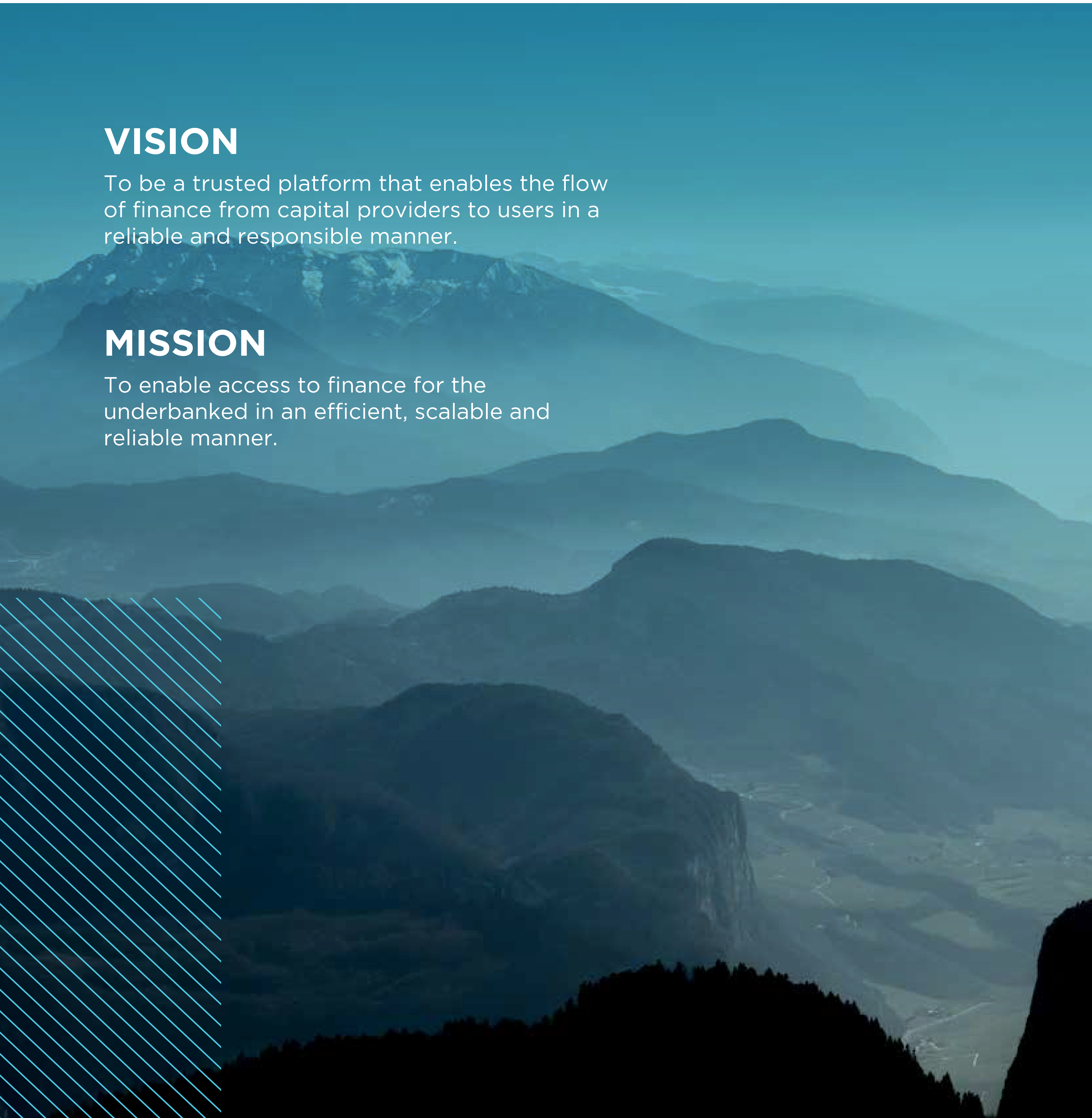
NORTHERN ARC

ANNUAL REPORT 2019-20

Northern Arc Capital Limited (formerly known as IFMR Capital Finance Limited)



VISION

To be a trusted platform that enables the flow of finance from capital providers to users in a reliable and responsible manner.

MISSION

To enable access to finance for the underbanked in an efficient, scalable and reliable manner.

OUR VALUES

ETHICAL

We adhere to a shared code of ethics and high standards of professional conduct.

INNOVATIVE

We push the frontiers of finance through knowledge and innovation.

RESPONSIVE

We are nimble and quick to adapt, learning and evolving as we go.

RESOLUTE

We are unwavering in our commitments and stand by them.

EMPATHETIC

We understand the needs of our stakeholders and are aligned with them.

TABLE OF CONTENTS

Leo Puri
Non-Executive
Independent Chair

MESSAGE FROM THE CHAIR

Even as I write this message, the world is suffering from a pandemic whose spread is unprecedented in recent times. It has brought economies to a near-standstill temporarily, causing widespread loss of lives and livelihoods. India has been amongst the worst affected nations and the spread of Covid-19 has severely impacted the financially less fortunate. The resulting intermittent lockdowns enforced by the Central Government and various State Governments has resulted in shutdowns for small businesses and lower employment for poor households.

The importance of Northern Arc's mission of providing access to finance for the underbanked cannot be overstated in this environment. It is critical for the economy, the financial services sector and the end customers that there continues to be a reasonable flow of credit and liquidity through the system. The country's credit culture has withstood previous macro shocks and we believe that this time will be no different, despite the magnitude of the crisis and the breadth of its impact. It is important therefore that there is no trust deficit that is allowed to build in the economy, which can hamper the long-term growth prospects of the country. The Company's pioneering work towards enabling financing for financial institutions, small businesses and low income households is expected to play a key role in ensuring that both the NBFC sector as well as the wide spectrum of customers it serves can tackle this crisis and emerge stronger financially.

Small NBFCs play an active role towards employment generation, promoting micro-entrepreneurship and ensuring credit delivery in remote parts of the country. Through the crisis, the Company has assumed a leadership role in the sector, portraying the obstacles faced by institutions, especially small and mid-sized entities, to regulators and government bodies.

The initiatives announced by the Government of India and the RBI are expected to go a long way in addressing some of the immediate issues faced by NBFCs.

The pandemic and the resultant lockdown have caused a radical change in the lives and lifestyles of individuals and companies. It has accelerated the paradigm shift towards technology and has made it essential for organizations to adapt and re-think their strategies. Northern Arc's focus on digitalization over the last couple of years has paid rich dividends as employees made a seamless transition to work-from-home. The Company's Business Continuity Plan, whose effectiveness was tested prior to the lockdown restrictions, has worked out perfectly during this contingency. It is important that the Company continues the transition that will enable it to build competitive moats in the new world.

While the lockdown will most definitely slow down the NBFC sector, it cannot diminish the critical nation-building role played by it. Previous crises including demonetization, introduction of GST and regional/ local events appeared to dent the sector's prospects, only for it to bounce back rapidly and with greater vigor. The country requires these institutions in the long run, as they provide customized solutions with lower turnaround times. They serve vulnerable sections of society that have been traditionally neglected by the banks. Our firm belief is that once things get back to normal, these institutions will continue to be key catalysts for the country's economic growth.

I wish to take this opportunity to thank my fellow Directors for their proactive guidance during these turbulent times. I also thank the management and team of Northern Arc for their unflinching dedication to the cause and wish them continued success.

MESSAGE FROM CEO

Before the onset of the Covid-19 pandemic in the final fortnight of the year, FY20 witnessed steady progress in the macro environment. The liquidity squeeze that had affected the NBFC sector steadily loosened as investors began to differentiate and prefer better performing segments that are being served by Northern Arc.

We managed to facilitate nearly INR 15,000 crore of debt for our partner institutions and retail borrowers during the year, which was on par with FY19. This was despite completely losing the final fortnight of the year, which is typically the busiest for the business. There was widespread demand for securitization and Direct Assignment transactions, particularly for PSL assets. The Direct Origination business, through which we directly lend to small businesses and individuals in partnership with our clients, saw over INR 500 crore of disbursements and a doubling of AUM.

The second tranche of the equity raise round that began in FY19 was completed during the year. Cumulatively, the two tranches drew over INR 1,000 crore of investment, both through primary infusion and secondary purchases. All our existing shareholders continue to stay invested. We managed to add Sumitomo Mitsui Banking Corporation, one of the world's largest banks as a strategic shareholder. We believe that this partnership will enable us to expand geographically, access new investor segments and provide our clients with further avenues for debt raising.

In our effort to reduce dependency on specific lender segments, we managed to diversify our lender base this year. We raised funds from the private wealth/HNI and domestic DFI segments and issued market linked debentures for the first time. We also deepened and broadened our relationships with offshore investors and Development Financial Institutions. We believe that the DFI segment is going to be an important part of Northern Arc's overall liability profile in the coming years. The importance of such niche relationships was seen when we received and drew down a sanction from an offshore fund after the lockdown was enforced in March.

Through the year, we were able to pass on higher costs to clients through increases in the benchmark rates. We were largely able to hold spreads and fees, which was a positive to profitability. The deterioration in asset quality of an SBL client caused us to incur an income and provisions impact of nearly INR 35 crore. In line with our typical conservatism, we have also set aside a Covid overlay provision of INR 23 crore as a contingency buffer. We had taken similar provisions in the immediate aftermath of previous macro shocks like demonetization, parts of which were written back in subsequent periods.

While the lockdown created operational difficulties, we were well served by our investment in technology. The last two years have witnessed the digitalization of business processes and migration of data to our tech platform, Nimbus, which has been built by an in-house technology team. In FY21, we plan to roll this out to clients and investors, to enable a seamless transaction environment that will be backed by real time portfolio data.

Times of strife typically tend to bring along opportunities. This has been especially true for Northern Arc. In the past, we have witnessed an increase in wallet share during volatile periods as clients find it increasingly difficult to raise debt on their own and investors become skeptical due to perceived risks. Northern Arc's deep understanding of these niche sectors and skin-in-the-game approach has been useful in providing much-needed comfort for investors.

The coming year will provide us major learnings in terms of understanding demand, credit culture, repayment capacity and willingness. We are adopting a cautious stance through tightened credit and risk monitoring norms. We are using strong relationships with partners not just to leverage business opportunities but to focus on identifying risks early based on data analytics and continuous ground-level monitoring. We will also benefit from the significant progress made in FY20 in putting in place a robust operational risk management system for identification, assessment, review, control and reporting of key operational risks.

This is now integrated with Nimbus with a clear segregation of functions, reporting structures, well-defined processes, operating manuals, staff training and strong audit trails to control and mitigate operational risks.

I wish to take this opportunity to thank all our clients, investors and other stakeholders for their continued faith and trust. I thank the Board of Directors for their in-depth involvement in showing us the way forward, which has been more valuable than ever. Finally, I wish to congratulate and thank all the employees at Northern Arc for a tremendous year despite the difficult circumstances. Together, with the same spirit and passion, we shall overcome these challenges and emerge stronger.

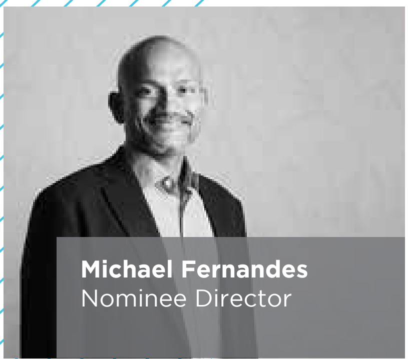
BOARD & KEY MANAGEMENT

BOARD

Leo Puri
Non-Executive Independent Chair

Dr. Kshama Fernandes
Managing Director and Chief Executive Officer

Samir Shah
Nominee Director



Michael Fernandes
Nominee Director

Rajesh Dugar
Nominee Director

Vijay Nallan Chakravarthi
Nominee Director

Amit Mehta
Nominee Director

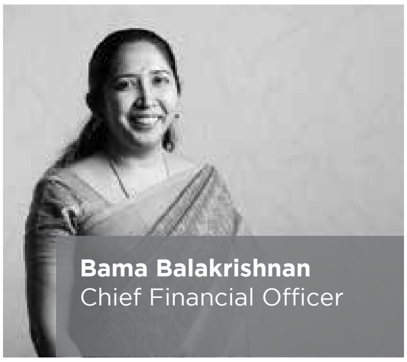
Rajiv Lochan
Independent Director

Dr. Susan Thomas
Independent Director

Anuaradha Rao
Independent Director

KEY MANAGEMENT

Dr. Kshama Fernandes
Managing Director and Chief Executive Officer



Bama Balakrishnan
Chief Financial Officer

Pardhasaradhi R
Chief Risk Officer

Kalyanasundaram. C
Chief Accounts & Audit Officer

Saurabh Jaywant
Chief Legal Counsel

Nandita Prabhu
Chief Officer Strategic Alliances

Varoon Naidu
Head - Markets

Amit Mandhanya
Head – Business

Ashish Thekkekara
Head - Investment Advisers

Salil Nair
Chief Technology & Information Officer

Umasree Parvathy
Chief People Officer

Ravi Vukkadala
CEO Investments

BUSINESS UPDATE

NORTHERN ARC CAPITAL – BUSINESS UPDATE FY 2020

NBFCs continue to play a pivotal role in the economy, with a ~18% share in the total credit demand. The differentiated models developed by NBFCs cannot be replicated easily by larger banks, signifying the importance of NBFCs as a sector. Riding on the back of strong pent up demand, NBFCs continued to grow in FY 20. While the liquidity concerns dissipated gradually through the year, the growth in the first half was supported by alternative sources of capital. With this backdrop, Northern Arc continued its strong performance and closed FY2020 with total business volumes of INR 15,011 crore. Our volumes continued to be supported by our strong underwriting, especially in an environment when lenders demonstrated an evident fight to quality. The growth momentum that had picked up towards the second half of the year, was severely affected due to the growing concerns related to Covid-19.

Northern Arc works across several underbanked sectors - Microfinance & Small Finance Banks, Vehicle Finance, Affordable Housing finance, Small Business Loans, Agri Business Finance, Consumer Finance and Gold Loans. While all the sectors and business models are heavily supported by technology, maintaining a high customer touch point and doorstep service is important for sectors like MFIs, Vehicle Finance and Gold Loans. The nationwide lockdown had a significant impact on NBFCs' ability to collect due to mobility restrictions during the lockdown and subdued economic activity affecting cashflows of the borrowers.

The collection efficiency has improved through the different phases of unlock. The credit profile and asset liability profile of our clients continue to be strong across asset classes, with most NBFCs having provided a COVID-19 overlay on top of regular loan loss provisions.

The RBI introduced a slew of measures to improve liquidity to NBFCs and to support the underlying borrowers, both individuals and enterprises. Liquidity measures included schemes like TLTRO, Partial Credit Guarantee Schemes, while allowing banks and NBFCs to offer moratorium is expected to ease out cashflows at the borrower level.

In FY2020, our volumes in Small Business Loans and Vehicle Finance sectors saw significant growth while volumes from Microfinance continued to be strong. On the products side, securitization, syndication, and investments from our balance sheet continued to be top contributors to volumes.

Long term outlook of all our sectors continues to be strong, supported by high capitalization and continued interest from equity investors.

Key Sector updates

A. Microfinance

The microfinance industry exhibited strong growth in FY2020 despite the credit squeeze witnessed in FY2019 continuing in FY2020. A structurally positive ALM profile of NBFC MFIs, with a shorter asset tenor in comparison to a longer liability tenor, helped the companies override the liquidity challenges during the year. The microfinance sector also witnessed strong equity interest from institutional investors, including the IPO of a large NBFC MFI.

NBFC MFIs typically exhibit recoveries higher than 98-99 per cent in a business-as-usual scenario. Key factors leading to such levels of recovery are social collateral in the group lending model, and borrower discipline.

FY2020 witnessed instances of regional socio-political influences in the North-Eastern part of the country, leading to disruption in borrower discipline in the region. Just as NBFC MFIs in that region started recovering from this impact, the sector was faced by disruption due to a country-wide lockdown following the outbreak of COVID-19.

A challenge witnessed by the sector post announcement of demonetization in November 2016 was a large-scale expectation of loan waivers. Dispelling any such expectations, towards end of March 2020, the RBI allowed MFIs to offer loan moratorium to all borrowers. With an increasing role of self-regulatory bodies in creating awareness about microfinance, credit bureaus and borrower discipline in general, the recoveries post the lockdown and moratorium period are expected to bounce back to 80-85 per cent by end of first half of FY2021, showing further improvement to around 98-99 per cent in the following quarter.

Post November 2016, the microfinance sector witnessed a massive wave of digital transformation during which nearly 85 per cent of the industry transitioned to cashless disbursements. Collections, however, continued to be in cash. The current crisis has presented the sector an excellent opportunity to transition to digital or cashless collections. With a few promising solutions being experimented with during this period, the sector may well be on the verge of a new disruption in the way collections have been historically done by NBFC MFIs.

B. Small Business Loans

India has approximately 63 million micro, smalland medium enterprises with a formal credit penetration of not more than 10%. The sector continues to be a growth sector for Northern Arc given that the underlying unmet demand is huge.

Over the years we have seen hybrid models, heavily backed by technology (mainly from a customer acquisition and underwriting point of view), supported by feet on the street and high customer touch points in terms of employing in-house collection and recovery teams, emerge successful in the sector.

The sector has demonstrated resilience in the last few years given the backdrop of multiple crises including demonetization, GST reforms, the IL&FS crisis and COVID-19.

Collection efficiencies (CE), along with liquidity, ALM and capital adequacy have been especially encouraging for our clients in the sector, during these tumultuous times. CEs of SBL partners improved gradually from April to June 2020.

We believe stringent underwriting as well as high customer outreach and engagement supported by technology has led to better than expected performance across our partners.

MSMEs are growth engines of the economy given their contribution to national output and employment. The Government of India has announced various initiatives under the Atmanirbhar Bharat package with a strong focus on MSMEs, the largest amongst these being the INR 3 lakh crore Emergency Credit Line Guarantee Scheme (ECLG) that provides 100% credit guarantee cover to banks' and NBFCs' lending to MSMEs. Players like the Small Industries Development Bank of India (SIDBI) through their special liquidity schemes and targeted lending to NBFCs catering to MSMEs are further aiming to reduce short term stress caused by the pandemic. Most of the NBFCs lending to MSMEs benefit under the revised PSL guidelines. The sector is also a focus area for impact investors.

C. Affordable Housing Finance

Mortgage penetration in India is estimated to be 10.3% at the end of 2019, increasing steadily over the last few years. While the growth of the housing finance sector as a whole slowed in FY2020, our clients continued to demonstrate significantly higher growth rates.

Our partners in this segment offer retail home loans and loan against property but do not offer construction finance or builder finance. In terms of the borrower mix, our partners in this segment tend to have a larger proportion of self-employed customers who tend to borrow against property for their business or personal needs. Due to the prevailing concerns around portfolio quality and ALM, our focus has been to strengthen to our engagement with existing clients in the segment. Most of our clients have excellent portfolio quality and low leverage.

The slowdown in economic activity affected the underlying borrowers' cashflows and their ability to service the debt. Despite the issues, the sector bounced back from April to June 2020, demonstrating a good pick up in collection efficiencies, reinforcing our faith in the sector.

We continue to believe that performance in the segment will be driven by stringent credit assessment given the informal nature of the borrower segment, process orientation, and a good equity base. Any successful affordable housing finance company will need to invest time and capital in infrastructure, human resources, technology, and control systems. The debt requirement by our clients continues to be strong. The long-term outlook for the sector remains positive.

D. Vehicle Finance

Vehicle Loans constitute approximately 40% of the retail portfolio of NBFCs. Our practice in Vehicle Finance covers NBFCs financing Commercial Vehicles and Two Wheelers. Most of our partners are focused on financing of Used Commercial Vehicles, a sub-segment which has grown over the last decade.

The sales of new vehicles witnessed a slowdown over the last two years due to a reduction in aggregate demand, compounded by postponement of vehicle purchase due to impending implementation of BS-VI norms, increase in insurance costs of two wheeler and passenger segment vehicles and enhancement in axle loan for commercial vehicles.

The growth of used commercial sector continued amidst all these issues. The used private vehicle segment and two-wheeler segment are expected to grow at a higher rate, owing to disruption of public transport during the lockdown and to support social distancing during the pandemic.

Our partners in this segment continue to be a mix of large and small NBFCs. The long-term outlook for growth of our partners continues to be strong due to the large underlying demand, established business models and the continued interest of equity and debt investors.

E. Consumer Finance

The Indian consumer finance market is estimated to be $1.2 trillion; ~ 70% of this demand is met by the informal sector. Consumer credit/GDP ratio of India is under 13%, which is very low by international standards. Large financiers find it difficult to offer convenient, customized, quick and affordable credit to individual consumers due to the high cost of delivery. Banks are active in the credit card segment and through this platform they finance purchase and consumption finance. EMI based consumer finance is around 15% of the total market, which is largely served by NBFCs.

Northern Arc's exposure across asset classes is guided by the strong sector specific underwriting guidelines. Based on past three years of learnings, Board-approved underwriting guidelines for the consumer finance sector were put in place at Northern Arc in FY2020. The guidelines define evaluation and eligibility criteria for the originators to be onboarded as our partners in the sector.

Our partners mainly lend to new-to-credit and underbanked population who usually require small ticket loans, customized repayment structure and quick turnaround for managing their short-term consumption requirements. The customer base is different from that of the incumbent consumer finance lenders. Our partners are hence are able to increase access to finance for the "Next Billion" and the "Aspirers".

A majority of our partners in the sector raised fresh equity from new and existing investors to support their growth in FY2020. Investments by mid-stage PEs and strategic investors indicate the increasing maturity and opportunities for the sector. The sector also garnered some interest from impact-focused investors through the year. Capital market transactions gained traction in FY2020, supported by Northern Arc's structuring expertise. We expect a steady growth in our client base and volumes in the sector in the coming years.

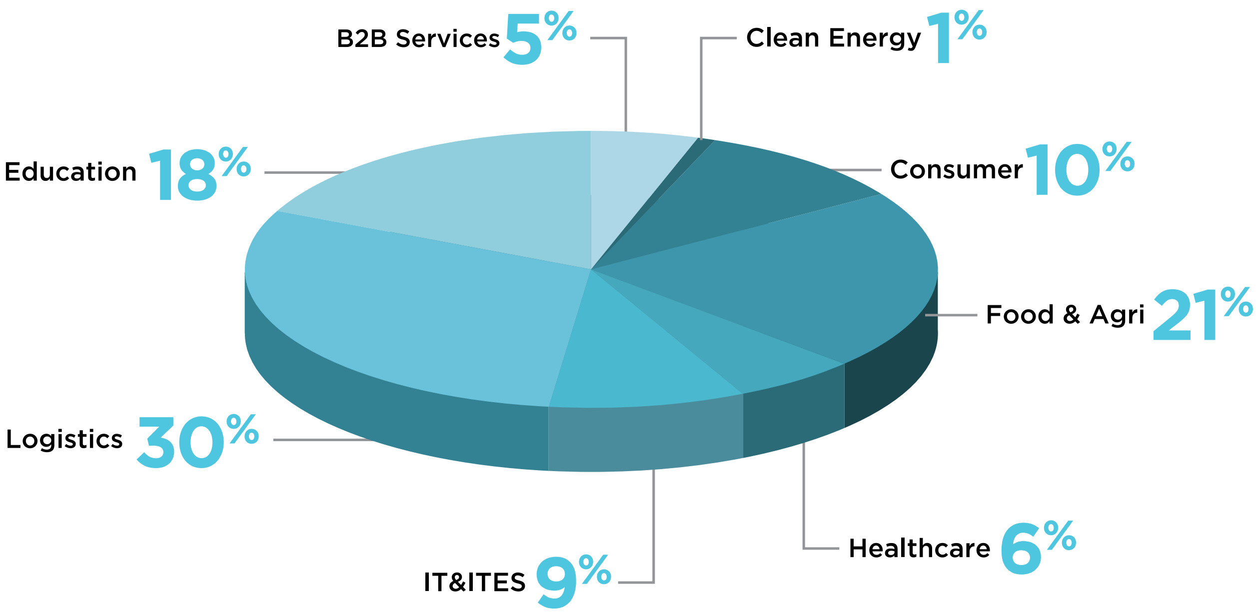
MID-MARKET CORPORATE LENDING

Mid-Market Corporate Lending is a key part of Northern Arc's strategy to diversify its business by tapping into the non-financial services businesses across various sectors of the economy like Logistics, Healthcare, Clean Energy, Education, Food & Agri, Services etc. In the past, our SME Lending vertical addressed the debt financing requirements between INR 1 crore and INR 5 crore, and the Corporate Lending business sought to service companies with greater scale and larger funding requirements. Given that there were synergies between the two businesses and the credit underwriting philosophy and processes were fundamentally similar, we have merged the two businesses to form the Mid-Market Corporate Lending business.

The Mid-Market Corporate Lending business serves high growth businesses that are backed by quality promoters and management teams but remain unbanked or under banked and ignored by the mainstream banking system for reasons such as lack of hard collateral, vintage, size, past profitability etc. Our financing in the form of Term Loans or Working Capital loans is towards serving the growth capital needs of these businesses. We cater to credit requirements of such businesses through specialized credit underwriting processes centred around a deep understanding of the business, underlying sector, detailed cash flow analysis and other hygiene factors such as internal controls and governance structures.

