **Total** | **90.27%** | **8,950.78** | **90.17%** | **634.64** | **90.91%** | **25.79** | **90.20%** | **660.43** |
| Non-controlling interest in subsidiary | 9.73% | 964.45 | 9.83% | 69.16 | 9.09% | 2.58 | 9.80% | 71.74 |
| **Grand Total** | **100.00%** | **9,915.23** | **100.00%** | **703.80** | **100.00%** | **28.37** | **100.00%** | **732.17** |

As per our report of even date

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

**Manish Gujral**
Partner
Membership No.: 105117

Mumbai
30 August 2021

For and on behalf of Board of Directors of
**Fincare Business Services Limited**

DASARATHAREDDY GUNNAMREDDY
Digitally signed by DASARATHAREDDY GUNNAMREDDY
Date: 2021.08.30 16:27:56 +05'30'

**G. Dasarathareddy**
Managing Director
DIN: 01760054

Chittoor
30 August 2021

GAUTAM GUPTA
Digitally signed by GAUTAM GUPTA
Date: 2021.08.30 16:12:30 +05'30'

**Gautam Gupta**
Chief Financial Officer

Bengaluru
30 August 2021

DHIRAJ PODDAR
Digitally signed by DHIRAJ PODDAR
Date: 2021.08.30 15:32:27 +05'30'

**Dhiraj Poddar**
Director
DIN: 01946905

Mumbai
30 August 2021

PARUL MOLRI
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Date: 2021.08.30 16:52:48 +05'30'

**Parul Molri**
Company Secretary
Membership No.: ACS32394

Bengaluru
30 August 2021