The ticket size in this segment can go up to INR 25 crore with tenors ranging from 12 months to 48 months. Our underwriting thesis for this business is in line with our mission of enabling finance for credible businesses and follows our skin in the game underwriting approach wherein we lend first to these businesses from our balance sheet and over time enable access to debt markets for these clients from a diversified base of investors using innovative structures. For example, in FY2020, we arranged the maiden NCD issuance by one of our corporate borrowers (we were first lenders to this client) in the education space which was subscribed by a credit fund and also enabled long tenor capex financing by a private sector bank in one of our logistics clients (our borrower for over 3 years).

Since inception of this business in FY2017, the Mid-Market Corporate Lending business has enabled financing of over INR 900 crore across more than 120 transactions. This segment will continue to provide greater diversification to the Northern Arc portfolio, while generating superior risk-adjusted returns.



Term Loan – 59%
Working Capital -41%

Financing Enabled so far in this asset class – INR 750 crore

clients that have completed the loan tenor (and made full repayment) – 10

Live Relationships – 22

DPD > 0 days : Nil

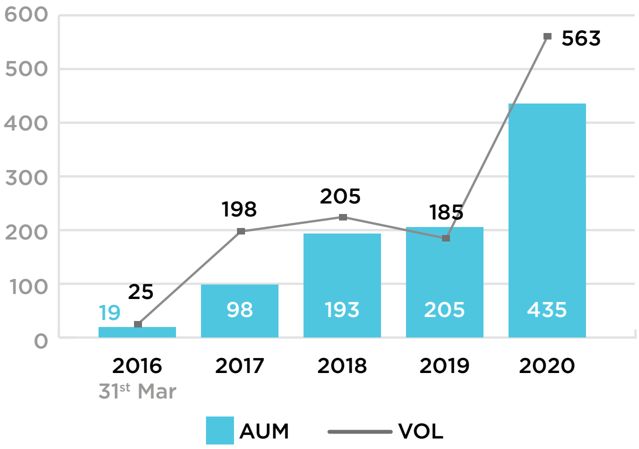
Average Ticket size - INR 11 crore

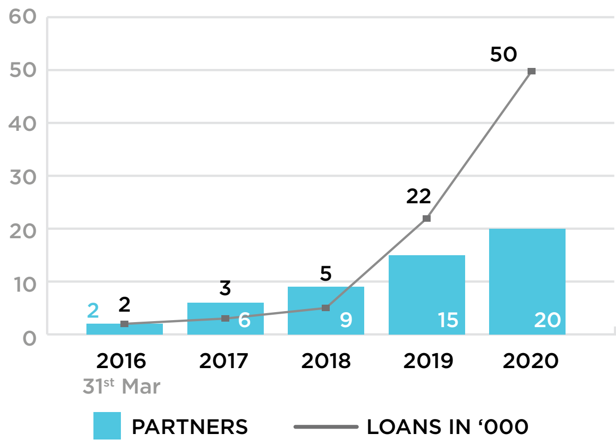
DIRECT ORIGINATION

Direct Origination is Northern Arc's foray into the retail lending business through its co-lending partnerships with NBFCs and financial technology ("Fintech") platforms. Our goal is to create a win-win situation by combining the sourcing and distribution muscle of quality originators in the retail space with the underwriting expertise and balance sheet strength of Northern Arc. The loans originated by the partner are substantially or entirely taken on Northern Arc's books, allowing the partner to focus its attention on its own strengths and optimise the utilisation of its capital. The mission of the business is to enable lending using a fully integrated technology platform that provides ease of access, speed and simplicity to the end customer, and enables scaling up seamlessly, while ensuring full compliance with regulations.

We have a diversified product suite in the Financial Institutions space and with logistics companies on the non-Financial Institutions side that includes Secured and unsecured MSME (be in the form of term loans, working capital loans, machinery finance or merchant cash advances), Consumer and Personal Loans, 2-Wheeler Loans and Microloans (through Joint Liability Groups) among others. We lend pan-India through 20 originator partners across the co-lending, platform originators and BC models which include NBFCs, Fintech and non-FI originators. The portfolio comprises of loans having ticket size from INR 5,000 to INR 50 lakh. Typically, Consumer and Personal Loans go up to INR 2 lakh while Small Business Loans range between INR 2 lakh to INR 1 crore.

Started in January 2016 with 2 partners and 2 sectors, the DO business has grown to 20 partners disbursing more than INR 1200 crore to more than 1,50,000 customers across 5 sectors.





Our state-of-the-art loan origination co-lending platform has the capability to integrate end-to-end processes from loan origination to delinquency management with DO partners.

Orgination
Partnership with multiple B2B platforms

Credit Assessment
Credit underwriting using traditional and transaction data

Fraud Check
API integration for Hunter, FCU and other Databases

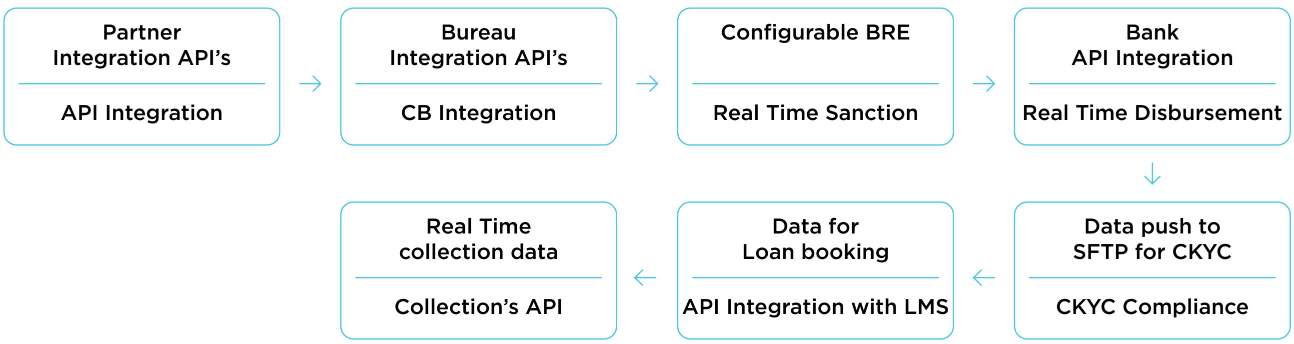
KYC & Doc Fulfilment
API for iden check, CKYC eSign & FI with vendor integration

Collection
Collection API stack. Post disbursement monitoring update.

Analytics and BI
Business Intelligence and Analytics tool.

Technology serves as both, a Growth Engine and a Risk Analytics backbone

- Customisable Loan Management System and State-of-the-Art Loan Origination System
- API Stack – Customer Information – Identification, Loan Information, Credit Conditions (Business Rules Engine)
- Risk analytics at the back-end on rich customer and partner data across products, sectors, geographies
- Customisable Business Rules Engine that can be configured by lenders on the platform
- Faster go-to-market strategy – using our cloud-based architecture



Northern Arc sees itself as an NBFC with strong technology backing which is closer to the realm of Fintech than any of our peers. Our dedicated 30+ member team combines digital focus, tech expertise, sector understanding and banking experience. With our unwavering focus on the retail lending space, we have set our sight on manifold portfolio growth in the near- to medium-term.

MARKETS & INVESTOR RELATIONS

FY 2020 was yet another monumental year in the history of Northern Arc Capital towards attaining its mission of ‘building an efficient and reliable marketplace for the unbanked and the underserved institutions in India’. The Markets team played a pivotal role in making Northern Arc a preferred choice for all its stakeholders through continuous engagement and by providing best-in-class services. A strong testament to our hard work, inspite of the challenging market conditions, was successfully onboarding our marquee investor partner, The Sumitomo Mitsui Banking Corporation (SMBC) as an equity investor in Dec 2019.

A deep dive into the Indian Market in FY 2020

The Indian Debt Capital Markets in FY 2020 have been nothing short of a roller-coaster. The market was still recovering from the liquidity crisis that started in September 2018, only to be hit by a domino of major NBFCs defaulting. As a result, the first half of the year witnessed muted credit growth as investors were cautious and watchful towards balance sheet lending. In contrast to the first half, we witnessed an uptick in investor sentiment as investors were able to recognize that the defaults from three NBFCs were isolated events, and fundamentally, there was merit in investing in the broader NBFC sector. The year witnessed a significant change in the mix of active investors with public sector banks leading the race. This was because Public Sector Banks (PSBs) were given the responsibility of providing the required credit boost in the market through several initiatives of the Government of India, including the Partial Credit Guarantee schemes. Owing to these schemes coupled with an aversion to direct lending, the structured product market emerged as investors’ top favourite. We witnessed the market promptly sway towards structured products including PTCs, DA, Credit Enhanced Loans and Bond Issuances. Sell downs helped NBFCs partly overcome the difficulties faced in fundraising and also improving their ALMs. However, we witnessed overall stress in credit result in an increase in yields for a few sub-sectors, specifically HFCs.

From an investor standpoint, given the slim liquidity position in the market, our focus gradually shifted from widening our investor base to a very curated investor consolidated approach. We worked towards achieving horizontal diversification across investors by introducing newer products and structures along with assisting our investor partners with tighter monitoring of their investments and the underlying clients. A regular information flow to investors through focused meetings, webinars, group sessions were highly appreciated by Investors at all times, and especially during uncertain times. Our risk and monitoring teams worked round the clock to ensure that we had a sound understanding of the ground-level operations as well as financial updates for every client, including asset-liability mismatches and static liquidity analysis as well as portfolio quality indicators. The idea was to help the investors re-build confidence in the sector by assisting them in identifying fundamentally stronger and well-governed clients and by posing as a one stop-shop for their future investments in the sector.

In terms of volumes, we saw a healthy mix of market placements – across PSL as well as Non-PSL securitization transactions, capital market (bond) placements, as well as offshore bond placements across asset classes with a wide gamut of rating, ranging from un-rated clients all the way to AA+. Our volumes were supported by several securitization transactions with underlying assets, predominantly ranging from unsecured microfinance loans to secured asset-backed and housing loans. We ramped up securitization for gold loans as an asset class, which was received very favorably in the market. Our pooled loan/ bond issuances are credit enhanced structures that allowed investors to take balance sheet exposures at a much lower risk. Such structures witnessed warm acceptance and were a big hit given the prevailing credit conditions.

During FY2020, we onboarded multiple higher rated, strong-on-liquidity clients who relied on us for closing higher tickets deals, such as the NBFC arms of one of the largest financial services groups and one of the largest industrial groups in India. From the beginning of the year, we undertook a strategic approach to tap into the PSB investor base, which had the appetite for structured finance transactions. We placed more than INR 17 billion worth of the pools for one of these large NBFCs across 2 PSBs via Direct Assignment, a first for both the originator and the investors.

We also focussed on forging deeper connections with our offshore investors throughout the year. Though a very dedicated approach, we successfully onboarded 3 new offshore investors and at the same time, we worked towards penetrating a lot deeper with our existing investor base by discovering newer impact/ thematic funds within our existing set of investors – culminating into more solid relationships and a higher number of touchpoints across the globe. We also signed our first exclusive MOU with an investor for its upcoming India focussed fund. Additionally, we were also successful in scaling our structured products to the offshore segment - we closed the country's first Pooled Bond Issuance with a Spanish fund in August 2019.

For FY 2020, **the total count of investors that have participated in transactions structured by Northern Arc stood at 73**, spanning the entire spectrum of investors, viz., Banks, NBFCs, HFCs, Mutual Funds, International Funds, Development Finance Institutions (domestic as well as international), private wealth advisory firms, Small Finance Banks, and insurance companies. While not all institutions from our investor base participated in transactions this year, we were successful in increasing our wallet share for most of our active investors. In aggregate, FY 2020 witnessed a placement volume of ~INR 115 Bn across our 70+ investors.

Our successful efforts in all of the above reinforced our confidence in our aim to innovate and broaden our product offering. Having ridden out the storms through the year, we were geared up to end the year on a high note by clocking a significant year on year growth, until the COVID 19 pandemic hit us in March 2020, normally the busiest time of the year. The spread of the pandemic and nationwide lockdown disrupted economic activity and as a pre-emptive measure, most investors decided to freeze lending until the impact of the crisis was clearly understood. It is worth mentioning here that Northern Arc has previously encountered demonetization, multiple catastrophic natural calamities, numerous credit crises, liquidity stresses and has proven resilient and come out stronger from such challenges. However, the COVID situation is unprecedented as the nature of this crisis threatens the very ability of businesses--originators and underlying borrowers alike--to remain as going concerns. There have been multiple signs of support from the RBI and the Finance Ministry, like extending moratorium, easing liquidity through TLTRO and PCG schemes, the Atmanirbhar Bharat package, Special Liquidity Schemes and Refinance Schemes to name a few. We continue to remain positive on the sector and the work we do in stepping up as a lender and a market-maker for our partners, to help them in times like these.

To summarise, we at Northern arc Capital, believe that in a crisis event like this, we have a significant role to play as market makers by supporting our originator partners and delivering rightfully to our investors. Our efforts this year have been focussed on mobilizing private debt through client as well as investor-friendly structures. We have broadened our investor base to support our originator partners. We feel the entire impact on the sector is yet to be determined as the crisis unfolds, but at the same time, we as Northern Arc, will continue to strive towards making a difference as we sail through in these uncertain times guided by the northern star. In the words of Martin Luther King- ***"We must accept finite disappointment, but we must never lose infinite hope"***

STRUCTURING NEW PRODUCTS

With a motto to outperform FY2019 and scale up, FY2020 started for us with a big bang with the deal volumes in the first half of FY2020 increasing to more than twice that of the deal volumes in in H1 of the previous fiscal. This was supported by significant investor appetite for portfolio transactions such as securitisation and direct assignment which NBFCs leveraged to raise financing in a market where the risk appetite for balance sheet lending was limited.

While H1 witnessed strong performance, the spread of the Covid-19 pandemic in Q4 FY2020 and the nationwide lockdown announced by the Government of India in March, which is usually the busiest month for the financial services industry, derailed many potential transactions as investors wanted to evaluate the impact of the pandemic before taking any fresh exposures, particularly in portfolio transactions. Despite lower than expected volume of securitization transactions, the Indian securitization market witnessed robust volumes for the second consecutive year.

Northern Arc Capital closed 112 securitisation transactions (169 including Direct Assignment transactions as well) for our partners, and in most transactions, we participated as a subordinate investor. Northern Arc Capital has leveraged its state-of-the-art technology platform NIMBUS to facilitate these transactions with minimal manual interference, high efficiency and ensured timely access to efficient debt capital for clients. The total funds raised for our originator partners, utilizing our unique platform experience was ~INR 4800 crore, solely through the securitization route (~ INR 8,600 crore including Direct Assignment transactions as well).

In testing market conditions, our platform has shown exemplary resilience, enough to develop new products in the securitisation space and at same time helped our originator partners in raising funds and easing out the liquidity pressures. Northern Arc worked as arrangers for 64 of the Originators (including many first-time participants that were introduced to the securitisation market by Northern Arc Capital) during FY2020.

FY2020 presented Northern Arc Capital with opportunities to securitize loans belonging to various new asset classes. In order to cater to the investor requirements, Northern Arc Capital launched products in asset classes like Personal loans and Consumer Durables. The launch of newer products is in line with Northern Arc Capital's endeavour to expand its product base to enable small originators to get funding from a newer investor base, thereby creating new markets.

The year gone by will also remain etched in the memory of the market as the year in which Northern Arc fully utilized the regulatory product ecosystem building capabilities and introduced marquee and much awaited products like Trade Receivables Securitization. Northern Arc enabled India's first securitization transaction of invoice-backed trade finance receivables; the product was designed under the provisions of the SEBI guidelines for listed Securitized Debt Instruments. The unique structuring of the transaction helped in meeting the investor requirement of a 12-month asset from the underlying loans which have a tenure of just 2-3 months. Also, this was the first ramp-up structure envisaged in the market. The trade receivable transactions provide a huge potential to venture into a fairly new untapped market for Northern Arc Capital.

The Structured Finance & Products desk at Northern Arc has been consistent in designing structures along with delivering seamless experience of deal structuring and execution process to our partners. One of the key aspects that we focus on is to maintain strong counter-party relationships with the ecosystem of trustees, rating agencies and legal firms, and ensuring high level of professionalism in conduct. We have also been in discussions with regulatory authorities and stakeholders with the aim of developing the market and bringing it at par with international standards. Another key focus area for us is to ensure the timely completion of all legal and regulatory compliances to ensure that there are no hiccups post a transaction settlement as well. With the strong technological thrust within the ecosystem of Northern Arc, efficiency and operating leverage is bound to increase, and this would be fruitful in setting up the future course for the company in particular, and the securitisation market in general.

TREASURY

Treasury management at Northern Arc involves debt capital raise, relationship management with lenders and various market participants, financial reporting, liquidity risk management by way of asset liability management, interest rate risk management, short term investments and asset sell down among others.

As a part of asset-liability management, treasury actively manages liquidity and interest rate risk. Liquidity risk relates to loss in the event sufficient liquid assets will be unavailable, or will be available only at excessive cost, to meet the cash flow requirements of obligations when they are due. In this context, the company has a suitable liquidity risk management framework in place, the purpose of which is to ensure availability of adequate liquidity to meet upcoming repayment commitments as well as liquidity for on-going business requirements. Further, the company's Asset Liability Committee (ALCO), which comes under the purview of Finance Committee, regularly monitors the liquidity position and ensures that liquidity is managed in accordance with the ALCO policy, approved by the board.

In November 2019, Reserve Bank of India issued new guidelines on liquidity risk management framework, in order to strengthen the Asset Liability Management (ALM) framework applicable for NBFCs. Apart from re-defining ALM maturity buckets and tolerance limits on mismatches, the guidelines also stipulate adherence to Liquidity Coverage Ratio (LCR). LCR mandates the maintenance of adequate liquidity buffers in the form of High-Quality Liquid Assets (HQLA) to survive any acute liquidity stress scenario lasting for 30 days. Such LCR requirement will be binding on Northern Arc once the company has assets exceeding INR 5,000 crore or December 1, 2020 whichever is later. The minimum LCR to be maintained as of December 1, 2020 (if the asset size is INR 5,000 crore) is 30 percent and the same increases progressively to 100 percent by December 1, 2024. Northern Arc is currently working on meeting the requisite liquidity coverage, in order to be compliant once the company reaches the asset size of INR 5,000 crore.

The company also undertakes measures to actively manage the interest rate risk on our balance sheet.

Interest rate risk is the risk of loss resulting from movements in interest rates and their impact on future profitability and cash flows. Northern Arc follows duration gap analysis to measure and control the interest rate risk with the duration gap being the difference between the duration of assets and the duration of liabilities. The company has a defined internal threshold for equity duration (impact on return on equity due to movement in interest rates) and monitors it on an ongoing basis. Given the floating rate nature of loans linked to an internal benchmark i.e. Floating Benchmark Linked Rate (FBLR), we expect the same to provide a buffer against any adverse interest rate movements in the future.

Liability management

The NBFC sector went through challenging times in FY 2020, on account of tight liquidity leading to asset liability mismatches and growth challenges. Liquidity available to the sector witnessed sharp contraction in FY 2020 vis-à-vis previous financial years particularly from capital markets. However, due to prudent internal measures, stringent asset liability management policy, efficient capital management and limited dependence on short term borrowings, the company was able to successfully navigate the liquidity challenges that the sector faced.

Northern Arc, amidst the uncertain and challenging times, raised a cumulative of INR 2,148 crore from 33 lenders, including 14 new lenders during FY 2020. The company, over the years has taken active measures to broaden and diversify its funding profile in order to tap into new avenues of funding. In this context, FY 2020 has been a year of several firsts for the company as summarised below

- The company tapped into private wealth/HNI segment for the first time and raised INR 135 crore
- Company's first market linked debentures were issued in October 2019
- Northern Arc initiated discussions with several offshore funds and Development Financial Institutions (DFIs) to raise funds. The Company received and drew down sanction from an offshore fund in March 2020, after the beginning of COVID-19 related lockdown, with sanctions from several other DFIs in advanced stages. We believe that the DFI segment is going to be an important part of Northern Arc's overall liability profile in the coming years, as the company's mission of enabling finance to low-income households is closely aligned with that of the mission of these lenders
- Northern Arc also tapped into domestic development financial institutions for the first time in FY2020, thereby adding two new lenders in the segment

In addition, the Company has also raised liquidity by undertaking a periodic sell down of assets held on balance sheet (loans, bonds, pass through certificates and investment in AIF units). Such sell downs, while generating liquidity, also help to improve price discovery, build visibility for our assets in the market and manage liquidity and capital efficiently. During the year, in the first such transaction with one of the largest commercial banks in the country, the Company has assigned a total of INR 153 crore of assets to the bank through a direct assignment transaction. Cumulatively for FY 2020, the company generated liquidity of INR 286 crore by way of such assignment/sell downs.

The company's overall cost of funds increased by approximately 100 bps to 10.83 percent for FY 2020, driven by higher cost of borrowings on account of tight liquidity. The company's lending rates are determined by a Floating Benchmark Linked Rate (FBLR) policy under which the company publishes its benchmark rates every month, thereby ensuring that the borrowing costs are suitably transmitted in lending rates. Consequently, while the company's interest expenses, on standalone basis, increased by 2.4 percent in FY 2020, the interest income rose by 11.5 percent.

During FY2020, Northern Arc Capital raised INR 248 crore being the second tranche of equity capital following the raise at the end of FY2019, from marquee investors, viz., IIFL Special Opportunities Fund and its series, Affirma Capital and Sumitomo Mitsui Banking Corporation, signalling confidence of the investors in the business and management of Northern Arc Capital to navigate uncertain times in the industry. The equity infusion helped us expand our capital base, providing us the ability to participate in larger ticket transactions. Aided by equity infusion, we ended the year with close to INR 1500 crore of net worth, on standalone basis, a critical threshold in the financial services industry.

All the aforementioned factors have resulted in company's on-balance sheet liquidity increasing from about INR 182 crore as of March 31, 2019 to close to INR 400 crore as of March 31, 2020 (including unutilised cash credit lines). Further, prudent liquidity management has ensured that the company has positive cumulative mismatches in all the ALM maturity buckets as stipulated by RBI for the next five-year period.

Our ability to raise capital by way of debt, equity and sell downs while managing the interest rate risks amidst uncertain times has resulted in availability of adequate liquidity at all times to meet any scheduled as well as contingent liabilities.

RISK MANAGEMENT

Overview

FY2020 saw considerable macroeconomic uncertainty, particularly for the NBFC sector. GDP growth projections were revised downwards by multiple agencies owing to a tight credit market impacting fresh investments, weak capital expenditure and a slowdown in manufacturing. Large parts of the NBFC landscape saw continuing challenges to raising funds, growing business and maintaining asset quality. The relatively slow GDP growth estimated till Q3 of FY'20 now sounds like a miracle after being engulfed in the COVID-19 pandemic. In the second half of March 2020, India went into a nation-wide lockdown. The full lockdown lasted up to 3 May 2020. Thereafter, varying forms of hard lockdowns have continued in states that have had large number of COVID-19 cases — across the states, or in what are called the 'red' districts or containment zones in various cities.

The economy is expected to take a massive hit in FY2021. Some estimates suggest that India's real GDP growth will fall from around 4% in FY2020 to around (-)5% in FY2021. This can be the deepest contraction that India has seen in decades. The economy saw a wasted first quarter in FY2021; there are signs it will slowly recover in the second quarter which is expected to be followed by further improvement in the latter half of the year.

Northern Arc continues to respond to these challenges by following robust Risk Management practices, leveraging on its close-to-the-ground monitoring, data analysis and predictive financial models. Focus on all the risks identified under the Enterprise Risk Management Framework, including Credit, Market & Liquidity, Operational, Reputational, Compliance, Conduct, Information Technology & Information Security, Strategic & Regulatory and Government Policy related risks is enabled by easier access to more organized data on the Technology platform Nimbus and Oracle Financials, particularly pertaining to Credit, Liquidity and Operational Risks. This is helping the management to make decisions and take appropriate actions to contain, manage and mitigate risks suitably.

Risk Governance

The overall risk strategy and direction of Northern Arc continues to be enunciated by the Board of Directors and overseen by the Risk Committee of the Board (RC) and the Finance Committee (FC). Policies approved from time to time by the Board of Directors, RC or FC in consultation with executive level committees, viz. the Credit Committee (CC) and the Asset Liability Management Committee (ALCO), constitute the governing framework for various types of risk and business activities undertaken within this framework.

All the policies, processes, guidelines and products are reviewed regularly and updated at frequent intervals to take into account evolution in the micro and macroeconomic environments.

Credit Risk

Credit risk assessment and monitoring continues to constitute a major part of overall risk management. The primary objective of credit risk management is to maximise risk-adjusted return on capital by maintaining a high-quality asset portfolio and managing the credit risk inherent at the individual exposure level and at the portfolio level. Strong emphasis is placed on evaluation and containment of risk at the individual exposure level and analysis of the portfolio behaviour. Strong Relationship Management not just to leverage business opportunities but focusing identifying risks early, experienced Credit and Risk teams assessing risks based on ground-level monitoring and data analytics help credit decisioning and continuous monitoring.

The contours of credit risk assessment are defined by comprehensive policies, underwriting guidelines for all approved sectors we take exposures to and Products with identified risks, possible mitigation and management. Besides well-defined procedures for credit approval, there are robust mechanisms to monitor and review existing credit exposure at the portfolio and individual level.

Portfolio level performance, including delinquency, is tracked very closely at regular intervals with main emphasis on detection of early warning signals of stress. A monthly Early Alert process is the cornerstone for our pro-active risk management before exposures become delinquent. The RC regularly reviews the adherence to sector, borrower and group exposure limits and impact of the stress scenarios. All the sectors are analysed in detail to suggest strategies considering both risks and opportunities.

We have seen certain credit risks crystalizing during the year in the FI and SME spaces. These were resolved to a large extent and in other cases are in the process. Northern Arc's Early Alert process to identify issues early, take corrective actions and reduce exposures where necessary, and the ability to handle stressed exposures to minimize ultimate credit losses are tested well. This helps build confidence in our ability to handle the entire credit risk life cycle and make optimum risk-return decisions for maximizing returns.

During FY2020, Northern Arc continued its focus on the strategic objective of risk calibrated profitable growth. This involves assessment of asset quality on a regular basis, making provisions for regular and impaired assets under Ind AS and recognizing fair values of assets considering credit, interest rate and market risks. For this purpose, Northern Arc has implemented Expected Credit Loss (ECL) models across its portfolio which take into account historical performance of portfolios, current market conditions and outlook to arrive at a fair representation of asset quality and value.

To account for possible impact of Covid-19, lockdowns and moratoriums, several assumptions were made to stress the portfolio and estimate losses in severe but plausible scenarios to arrive at a Covid Overlay on ECL models to represent fair asset quality and value. This exercise also helped reviewing sufficiency of capital to support business in these scenarios. Financial modelling and data analysis capability of Northern Arc in supporting choices made for stress tests demonstrated the skill sets and accumulated learning and knowledge in these areas.

Liquidity, Interest Rate and Market Risks

With a view to limit exposure to liquidity and interest rate risks, risk limits are specified with the approval of the FC and Board. Northern Arc's ALCO reviews on a monthly basis benchmark rates, borrowing mix and liquidity, funding and currency risk, and monitors the actual risk positions. Based on these requirements, steps are taken to maintain a safe distance from these risks in accordance with the specified levels. The ALCO lays down a broad framework for liquidity risk management to ensure that Northern Arc is able to meet its daily liquidity obligations as well as to withstand a period of liquidity stress from industry, market or a combination of them. The liquidity profile is analysed on a static as well as on a dynamic basis. The Asset Liability Management (ALM) position is being regularly reported to FC and to the RBI.

Interest rate risk is the risk of possible change in portfolio value due to interest rate fluctuations. Northern Arc manages interest rate risk by adopting a floating rate mechanism by linking the lending rate of interest to Floating Benchmark Lending Rates for various tenors, which are reviewed monthly, and when necessary, at shorter frequency, with changes in cost of funds. The interest rate risk management and cost of funds movement transmission mechanism are effectively monitored.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. During the year, Northern Arc made significant progress in putting in place a robust Operational Risk management system for identification, assessment, review, control and reporting of key operational risks. This is now integrated with the technology platform Nimbus with a clear segregation of functions, clear reporting structures, well-defined processes, operating manuals, staff training and strong audit trails to control and mitigate operational risks.

Risk registers across various functions and processes are implemented for assessment of likelihood and vulnerability of threats, and evaluation of their acceptability based on existing controls with quarterly testing and monitoring of Compliance.

New product notes prepared by business units are reviewed by all concerned departments including Compliance, Risk Management and Legal. Measurement and reporting are also achieved through the various management information systems (MIS), providing easily retrievable information, intertwined with each operational process which are generated and monitored regularly.

Other Risks

The Company has a well-designed Business Continuity Plan (BCP), whose effectiveness was tested and confirmed by ability to switch to complete work from home for the entire organization for more than 3 months.

Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy are in place, which helps to prevent Northern Arc from being used intentionally or unintentionally by criminal elements for money laundering. The risk management framework emphasises proper analysis and understanding of the underlying risks before undertaking any transactions and changing or implementing processes and systems. This enables a proper assessment of all risks and ensures that the transactions and processes conform to the risk appetite and regulatory requirements. Regular training conducted by Compliance help develop and spread this knowledge across the organization.

Overall, Risk Management at Northern Arc has made significant strides in the year to face challenges and to support business growth with robust Risk-Return decision making capability, proactive identification and management of all relevant Risks and Product development for innovative structures. Challenges are expected to be severe in the coming year but we are equipped and prepared to face these challenges with robust Risk Management Strategy and practices.

TECHNOLOGY

Since its very inception, Northern Arc has sought to make an impact in the financial inclusion space, by anticipating customer requirements and becoming their partners in progress. We have been constantly innovating in the financial space and are at forefront of developing innovative solutions for meeting our customers' debt financing needs. Over the last few years, we have increasingly focused on leveraging cutting-edge technologies to improve customer experience and the customer journey.

The increasing scale and diversification provides both an imperative and an opportunity for Northern Arc to evolve into a digital financial services company, bolstering efficiency along the way, and staying ahead of the curve with respect to technology and risk management. With that in mind, Northern Arc has created a proprietary digital platform called Nimbus to codify, digitize and disseminate the intellectual capital and execution capabilities for our lending and placement business.

Nimbus enables access to diverse financial products for enterprises and individuals in a seamless, efficient and convenient manner. The platform aims to bring together a diverse set of investors (domestic as well as international) and debt seekers to a common, curated platform.

Nimbus 1.0 was launched in September 2018 with the aim of developing a single, comprehensive, integrated data source for the enterprise and transforming information into insights. This entailed digitizing and automating all internal business processes and operations to optimize and make our business efficient. The other major focus of Nimbus 1.0 was to integrate all third-party tools and software to converge on a common platform. API integration with our Direct Origination partners and automated disbursement process for consumer loans were a game changer in the financial services industry.

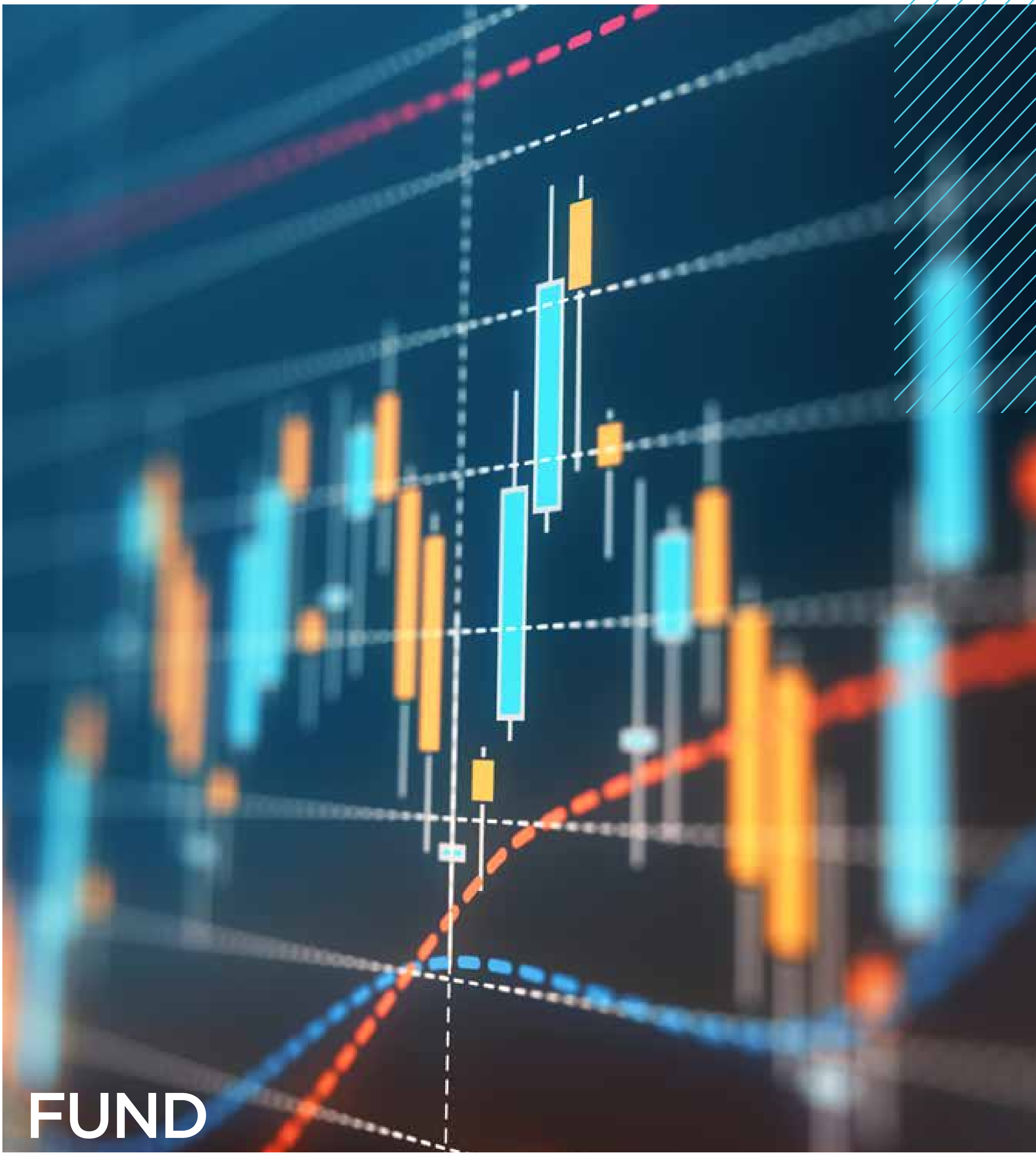
On the Originator side, the Onboarding process, Risk Monitoring and Analysis are completely digitized, and data is captured at a granular level. Exposure related processes, compliance checks, limit validation and deviation management for all products, (be they loans, non-convertible debentures, securitization) or direct assignments, are digitized end-to-end. Various dashboards for Credit, Risk, Exposure etc. have been implemented, providing real-time data and adding to transparency. Going beyond just exposure monitoring and management, the Enterprise Risk Management Framework implemented on Nimbus encapsulates the identification and pro-active management of all types of risks in the business. Nimbus extends to the liabilities side of the balance sheet by automating all Treasury processes. The Analytics platform on Nimbus enables granular analysis by slicing and dicing portfolio data in multifarious ways.

With our own processes codified on a cutting-edge technological platform, we had set our sights on further improving value to our clients and investors by raising the game across our entire ecosystem. We thus conceptualized Nimbus 2.0, which extends the rich functionality that we use internally to our stakeholder-partners such as Clients, Investors, Credit Rating Agencies, Legal Advisors, Trustees, Auditors etc. Functionalities tailored to each of the stakeholder groups are being rolled out, and very soon, our clients and investors will experience the seamless and flawless execution of their transactions with greatly reduced turnaround times.

Northern Arc aims to become a completely digitally run enterprise. Over the last couple of years, we have embraced the cloud and migrated entire application sets to our private datacenter on the cloud. This has enabled flexibility, scalability and a cost-effective solution to achieve business continuity. This choice of technology architecture was instrumental in seamlessly enabling Work-From-Home for all our employees upon the COVID-19 pandemic breaking out: besides making all applications available remotely, we were able to get our connectivity and collaboration platforms scale on demand and cope with the new paradigm of high bandwidth video-based collaboration both within the organization and with clients, investors and other stakeholders. The biggest validation of our digitization and BCP preparation was the ease and transparency with which each and every employee could seamlessly continue their work by collaborating across functions.

Northern Arc also has put an overarching information security policy, processes and practices in place as cloud adoption is very high. We have been carrying out quarterly vulnerability assessment programs and periodic penetrations tests to validate the security posture of the company. A comprehensive SIEM (Security Information and Event Management) solution has been implemented. BCP drills and IS audits are conducted as per regulatory norms. Periodic InfoSec training is conducted for all employees to remind them to remain vigilant to spear-phishing, business email compromise and other cyber threats as they increase with increased cloud adoption. Application security has been improved by implementing API gateway which restricts the exposure to public network. All this is achieved through strong inhouse technology team comprising of software architects, developers and cloud engineers.

Technology is ever evolving and keeping at the cutting-edge is a perennial journey. Our ability to provide uninterrupted services and scale up instantaneously to meet the demands imposed by the COVID-19 pandemic demonstrate that our decision to put IT resilience at the core of IT strategy has certainly set us in the right direction.



FUND MANAGEMENT

Northern Arc Investment Managers Private Limited (NAIM) closed FY2020 with total commitments raised of INR 1,621 crore and a total unique investor tally of 163 – covering corporates, domestic financial institutions, private wealth investors, and offshore investors. FY2020 was another year of strong performance which is testament to the faith our investors repose in our credit underwriting and excellence in the discharge of our fiduciary responsibilities as a fund manager. NAIM's business has continued to build resilience this year as well by diversifying its product suite and investor base – including through the addition of marquee names to our investor base. Following on the heels of a stressed market environment in FY2019, FY2020 was a testing time for all businesses on account of an uncertain global business environment and the Covid-19 pandemic. Despite the tough market environment, NAIM demonstrated resilience in terms of delivering superior risk-adjusted returns for senior investors across funds, signing on new investors, diversifying its existing investor base, and launching two new funds during the year, both of which successfully completed first closes. In addition, the existing rating of all funds managed by NAIM and rated by CARE Ratings, were reaffirmed by the rating agency.

Products and Investor Relations

During the year, NAIM was appointed investment manager of Northern Arc Income Builder Fund – Series II (NAIBF), a category II AIF and NAIM's second private wealth focused fund. The fund targets delivering superior risk-adjusted returns through investments in tax-efficient instruments and across diversified sectors. NAIBF is a successor fund to NAIM's 6th fund (the IFMR FImpact Income Builder Fund), the 9th AIF offering from the NAIM portfolio and an important step forward in expanding NAIM's private wealth product franchise.

The Northern Arc India Impact Fund (NAIIF) – NAIM's 8th AIF and 1st offshore fund – successfully completed first close in February 2020 raising capital commitments of close to INR 170 crore. We have marquee offshore names acting as anchor investors for NAIIF, the very first NAIM fund that has been offered for offshore subscription. Fund-raising efforts are on from both offshore and domestic investors for this fund.

In December 2019, NAIM made a full exit from its 3rd AIF and the first to mature in its portfolio – the IFMR FImpact Medium Term Microfinance Fund. The fund weathered multiple external events in its short 3-year term such as demonetization (November 2016), the implementation of GST (July 2017), and an extended tight liquidity scenario (Sept 2018 onwards). Despite these headwinds, the fund delivered stellar returns for investors and maintained excellent portfolio quality. At the end of its term, the fund surpassed the initial returns guidance by 100 bps and successfully returned investor principal in full. In an environment of uncertainty and widespread deterioration of credit quality, this successful exit of an AIF is a testament to NAIM's fund management and underwriting capabilities.

In addition, NAIM's open-ended category III fund – Northern Arc Money Market Alpha was successful in consistently surpassing the returns target for its investors and has seen re-investments from multiple investors.

In FY2019, NAIM had worked with CRISIL to develop India's first credit rating product for AIFs - a credit opinion on capital protection available to AIF-unit holders. In FY2020, CRISIL assigned a rating of AA+ (SO) to the Northern Arc India Impact Fund at 10% first-loss protection. This is a remarkable outcome factoring in the tough external environment and available comparables. This rating provides us with a valuable third-party evaluation of the risk-return on our funds and sets an industry benchmark.

During the year, CARE Ratings reaffirmed the ratings of all NAIM funds it has rated at AA on the back of asset selection ability and asset management capabilities, the credit quality of the underlying portfolio, risk management and operations, and technology set-up.

Team strength and technology

NAIM has made senior hires in FY2020 to spearhead specialized functions for high-performance delivery and investor servicing – Operations, Products, Investor Relations (Offshore and Domestic). With these new hires, NAIM has a total cumulative experience of over 110 years with a sharp surge from 52 years cumulatively in FY2019, to 116 in FY2020.

In keeping with the view to improving investor experience and increasing operational efficiency, NAIM has developed a bond issuance tracker tool (NBX) in-house which is now being rolled out to external investors. NBX will help NAIM track market issuances and issuance-related information providing crucial insights for fund-raising. NBX is also a strong value addition for our diverse investor base, helping them track the Indian debt market and providing relevant market inputs for investment decision-making. NAIM has also made available an investor data room during the year – enabling greater information security and a one-stop access to frequently shared information to investors.

Awards and recognition

NAIM was awarded 'Best Investment Management NBFC of the Year' at the India NBFC Excellence Awards 2019 held in Mumbai. The award recognizes our deep underwriting expertise and innovative approach to investment management established over the years. The award is an important acknowledgment of our thought leadership in the sectors that we invest in and of excellence in operations. This is the 6th such award conferred on NAIM in the fund management space at domestic and international forums.

NAIM has previously won the "Excellence in Finance Companies, 2019" award at the FiNext Awards & Conference, 2019 in Singapore, Asia Asset Management's "Asian Fund Launch of the Year (India)" in 2018, "Most Innovative Product – India" and "Rising Star – India" in 2016, and "Most Innovative Product – India" in 2014.

Outlook

NAIM continues to focus on its three target segments – domestic institutional, offshore investors, and domestic private wealth – and has on the anvil, innovative products across various tenors and addressing diverse investment objectives. NAIM will continue to focus on delivering superior returns through responsible asset management to its investors while making deeper inroads into domestic and offshore investor classes. While early FY2021 is expected to experience some overhang of businesses dealing with the fallout of the global pandemic, the outlook for the latter part of the new financial year remains one of recovery and rebuilding value for all businesses. We look forward to a year of reversal to stability and growth.

ADVISORY

With a view to bolstering the impact created by Northern Arc in enabling finance to the underbanked, Northern Arc Investment Advisers has set its focus on disseminating the intellectual capital created by the Northern Arc group across multiple asset classes where it operates for over a decade, and monetizing this intellectual capital in the process. This is being achieved by levering our experience in building sector understanding, prudent due-diligence of companies, continuous on-ground monitoring and risk analytics in providing advice to clients comprising Originators, Equity Investors, lenders and other stakeholders.

Currently we offer the following services to our clients:

Equity Investors:

- Commercial Due Diligence: We assist equity investors in conducting commercial due diligence on potential investment opportunities
- Portfolio and Risk Analytics: Our portfolio and risk analytics services for investors in identifying the quality of potential investee's portfolio and other data analysis is a particularly noteworthy offering
- Sector Landscaping/Benchmarking: Identifying players and benchmarking of peers in the sector covering their product, geographies, financials, operations, technology etc.

Lenders:

- Commercial Due Diligence: We assist debt lenders/ investors in conducting due diligence on potential lending/investment opportunities
- Monitoring Services: We offer monitoring services to debt lender/investors on their portfolio evaluating the financial and operational health of their portfolio

NBFC Originators:

- Business planning: We assist originators in establishing their businesses and setting up relevant processes and policies for different functions
- New Product Development: We offer product consulting services to clients on developing new products for their existing and new customers. These services also include the data
- Sector Landscaping/benchmarking: We help in Identifying players and benchmarking of peers in the sector covering their product, geographies, financials, operations, technology etc.
- Risk Analytics: We offer analytics services to entities for developing real time predictive underwriting models, business analytics identifying new target geographies etc.
- Rating Advisory: We advise and represent originators on all rating considerations, including first-time ratings, rating upgrade/defence.

The assignments we undertook in FY2020 were tilted towards evaluation of equity investment opportunities where we assisted renowned private equity funds in undertaking commercial diligence of their investment targets. Our benchmarking offering also found significant traction particularly among up-and-coming Fintech players.

The business in the year ahead will be governed significantly by macro-economic conditions; while indicators point towards a more challenging year ahead Northern Arc Investment Advisers see this as an opportunity and remains positive about its ability to create an impact and play a more active role in the advisory space.


Dollar falls further against the Euro as uncertainty looms.
Written by John Smith
It's not a crisis but it's a situation we didn't prepare for.
Further forest fires in Spain
Davidson open-minded about new HQ.
The 10% of our brains myth
By Lauren Carter

IN THE NEWS

Sumitomo Mitsui Banking picks up 5.4% stake in Northern Arc

The debt capital platform has raised over ₹1,000 cr in equity this year

OUR BUREAU
Chennai, December 16

Japanese multinational bank Sumitomo Mitsui Banking Corporation has picked up a 5.4 per cent equity stake in Northern Arc Capital, a debt capital platform that caters to un-banked and under-banked individuals and businesses, for an undisclosed amount.

With this, Northern Arc Capital (formerly IFMR Capital Finance Ltd) has raised over ₹1,000 crore in equity this year.

The total deal size through primary and secondary transactions in December is ₹482 crore, with investment by IIFL, Affirma Capital and Sumitomo Mitsui coming in as the new investor.

Existing shareholders IIFL and Affirma Capital are completing their follow-on investment as part of a deal announced in March. Some of the existing investors partially sold their stakes.

According to a Northern Arc press release, Sumitomo Mitsui Banking Corporation (SMBC) will invest in transactions structured and executed by Northern Arc and provide on-balance sheet lending to Northern Arc's partners.

Sumitomo Mitsui Banking Corporation has been working with Northern Arc for a while and has participated in securitisation deals and investments in NBFCs in the country.

Kshama Fernandes, MD and CEO, Northern Arc Capital
N. RAMAKRISHNAN

This deal will further increase Sumitomo's participation in India.

Northern Arc Capital has enabled debt financing of over ₹75,000 crore for financial institutions that deal with the target population.

Deal to fuel global ambitions

The release said for Northern Arc, the deal with Sumitomo Mitsui Banking Corporation would fuel the company's global ambitions, strengthen its profile among foreign investors and also provide an opportunity to explore new geographical markets. The Japanese bank had introduced Northern Arc Capital to quite a few investors in the country.

The release quoted Kshama Fernandes, Managing Director and CEO, Northern Arc Capital, as saying that SMBC's investment was a vote of confidence in Northern Arc's business model. Northern Arc hoped to use this deal to further its mission of financial inclusion and widen its impact on the livelihoods of under-banked individuals and businesses.

Earlier pact

This round of equity raise by Northern Arc follows an agreement signed in March when Northern Arc Capital raised ₹910 crore from IIFL Special Opportunities Fund and Affirma Capital. The IIFL Special Opportunities Fund acquired a large stake in Northern Arc Capital by investing across primary and secondary deals.

At that time, some of the early investors in Northern Arc — Dvara Trust, LeapFrog and Accion — had partial exits. Standard Chartered Private Equity, an existing investor, also participated in that funding round.

Northern Arc announces first close of eighth debt fund

Mamtha.A@timesgroup.com

Chennai: Private debt fund manager Northern Arc Investments on Monday announced its first closing of fund - Northern Arc India Impact Fund — which targets an overall corpus of $100 million (including a greenshoe of $50 million). The fund has also garnered $23 million in commitments from high-pedigree investors to mark its first close. Ravi Vukkadala, CEO Northern Arc Investments, said, "Risk adjusted credit spreads in the financial services space are attractive, and we aim to invest well over ₹1,000 crore of long-term capital in financial institutions over the near term, especially those focusing on the under-served and under-penetrated segments in India." Unlike earlier funds where development financial institutions, banks, insurance companies, family offices, foundations and HNIs from participated, this is the firm's first fund targeting international investors. This is also the eighth debt fund from the Northern Arc platform and, the first fund to onboard international investors.

Northern Arc, Dutch co invest ₹30 crore in Shiksha NCDs

NORTHERN ARC CAPITAL, an NBFC that provides access to debt for under-banked individuals and businesses, and Netherlands-based impact investment fund Triodos Investment Management on Wednesday announced a ₹30-crore investment in non-convertible debentures (NCDs) issued by Chennai-based education finance company Shiksha Financial Services (Shiksha). Shiksha offers business loans to educational institutions and education loans to parents.

FINANCIAL EXPRESS
READ TO LEAD

Northern Arc raises ₹910 crore

Northern Arc Capital, a non-banking finance company, has raised about ₹910 crore ($130 million) from IIFL Special Opportunities Fund and its series managed by IIFL Asset Management Ltd, SCPE (Standard Chartered Private Equity) and Affirma Capital. With this, Northern Arc Capital has raised about ₹1,400 crore ($200 million) in equity. After this transaction, existing investors Dvara Trust, LeapFrog Investments and Accion will partially sell their stake in the company. Northern Arc, which facilitates the flow of debt capital to under-served sectors, will use the fresh capital to grow its existing business and pursue new opportunities.

Northern Arc Investments closes micro finance fund

FE BUREAU
Chennai, February 5

DEBT FUND MANAGER Northern Arc Investments on Wednesday announced the maturity and closure of the IFMR FImpact Medium Term Microfinance Fund, one of the earlier funds, from its platform. Launched in 2016, the fund had targeted the micro finance sector in India, and had received commitments from several high pedigree investors including insurance companies, corporate treasuries and family offices.

During its 3.5-year tenure, the fund delivered consistent cashflow payouts to investors, with no instances of shortfall or delay. Upon maturity, the fund delivered net returns of over 13% to its investors, well ahead of its target return of 11.5%.

Ravi Vukkadala, CEO, Northern Arc Investments, said: "The successful completion and exit of our IFMR FImpact Medium Term Microfinance Fund is a very significant and satisfying milestone for us. Our track record of having delivered consistent and superior risk-adjusted returns to investors throughout the fund life, especially during a time when the industry experienced sustained turmoil, is a testament to our strengths as a fund manager. This is our first successful exit from the Northern Arc Investments' platform and we expect to reflect similar performance in our funds maturing in the coming year."

Hinduja Leyland Finance (HLF), promoted by the Hinduja Group and a leading NBFC in India focused on the vehicle finance and affordable housing sectors, is one of the institutional investors in the fund.

Sachin Pillai, CEO, HLF, said: "We are pleased with our investment in the IFMR FImpact Medium Term Microfinance Fund, and wish the Northern Arc team great success in the coming years."

FINANCIAL EXPRESS Thu, 06 February 2020
https://epaper.financialexpress.com/c/48722973

DEALS AND STARTUPS

TUESDAY, 10 MARCH 2020
BENGALURU

03

Northern Arc raises $23 million, marks first close of debt fund

The fund aims to make 15-20 investments, worth $3-5 million for each deal, over the next 12-18 months

Ridhima Saxena
MUMBAI

Private debt fund manager Northern Arc Investments on Monday said it has raised $23 million led by offshore investors, marking the first close of its eighth debt fund—Northern Arc India Impact Fund.

The first close attracted investments from various offshore investors, including PG Impact Investments, a global impact investment firm backed by Partners Group, Netherlands-based Anthos Fund and Asset Management, and US-based institutional impact investor Calvert Impact Capital.

"This investment is in line with our overarching strategy of partnering with high-calibre managers with compelling investment themes, demonstrated commitment to social impact and proven track records. Given its long-standing experience and demonstrated underwriting skills across multiple sectors, the Northern Arc team has built significant expertise in the financial inclusion space in India," said Sara Scarmiella, member of the executive committee at PG Impact Investments.

The eighth fund of Northern Arc Investments looks to raise a total corpus of $100 million, including a greenshoe option of $50 million. The fund aims to make 15-20 investments, worth $3-5 million for each deal, over the next 12-18 months.

A greenshoe option, or over-allotment, allows companies to issue more shares in an IPO when there is greater demand from participants during the initial offering.

"Risk adjusted credit spreads in the financial services space are very attractive and we are aiming to invest well over ₹1,000 crore of long-term capital to financial institutions over the near term, especially those focusing on the underserved and under-penetrated segments in India," said Ravi Vukkadala, chief executive officer at Northern Arc Investments.

"Our quick run-up to the first close is a strong endorsement of our investment strategy and consistent track record, and we are privileged to be the partner of choice of our anchor investors for their India play," he said.

Northern Arc Investments, which manages Northern Arc Capital's alternate investment fund vehicles, runs seven funds with cumulative assets under management of over ₹1,800 crore (about $200 million).

Northern Arc Capital, formerly IFMR Capital, is a debt capital platform for financial institutions serving excluded individuals and businesses.

Set up in 2008, Northern Arc connects non-banking financial companies working among financially excluded households and businesses such as micro-financiers, affordable housing finance companies and small business financiers, with investors in existing and emerging debt capital markets.

Last December, Japan's Sumitomo Mitsui Banking Corporation took a 5.4% stake in Northern Arc Capital for an undisclosed amount. In March 2019, the firm had announced that IIFL Special Opportunities Fund and Affirma Capital had committed to invest ₹910 crore in the company.

Northern Arc Capital has so far raised more than ₹1,400 crore (about $200 million) in equity. The company has enabled debt financing of more than ₹75,000 crore to over 200 financial institutions catering to unbanked and under-banked customers. It has also structured and executed over 500 capital market deals.

The relevance of alternative investment vehicles providing debt finance to the financial services sector has surged since the collapse of Infrastructure Leasing & Financial Services Ltd in September 2018.

While credit flow from non-banks declined 19.4% in FY19, flows from banking sources rose 44% during the period to meet the financing needs of the commercial sector, the Reserve Bank of India (RBI) said in its FY19 annual report. The decline in flows from non-banks, the report said, was mainly on account of lower flows from non-deposit-taking systemically important NBFCs (net of bank credit to NBFCs) and housing finance companies, particularly in the aftermath of the IL&FS event.

"Northern Arc is a recognized leader in the impact investing private credit space in India with a strong understanding of the market and we value the fund's diversified approach to financial inclusion across multiple sectors," said Songhae Lee, director investments at Calvert Impact Capital.

Ravi Vukkadala, chief executive officer at Northern Arc Investments.

INDIA FOCUSED FUND

THE first close raised funds from various offshore investors including PG Impact Investments

THE eighth fund of Northern Arc Investments looks to raise a total corpus of $100 million

NORTHERN Arc India Impact Fund, the eighth debt fund, also has a greenshoe option of $50 million

---

Northern Arc Investments reports first close of 8th debt fund at $23m

NORTHERN ARC INVESTMENTS, one of the leading private debt fund managers, on Monday announced the first closing of its latest fund, Northern Arc India Impact Fund. This is the eighth debt fund from the Northern Arc platform and the first fund to onboard international investors. The fund, which targets an overall corpus of $100 million (including a greenshoe of $50 million), garnered $23 million in commitments from a set of high-pedigree investors to mark its first close. Key investors participating in the first close included PG Impact Investments, a leading global impact investment firm backed by global private markets investment manager Partners Group, Anthos Fund & Asset Management from the Netherlands and Calvert Impact Capital, an institutional impact investor based in the US.

Northern Arc's earlier funds have witnessed participation from a wide and diverse array of investors, including development financial institutions, banks, insurance companies, family offices, foundations and HNIs from India. The current fund marks a significant departure from its predecessors as this is the firm's first fund targeting international investors.

Ravi Vukkadala, CEO, Northern Arc Investments, said: "Given our significant sectoral expertise and on-the-ground presence, Northern Arc has emerged as the preferred gateway for overseas investors seeking to participate in the financial inclusion space in India." Over its tenure of five years, the fund will invest in a number of debt instruments, including senior and subordinated debentures, commercial papers.

FINANCIAL EXPRESS
READ TO LEAD

Tue, 1
https:

Northern Arc and GAWA Cap raise ₹106 cr for NBFCs

Chennai: Northern Arc Capital and Spainish firm Gawa Capital and Magallanes Impacto announced the fundraising of a pool bond issuance at ₹106 crore for onward lending to NBFCs.

The beneficiaries of this pooled bond are microfinance firm, ASA International India, SME Financing firm, Aye Finance, Commercial Vehicle lender, Kanakadurga Finance Limited, and Thirumeni Finance. Northern Arc has provided the common guarantee for Magallanes in this deal.

HELPING HAND

Kshama Fernandes, CEO of Northern Arc Capital, said, "It is the first debt transaction for us and comes at rate of 11%-14%. This investment comes at a time when there has been a slowdown in liquidity to financial institutions in the Indian debt markets. It is also testament to the confidence of investors in the governance and business models of these NBFCs."

The fund is advised and managed by Gawa Capital Partners. The pool bond issuance aims to give the investors exposure to financial inclusion focused NBFCs in India, across education finance, commercial vehicle finance and MSME finance. "This issuance has come at a very critical juncture. With the limited availability of funds in domestic market for NBFCs, especially when the market is under tremendous stress post the IL&FS issue, there is not much difference between borrowing rate from these FPI players and the domestic rate. We have seen good business in the past couple of months, with increasing rate of fresh loan disbursement every month," Jaya Prakash Narayana Chowdary of Kanakadurga Finance, said.

Gawa Capital has investments across countries like Chile, Columbia, Peru and India, with equity investments made leading microfinance and MSME companies in India. This is Gawa's first debt investment in the sub-continent for the impact firm.

Northern Arc Capital closes India's first invoice-backed securitisation deal with fintech platform CredAble

OUR BUREAU
Chennai, March 2

Northern Arc Capital, a debt platform for NBFCs, has announced the closure of India's first invoice-backed securitisation transaction, in association with fintech platform CredAble. Invoice financing is one of the oldest financial products, but it has been dominated by banks and NBFCs. Capital market investors, including asset management funds, have not been able to access this multi-trillion-rupee market, primarily due to the lack of an eligible instrument.

Northern Arc has addressed this issue by creating a listed instrument, which can be subscribed by investors, Northern Arc Capital said in a press statement. The listed and rated security backed by invoice receivables are issued under SEBI guidelines. Under the transaction, 10 vendors (suppliers) on the CredAble platform discounted invoices that were raised to several large anchors (buyers) by assigning invoice receivables to the securitisation trust. The transaction size was ₹15 crore, and the senior tranche was awarded the highest possible short-term rating of A1+ (SO) by the rating agency.

An important risk mitigant in the transaction was that money due from the anchors was escrowed to minimise commingling of funds. The transaction also has a ramp-up feature, under which invoice cashflows can be reinvested to purchase a fresh set of invoices that meet pre-defined eligibility criteria.

"The structure will allow corporates to access the securitisation market, which has so far been mostly dominated by NBFCs. As part of the transaction, we have extended our Multi-Originator Securitisation platform to non-financial entities," said Kshama Fernandes, Managing Director and CEO of Northern Arc Capital.

Northern Arc Cap, Triodos loan ₹30 crore to Shiksha

Times News Network

Chennai: Northern Arc Capital and Netherlands-based investing fund Triodos have invested ₹30 crore via debentures in education finance company Shiksha, to fund expansion of business in news states like Madhya Pradesh, Gujarat and Rajasthan besides deepening presence in South India.

Shiksha operations includes offering education loans to parents, and business loans to educational institutions for new infrastructure and purchase new assets.

V L Ramakrishnan chief executive officer (CEO) of the company company said, "We see a massive opportunity to expand across the country and debt financing will play a critical role in enabling us to scale faster and grow our books."

Kshama Fernandes, managing director (MD) and CEO of Northern Arc, which has invested over ₹750 crore of debt to the sector till now, said, "The financial inclusion landscape is expanding and we are noticing opportunities beyond traditional sectors like microfinance."

Sagar Thakar, senior investment officer at Triodos Investment Management, said "Parents from low-income families see education as a path out of poverty. With our loan, Shiksha can further expand its outreach, especially in semi-urban areas."

BOARD'S REPORT

Dear Shareholders,
Your directors have pleasure in presenting this annual report along with the financial statements of the Company for the year ended March 31, 2020.

FINANCIAL HIGHLIGHTS **(INR in Lakhs)**

Particulars	Standalone		Consolidated	
	Year ended 31-Mar-20	Year ended 31-Mar-19	Year ended 31-Mar-20	Year ended 31-Mar-19
Total income	**60,064.90**	**57,756.31**	**63,445.33**	**61,707.10**
Finance costs	30,920.50	30,183.93	30,920.50	30,183.93
Net interest income	29,144.40	27,572.38	32,128.81	31,523.17
Operating expenses	11,885.87	11,257.58	13,854. 01	12,259.62
Depreciation	671.62	289.80	672.96	294.58
Pre-provision profit	16,590.03	16,025.00	17,870.47	18,968.97
Impairment and write-offs	3,523.08	1,444.69	3548.66	1,486.62
Profit before tax	**13,063.83**	**14,580.31**	**14,449.20**	**17,482.35**
Tax expense	4,101.90	5,644.76	4155.84	5,939.40
Profit for the period	**8,961.93**	**8,935.55**	**10,293.36**	**11,542.95**
Other comprehensive income/(loss)	322.10	-1,160.29	234.87	-1,072.71
Total comprehensive income	**9,284.03**	**7,775.26**	**10,528.23**	**10,470.24**
Non-controlling Interest	0	0	-987.30	-1663.98
Total comprehensive income to Owners	**9284.03**	**7,775.26**	**9534.90**	**8,806.26**
Opening balance of retained earnings	25,650.90	18,493.31	27044.85	18,379.49
Transfer to reserves	-2952.39	-1,787.11	-3674.39	1863.11
Appropriations	0	0.00	0	0
Closing balance of retained earnings	**31,701.21**	**25,650.90**	**31,795.67**	**27,044.85**

The Company has transferred a sum of INR 11.60 crores into the Capital Redemption Reserve towards redemption of redeemable preference shares.

FINANCIAL PERFORMANCE

During the year ended March 31, 2020, on a consolidated basis, your Company generated total income of INR 634.45 crore, a growth of 2.82 % over the earlier year. Net Interest Income was INR 321.28 crore, representing year-on-year increase of 1.92%, which resulted in a PAT of INR 102.93 crore, 10.83% lower than the previous year.

DIVIDEND

Due to the need for deploying the funds back into the business for the growth of your Company, your directors have not proposed any dividend on equity shares for the year under review. The Company has duly paid the dividend on preference shares in accordance with the terms of issuance of such shares.

TRANSFER TO RESERVES

During financial year 2019-20, your Company has transferred an amount of INR 17.92crore to reserves in accordance with the requirements of s. 45-IC(1) of the Reserve Bank of India Act, 1934.

CREDIT RATING

The Credit ratings of the company as at March 31, 2020 are summarised below.

Instrument	Rating Agency	Rated Amount (in INR Crore)	Rating and Rating Action
Long-term Fund-based Limits	ICRA	2500	ICRA A+ (Stable)
Non-Convertible Debentures	ICRA	1015	ICRA A+ (Stable)
	India Ratings	500	IND A+/Rating watch negative
Market linked debentures	ICRA	10	PP-MLD ICRA A+ (Stable)
Subordinated Debt	ICRA	75	ICRA A+ (Stable)
Commercial Paper	ICRA	500	ICRA A1+
	CARE	800	CARE A1+
Preference Shares	ICRA	20	ICRA A

CAPITAL ADEQUACY

The company's capital adequacy ratio as of March 31, 2020 was 33.67% as against 27.05% as at March 31, 2019. The minimum capital adequacy ratio prescribed by RBI is 15%.

SHARE CAPITAL

During the financial year, your company had issued 31,97,644 equity shares on private placement basis, 63,483 equity shares were issued under the Employees Stock Option Scheme of the Company and 58,51,000 equity shares were issued on conversion of compulsorily convertible preference shares. Further, the Company had also issued cumulative compulsorily convertible preference shares during the year under review.

Consequent to the aforesaid allotments of shares, the total paid up capital of the Company as on March 31, 2020 was INR 170,12,43,110 comprising of 8,74,77,903 equity shares of INR 10 each and 4,13,23,204 compulsorily convertible preference shares of INR 20 each.

The shareholding pattern of the Company as at March 31, 2020 on fully diluted basis was as follows:

Name of Shareholder	No of Shares	% of Share Capital
Name of shareholder	**No. Of shares**	**% of holding**
Leapfrog Financial Inclusion India (II) Limited	29,952,665	22.09%
Dvara Trust	12,878,682	9.50%
Accion Africa Asia Investment Company	7,699,529	5.68%
FIL Capital Investments Mauritius (II) Limited	13,610,748	10.04%
Augusta Investments Pte II Ltd.	23,584,935	17.39%
IIFL Special Opportunities Fund	6,721,940	4.96%
IIFL Special Opportunities Fund - Series 2	4,986,680	3.68%
IIFL Special Opportunities Fund - Series 3	2,193,541	1.62%
IIFL Special Opportunities Fund - Series 4	7,538,980	5.56%
IIFL Special Opportunities Fund - Series 5	253,781	0.19%
IIFL Special Opportunities Fund - Series 7	6,185,901	4.56%
Kshama Fernandes	1	0.00%
Bama Balakrishnan	1	0.00%
C Kalyanasundaram	1	0.00%
Northern Arc Employee Welfare Trust	63,483	0.05%
Sumitomo Mitsui Banking Corporation	7,004,364	5.17%
ESOP Unexercised/ unvested pool	6,788,275	5.01%
TOTAL	**135,589,382**	**100.00%**

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors

The composition of the Board of Directors of the Company is in accordance with the provisions of Section 149 of the Act, with an appropriate combination of Non-Executive Directors and Independent Directors.

During the year under review Ms. Vedika Bhandarkar (DIN: 00080338), Independent Director, and Mr. John Fischer (DIN: 07908218), Nominee Director were resigned from the Board with effect from July 30, 2019 and February 05, 2020 respectively. The Board places on record its appreciation of the valuable services rendered by the aforesaid Directors during their tenure as the Directors of the Company.

The Company appointed Ms. Anuradha Rao (DIN: 07597195) as an Independent Director of the Company.

Key Managerial Personnel

Dr. Kshama Fernandes, Managing Director and Chief Executive Officer, Ms. Bama Balakrishnan, Chief Financial Officer and Ms. R Srividhya, Company Secretary of the Company have been designated as the Key Managerial Personnel of the Company (KMP) pursuant to the provisions of Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. There has been no change in the KMP during the year under review.

Declaration of independence under Section 149(6) of the Companies Act, 2013

The independent directors of the Company have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as independent director during the year.

Pecuniary Transactions with non-executive directors

Details of remuneration to non-executive directors are provided under the head "Remuneration to Other Directors" in MGT-9 annexed to this report.

MANAGEMENT DISCUSSION AND ANALYSIS

[Numbers cited are from the Ind AS standalone financials]

State of the Company's affairs

The NBFC sector experienced unprecedented turbulence during the year under review. The year commenced with tight liquidity conditions and risk aversion towards NBFCs continuing from the earlier year, which was exacerbated by a large Housing Finance Company and the NBFC arm of a conglomerate defaulting on their debts, the near-failure and subsequent restructuring of a private sector commercial bank, and some mutual funds creating "side pockets" in some of their schemes to hold stressed debts; concerns about some other private sector banks and large financial institutions surfaced from time to time, reinforcing the negativity in the environment. Consequently, NBFCs other than those in the top rating categories (AAA/AA), found it difficult to raise debt from the banking system as well as the capital markets. While banks did have appetite for acquiring portfolios through the assignment route from NBFCs, the availability of loans meeting the regulatory and investors' filtering criteria was a constraint. The turbulence emanating from the financial sector's troubles was compounded by the novel coronavirus outbreak in March 2020 and the resultant lockdown which virtually brought the economy to a standstill towards the end of the year, extending well into FY21, impacting incomes and cash flows of borrowers and creating debt servicing challenges. The government and the Reserve Bank of India (RBI) have announced a slew of measures to help both the real economy and the financial sector face the challenges from the lockdown, but it will take several months to assess the full extent of impact on the system and even longer to recover fully.

On a full year basis, your Company achieved business volumes of INR 15,011 crore across sectors, a marginal growth over the earlier year, despite the lockdown severely impacting the ability to do business in the last two weeks of the financial year, which is a period of very high volumes in normal years.

Your Company completed the second tranche of its equity-raise during the year, resulting in a total infusion of INR crore. This tranche saw the induction of Sumitomo Mitsui Banking Corporation, Japan (SMBC) as a strategic investor in the company, and also witnessed participation from two existing investors, viz. IIFL Special Opportunities Fund (and its series) and Affirma Capital (which has acquired the private equity business of Standard Chartered Bank). The additional equity further strengthens the Company's balance sheet and enables growth of the business. More importantly, SMBC, one of the largest global banks acquiring an equity stake in the Company is a validation of the Company's business model and opens up opportunities to extend our strategic collaboration with SMBC beyond India into international markets.

Given the cautionary environment prevailing and with business abruptly coming to a standstill due to the lockdown, the loan book (including investments) grew by just 4% while the overall balance sheet size increased by 8.6% and stood at INR 4,483 crore at the end of the financial year under review. The Company holds significantly higher cash and bank balances as greater liquidity provides the ability to tide over any dislocations in the market and opportunistically deploy funds profitably.

During the year under review, we added 39 clients in the Financial Institution and Mid-Market Corporate Lending businesses, taking the count to 242. In line with our strategy to increase the granularity of the loan book, we have expanded the Direct Origination business significantly by adding new partnerships and growing business with existing partners, taking the total number of retail loans on our books to nearly 1.5 lakh with retail lending contributing to over 14% of the AUM.

The Company endeavours to keep the risk-reward balance on the loan book is in its favour and at the same time makes sufficient provisions for loan losses in line with portfolio performance and the economic outlook. The Company's accumulated knowledge and experience in sectors that it operates in, strong relationships with Originators and Investors, granular risk monitoring at the ground level, well developed analytics and modelling techniques, robust early alert process and a well-integrated risk culture across the board have stood us in good stead through a turbulent year. In view of the COVID-19 pandemic, the Company has judiciously made additional provisions of INR [23] crore for loan losses as an overlay for the impact of COVID-19. The risk management team continues to actively monitor risks in the loan portfolio, liquidity profile and asset liability profile under the guidance of the Board, its Committees and the executive management, and will particularly focus on proactive measures to contain and manage escalating risks and also support our partners through the turbulence by collaborating with other investors.

The Company has developed a unified technology platform called Nimbus which provides end-to-end automation of various functions. During the year, significant capabilities have been added to the platform and it has now been opened up to various partners, bringing about greater integration and seamless operations across the value chain. Nimbus is a great source of competitive strength for the Company and acts as a key differentiator for Northern Arc.

The Company has stood strong through the turbulence across the sector during the year under review. While the near-term market outlook is uncertain given the prolonged effect of the COVID-19 pandemic and lack of clarity on the shape and timing of recovery, we believe that our strong balance sheet, deep expertise in the sectors that we operate in, solid relationships with clients and investors, robust processes that have been honed over a decade and the unique talent pool that we have nurtured, will stand us in good stead going forward.

Subsidiaries

Your Company has three (3) subsidiary companies, i.e., Northern Arc Investment Managers Private Limited; Northern Arc Investment Adviser Services Private Limited and Northern Arc Foundation (a company incorporated under section 8 of the Act). The details of subsidiaries are as follows:

i. **Northern Arc Investment Managers Private Limited (NAIM)**

NAIM closed FY2019-20 with investor commitments for funds managed by it of INR 1,621 crore vs. INR 1,410 crore as of end-FY2018-18 – 15% YOY growth in a difficult environment. Assets under Management (AUM) at INR 1,252 crore were stable. A total of INR 897 crore was deployed across sectors during the year (including some churn in short-term instruments by the Money Market Alpha Fund necessitated by its mandate). NAIM brought on board 58 new investors during the year – primarily corporates, HNIs through the private wealth channel and offshore investors – which furthered the aim of diversifying the investor base.

During the year under review, NAIM launched Northern Arc Income Builder Fund – Series II ("NAIBF"), a category II AIF and NAIM's second private wealth focused fund. The fund will primarily invest in Market Linked Debentures enabling investors in the fund to earn superior risk-adjusted returns through investments in tax-efficient instruments and across diversified sectors.

The Northern Arc India Impact Fund ("NAIIF") – NAIM's 8th AIF and 1st offshore fund successfully completed first close in February 2020 from three marquee anchor investors. Fund-raising efforts are ongoing and the final close is expected during FY2020-21. In December 2019, NAIM made a first full exit from its 3rd AIF and first to mature in its portfolio – the IFMR FImpact Medium Term Microfinance Fund. The fund weathered multiple external events it its short 3-year term such as demonetization (November 2016), the implementation of GST (July 2017), and an extended tight liquidity scenario (September 2018 onwards). Despite these headwinds, the fund delivered stellar returns for investors, surpassing initial return guidance by 100 bps, and maintained excellent portfolio quality. In an environment of uncertainty and widespread deterioration of credit quality, this successful maiden exit of an AIF is a testament to NAIM's fund management and underwriting capabilities.

Northern Arc Money Market Alpha Fund, designed to provide alpha over comparable short-term money market products, crossed AUM of INR 200 crore during the year on the back of consistent return outperformance.

NAIM continues to focus on its 3 target segments – domestic institutional, offshore investors, and domestic private wealth – and has on the anvil innovative products across various tenors and addressing diverse investment objectives. During FY2019-20, NAIM leveraged on its fund structuring expertise and understanding of analytical evaluation to achieve better rating outcomes for its fund: CRISIL assigned a rating of AA+ (SO) to Northern Arc India Impact Fund at 10% first-loss protection, while one of our earlier funds with a similar structure was rated at AA- (SO). NAIM was awarded 'Best Investment Management NBFC of the Year' at the India NBFC Excellence Awards 2019 held in Mumbai. This is the 6th award conferred on NAIM in the fund management space at domestic and international forums – a recognition of our deep underwriting expertise, innovative approach to investment management, our thought leadership in the sectors that we invest in and of excellence in operations.

ii. **Northern Arc Investment Adviser Services Private Limited (NAIA)**

NAIA was established to provide high quality advice and products in asset classes that impact the financially excluded. During FY2019-20, the Company selectively pursued opportunities in risk advisory, business and process advisory while continuing to offer transaction advisory services.

iii. **Northern Arc Foundation**

Northern Arc Foundation ("Foundation") acts as the CSR arm for Northern Arc Capital and focuses on skill building, employment development and education.

a) Employment opportunities for rural youth: The company has undertaken initiatives to develop financial literacy amongst rural youth and improving their employability. During FY 2019-20, the Foundation conducted around 40 recruitment drives across Tamil Nadu, Maharashtra, Karnataka, West Bengal, Bihar, Odisha and Uttar Pradesh. Around 600 candidates have been gainfully employed through this drive.

b) Enhancing knowledge of MFI field officers: The Foundation has been working with field officers across MFIs and enhance their conceptual knowledge about finance and financial products. The training and knowledge sharing are done through an app based learning system. Around 3,000 field officers have undergone training as at the end of the Financial Year. The curriculum for training is reviewed by the Northern Arc Group in line with recent changes in regulatory framework and sound market practices.

c) Doorstep School & Swadha Foundation: In furtherance of its education objective, the Foundation has partnered with the Doorstep School and Swadha Foundation. The Doorstep School focuses on providing free education to children in their pre-nursery stage through their Balwadi program across various slum areas in Mumbai that benefits more than 1000 children on an annual basis. Swadha Foundation is a renowned NGO from Bangalore, that provides free education to bright, economically backward children and helps them complete their college education and also sharpens their skills that strengthens their chances of employment.

Over Financial Year 2020-21, the Foundation will focus on conducting a large financial inclusion survey in partnership with the Finance Research Group and the Dvara Research Foundation that is expected to provide deep insights in the financial inclusion space across sectors and geographies in the country. Northern Arc Foundation will be an anchor to the survey and will aid the partner organisations in developing measures and methodology to ensure that the survey yields the desired results. The longer-term objective of the survey would be to initiate and lead policy changes with regulatory and governing authorities.

The CSR Committee of the Board of Northern Arc Capital has also encouraged the Foundation to make an impact for its clients that have been disadvantaged due to the economic fallouts of Covid-19. The Foundation would undertake suitable activities for the same, with due guidance from the CSR Committee and Board of Northern Arc Capital.

Future Outlook

The prolonged continuation of the COVID-19 pandemic has taken a toll on the real economy as well as the financial sector. While the government and the Reserve Bank of India have announced various fiscal, monetary and prudential measures to mitigate the impact of the pandemic, recovery might take some time, and the challenges are likely to persist in the near-term. That said, the longer-term prospects for NBFCs remain unchanged: NBFCs are an essential constituent of the financial system and will continue to play a pivotal role in last-mile delivery of finance, especially to the underbanked segment, which is vital for all-round development of the economy. In fact, the reach that NBFCs have built positions them well to help accelerate the revival of the economy from the effects of the COVID-19 pandemic. Northern Arc has carved out a unique position for itself within the NBFC ecosystem; its depth of experience across all sectors that it operates in – microfinance, vehicle finance, small business loans, agri finance, affordable housing finance and consumer finance – makes it well-poised to capitalise on the growth potential of the economy as normalcy is restored. An increasing share of direct retail lending, enables Northern Arc to pursue a well diversified strategy towards enabling access to debt capital for the underserved.

FIXED DEPOSITS

The Company being non-deposit taking non-banking financial company (NBFC-ICC), has not accepted any deposits during the year under review.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Considering that the Company is a non-banking financial company the particulars regarding conservation of energy and technology absorption as required to be disclosed pursuant to the Rule 8(3) of the Companies (Accounts) Rules, 2014 are not relevant to its activities.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no foreign exchange earnings during the year or the previous year. Total foreign exchange outgo during the year under review was INR 0.63 crore (previous year: INR 2.79 crore) under the heads listed below:

(in INR crore)

Head of Expense	March 31, 2020	31 March 2019
Travel	0.16	0.17
Director's sitting fees	0.00	0.00
Subscription	0.01	0.01
Consultancy charges	0.46	2.53
Advertisement and publishing	0.00	0.08
Miscellaneous expenses	0.00	0.00
Total	**0.63**	**2.79**

MEETING OF INDEPENDENT DIRECTORS

In terms of Para VII of the Code for Independent Directors, your Company conducted a meeting of its independent directors on March 25, 2020 without the presence of non-independent directors and members of the management. The Directors, inter alia, discussed the following:

a) review the performance of non-independent directors and the Board as a whole;

b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

STATUTORY AUDITORS AND AUDITORS REPORT

M/s BSR & Co. LLP, Chartered Accountants (Registration Number: 101248W/W-100022) have been appointed as Statutory Auditors of the Company at the annual general meeting held on July 04, 2018 for a period of 5 years from the conclusion of annual general meeting held in the calendar year 2018 till the conclusion of annual general meeting to be held in the calendar year 2023.

The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the ensuing AGM

There has been no qualification, reservation or adverse remark given by the Statutory Auditors in their Report for the year under review.

REPORTING OF FRAUDS BY THE AUDITORS TO THE COMPANY

During the year, the Auditors have not reported any instance of fraud to the Audit Committee and Board as per Section 143 (12) of the Companies Act, 2013.

COMPLIANCE

Your Company is registered with RBI under Section 45IA of the Reserve Bank of India Act, 1934. Further, your Company has complied with and continues to comply with all applicable laws, rules, circulars and regulations and it does not carry on any other those specifically permitted by RBI for NBFCs.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS IN SECURITIES

Being a non-banking financial company, the disclosures regarding particulars of loans given, guarantees given and security provided is exempt under the provisions of section 186(11) of the Companies Act, 2013. As regards investments made by the company, the details of the same are provided in the financial statements.

Policy on Appointment of Directors and Remuneration Policy of the Company

The policy on directors' appointment is based on the evaluation of fit and proper criteria for directors by the Nomination and Remuneration Committee prior to appointment of directors. At present, only the Managing Director cum Chief Executive Officer receives remuneration from the Company.

The Company's policy on directors' appointment and remuneration along with Terms of Reference and other matters provided in Section 178(3) of the Act is available on website of the Company and the weblink for the same is https://www.northernarc.com/governance.

Board Meetings

During financial year 2019-20, nine meetings of the Board of Directors were held on the following dates:

April 23, 2019, May 10, 2019, May 21, 2019, July 26, 2019, August 13, 2019, October 30, 2019, December 02, 2019, February 05, 2020 and March 06, 2020.

COMMITTEES OF BOARD OF DIRECTORS

The Company has various Committees which have been constituted as a part of good corporate governance practices and the same are in compliance with the requirements of the relevant provisions of applicable laws and statutes.

Audit Committee

Pursuant to provisions of Section 177 (8), the composition of Audit Committee of the Company as on March 31, 2020 is as follows:

Name	Category
Mr. Leo Puri	Independent Director, Chairman of the Committee
Mr. Rajiv Lochan	Independent Director
Ms. Susan Thomas	Independent Director
Ms. Anuradha Rao	Independent Director
Mr. Vijay Chakravarthi	Nominee Director

Consequent upon the resignation of Ms. Vedika Bhandarkar, Independent Director from the Board of Directors with effect from July 30, 2019, and the appointment of Ms. Anuradha Rao as an Independent Director of the Company with effect from 31st October 2019 the Committee stands reconstituted with the above composition effective from February 05, 2020.

The recommendations of the Audit Committee were duly approved and accepted by the Board during the year under review.

Nomination and Remuneration Committee
The Composition of Nomination and Remuneration Committee of the Company as on March 31, 2020 is as follows:

Name	Category
Mr. Rajiv Lochan	Independent Director, Chairman of the Committee
Mr. Leo Puri	Independent Director
Mr. Samir Shah	Nominee Director
Ms. Susan Thomas	Independent Director
Mr. Rajesh Dugar	Nominee Director

The Terms of Reference for the Nomination and Remuneration Committee are below:

a) To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down

b) To carry out evaluation of every director's performance

c) To formulate the criteria for determining qualifications, positive attributes and independence of a director

d) To recommend to the Board, a policy relating to the remuneration for the directors, key managerial personnel and other employees

e) To determine that relationship of remuneration to performance is clear and meets appropriate performance benchmarks

Directors' Responsibility Statement
The directors' responsibility statement as required under section 134(5) of the Companies Act, 2013, reporting the compliance with the Accounting Standards is attached and forms a part of the Board's Report.

The Directors accept the responsibility for the integrity and objectivity of the Profit & Loss Account for the year ended March 31, 2020 and the Balance Sheet and Cash Flow Statement as at that date ("financial statements") and confirm that:

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

b) the directors have 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 have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) the directors have prepared the annual accounts on a going concern basis;

e) the directors have 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 have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD EVALUATION
The evaluation of all the Directors and the Board as a whole was conducted based on the following criteria as recommended by the Nomination & Remuneration Committee adopted by the Board.

Evaluation criteria for independent directors and non-executive directors:

1. Understanding of the business of the company and contribution towards its strategic direction.
2. Attendance and participation in Board Meetings, whether in person, telephone or via video conferencing
3. Providing timely and effective inputs on minutes and other materials circulated to the Board
4. Inter-personal relations with the rest of the Board and management
5. Adherence to ethical standards and disclosure of non-independence, where it exists

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013
The Company has in place a Policy for prevention of Sexual Harassment, in line with the requirements of the "Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013." Internal Complaints Committee (ICC) has been set up to redress complaints, as and when received, regarding sexual harassment and all employees are covered under this Policy.

The Policy has been hosted on the Company's website: https://www.northernarc.com

There were no complaints during the financial year 2019-20.

Extract of Annual Return
The extract of annual return required under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 forms part of this report as ***Annexure 1.***

Secretarial Audit Report
Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors has appointed S. Krishnamurthy & Co., a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company for FY 2019-20. The Secretarial Audit Report, in the prescribed Form No. MR-3, is annexed as ***Annexure 2***.

There are no qualifications, reservations or adverse remarks or disclaimers made by Krishnamurthy & Co, Company Secretaries in their Secretarial Audit Report dated June 26, 2020 on the secretarial and other related records of the Company for FY 2019-20.

Employee Stock Option Scheme
Your company introduced the Employee Stock Option Plan, providing grants to employees of your Company and its subsidiaries. The details of the Employee Stock Option Plan as required to be provided under Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are annexed to this Report as ***Annexure 3*** and forms an integral part of the Report.

Information on material changes and commitments
There are no material changes or commitments affecting the financial position of the Company which have occurred between the end of the financial year and date of this report. We also hereby confirm that there has been no change in the nature of business of the Company.

Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operation in future
No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status operations of your Company in future.

Related Party Transactions
The Company has adopted a policy on Related Party transactions for the purpose of identification, monitoring and approving of such transactions.

A statement containing details of material contracts or arrangements or transactions with Related Parties on an arm's length basis with respect to transactions covered under Section 188(1) of the Companies Act, 2013 in the prescribed Form No. AOC-2, is attached as ***Annexure 4.*** Further, details of related party transactions, as required to be disclosed by Indian Accounting Standard – 24 on "Related Party Disclosure" specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 are given in the Notes to the Financial Statements.

During the year, your Company has not entered into any transactions with Related Parties which are not in the ordinary course of its business or not on an arm's length basis and which require disclosure in this Report in terms of the provisions of Section 188(1) of the Companies Act, 2013.

The Related party policy is available on website of the Company and the weblink for the same is https://www.northernarc.com/governance.

Risk Management Policy
In the opinion of the Board, the Company has, since inception developed and implemented Risk Management policies and procedures that are sufficient to combat risks that may threaten the existence of the Company.

Corporate Social Responsibility (CSR)
The brief outline of the Corporate Social Responsibility (CSR) policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in ***Annexure 5*** of this report in the format prescribed in the Companies (Corporate Social Responsibility) Rules, 2014.

Adequacy of Internal Financial Control with reference to the financial statements
The completeness and adequacy of internal financial controls of the Company was evaluated by an independent audit agency and report of the same has been shared with the Statutory Auditors of the Company. The same has also been presented to the Audit Committee, based on which the Board has certified that the internal financial controls are adequate and are operating effectively.

Requirements under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014
Disclosure to be made under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below.

- ***Ratio of remuneration of each director to the median employee's remuneration for the financial year:***

Sr No.	Name of Directors (Executive Director)	Director's Remuneration (in INR)	Employees' Median Remuneration (in INR)	Ratio
1.	Dr. Kshama Fernandes, Managing Director and CEO	28514975	14,28,887	28.51:14.28

- ***Percentage increase in remuneration of each director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the Financial Year vis-à-vis last financial year:***

Name of director/ Key Managerial Personnel	% increase in remuneration vis-à-vis last financial year
Dr. Kshama Fernandes, Managing Director and CEO	10%
Ms. Bama Balakrishnan, Chief Financial Officer	5%
Ms. R. Srividhya, Company Secretary	20%

*excluding long term incentive plan (LTIP) paid during the financial year 2019-20

- Percentage increase in the median remuneration of employees in the financial year: 0.63 %
- Number of permanent employees on the rolls of the company: 197 (as of 31st March 2020)
- Average percentage increase in the salaries of employees other than the KMP in FY 2019-20: %* and percentage increase in key managerial remuneration: 12 %
- Affirmation that the remuneration is as per the remuneration policy of the company: The Company affirms that remuneration of directors and employees of the company is in accordance with the remuneration policy of the company.

**the average increase in salaries of employees based on performance appraisal during the last year.*

Particulars of Employees under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014
The statement containing particulars of employees as required under section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is in a separate ***Annexure 6*** forming part of this report. A copy of the Board's Report is being sent to all the Members excluding Annexure 6. The said Annexure is available for inspection by the Members at the Registered Office of the Company during business hours on working days. Any Member interested in obtaining a copy of the same may write to the Company Secretary at the Registered Office of the Company.

Vigil Mechanism and Whistle Blower Policy
Adequate vigil mechanism for directors and employees to report genuine concerns is in place and the same have been disclosed on the website of the company, www.northernarc.com.

Secretarial Standards Compliances
The company has complied with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India.

Acknowledgement
The Directors wish to thank the Reserve Bank of India and other statutory authorities for their continued support and guidance. The Directors also place on record their sincere thanks for the support and co-operation extended by the bankers and shareholders of the Company.

The Directors also thank the employees of the Company for their contribution toward the performance of the Company during the financial year.

On behalf of the Board
For Northern Arc Capital Limited
(formerly IFMR Capital Finance Limited)

Sd/-
Leo Puri
Non-Executive Independent Chairman
DIN: 01764813

Sd/-
Kshama Fernandes
Managing Director and CEO
DIN: 02539429

Date: June 26, 2020
Place: Chennai

ANNEXURE 1

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31/03/2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i) CIN: U65910TN1989PLC017021

ii) Registration Date: 9th March 1989

iii) Name of the Company: Northern Arc Capital Limited

iv) Category / Sub-Category of the Company: Company limited by shares

v) Address of the registered office and contact details: IIT-M Research Park, 10th Floor, No. 1, Kanagam Village, Taramani, Chennai – 600 113, Contact Details: R. Srividhya, Company Secretary, srividhya.r@northernarc.com

vi) Whether listed company Yes / No (listed debt securities)

vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: KFin Technologies Private Limited (formerly known as KCPL Advisory Services P Ltd), Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Non-Banking Financial Company	6492 (credit granting in the form of loans)	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary/ Associate	% of shares held	Applicable Section
1.	Northern Arc Investment Adviser Services Private Ltd (formerly IFMR Investment Adviser Services Private Limited), IITM Research Park, 10th Floor, No.1, Kanagam Village, Taramani, Chennai – 600 113	U74900TN2012PTC087839	Subsidiary Company	100%	2(87)
2.	Northern Arc Investment Managers Private Limited (formerly IFMR Investment Managers Private Limited), IITM Research Park, 10th Floor, No.1, Kanagam Village, Taramani, Chennai – 600 113	U74120TN2014PTC095064	Subsidiary Company	100%	2(87)
3.	Northern Arc Foundation	U80904TN2019NPL127426	Subsidiary Company	50%	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Shareholding – (On Fully diluted basis)

Category of Shareholders	No. of Shares held at the beginning of the year*				No. of Shares held at the end of the year*				% Change during the year
	Demat	Physical	Total	% of total shares (on fully diluted basis)	Demat	Physical	Total	% of total shares (on fully diluted basis)	
A. Promoters (1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp	0	0	0	0	0	0	0	0	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other	0	0	0	0	0	0	0	0	0
Sub-total (A) (1):-	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Foreign									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other – Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other....	0	0	0	0	0	0	0	0	0
Sub-total (A) (2):-	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

B. Public Shareholding									
1.Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
g) Others									
i) AIF	24464521	0	24464521	21.06%	34006698	0	34006698	26.40%	5.34%
ii) Foreign Company	75000146	0	75000146	64.57%	81852241	0	81852241	63.55%	-1.02%
Sub-total (B)(1):-	**99464667**	**0**	**99464667**	**85.63%**	**115858939**	**0**	**115858939**	**89.95%**	**4.32%**
2. Non-Institutions									
a) Bodies Corp.	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii)Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	3	0	3	0	3	0	3	0	0
ii)Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	0	0	0	0	0	0	0	0	0
c) Others		0	0	0	63483	0	0	0.05%	0.05%
i).Dvara Trust	16685402	0	16685402	14.37%	12878682	0	12878682	10.00%	-4.37%
Sub-total (B)(2):-	**16685402**	**0**	**16685402**	**14.37%**	**12942168**	**0**	**12942168**	**10.05**	**-4.32%**
Total Public Shareholding(B)=(B)(1)+ (B)(2)	**116150072**	**0**	**116150072**	**100.00%**	**128801107**	**0**	**128801107**	**100.00%**	**-**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**116150072**	**0**	**116150072**	**100.00%**	**128801107**	**0**	**128801107**	**100.00%**	**-**

(ii) Shareholding of Promoters

Sl. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company on fully diluted basis	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	% change in shareholding during the year
	--	NIL	-	NIL	NIL	NIL	NIL	-

(iii) Change in Promoters' Shareholding (please specify, if there is no change) – Not Applicable

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) -

Sl. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Top 10 Shareholders	**No. of shares**	**% of total shares of the company (on fully diluted basis)**	**No. of shares**	**% of total shares of the company**
1.	**Leapfrog Financial Inclusion India (II) Limited**				
	At the beginning of the year	37469937	30.76%	37469937	30.76%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	23.04.2019: Transferred 1984839 shares to Augusta Investments Pte II Ltd. 16.12.2019: Transferred 3855876 shares to Augusta Investments Pte II Ltd. 16.12.2019 Transferred 1676557 shares to IIFL Special Opportunities Fund Series 7.			
	At the End of the year	2,99,52,665	22.09%	2,99,52,665	22.09%
2.	**Augusta Investments Pte II Ltd**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	04.04.2019 – Allotment of 2230797 Compulsorily Convertible Preference Shares. 23.04.2019 – Purchased 1959935 shares from Accion Africa Asia Investment Company and 1984839 shares from Leapfrog Financial Inclusion India (II) Limited Purchase of 9488908 shares from Standard Chartered Bank (Singapore Branch) 16.12.2019 - Transfer of 3855876 shares from Leapfrog Financial Inclusion India (II) Limited and 3039262 shares from Accion Africa Asia Investment Company. 16.12.2019 – Allotment of 1025318 Compulsorily Convertible Preference Shares.			
	At the End of the year	23,584,935	17.39%	23,584,935	17.39%
3.	**Dvara Trust**				
	At the beginning of the year	16685402	13.70%	16685402	13.70%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	16.12.2019: Transferred 3806720 shares to Sumitomo Mitsui Banking Corporation			
	At the End of the year	12878682	9.50%	12878682	9.50%

Sl. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Top 10 Shareholders	No. of shares	% of total shares of the company (on fully diluted basis)	No. of shares	% of total shares of the company
4.	**Accion Africa Asia Investment Company**				
	At the beginning of the year	14430553	11.85%	14430553	11.85%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	23.04.2019 – Transfer of 1959935 shares to Augusta Investments Pte II Ltd. 16.12.2019 - Transfer of 1731827 shares from Accion to IIFL Special Opportunities Fund and 3039262 shares to Augusta Investments Pte II Ltd.			
	At the End of the year	76,99,529	5.68%	76,99,529	5.68%
5.	**Sumitomo Mitsui Banking Corporation**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	16.12.2019 – Preferential 3197644 allotment of equity shares and purchase of 38,06,720 shares from Dvara Trust.			
	At the End of the year	70,04,364	5.17%	70,04,364	5.17%
6.	**IIFL Special Opportunities Fund**				
	At the beginning of the year	4835784	4.16%	4835784	4.16%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	16.12.2019 – Purchased 1731827 shares from Accion Africa Asia Investment Company. 16.12.2019 – Allotment of 154329 Compulsorily Convertible Preference Shares.			
	At the End of the year	67,21,940	4.96%	67,21,940	4.96%
7.	**IIFL Special Opportunities Fund – Series 7**				
	At the beginning of the year	4406972	3.62%	4406972	3.62%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	16.12.2019 Transfer of 1676557 shares from Leapfrog to IIFLSpecial Opportunities Fund Series 7 16.12.2019: Allotted 42346 Compulsorily Convertible Preference Shares.			
	At the End of the year	6125875	4.52%	6125875	4.52%
8.	**Eight Roads Investments Mauritius (II) Limited**				
	At the beginning of the year	13610748	11.17%	13610748	11.72%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	13610748	10.04%	13610748	10.04%
9.	**IIFL Special Opportunities Fund – Series 4**				
	At the beginning of the year	5423564	4.45%	5423564	4.45%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	16.12.2019: Allotted 2115416 CCPS to IIFL Special Opportunities Fund – Series 4			
	At the End of the year	7538980	5.56%	7538980	5.56%
10	**IIFL Special Opportunities Fund – Series 5**				
	At the beginning of the year	4450157	3.65%	4450157	3.65%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	16.12.2019: Allotted 1735744 CCPS to IIFL Special Opportunities Fund – Series 5			
	At the End of the year	6185901	4.56%	6185901	4.56%

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Ms. Kshama Fernandes, Managing Director and CEO	Nil	Nil	1	Negligible
2.	Ms. Bama Balakrishnan, Chief Financial Officer	Nil	Nil	1	Negligible

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

Particulars	Secured Loans excluding deposits (INR lakh)	Unsecured Loans (INR lakh)	Deposits (INR lakh)	Total Indebtedness (INR lakh)
Indebtedness at the beginning of the financial year.				
i) Principal Amount	2,24,364.57	64,906.02	1,195.56	2,90,466.15
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	2,001.10	-	25.20	2,026.30
Total (i+ii+iii)	**2,26,365.67**	**64,906.02**	**1,220.76**	**2,92,492.45**
Change in Indebtedness during the financial year				
· **Addition**	2,41,953.96	8,000.00	575.09	2,50,529.05
· **Reduction**	2,10,617.55	38,500.00	501.55	2,49,619.10
Net Change	**31,336.41**	**-30,500.00**	**73.54**	**909.95**
Indebtedness at the end of the financial year				
i) Principal Amount	2,56,598.75	34,242.59	1,269.09	2,92,110.43
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	1,162.48	104.28	89.96	1,356.72
Total (i+ii+iii)	**2,57,761.23**	**34,346.88**	**1,359.06**	**2,93,467.17**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Managing Director Dr. Kshama Fernandes	Total Amount (In INR)
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) of Income Tax Act, 1961 (c) Profit in lieu of salary u/s 17(3) of Income Tax At, 1961	28,506,273 8,702	28,506,273 8,702
2.	Stock option*	-	-
3.	Sweat Equity	-	-
4.	Commission - as % of profits - others	-	-
5.	Others	-	
	Total A **Ceiling as per the Companies Act, 2013**	**28,514,975**	**28,514,975**

* The allotment of shares under Employee Stock Option Scheme are made in favour Northern Arc Employee Welfare Trust.

B. Remuneration to other Directors: - The Non-Executive Independent Directors are paid sitting fees. During the year under review, the details of sitting fees paid to the directors are as follows.

Sl. No.	Name of Director	Total Sitting fee (In INR)
1	Mr. Rajiv Lochan	14,00,000
2	Ms. Vedika Bhandarkar	4,00,000
3	Ms. Susan Thomas	10,00,000
4	Mr. Leo Puri	8,50,000
5	Ms. Anuradha Rao	3,00,000
	Total	**39,50,000**

Name of Director	**Amount of Commission paid**
Mr. Leo Puri	15,00,000

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount (In INR)
		Ms. Bama Balakrishnan (Chief Financial Officer)	Ms. Srividhya R (Company Secretary)	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) of Income Tax Act, 1961 (c) Profit in lieu of salary u/s 17(3) of Income Tax At, 1961	21414519 - -	5069756 - -	26484275 - -
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profits - others	-	-	-
5.	Others	-	-	-
	Total A	**21414519**	**5069756**	**26484275**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. Company					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. Directors					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
C. Other officers in default					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

Leo Puri
Non-Executive Independent Chairman
DIN: 01764813

Kshama Fernandes
Managing Director & Chief Executive Officer
DIN: 02539429

Date: June 26, 2020
Place: Chennai

ANNEXURE 2

Form No.MR-3

Secretarial Audit Report for the financial year ended 31st March 2020

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

To

The Members
NORTHERN ARC CAPITAL LIMITED
[CIN:U65910TN1989PLC017021]
No.1, Kanagam Village, 10th Floor IITM Research Park,
Taramani, Chennai- 600113

We have conducted a Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by **NORTHERN ARC CAPITAL LIMITED***(hereinafter called "the Company")* **during the financial year from 1st April 2019 to 31st March 2020** *("the year"/ "audit period"I "period under review").*

We conducted the Secretarial Audit in a manner that provided us a reasonable basis for evaluating the Company's corporate conducts/statutory compliances and expressing our opinion thereon.

We issue this report based on:

(i) Our examination /verification of the physical/ electronic books, papers, minute books and other records maintained by the Company and furnished to us, forms/ returns filed and compliance related action taken by the Company during the year as well as after 31st March 2020 but before the issue of this audit report and certified copies of attendance registers and minutes of meetings of the Board, Committees and Shareholders which were furnished to us on account of the records maintained at the Company's registered office not being accessible on account of the lockdown imposed by the Central Government;

(ii) Our **observations** during our visits to the Registered office of the Company;

(iii) **Compliance certificates** confirming compliance with all laws applicable to the Company given by the key managerial personnel/ senior managerial personnel of the Company and taken on record by the Audit Committee/ Board of Directors; and

(iv) **Representations** made, physical/electronic documents shown and information provided by the Company, its officers, agents and authorised representatives during our conduct of the Secretarial Audit.

We hereby report that, in our opinion, during the audit period covering the financial year ended on

31st March 2020 the Company has complied with the statutory provisions listed hereunder and has Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

The members are requested to read this report along with our letter of even date annexed to this report as Annexure-A.

Northern Arc Capital Limited

Secretarial Audit Report for the year ended 31st March 2020

1. Compliance with specific statutory provisions

We further report that:

1.1. We have examined the books, papers, minute books and other records maintained by the Company and the forms, returns, reports, disclosures and information filed or disseminated during the year, according to the applicable provisions/ clauses of:

(i) The Companies Act, 2013 and the rules made thereunder *(the Act).*

(ii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder.

(iii) The Depositories Act,1996 and the regulations and bye-laws framed thereunder.

(iv) The following Regulations prescribed under the Securities and Exchange Board of India Act,1992 *("SEBI Regulations"):-*

(a) Securities and Exchange Board of India (Issue and listing of Debt Securities) Regulations,2008;

(b) Securities and Exchange Board of India (Using Obligations and Disclosure Requirements) Regulations,*2015(LODR);*

(v) The following law is specifically applicable to the Company *(Specific laws):*

(a) Chapter III B of the Reserve Bank of India Act, 1934 and the directions/guidelines/circulars/ notifications issued thereunder by the Reserve Bank of India (RBI) to the extent applicable to a Systemically Important non-deposit taking Non-Banking Financial Company;

(vi) The listing agreement entered into by the Company with BSE Limited (BSE) for listing some of its Debt Securities *(Agreement).*

(vii) Foreign Exchange Management Act,1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment (FEMA);

(viii) Secretarial Standards issued by The Institute of Company Secretaries of India *(Secretarial Standards).*

1.2. During the period under review, and also considering the compliance related action taken by the Company after 31st March 2020 but before the issue of this report, the Company has, to the best of our knowledge and belief and based on the records, information, explanations and representations furnished to us:

(i) Generally complied with the applicable provisions/ clauses of the Acts, Rules mentioned under sub paragraphs (i) of paragraph 1.1,

(ii) Generally complied with the applicable provisions/ clauses of LODR mentioned under sub paragraphs (iv)(b) of paragraph 1.1

(iii) Generally complied with the applicable provisions/ clauses of the Acts, Rules, SEBI Regulations and Specific laws mentioned under sub-paragraphs (ii),(iii),(iv)(a),(v),(vi) and (vii) of paragraph 1.1.

(iv) Generally complied with the applicable provisions of Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) mentioned under paragraph l.l.(viii) above to the extent applicable to Board meetings and General meetings.

1.3. We are informed that, during/ in respect of the year, due to non-occurrence of certain events, the Company was not required to comply with the following laws/ rules/ regulations and consequently was not required to maintain any books, papers, minute books or other records or file any forms/returns under:

(i) Foreign Exchange Management Act,1999 and the rules and regulations made thereunder to the extent of Overseas Direct Investment and External Commercial Borrowings (FEMA};

(ii) Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations 1993 regarding the Companies Act,2013 and dealing with client;

(iii) Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998;

(iv) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations,2009;and

(v) Securities and Exchange Board of India (Share Based Employee Benefits} Regulations,2014.

2 Board processes:

We further report that:

2.1 The constitution of the Board of Directors of the Company during the year was in compliance with the applicable provisions ofthe Act.

2.2 As on 31st March 2020, the Board has:

(i) 1[One] Executive Director

(ii) 5 [Five] Non-Executive Non Independent Directors

(iii) 4 [Four] Non-Executive Independent Directors including two Woman Independent director.

2.3 The processes relating to the following changes in the composition ofthe Board of Directors during the year were carried out in compliance with the provisions of the Act:

(i) Re-appointment of Mr. Michael Fernandes (DIN 00064088) as a Director, upon retirement by rotation at the 11thAnnualGeneralMeeting held on27th September 2019 (11th AGM).

(ii) Re-appointment of Mr. Rajesh Dugar (DIN 00040516) as a Director, upon retirement by rotation at the 11th AGM.

(iii) Approval of the appointment of Mr. leo Purl(DIN 01764813) as an Independent Director for three years from 15th March 2019 to 14th March,2022 at the 11th AGM.

(iv) Appointment of Mrs. Anuradha Rao (DIN 07597195} as an Independent Director for three years from 31st October 2019 to 30th October,2022 at the Extra-Ordinary General Meeting of the Company held on 4thDecember,2019.

(v) Resignation of Ms. Vedlka Bhandarkar (DIN 00033808), Independent Director with effect from 30th July,2019.

(vi) Resignation of Mr. John Fischer (DIN 07908218), Nominee Director with effect from 5th February, 2020.

2.4 Adequate notice was given to all the directors to enable them to plan their schedule for the Board meetings.

2.5 Notice of Board meetings were sent to the directors at least seven days in advance other than those held at shorter notice.

2.6 Agenda and detailed notes on agenda were sent to the directors at least seven days before the Board meetings other than for those held at shorter notice.

2.7 Agenda and detailed notes on agenda for the following items were either circulated separately less than seven days before or at the Board meetings and consent of the Board for so circulating them was duly obtained as required under SS-1.

(i) Supplementary agenda notes and annexures in respect of audited financial statement/ results, unaudited financial results and connected papers;and

(ii) Additional subjects/ information/ presentations and supplementary notes.

2.8 A system exists for directors to seek and obtain further information and clarifications on the agenda items before the meetings and for their meaningful participation at the meetings.

2.9 We are informed that, at the Board meetings held during the year:

(i) Majority decisions were carried through;and

(ii) No dissenting views were expressed by any Board member on any of the subject matters discussed, that were required to be captured and recorded as part of the minutes.

3 Compliance mechanism

We further report that:

3.1 On an overall basis, the systems and processes prevalent in the Company, are reasonably adequate to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. Some of the compliance processes and systems have to be further strengthened to keep pace with the growth in operations and the consequent increase in compliance related events and compliance requirements.

4 Specific events/ actions

4.1 During the year, the following specific events/ actions having a major bearing on the Company's affairs took place, in pursuance of the above referred laws, rules, regulations and standards :

(i) The Board of Directors accorded its consent for issue of guarantees from time to time to an extent of Rs. 400 crores for the year.

(ii) Members accorded their approval for the following items by way of Special Resolutions:

At the 11th AGM

(a) Issue of non-convertible debentures from time to time up to a maximum amount of Rs. 5,000 crores.

(b) Borrowing and creation of security for such borrowings from time to time upto an extent of Rs. 12,000 Crores (at the 11th AGM).

(c) Amendment to the Memorandum of Association of the Company (at the 11th AGM).

(d) Amendment to the Employee Stock Scheme I by providing an amended vesting schedule for the ESOP participants and also empowering the ESOP Trustee to sell the shares allotted on exercise on their behalf (at the 11th AGM).

At the EGM on 23rd May 2019

(e) Amendment to the Employee Stock Option Plan, 2016, increasing the number of options from 56,63,747 to 68,51,758

At the EGM on 4th December 2019

(f) Preference issue of upto 31,97,644 Equity shares of Rs. 10/- each at Rs. 197.02 to Sumitomo Mitsui Banking Corporation Ltd.- allotted on 16th December,2019.

(g) Preferential issue in aggregate of 71,59,111Compulsorily convertible preference shares of Rs. 20/ each by way of preferential allotment to IIFL Special Opportunities Funds (Series 1to 7} and Augusta Investments II Pte. Ltd.

At the EGM on 10th January 2020

(h) Amendment to the Articles of Association pursuant to amended and restated shareholder's agreement dated 6th September 2019.

(iii) Allotted the following securities:

(a) 58,51,000 Equity shares of Rs. IO/- consequent to conversion of Compulsorily convertible preference shares (CCPS} into Equity shares

(b) 63,483 Equity shares of Rs. 10/- each pursuant to exercise of stock options.

(c) 93,89,908 Compulsorily convertible preference shares (CCPS) of Rs. 20/- each.

(d) 4600 listed, secured, redeemable, non-convertible Debentures of Rs. 10 lakhs each (2000 debentures partly paid i.e.,@ Rs. S lakhs each).

(e) 5,000 listed, secured, redeemable, non-convertible Debentures of Rs. 10,000/- each. (f) 3,00,00,000 listed, unsecured, redeemable, non-convertible Debentures of Rs. IO each.

(iv) Issued Commercial Papers (CP) amounting to Rs. 50 crores. The outstanding CP of Rs. 15 crores as on 31st March 2020 represents listed CPs issued on 17th March 2020.

(v) Redeemed the following securities:

(a) 6,850 Secured Redeemable Non-Convertible debentures of Rs. 10,00,000/- each

(b) 1crore 9% cumulative, non-convertible, compulsorily redeemable preference shares aggregating to Rs. 10 crores on 26th September 2019 out of the profits available for distribution.

(c) 161akhs 9% cumulative, non-convertible, compulsorily redeemable preference shares aggregating to Rs. 1.60 crores on 27th September 2019 out of the profits available for distribution.

Date: June 26, 2020
Place: Chennai

For S Krishnamurthy & Co.,
Company Secretaries

K Sriram,
Partner.
Membership No: F6312
Certificate of Practice No:2215
UDIN:

ANNEXURE 3

Disclosure relating to Employees Stock Option Scheme in accordance with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014

Particulars	Scheme-1	Scheme-2	Scheme-3
(a) Options granted	681371	5617500	1483119
(b) Options vested	222823	1366000	200267
(c) Options exercised	84000	108483	-
(d) The total number of shares arising as a result of exercise of option	84000	108483	-
(e) Options lapsed	310000	1874000	191505
(f) The exercise price	INR 10	INR 110 and INR 171	INR 181 and INR 188
(g) Variation of terms of options	-	-	-
(h) Money realized by exercise of options		INR 57,73,130	INR 19, 91,000
(i) Total number of options in force	371371	3635017	1291641
(j) Employee wise details of options granted to:			
(i) key managerial personnel;	256371	930000	246746
(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.	-	-	-
(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;	-	-	-

***Note:**

Scheme 1, Scheme 2 and Scheme 3 mentioned above refers to IFMR Capital Employees Stock Option Plan - Scheme I, IFMR Capital Employees Stock Option Plan - Scheme II; and Northern Arc Capital Limited Employees Stock Option Scheme 2018 respectively.

ANNEXURE 4

Form No. AOC-2

(Pursuant to *clause (h) of sub-section (3)of section 134 of the Act and* Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms' length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis: NIL**

   (a) Name(s) of the related party and nature of relationship

   (b) Nature of contracts/arrangements/transactions

   (c) Duration of the contracts / arrangements/transactions

   (d) Salient terms of the contracts or arrangements or transactions including the value, if any

   (e) Justification for entering into such contracts or arrangements or transactions

   (f) Date(s) of approval by the Board

   (g) Amount paid as advances, if any:

   (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

2. **Details of material contracts or arrangement or transactions at arm's length basis:**

Name of the related party	Nature of transaction	Duration	Date of approval by Board/ Audit Committee
Dvara Trust (Formerly IFMR Trust) – Represented by Dvara Trusteeship Services Private Limited	Shared services agreement Fee income for other financial services		22.05.2018
Direct subsidiaries:			
Northern Arc Investment Adviser Services Private Limited (Formerly IFMR Investment Adviser Services Private Limited)	Purchase & Sale of Fixed Assets Reimbursement of actual expenses Fee income for other financial services		21.01.2015
Northern Arc Investment Managers Private Limited (Formerly IFMR Investment Managers Private Limited)	Working capital loans provided Purchase & Sale of Fixed Assets Reimbursement of actual expenses Fee income for other financial services	Four Years	21.01.2015
Companies which have common directors:			
Neogrowth Credit Private Limited	Term Loans & Guarantee facilities provided Fee income for other financial services	As per individual terms entered into on an arms' length basis	22.05.2018
Manthan Software Services Private Limited	Term Loans Fee income for other financial services	As per individual terms entered into on an arms' length basis	22.05.2018
Mountain Trail Foods Private Limited	Term Loans Fee income for other financial services	As per individual terms entered into on an arms' length basis	22.05.2018
Dvara Solutions Private Limited	Software services		25.07.2017
Dvara Money Private Limited	Sub-leasing, reimbursement of actual financial expenses		29.11.2018

Leo Puri
Non-Executive Independent Chairman
DIN: 01764813

Kshama Fernandes
Managing Director & Chief Executive Officer
DIN: 02539429

Date: June 26, 2020
Place: Chennai

ANNEXURE 5

Details regarding CSR Policy and CSR initiatives:

I. **Outline of the CSR policy:**

The company's CSR policy is in line with the mission of ensuring access to financial services to every individual and enterprise. During the FY 2019-20, the company contributed towards financial inclusion in underdeveloped areas of India and socio-economic development and relief through the following programs:

a) Conducting of Employment Linked Skilling Program and BFSI Skilling Program for the benefit of public at large.

b) Conducting of risk management workshop on Expected Credit Loss (ECL) for the common benefit of those working in financial services sector.

c) conducting a research on Household Finance, in association with Dvara Research Foundation, for common benefit.

d) Doorstep school project for the benefit of underprivileged children

e) project for providing higher education facilities for deserving economically disadvantaged children

f) Commissioning an in-depth financial inclusion survey and developing a financial inclusion index/metric in association with Dvara Research Foundation. The details of the survey will be made available in the public domain from time to time.

Further, there are few activities such as providing amenities and upgrading facilities in government schools in and around Chennai, activities for minimising the impact of Covid 19 to the society, technology project etc are in progress.

The complete CSR policy of the Company can be accessed on the company's website at www.northernarc.com

II. **Composition of the CSR Committee:**

In accordance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014, the Company has constituted a CSR Committee with the following members of the Board:

1. Mr. Rajiv Lochan, Indpendent Director, Chairperson
2. Dr. Susan Thomas, Indpendent Director
3. Mr. Michael Fernandes, Nominee Director
4. Dr. Kshama Fernandes, Managing Director & Chief Executive Officer

III. **Average Net Profits of the Company for the last three financial years:** INR 113.51 Crore

IV. **Prescribed CSR Expenditure: (two per cent of the amount specified in III. Above)**: INR 2.27 Crore (Amount carried forward from previous year – INR 1.08 Crore. The amount carried forward represents the provision for unspent CSR expenditure after fair value adjustments under Ind AS).

V. **Details of CSR spent during the year:**

a) Total amount to be spent for the financial year – INR 3.35 Crore

b) Amount unspent – NIL.

c) Manner in which the amount spent during the financial year:

Sl. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) local or other 2) specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Conducting of Employment Linked Skilling Program and BFSI Skilling Program for the benefit of public at large	Skills development	Chennai	0.30	0.30	0.30	Amount Spent through Northern Arc Foundation
2	Conducting of risk management workshop on Expected Credit Loss (ECL) for the common benefit of those working in financial services sector.	Education	Chennai	0.05	0.05	0.05	Amount Spent through Northern Arc Foundation

Sl. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) local or other 2) specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
3	Conducting a research on Household Finance, in association with Dvara Research Foundation, for common benefit.	Education; Eradication of poverty	Chennai	0.50	0.50	0.50	Amount Spent through Northern Arc Foundation
4	Doorstep school project for the benefit of underprivileged children	Promotion of Edcation	Chennai	0.25	0.25	0.25	Amount Spent through Northern Arc Foundation
5	Swadha Foundation project for providing higher education facilities for deserving economically disadvantaged children	Promotion of Edcation	Chennai	0.15	0.15	0.15	Amount Spent through Northern Arc Foundation
6	commissioning an in-depth financial inclusion survey and developing a financial inclusion index/metric as part of the Corporate Social Responsibility initiative in association with Dvara Research Foundation. The details of the survey will be made available in the public domain from time to time.	Education; Eradication of poverty	Chennai	1.13	1.13	1.13	Amount directly spent by the Company.
7	Amount paid to CSR consultant as salary and reimbursement of actual expenses	Overhead in connection with CSR activities	Chennai	0.31	0.31	0.31	Directly spent by the Company
8	Providing amenities and upgrading facilities in government schools in and around Chennai	Promotion of Education	Chennai	0.09	Earmarked and transferred to Northern Arc Foundation	0.09	To be spent through Northern Arc Foundation
9	Conducting various activities for minimising the impact of Covid 19 to the society	Disaster management, including relief, rehabilitation and reconstruction activities	Chennai	0.40	Earmarked and transferred to Northern Arc Foundation	0.40	To be spent through Northern Arc Foundation
10	Proposed technology project		Chennai	0.18	0.18	0.18	Amount directly spent by the Company.

VI. **Reason for not spending the required amount, in case of any amount is unspent**
The Company has spent the entire amount required to be spend towards CSR during the financial year 2019-20, including the unspent portion of CSR allocation carried forward from previous year.

VII. **The CSR Committee of the Company certifies that the Company is compliant with the implementation and monitoring of the CSR Policy**

Signature of Chief Executive Officer
Kshama Fernandes

Signature of the Chairman of the CSR Committee
Susan Thomas

STANDALONE FINANCIAL STATEMENTS

Independent Auditor's Report

To the Members of Northern Arc Capital Limited
Report on the Audit of the Standalone Financial Statements

Opinion
We have audited the standalone financial statements of **Northern Arc Capital Limited** ("the Company"), which comprise the standalone balance sheet As at March 31 2020, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

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, of the state of affairs of the Company As at March 31 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion
We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditors' Responsibilities for the Audit of the Standalone financial statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone 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 on the standalone financial statements.

Emphasis of matter
As more fully described in Note 76 to the standalone financial statements, in respect of accounts overdue but standard as at 29 February 2020 where moratorium benefits have been granted, the staging of those accounts As at March 31 2020 is based on the days past due status as on 29 February 2020, in accordance with Reserve bank of India COVID-19 Regulatory Package.

Further, the extent of impact of the COVID - 19 pandemic will impact the Company's financial position and performance including the Company's estimates of impairment of loans and fair valuation of investments, are dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter:

Key Audit Matter	How the matter was addressed in our audit
Impairment of loans and investments – refer notes 7, 8 and 27 to the financial statements	
Recognition and measurement of impairment of loans and investments involve significant management judgement. Under Ind AS 109 - Financial Instruments, credit loss assessment is based on expected credit loss (ECL) model. The Company's impairment allowance is derived from estimates including the historical default, loss ratios etc. Management exercises judgement in determining the quantum of loss based on a range of factors. Further, in relation to COVID-19 pandemic, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the economy. The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following: • Segmentation of loans given to the customer	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Performed process walkthroughs to identify the controls used in the impairment allowance processes. • Assessed the design and implementation of controls in respect of the Company's impairment allowance process such as the timely recognition of impairment loss, the completeness and accuracy of reports used in the impairment allowance process and management review processes over the calculation of impairment allowance • Obtained understanding of management's revised processes, systems and controls implemented in relation to impairment allowance process, specifically in view of providing moratorium as per board approved policy read with RBI COVID - 19 regulatory package including management rationale for determination of criteria of significant increase in credit risk.

Key Audit Matter	How the matter was addressed in our audit
• Criteria selected to identify significant increase in credit risk, specifically in respect of moratorium benefit given to select borrowers, as per the Company's board approved policy, read with the RBI COVID 19 regulatory package • Increased level of data inputs for capturing the historical data to calculate the Probability of Default ('PDs') and Loss Given Default ("LGD") and the completeness and accuracy of that data • Use of management overlays, considering the probability weighted scenarios, credit risk of customers, the forward looking macro-economic factors, economic environment and the timing of cash flows, impact of the pandemic on the Company's customers and their ability to repay dues and application of regulatory package announced by the Reserve Bank of India on asset classification and provisioning. The underlying forecasts and assumptions used in the estimates of impairment loss allowance are subject to uncertainties which are often outside the control of the Company. The extent to which the COVID-19 pandemic will impact the Company's current estimate of impairment loss allowances is dependent on future developments, which are highly uncertain at this point. The management judgement involved in estimates has significant impact, considering the size of loan portfolio relative to the balance sheet. Therefore, we identified impairment allowances for loans and advances and investments as key audit matter.	Evaluated whether the methodology applied by the Company is compliant with the requirements of the relevant accounting standards and confirmed that the calculations are performed in accordance with the approved methodology, including checking mathematical accuracy of the workings. • Tested the periods considered for capturing underlying data as base to PD and LGD calculations are in line with Company's recent experience of past observed periods. • Tested the accuracy of the key inputs used in the calculation and independently evaluated the reasonableness of the assumptions made. • Challenged completeness and validity of impairment allowance including the management overlays, particularly in response to COVID 19 with assistance of our financial risk modelling experts by critically evaluating the risks that have been addressed by management. We also tested management's workings supporting the overlay quantum. • Performed test of details, on a sample basis, on underlying data relating to segmentation, management overlays, staging As at March 31 2020, the key inputs for computation of ECL. • Assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment loss allowance in the financial statements are appropriate and sufficient.
Valuation of financial instruments – refer notes 7 and 8 to the financial statements	
Certain Financial instruments are carried at fair values based on the Company's assessment of business model. The effect of fair value adjustments may impact either the profit or loss or other comprehensive income. The valuation of these Financial instruments is based on a combination of market data, and valuation models which often require significant management judgement including management overlay for COVID – 19 impact. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Obtained and confirmed the approvals of Audit Committee on the methodology and key assumptions used for the valuation of financial instruments. • Assessed the appropriateness of the valuation methodology and challenging the valuation model by testing the key inputs including the Management overlay for COVID - 19 considered for fair value computation. • Performed test of details, on a sample basis, on re-computation of the fair value and the key inputs used in the fair values to ensure accuracy and relevance of data.

Information other than the Standalone financial statements and Auditors' Report thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the standalone financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this Auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's and Board of Directors' Responsibility for the Standalone financial statements

The Company's Management and Board of Directors are 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 state of affairs, profit / loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and Board of Directors are 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Standalone financial statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to standalone 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 in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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 standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. (A) As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

   c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.

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

   e) On the basis of the written representations received from the directors as on March 31 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31 2020 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

3. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations As at March 31 2020 on its financial position in its standalone financial statements – Refer Note 38 to the standalone financial statements.

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. Refer notes 7 and 8 to the standalone financial statements.

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

   iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these standalone financial statements since they do not pertain to the financial year ended March 31 2020.

4. With respect to the matter to be included in the Auditors' Report under section 197(16):

   In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No – 101248W/W-100022

K Raghuram
Partner
Membership No. 211171
UDIN: 20211171AAAABP7405
Place: Chennai
Date: June 26 2020

Annexure A to the Independent Auditor's Report to the members of Northern Arc capital Limited for the year ended March 31 2020

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

b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme certain fixed assets were physically verified by the management during the year and as explained to us, no material discrepancies were noticed on such verification.

c) According to information and explanation given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties. Accordingly, paragraph 3(i)(c) of the Order is not applicable.

(ii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is primarily engaged in the business of lending activities, accordingly, it does not hold any physical inventories. Accordingly, paragraph 3(ii) of the Order is not applicable.

(iii) In our opinion and according to the information and explanations given to us, the Company has granted unsecured loans to one company covered in the register maintained under Section 189 of the Companies Act, 2013:

a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the Company listed in the register maintained under Section 189 of the Act were not, prima facie, prejudicial to the interest of the Company.

b) In the case of the loans granted to the company listed in the register maintained under Section 189 of the Act, the borrowers have been, where stipulated, regular in the payment of principal and interest.

c) There are no overdue amounts in respect of the loan granted to the company listed in the register maintained under Section 189 of the Act.

(iv) According to the information and explanations given to us, the Company has complied with the provisions of section 185 in respect of loan, guarantees, investments and security, as applicable. The Company has complied with the provisions of Section 186(1) of the Act in relation to investments made by the Company. The remaining provisions related to section 186 of the Act do not apply to the Company as it is a non-banking financial company.

(v) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder. Accordingly, the provisions of paragraph 3(v) of the Order is not applicable to the Company.

(vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Accordingly, paragraph 3(vi) of the Order is not applicable.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues have been deposited regularly during the year by the Company with the appropriate authorities. As explained to us, the Company did not have dues on account of service tax, sales tax, duty of customs, duty of excise and value added tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues were in arrears As at March 31 2020 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income-tax, service tax and goods and services tax which have not been deposited with the appropriate authorities on account of dispute except the following:

Name of statute	Amount - Rs. in Lakhs.	Period to which the amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	255.99	AY 2014-15	Income tax Appellate Tribunal
Income-Tax Act, 1961	172.54	AY 2017-18	Commissioner of Income Tax (Appeals)

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions or to debenture holders. The Company did not have any outstanding loans or borrowings to Government during the year.

(ix) According to the information and explanations given to us, the Company has utilised the money raised by way of issue of non-convertible debentures and the terms loans during the year for the purpose for which they were raised. During the year, the Company has not raised moneys by way of initial public offer or further public offer.

(x) According to the information and explanations given to us, no material fraud on or by the Company by its officers or employees has been noticed or reported during the course of our audit. Refer note 51 to the standalone financial statements

(xi) According to information and explanations given to us and on the basis of our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the provisions of section 197 read with Schedule V to the Act.

(xii) According to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable

(xiii) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the standalone financial statements as required by the relevant accounting standards.

(xiv) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has complied with Section 42 of the Companies Act, 2013 in respect of preferential allotment or private placement of shares during the year and funds has been used for the purposes for which it has been raised. The Company has not made any private placement of fully or partly convertible debentures during the year.

(xv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration from Reserve Bank of India.

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No – 101248W/W-100022

K Raghuram
Partner
Membership No. 211171
UDIN: 20211171AAAABP7405
Place: Chennai
Date: June 26 2020

Annexure B to the Independent Auditors' Report to the Members of Northern Arc Capital Limited for the year ended March 31 2020

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013
(Referred to in paragraph 2A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion
We have audited the internal financial controls with reference to financial statements of Northern Arc Capital Limited ("the Company") as of March 31 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively As at March 31 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI").

Emphasis of Matter
As described in Emphasis of Matter paragraph of our report on financial statements, the extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of the above matter.

Management's Responsibility for Internal Financial Controls
The Company's management and the Board of Directors 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility
Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included 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 standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

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

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No – 101248W/W-100022

K Raghuram
Partner
Membership No. 211171
UDIN: 20211171AAAABP7405
Place: Chennai
Date: June 26 2020

NORTHERN ARC CAPITAL LIMITED

Standalone Balance Sheet as at March 31 2020

(All amounts are in Indian Rupees in lakhs)

Particulars	Note	As at March 31 2020	As at March 31 2019
ASSETS			
Financial assets			
Cash and cash equivalents	4	32,485.12	18,285.52
Bank balances other than cash and cash equivalents	5	7,720.21	5,233.88
Trade receivables	6	821.57	1,650.25
Loans	7	294,597.06	278,805.38
Investments	8	104,828.13	104,926.98
Other financial assets	9	1,173.42	988.79
		441,625.51	**409,890.80**
Non-financial assets			
Current tax assets (net)		3,662.18	1,365.39
Deferred tax assets (net)	31	360.35	599.67
Property, plant and equipment	10.1	178.19	67.59
Right of use asset	10.2	1,324.14	-
Intangible assets under development	10.3	94.94	342.75
Intangible assets	10.4	831.54	290.99
Other non-financial assets	11	244.11	413.20
		6,695.45	**3,079.59**
Total assets		**448,320.96**	**412,970.39**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Derivative financial instruments	12	-	10.65
Trade payables	13		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		793.17	929.54
Debt securities	14	86,020.70	124,386.13
Borrowings (Other than debt securities)	15	206,097.40	166,885.56
Subordinated liabilities	16	-	1,213.41
Other financial liabilities	17	4,683.04	3,251.51
		297,584.31	**296,676.80**
Non-financial liabilities			
Provisions	18	1,327.09	1,210.73
Other non-financial liabilities	19	127.68	362.97
		1,454.77	**1,573.70**
EQUITY			
Equity share capital	20	8,747.79	7,836.57
Other equity	21	140,534.09	106,883.32
		149,281.88	**114,719.89**
Total liabilities and equity		**448,320.96**	**412,970.39**

Significant accounting policies (Refer note 2 and 3)
The notes referred to above form an integral part of standalone financial statements
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place : Chennai
Date : June 26 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : June 26 2020

NORTHERN ARC CAPITAL LIMITED
Standalone Statement of profit and loss for the year ended March 31 2020
(All amounts are in Indian Rupees in lakhs)

Particulars	Note	Year ended March 31 2020	Year ended March 31 2019
Revenue from operations			
Interest income	22	52,986.97	47,533.90
Fees and Commission income	23	5,060.12	4,933.33
Net gain on fair value changes	24	1,341.94	3,669.94
Net gain on derecognition of financial instruments		489.38	4.72
Total revenue from operations		**59,878.41**	**56,141.89**
Other income	25	186.49	1,614.42
Total income		**60,064.90**	**57,756.31**
Expenses			
Finance costs	26	30,920.50	30,183.93
Fees and commission expense		2,289.11	1,154.64
Impairment on financial instruments	27	3,523.08	1,444.69
Employee benefits expenses	28	6,047.37	6,758.72
Depreciation and amortisation	29	671.62	289.80
Other expenses	30	3,549.39	3,344.22
Total expenses		**47,001.07**	**43,176.00**
Profit before tax		13,063.83	14,580.31
Tax expense	31		
Current tax		3,370.00	5,046.73
Deferred tax charge		731.90	598.03
Total Tax expense		**4,101.90**	**5,644.76**
Profit for the year	**(A)**	**8,961.93**	**8,935.55**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of the defined benefit asset/ (liability)		54.48	14.07
Income tax relating to items that will not be reclassified to profit or loss		(13.71)	(4.92)
		40.77	**9.15**
Items that will be reclassified to profit or loss			
Fair valuation of investment in debt instruments (net)		(224.94)	(1,797.59)
Income tax relating to items that will be reclassified to profit or loss		506.27	628.15
		281.33	**(1,169.44)**
Other comprehensive income for the year	**(B)**	**322.10**	**(1,160.29)**
Total comprehensive income for the year	**(A+B)**	**9,284.03**	**7,775.26**
Earnings per equity share (Face Value - INR 10/ Share)	32		
Basic (in rupees)		10.67	11.40
Diluted (in rupees)		7.55	9.84

Significant accounting policies (Refer note 2 and 3)
The notes referred to above form an integral part of standalone financial statements
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place : Chennai
Date : June 26 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : June 26 2020

NORTHERN ARC CAPITAL LIMITED
Standalone Statement of Cash Flows for the year ended March 31 2020
(All amounts are in Indian Rupees in lakhs)

	Particulars	Note	As at March 31 2020	As at March 31 2019
A	**Cash flow from operating activities**			
	Profit after tax		8,961.93	8,935.55
	Adjustments for:			
	Depreciation and amortisation		671.62	289.80
	Write off of intangible assets under development		55.80	63.33
	Tax expense (including deferred tax)		3,609.34	5,021.53
	Mark-to-market gain on derivative contracts		-	(14.69)
	Interest income on loans, fixed deposits and investments		(52,986.97)	(47,533.90)
	Unrealised gain on alternative investment funds designated at fair value through profit or loss		(88.80)	(86.94)
	Gain on mutual funds investments designated at fair value through profit or loss		(390.11)	(200.16)
	Profit on sale of investments		(12.79)	(518.83)
	Impairment on financial instruments (net)		3,523.08	(106.31)
	Employee share based payment expenses		596.26	982.03
	Amortisation of discount on commercial papers		721.97	3,057.15
	Amortisation of ancillary costs relating to borrowings		1,099.76	599.67
	Finance costs		29,098.77	26,527.11
	Operating profit before working capital changes		**(5,140.14)**	**(2,984.66)**
	Changes in working capital and other changes:			
	(Increase) in other financial assets		(184.63)	(528.15)
	Decrease in trade receivables		798.07	764.43
	(Increase) in loans		(17,869.66)	(47,517.62)
	Decrease/ (increase) in other non financial assets		169.09	(316.70)
	(Increase) in other bank balances		(2,376.76)	(3,749.79)
	Increase in trade payables, other liabilities and provisions		(153.23)	1,550.82
	Cash used in operations		**(24,757.26)**	**(52,781.67)**
	Interest income received on loans, fixed deposits and investments		51,338.90	47,587.57
	Finance cost paid		(29,833.11)	(25,864.13)
	Income tax paid (net)		(5,666.81)	(5,895.60)
	Net cash flow generated from / (used in) operating activities	**(A)**	**(8,918.28)**	**(36,953.83)**
B	**Cash flows from investing activities**			
	Purchase of fixed assets		(1,079.75)	(530.58)
	Purchase of mutual fund investments		(77,000.00)	(57,005.00)
	Proceeds from sale of investments in Mutual fund		77,390.11	57,205.16
	Purchase of other investments		(57,138.14)	(43,177.47)
	Proceeds from sale of other investments		57,717.20	46,711.24
	Net cash generated (used in) / from investing activities	**(B)**	**(110.58)**	**3,203.35**
C	**Cash flow from financing activities**			
	Proceeds from issue of debt securities (net of repayments)		(39,087.40)	53,023.12
	Proceeds from borrowings (net of repayments)		38,836.42	(59,158.67)
	Payment of lease liabilities		(291.28)	-
	(Repayments) of / Proceeds from issue of non convertible preference shares		(1,285.86)	1,213.41
	Utilisation of the securities premium		(436.99)	(1,093.40)
	Proceeds from issue of convertible preference share capital including securities premium		18,500.00	39,999.99
	Proceeds from issue of equity share capital including securities premium		6,993.57	-
	Net cash generated (used in) / from financing activities	**(C)**	**23,228.46**	**33,984.45**
	Net increase in cash and cash equivalents	**(A+B+C)**	**14,199.60**	**233.97**
	Cash and cash equivalents at the beginning of the year		18,285.52	18,051.55
	Cash and cash equivalents at the end of the year		**32,485.12**	**18,285.52**

Standalone Statement of Cash Flows for the year ended March 31 2020

(All amounts are in Indian Rupees in lakhs)

		Note	As at March 31 2020	As at March 31 2019
	Notes to cash flow statement			
1	**Components of cash and cash equivalents:**	4		
	Cash on hand		-	-
	Balances with banks			
	- in current accounts		28,482.40	15,284.48
	- in deposit accounts		4,002.72	3,001.04
			32,485.12	**18,285.52**

2 The above cashflow statement has been prepared under the "indirect method" as set out in the Ind AS-7 on statement of cashflows specified under section 133 of the Companies Act, 2013.

3 **Change in liabilities arising from financing activities**

Particulars	As at March 31, 2019	Cash Flows	Non Cash Changes	As at March 31, 2020
Borrowings	166,885.56	38,401.58	800.26	206,087.40
Debt Securities	124,386.13	(39,386.90)	1,021.47	86,020.70
Subordinated liabilities	1,213.41	(1,213.41)	-	-
Total	**292,485.10**	**(2,198.73)**	**1,821.73**	**292,108.10**

Significant accounting policies (Refer note 2 and 3)
The notes referred to above form an integral part of standalone financial statements
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place : Chennai
Date : June 26 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : June 26 2020

NORTHERN ARC CAPITAL LIMITED

Standalone statement of changes in equity for the year ended March 31 2020

(All amounts are in Indian Rupees in lakhs)

A. Equity Share Capital

Equity Share capital of INR 10 each Issued, subscribed and fully paid	
Balance as at March 31, 2018	**7836.57**
Changes in equity share capital during the year	-
Balance as at March 31 2019	**7836.57**
Changes in equity share capital during the year	911.22
Balance as at March 31 2020	**8747.79**

B. Other Equity

Particulars	Compulsorily Convertible Preference Shares (CCPS)	Other equity								Total Other Equity attributable to Equity Holders of the Company
		Reserves and surplus						Other Comprehensive Income (OCI)		
		Statutory Reserve	Capital Redemption Reserve	Capital Reserve	Securities Premium Account	Employee Stock Options Outstanding Account	Retained Earnings	Financial Instruments through OCI	Remeasurements of Defined Benefit Obligations	
Balance as at March 31, 2019	**3,496.38**	**5,190.27**	**1,500.00**	**3.57**	**25,642.24**	**733.19**	**18,493.31**	**4,160.48**	**-**	**59,219.44**
Change in equity for the year ended March 31 2019										
Shares issued during the year	4,060.48	-	-	-	-	-	-	-	-	4,060.48
Premium received on shares issued during the year	-	-	-	-	35,939.51	-	-	-	-	35,939.51
Utilisation of the share premium	-	-	-	-	(1,093.40)	-	-	-	-	(1,093.40)
Profit for the year	-	-	-	-	-	-	8,935.55	-	-	8,935.55
Transfer to statutory reserve	-	1,787.11	-	-	-	-	(1,787.11)	-	-	-
Employee compensation expense during the year	-	-	-	-	-	982.03	-	-	-	982.03
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	9.15	9.15
Reclassification of remeasurement of net defined liability							9.15	-	(9.15)	-
Fair valuation of investment in debt instruments (net)	-	-	-	-	-	-	-	(1,169.44)	-	(1,169.44)
Balance as at March 31 2019	**7,556.86**	**6,977.38**	**1,500.00**	**3.57**	**60,488.35**	**1,715.22**	**25,650.90**	**2,991.04**	**-**	**106,883.32**

NORTHERN ARC CAPITAL LIMITED

Standalone statement of changes in equity for the year ended March 31 2020

(All amounts are in Indian Rupees in lakhs)

B. Other Equity (Continued)

Particulars	Compulsorily Convertible Preference Shares (CCPS)	Other equity								Total Other Equity attributable to Equity Holders of the Company
		Reserves and surplus						Other Comprehensive Income (OCI)		
		Statutory Reserve	Capital Redemption Reserve	Capital Reserve	Securities Premium Account	Employee Stock Options Outstanding Account	Retained Earnings	Financial Instruments through OCI	Remeasurements of Defined Benefit Obligations	
Change in equity for the year ended March 31 2020										
Shares issued during the year	1,877.98	-	-	-	-	-	-	-	-	1,877.98
CCPS converted into equity	(1,170.20)	-	-	-	-	-	-	-	-	(1,170.20)
Premium received on shares issued during the year	-	-	-	-	23,289.47	-	-	-	-	23,289.47
Utilisation of the share premium	-	-	-	-	(436.99)	-	-	-	-	(436.99)
Profit for the year	-	-	-	-	-	-	8,961.93	-	-	8,961.93
Transfer to statutory reserve	-	1,792.39	-	-	-	-	(1,792.39)	-	-	-
Transfer to Capital Redemption Reserve	-	-	1,160.00	-	-	-	(1,160.00)	-	-	-
Employee compensation expense during the year	-	-	-	-	-	806.48	-	-	-	806.48
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	40.77	40.77
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	40.77	-	(40.77)	-
Fair valuation of investment in debt instruments (net)	-	-	-	-	-	-	-	281.33	-	281.33
Balance as at March 31 2020	**8,264.64**	**8,769.77**	**2,660.00**	**3.57**	**83,340.83**	**2,521.70**	**31,701.21**	**3,272.37**	**-**	**140,534.09**

Significant accounting policies (Refer note 2 and 3)
The notes form an integral part of standalone financial statements.
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place : Chennai
Date : June 26 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : June 26 2020

1 Reporting entity

Northern Arc Capital Limited ("the Company"), was incorporated on March 9, 1989 and is registered as a non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated August 8, 2013 in lieu of Certificate of Registration dated June 24, 1999 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND"). The Company's registered address is No. 1, Kanagam Village, 10th Floor IITM Research Park, Taramani Chennai TN 600113. The Company was formerly known as IFMR Capital Finance Limited. The Company has obtained revised certificate dated March 8, 2018 for name change.

The Company's objective is to provide liquidity and develop access to debt-capital markets for institutions that impact financially excluded households and enterprises.

2 Basis of preparation

2.1 Statement of compliance

These standalone financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

These standalone financial statements were authorised for issue by the Company's Board of Directors on June 26 2020.

Details of the Company's accounting policies are disclosed in note 3.

2.2 Presentation of financial statements

The Balance Sheet, the Statement of Profit and Loss, Statement of Changes in Equity, are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non Banking Financial Companies ('NBFC') that are required to comply with Ind AS. The statement of cash flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows. The Company presents its balance sheet in order of liquidity.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis.

2.3 Functional and presentation currency

These standalone financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest lakhs (two decimals), unless otherwise indicated.

2.4 Basis of measurement

The standalone financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities (including derivatives instruments)	Fair value
Liabilities for equity-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

2.5 Use of estimates and judgements

The preparation of the standalone financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the standalone financial statements

Estimation of uncertainties relating to the global health pandemic from novel coronavirus 2019 ('COVID-19'):

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of loans and fair value of investments. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, 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. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these standalone financial statements.

Information about judgements, estimates and assumptions made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

i) **Business model assessment**

Classification and measurement of financial assets depends on the results of business model test and the solely payments of principal and interest ('SPPI') test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income or fair value through profit and loss 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 Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

ii) **Fair value of financial instruments**
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

iii) **Effective Interest Rate ('EIR') method**
The Company's EIR methodology recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to interest rates and other fee income/ expense that are integral parts of the instrument.

iv) **Impairment of financial assets**
The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss ('ECL') calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include :

a) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time expected credit loss ('LTECL') basis.

b) Development of ECL models, including the various formulas and the choice of inputs.

c) Determination of associations between macroeconomic scenarios and economic inputs, such as consumer spending, lending interest rates and collateral values, and the effect on probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD').

d) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

v) **Provisions and other contingent liabilities**
The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory inspections in the ordinary course of the Company's business.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the outflow is considered to be probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. Management believes that the estimates used in preparation of the standalone financial statements are prudent and reasonable.

vi) **Other assumptions and estimation uncertainities**
Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

a) Measurement of defined benefit obligations: key actuarial assumptions;

b) Estimated useful life of property, plant and equipment and intangible assets;

c) Recognition of deferred taxes;

d) Upfront recognition of Excess Interest Spread (EIS) in relation to assignment transactions.

3 Significant accounting policies

3.1 Revenue Recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115, 'Revenue from contracts with customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind ASs.

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115 :

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

A. Effective Interest Rate ('EIR') Method

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost, financial instrument measured at Fair value through other comprehensive income ('FVOCI') and Fair value through profit and loss ('FVTPL'). The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in the statement of profit and loss.

The Company calculates interest income by applying EIR to the gross carrying amount of financial assets other than credit impaired assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', the Company calculates interest income on the net basis. If the financial asset cures and is no longer credit impaired, the Company reverts to calculating interest income on a gross basis.

B. Other income

Income from guarantee facilities, collateral deposits from customers, investment in non-convertible debentures are recognized on a time proportionate basis. Income from investment in commercial papers is recognised on a straight-line basis over the tenure of such investments. Income from investment in alternative investment fund is recognised when the right to receive is established.

C. Dividend income

Dividend income (including from FVOCI investments) is recognised when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend

D. Other interest income

Other interest income is recognised on a time proportionate basis.

E. Fees and commission income

Fees and commission income such as guarantee commission, service income etc. are recognised on point in time or over the period basis, as applicable

3.2 Financial instruments - initial recognition

A. Date of recognition

Debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

B. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from this amount.

C. Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

i) **Amortised cost**

ii) **Fair Value through Other Comprehensive Income(FVOCI)**

iii) **Fair Value through Profit & Loss (FVTPL)**

3.3 Financial assets and liabilities

A. Financial assets
Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.

b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

d) The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

Sole Payments of Principal and Interest (SPPI) test

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of a financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Accordingly, financial assets are measured as follows

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

ii) **Financial assets at fair value through other comprehensive income (FVOCI)**
A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Since the financial assets are held to sale and collect contractual cash flows, they are measured at FVOCI.

iii) **Financial assets at fair value through profit or loss (FVTPL)**
A financial asset which is not classified in any of the above categories is measured at FVTPL.

iv) **Investment in subsidiaries**
The Company has accounted for its investments in subsidiaries at cost.

Financial liability

i) **Initial recognition and measurement**
All financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair valued through profit or loss, are adjusted to the fair value on initial recognition.

ii) **Subsequent measurement**
Financial liabilities are carried at amortized cost using the Effective Interest Rate Method.

3.4 Reclassification of financial assets and liabilities

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

3.5 Derecognition of financial assets and liabilities

A. Derecognition of financial assets due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financial asset, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financial assets are classified as Stage 1 for ECL measurement purposes.

B. Derecognition of financial assets other than due to substantial modification

i) **Financial Assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Accordingly, gain on sale or derecognition of assigned portfolio are recorded upfront in the statement of profit and loss as per Ind AS 109. Also, the Company recognises servicing income as a percentage of interest spread over tenure of loan in cases where it retains the obligation to service the transferred financial asset.

ii) **Financial Liability**
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit and loss.

3.6 Impairment of financial assets

A. Overview of Expected Credit Loss ('ECL') principles

In accordance with Ind AS 109, the Company uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down

Expected credit losses are measured through a loss allowance at an amount equal to:

i) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

ii) Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

Both LTECLs and 12 months ECLs are calculated on collective basis.

Based on the above, the Company categorises its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When financial assets are first recognised, the Company recognises an allowance based on 12 months ECL. Stage 1 financial assets includes those financial assets where there is no significant credit risk observed and also includes facilities where the credit risk has been improved and the financial asset has been reclassified from stage 2 or stage 3.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECL. Stage 2 financial assets also includes facilities where the credit risk has improved and the financial asset has been reclassified from stage 3

Stage 3: Financial assets considered credit impaired are the financial assets which are past due for more than 90 days. The Company records an allowance for life time ECL.

B. Calculation of ECLs

The mechanics of ECL calculations are outlined below and the key elements are, as follows:

PD:
Probability of Default ("PD") 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.

EAD:
Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest

LGD:
Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD

The Company has calculated PD, EAD and LGD to determine impairment loss on the portfolio of financial assets and discounted at an approximation to the EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

The mechanics of the ECL method are summarised below:

Stage 1: The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial assets considered credit-impaired, the Company recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

C. Financial Assets measured at FVOCI

The ECLs for financial assets measured at FVOCI do not reduce the carrying amount of these financial assets in the balance sheet, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

D. Forward looking information

In its ECL models, the Company relies on forward looking macro parameters such as consumer spending and interest rates to estimate the impact on probability of the default at a given point of time.

3.7 Write-offs

The gross carrying amount of a financial asset is written-off when there is no reasonable expectation of recovering the asset. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment on financial instruments in the statement of profit and loss.

3.8 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company has taken into account the characteristics of the asset or liability as if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 financial instruments: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

Level 2 financial instruments: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads; and

Level 3 financial instruments: Those that include one or more unobservable input that is significant to the measurement as whole.

3.9 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

3.10 Property, plant and equipment

i) **Recognition and measurement**
Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii) **Subsequent expenditure**
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iii) **Depreciation**
Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the statement of profit and loss.

The Company follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset category	Estimated Useful life
Plant and machinery	15 years
Furniture and fittings	10 years
Office equipments	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

3.11 Intangible assets

i) **Intangible assets**
Intangible assets including those acquired by the Company are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

ii) **Subsequent expenditure**
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii) **Internally generated: Research and development**
Expenditure on research activities is recognised in profit or loss as incurred

Developing expenditure is capitalised as part of the cost of the resulting intangible asset only if the expenditure can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

iv) **Amortisation**
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the written down value method, and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset category	Estimated Useful life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

3.12 Employee benefits

i) **Post-employment benefits**
Defined contribution plan

The Company's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans

Gratuity
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

ii) **Other long-term employee benefits**

Compensated absences

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

iii) **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

b) in case of non-accumulating compensated absences, when the absences occur.

iv) **Stock based compensation**

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

3.13 Leases

Effective April 1 2019, the Company has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on April 1 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

The following policies apply subsequent to the date of initial application, April 1 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

"On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;

- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset"

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

"When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in statement of profit and loss.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract."

3.14 Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i) **Current tax**
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax 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.

ii) **Deferred tax**
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.15 Borrowing cost
Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss account on an accrual basis using the Effective Interest Rate Method.

3.16 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

3.17 Segment reporting- Identification of segments:

An operating segment is a component of the Company that engages in business activities from which it many earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

3.18 Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

3.19 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non–cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

		As at March 31 2020	As at March 31 2019
4	**Cash and cash equivalents**		
	Balance with banks	28,482.40	15,284.48
	Bank deposit with maturity of less than 3 months	4,002.72	3,001.04
		32,485.12	**18,285.52**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

		As at March 31 2020	As at March 31 2019
5	**Bank balances other than cash and cash equivalents**		
	Fixed deposit with bank	5,468.58	1,221.21
	Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments	2,251.63	4,012.67
		7,720.21	**5,233.88**

Note:

5.1 Fixed deposit with bank includes cash collateral amounting to INR 1,408.63 lakhs (March 31 2019 : INR 1,221.21 Lakhs) for the loans provided by the company.

5.2 Fixed deposits amounting to INR 2,251.63 lakhs (March 31 2019 : INR 4,012.67 Lakhs) have been provided as credit enhancememt for securitisation transactions.

		As at March 31 2020	As at March 31 2019
6	**Trade receivables**		
	Unsecured		
	Low Risk	709.10	1,651.65
	Significant increase in credit risk	84.24	-
	Credit impaired	99.89	100.87
		893.23	**1,752.52**
	Less: Impairment loss allowance	(71.66)	(102.27)
	Total	**821.57**	**1,650.25**
	Trade receivables from related parties	-	-

(All amounts are in Indian Rupees in lakhs)

7 Loans

	Particulars	As at March 31 2020			As at March 31 2019		
		At Amortised cost	At Fair Value through Other Comprehensive Income	Total	At Amortised cost	At Fair Value through Other Comprehensive Income	Total
A.	**Based on nature**						
	Term loans	226,307.73	73,160.07	299,467.80	241,653.50	39,865.04	281,518.54
	Less : Impairment loss allowance	(4,870.74)	-	(4,870.74)	(2,713.16)	-	(2,713.16)
	Total	**221,436.99**	**73,160.07**	**294,597.06**	**238,940.34**	**39,865.04**	**278,805.38**
B.	**Based on Security**						
	(i) Secured by tangible assets*	186,931.28	67,142.06	254,073.34	209,735.42	38,711.02	248,446.44
	(ii) Unsecured	39,376.45	6,018.01	45,394.46	31,918.08	1,154.02	33,072.10
	Total Gross Loans	**226,307.73**	**73,160.07**	**299,467.80**	**241,653.50**	**39,865.04**	**281,518.54**
	Less:Impairment loss allowance	(4,870.74)	-	(4,870.74)	(2,713.16)	-	(2,713.16)
	Total Net Loans	221,436.99	73,160.07	294,597.06	238,940.34	39,865.04	278,805.38
C.	**Based on region**						
	(I) Loans in India						
	(i) Public Sector	-	-	-	-	-	-
	(ii) Private Sector	226,307.73	73,160.07	299,467.80	241,653.50	39,865.04	281,518.54
	Total Gross loans	**226,307.73**	**73,160.07**	**299,467.80**	**241,653.50**	**39,865.04**	**281,518.54**
	Less:Impairment loss allowance	(4,870.74)	-	(4,870.74)	(2,713.16)	-	(2,713.16)
	Total (I)-Net loans	**221,436.99**	**73,160.07**	**294,597.06**	**238,940.34**	**39,865.04**	**278,805.38**
	(II) Loans outside India						
	Loans outside India	-	-	-	-	-	-
	Total (I) and (II)	**221,436.99**	**73,160.07**	**294,597.06**	**238,940.34**	**39,865.04**	**278,805.38**

* Term loans are secured by way of hypothecation of underlying loan receivables.

Notes : Of the above, loans to related parties are as below:

		As at March 31 2019	As at March 31, 2018
	Total loans to related parties	2,170.14	1,140.01
	Less: Loss allowance on loans to related parties	(40.87)	(19.20)
	Net loans to related parties	**2,129.27**	**1,120.81**

(All amounts are in Indian Rupees in lakhs)

8 Investments

Particulars	As at March 31 2020					As at March 31 2019				
	At Amortised cost	At Fair Value through Other Comprehensive Income	At Fair Value through Profit and loss	At Cost	Total	At Amortised cost	At Fair Value through Other Comprehensive Income	At Fair Value through Profit and loss	At Cost	Total
Investment in debentures (quoted) Non-convertible redeemable debentures	-	54,067.27	-	-	54,067.27	-	47,533.58	-	-	47,533.58
Investment in pass-through certificates (unquoted) Investment in pass-through certificates	-	22,481.44	-	-	22,481.44	-	25,731.57	-	-	25,731.57
Investment in Other approved securities (unquoted) Alternative Investment Funds	-	-	28,453.27	-	28,453.27	-	-	31,323.29	-	31,323.29
Investments in subsidiaries, at cost (Unquoted) Preference shares in subsidiaries										
Northern Arc Investment Managers Private Limited		-	-	-	-	-	-	-	924.38	924.38
Equity shares of subsidiaries										
Northern Arc Investment Adviser Services Private Limited	-	-	-	127.80	127.80	-	-	-	127.80	127.80
Northern Arc Investment Managers Private Limited	-	-	-	361.00	361.00	-	-	-	361.00	361.00
Northern Arc Foundation	-	-	-	1.00	1.00	-	-	-	-	-
Other investments (Unquoted)										
Share warrants	-	-	1.62	-	1.62	-	-	1.14	-	1.14
Sub total	**-**	**76,548.71**	**28,454.89**	**489.80**	**105,493.40**	**-**	**73,265.15**	**31,324.43**	**1,413.18**	**106,002.76**
Less: Impairment loss allowance for Investments in India	-	(665.27)	-	-	(665.27)	-	(1,075.78)	-	-	(1,075.78)
Total investments	**-**	**75,883.44**	**28,454.89**	**489.80**	**104,828.13**	**-**	**72,189.37**	**31,324.43**	**1,413.18**	**104,926.98**
(i) Investments outside India	-	-	-	-	-	-	-	-	-	-
(ii) Investments in India	-	75,883.44	28,454.89	489.80	104,828.13	-	72,189.37	31,324.43	1,413.18	104,926.98
Total investments	**-**	**75,883.44**	**28,454.89**	**489.80**	**104,828.13**	**-**	**72,189.37**	**31,324.43**	**1,413.18**	**104,926.98**

(All amounts are in Indian Rupees in lakhs)

9 Other financial assets

	As at March 31 2020	As at March 31 2019
Security deposits	263.58	217.54
Advances to employees	10.89	26.05
Other receivables	221.44	528.09
Advances to subsidiaries	469.28	202.48
Excess Interest spread on derecognition of financial instruments	212.62	14.63
Less: Impairment loss allowance	(4.39)	-
	1,173.42	**988.79**

10.1 Property plant and equipment

	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Cost or deemed cost							
As at March 31, 2018	**0.29**	**2.14**	**45.14**	**21.89**	**0.19**	**4.72**	**74.37**
Additions	-	0.38	106.82	18.50	-	-	125.70
Disposals/Discarded	-	-	2.73	-	-	-	2.73
As at March 31 2019	**0.29**	**2.52**	**149.23**	**40.39**	**0.19**	**4.72**	**197.34**
Additions	-	-	36.64	100.20	-	122.53	259.37
Disposals/Discarded	-	-	2.46	-	-	-	2.46
As at March 31 2020	**0.29**	**2.52**	**183.41**	**140.59**	**0.19**	**127.25**	**454.25**
Accumulated depreciation							
As at March 31, 2018	**0.16**	**1.36**	**23.31**	**17.17**	**0.12**	**1.57**	**43.69**
Depreciation for the year	0.07	0.66	70.55	15.64	0.05	1.05	88.02
On disposals/Discarded	-	-	1.96	-	-	-	1.96
As at March 31 2019	**0.23**	**2.02**	**91.90**	**32.81**	**0.17**	**2.62**	**129.75**
Depreciation for the year	0.02	0.33	81.20	50.15	0.01	16.32	148.03
On disposals/Discarded	-	-	1.72	-	-	-	1.72
As at March 31 2020	**0.25**	**2.35**	**171.38**	**82.96**	**0.18**	**18.94**	**276.06**
Net block							
As at March 31 2019	**0.06**	**0.50**	**57.33**	**7.58**	**0.02**	**2.10**	**67.59**
As at March 31 2020	**0.04**	**0.17**	**12.04**	**57.63**	**0.01**	**108.31**	**178.19**

10.2 Right of use asset

The details of right of use asset held by the Company is as follows:

	Office Premises-Buildings	Total
Gross Block Value		
At April 01, 2019	988.97	988.97
Additions	623.28	623.28
Disposals	-	-
At March 31 2020	**1,612.25**	**1,612.25**
Depreciation		
At April 01, 2019	-	-
Additions	288.11	288.11
Disposals	-	-
At March 31 2020	**288.11**	**288.11**
Net Block Value:		
At March 31 2020	**1,324.14**	**1,324.14**

Note:
Effective 1 April 2019, the Company has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on 1 April 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures. On transition, the adoption of the new standard resulted in recognition of Right-of-use asset and a lease liability. Also refer note 33.

(All amounts are in Indian Rupees in lakhs)

10.3 Intangible assets under development

	Software	Total
As at March 31, 2018	**133.40**	**133.40**
Add: Additions	405.65	405.65
Less: Capitalised during the year	(132.97)	(132.97)
Less: Written off during the year	(63.33)	(63.33)
As at March 31 2019	**342.75**	**342.75**
Add: Additions	547.95	547.95
Less: Capitalised during the year	(739.96)	(739.96)
Less: Written off during the year	(55.80)	(55.80)
As at March 31 2020	**94.94**	**94.94**

10.4 Intangible assets

	Software	Total
Cost or deemed cost		
As at March 31, 2018	**479.19**	**479.19**
Additions	132.97	132.97
Disposals	-	-
As at March 31 2019	**612.16**	**612.16**
Additions	776.05	776.05
Disposals	-	-
As at March 31 2020	**1,388.21**	**1,388.21**
As at March 31, 2018	**119.39**	**119.39**
Amortisation for the year	201.78	201.78
On disposals	-	-
As at March 31 2019	**321.17**	**321.17**
Amortisation for the year	235.50	235.50
On disposals	-	-
As at March 31 2020	**556.67**	**556.67**

Net block		
As at March 31 2019	**290.99**	**290.99**
As at March 31 2020	**831.54**	**831.54**

Notes to the Standalone financial statements for the year ended March 31 2020

(All amounts are in Indian Rupees in lakhs)

		As at March 31 2020	As at March 31, 2019
11	**Other non- financial assets**		
	Prepaid expense	170.68	67.95
	Advances to vendors	73.43	345.25
		244.11	**413.20**
12	**Derivative financial instruments**		
	Currency derivatives		
	Currency swaps	-	10.65
		-	**10.65**
13	**Trade payables**		
	Trade payables		
	- Total outstanding dues to micro enterprises and small enterprises (refer note 40)	-	-
	- Total outstanding dues to creditors other than micro enterprises and small enterprises	793.17	929.54
		793.17	**929.54**
14	**Debt securities**		
	Measured at amortised cost:		
	Secured, redeemable non-convertible debentures:		
	- 9.80% Redeemable non-convertible debentures of INR 1,000,000 each	-	5,026.85
	- 9.88% Redeemable non-convertible debentures of INR 1,000,000 each	-	3,574.16
	- 9.69% Redeemable non-convertible debentures of INR 1,000,000 each	-	7,506.40
	- 10.90% Redeemable non-convertible debentures of INR 1,000,000 each	-	8,119.58
	- 9.60% Redeemable non-convertible debentures of INR 1,000,000 each	-	10,005.26
	- 9.88% Redeemable non-convertible debentures of INR 1,000,000 each	-	10,010.81
	- 9.45% Redeemable non-convertible debentures of INR 1,000,000 each	10,224.62	10,199.12
	- 9.60% Redeemable non-convertible debentures of INR 1,000,000 each	10,197.42	10,168.91
	- 11.96% Redeemable non-convertible debentures of INR 1,000,000 each	4,004.55	-
	- 10.35% Redeemable non-convertible debentures of INR 10,000 each	524.88	-
	- 11.955% Redeemable non-convertible debenture of INR 1,000,000 each	4,614.68	-
	- 11.35% Redeemable non-convertible debentures of INR 1,000,000 each	5,027.98	-
	- 11.35% Redeemable non-convertible debentures of INR 1,000,000 each	5,027.91	-
	- 11.34% Redeemable non-convertible debentures of INR 1,000,000 each	7,502.32	-
	- 11.30% Redeemable non-convertible debentures of INR 500,000 each	9,985.80	-
		57,110.16	**64,611.09**
	Unsecured, redeemable non-convertible debentures:		
	- 10.15% Redeemable non-convertible debentures of INR 1,000,000 each	24,501.01	25,117.64
	- 10.43% redeemable non-convertible debentures of INR 1,000,000 each	-	25,207.29
	- 11.60% redeemable non-convertible debentures of INR 1,000,000 each	2,953.74	-
		27,454.75	**50,324.93**
	Others		
	- Commercial paper	1,455.79	9,450.11
	Total Debt securities	**86,020.70**	**124,386.13**
	Debt securities in India	86,020.70	124,386.13
	Debt securities outside India	-	-
	Total Debt securities	**86,020.70**	**124,386.13**

(All amounts are in Indian Rupees in lakhs)

		As at March 31 2020	As at March 31, 2019
15	**Borrowings (Other than debt securities)**		
	Measured at amortised cost:		
	Secured		
	Term Loans		
	- from banks	142,890.07	91,743.02
	- from others	25,832.62	31,911.37
	Loans repayable on demand from banks		
	- working capital loan from banks	22,357.00	17,432.89
	- Cash credit from banks	9,675.67	20,667.30
		200,755.36	**161,754.58**
	Term Loans		
	- from banks	1,493.59	1,492.01
	- from others	3,838.45	3,638.97
		5,332.04	**5,130.98**
	Total borrowings (Other than debt securities)	**206,087.40**	**166,885.56**
	Borrowings in India	206,087.40	166,885.56
	Borrowings outside India	-	-
	Total borrowings (Other than debt securities)	**206,087.40**	**166,885.56**
Note : The Company has not defaulted in the repayment of principal and interest			
16	**Subordinated liabilities**		
	Measured at amortised cost:		
	Preference shares other than those qualify as equity:		
	Non-convertible preference shares	-	1,213.41
		-	**1,213.41**
	Subordinated liabilities in India	-	1,213.41
	Subordinated liabilities outside India	-	-
		-	**1,213.41**
17	**Other financial liabilities**		
	Collateral deposits from customers	1,170.01	1,055.98
	Employee benefits payable	736.24	1,944.14
	Remittances payable - derecognised financial instruments	1,210.88	203.31
	Other liabilities	155.09	48.08
	Unpaid Dividend on Non convertible Preference shares	2.69	-
	Lease Liability	1,408.13	-
		4,683.04	**3,251.51**
18	**Provisions**		
	Provision for employee benefits:		
	- Gratuity	401.24	358.34
	- Compensated absences	229.66	191.65
	Provision for others:		
	- Impairment loss allowance for guarantees	576.53	402.97
	- Impairment loss allowance for undrawn loans	119.66	257.77
		1,327.09	**1,210.73**
19	**Other non- financial liabilities**		
	Statutory dues payable	127.68	362.97
		127.68	**362.97**

Note 14 A: Details regarding terms of issuance of debt securities

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Secured, redeemable non-convertible debentures:				
2,000 units (March 31, 2019: Nil units) of 11.30% Redeemable non-convertible debentures of INR 500,000 each, maturing on June 17 2021	10,000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: June 17 2021	11.30%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
400 units (March 31, 2019: Nil units) of 11.96% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 25 2021	4,000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: June 25 2021	11.96%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
5000 units (March 31, 2019: Nil units) of Market linked Redeemable non-convertible debentures of INR 10,000 each, maturing on Jan 11 2021	500.00	Coupon payment frequency: at maturity Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 1.3 years Redemption date: Jan 11 2021	Market Linked	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
450 units (March 31, 2019: Nil units) of 11.96% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on Jan 13 2022	4,500.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: Jan 13 2022	11.96%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2019: Nil units) of 11.35% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on Feb 26 2021	5,000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 23 months Redemption date: Feb 26 2021	11.35%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2019: Nil units) of 11.35% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 26 2021	5,000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: March 26 2021	11.35%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
750 units (March 31, 2019: Nil units) of 11.34% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 28 2024	7,500.00	Coupon payment frequency: Annual Principal repayment frequency: Entire principal to be repaid in 4 equal Installments at the end of 24 months, 36 Months, 42 months and 48 months Tenure of security: 4 years Redemption date: March 30 2024	11.34%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1,000 units (March 31, 2019: 1000 units) of 9.45% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 11 2022	10,000.00	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3.50 years Redemption date: June 11 2022	9.45%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1,000 units (March 31, 2019: 1000 units) of 9.60% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 20, 2023	10,000.00	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal to be repaid in 7 equal semi annual Installments after a moratorium of eighteen months Tenure of security: 5 years Redemption date: December 20 2023	9.60%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
Unsecured, redeemable non-convertible debentures:				
2,500 units (March 31 2019: 2500 units) of 10.15% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on July 16 2021	25,000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3 years Redemption date: July 16 2021	10.15%	NA
30,000,000 units (March 31 2019: Nil units) of 11.6% Redeemable non-convertible debentures of INR 10 each, maturing on Sep 25 2023	3,000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3 years Redemption date: July 16 2021	11.60%	NA
Unsecured, Commercial Paper:				
300 units (March 31, 2019: Nil units) of 10.60% commercial paper of INR 5 lakh each, maturing on Jul 15 2020	1,500.00	"Tenure of security: 120 days Redemption date:July 15,2020"	10.60%	NA

Note: The balances are gross of accrued interest and unamortised borrowing costs

(All amounts are in Indian Rupees in lakhs)

Note 15 A: Details regarding terms of borrowings (from banks)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 1	675.00	Repayments terms: Facility to be repaid in 8 equal quarterly Installments after a moratorium of six months Tenor of Security: 30 months Redemption date: December 29 2020	9.75%	Exclusive charge on specific business receivables of the company created out of the term loan with asset classification as "standard" and with a security cover of 115% at all time during the tenor of the term loan.
Term Loan 2	625.00	In 8 equal quarterly Installments of INR. 6.25 Crs each commencing at the end of 3 months from the date of first disbursement. Tenor of Security: 2 Years Redemption date: June 19 2020	9.00%	Exclusive charge over specifically identified loan receivables sufficient to provide a security cover of 120% on the outstanding facilities at all times.
Term Loan 3	5454.55	Repayment Terms: 11 Equal quarterly Installments commencing 6 months after 1st drawdown Tenor of Security: 3 Years Redemption date: September 25 2021	10.15%	First exclusive charge over the specific book debts/ loan receivables/ Investments created out of loan with provision that security cover 125% times on the outstanding facility at all times.
Term Loan 4	467.83	Repayment Terms: 10 Equated quarterly Installments after initial moratorium of 6 months from the date of disbursement Tenor of Security: 3 Years Redemption date: September 29 2020	9.40%	Exclusive charge over the specifically identified receivables of the Borrower's loan receivables/ Book Debts with an asset cover of at least 110% times.
Term Loan 5	500.00	Repayments terms: 10 equal quarterly Installments Tenor of Security: 3 Years Redemption date: June 28 2020	9.45%	First exclusive charge (floating) over loan receivables and investments of the company to provide a security cover of 120% times of the facility outstanding at all times
Term Loan 6	1500.00	Entire amount repaid on the redemption date Tenor of Security: 66 Months Redemption date: June 28 2023	10.25%	NA
Term Loan 7	208.27	Repayable in 36 months by 12 equal quarterly Installments Tenor of Security: 3 Years Redemption date: April 27 2020	9.15%	Hypothecation of Specific loan assets to the value of 125% of the loan amount.
Term Loan 8	916.52	36 months by 12 equal quarterly Installments Tenor of Security: 36 Months Redemption date: March 31 2020	11.00%	Exclusive charge (floating) portfolio first on of receivables as acceptable to bank covering 125% of the principal at any point of time during the currency of the facility .
Term Loan 9	83.32	Repayments terms: 36 months by 12 equal quarterly Installments Tenor of Security: 3 Years Redemption date: September 28 2020	9.15%	Hypothecation of Specific loan assets to the value of 125% of the loan amount.
Term Loan 10	150.00	Repayments terms: 10 Quarterly Installments commencing at the end of 9th month from drawdown date Tenor of Security: 3 Years Redemption date: June 30 2020	9.05%	Hypothecation of Specific loan assets to the value of 110% of the loan amount.
Term Loan 11	3166.67	Repayments terms: 36 Bi-monthly Installments Tenor of Security: 3 Years Redemption date: March 20 2021	9.25%	Exclusive charge over book debt/ receivables providing security cover of 110%.

Note 15 A: Details regarding terms of borrowings (from banks)(continued)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 12	7500.00	Repayment in 3 equal Installments at end of 24 months, 30 months and 36 months Tenor of Security: 3 Years Redemption date: January 21 2022	11.00%	Exclusive charge over book debt/ receivables providing security cover of 110%.
Term Loan 13	625.00	Repayment in equated 8 quarterly Installments from the end of the 1st year. Tenor of Security: 3 Years Redemption date: July 27 2020	9.50%	Exclusive charge on identified unencumbered secured standard receivables/Book debts (eligible for bank finance as per RBI guidelines) with an Asset Cover of at least 110% times
Term Loan 14	5800.00	Repayment in 36 equal monthly Installments with 12 month moratorium from the date of disbursement. Tenor of Security: 4 Years Redemption date: December 29 2021	9.25%	Floating and exclusive charge over the assets , sufficient to provide a security cover 110% times on the outstanding facility at all times.
Term Loan 15	1458.33	Equated 36 month Installments with no moratorium Tenor of Security: 3 Years Redemption date: December 31 2021	10.25%	Exclusive charge on identified unencumbered secured standard receivables/Book debts (eligible for bank finance as per RBI guidelines) with an Asset Cover of at least 120% times
Term Loan 16	287.50	Repayments terms: 48 Equal monthly Installments Tenor of Security: 2 Years Redemption date: June 20 2020	9.60%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 17	2916.67	Repayments terms: 12 Equal quarterly Installments Tenor of Security: 3 Years Redemption date: October 23 2021	10.70%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 18	1666.67	12 equal quarterly Installments Tenor of Security: 3 Years Redemption date: Jan 9 2022	10.40%	Exclusive charge by way of hypothecation of Specific book debts/ receivable of the Company with a Minimum assets cover of 115% times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 19	1071.43	Repayment 14 Quarterly repayments commencing (nine) months from the date of disbursement Tenor of Security: 48 Months Redemption date: January 31 2021	10.70%	Exclusive charge (floating) portfolio first on of receivables as acceptable to bank covering 125% of the principal at any point of time during the currency of the facility .
Term Loan 20	833.33	Repayments terms: 12 equal quarterly Installments of INR 20,833,334/- each commencing at the end of 3 months from the date of disbursement Tenor of Security: 3 Years Redemption date: March 31 2021	9.15%	a) Exclusive charge over loan receivables and investments of the Borrower to the extent of minimum 115% of the loan amount. (Company to maintain Asset Coverage ratio of 115% at all times)
Term Loan 21	800.00	Repayments terms: 10 equal Installments of 4 crores each Tenor of Security: 3 Years Redemption date: March 27 2021	9.25%	Exclusive charge by way of hypothecation of Specific book debts/ receivable of the Company with a Minimum assets cover of 115% times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 22	800.00	Repayments terms: 10 equal Installments of 4 crores each Tenor of Security: 3 Years Redemption date: March 27 2021	9.25%	Exclusive charge by way of hypothecation of Specific book debts/ receivable of the Company with a Minimum assets cover of 115% times of our Loan outstanding at any point of time during currency of the facility.

(All amounts are in Indian Rupees in lakhs)

Note 15 A: Details regarding terms of borrowings (from banks)(continued)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 23	1250.00	Repayments terms: 8 equal quarterly Installments Tenor of Security: 2 Years Redemption date: March 19 2021	11.25%	Exclusive charge by way of hypothecation of Specific book debts/ receivable of the Company with a Minimum assets cover of 115% times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 24	833.33	Repayments terms:24 Equal monthly Installments after initial moratorium of 6 months from the date of 1st disbursement.. Tenor of Security: 2.50 Years Redemption date: May 31 2020	9.30%	First Exclusive charge by way of hypothecation on book debts/ receivable and current assets of the company with a minimum asset cover of 111% times of our loan at any point of time during currency of the facility.
Term Loan 25	21666.67	Repayments terms: 30 Equal monthly Installments commencing next month after 1st drawdown Tenor of Security: 3 Years Redemption date: May 16 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 26	8000.00	Repayments terms: 30 monthly Installments Tenor of Security: 2.5 Years Redemption date: March 27 2022	10.50%	First exclusive charge over the specific book debts/ loan receivables created out of loan with provision that security cover 125% times on the outstanding facility at all times.
Term Loan 27	5000.00	Repayments terms:11 quarterly Installments Tenor of Security: 3.3 Years Redemption date: Dec 27 2022	11.00%	Floating and exclusive charge over the assets , sufficient to provide a security cover 120% times on the outstandin facility at all times.
Term Loan 28	1500.00	Repayments terms: 24 monthly Installments Tenor of Security: 2 Years Redemption date: Sep 24 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 29	800.00	Repayments terms: 10 quarterly Installments Tenor of Security: 3 Years Redemption date: Sep 21 2022	11.30%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 30	7500.00	Repayments terms: 12 quarterly Installments Tenor of Security: 2.3 Years Redemption date: March 31 2023	10.40%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 31	2625.00	Repayments terms: 8 quarterly Installments Tenor of Security: 2 Years Redemption date: December 31 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 32	2750.00	Repayments terms: Equated 36 month Installments with no moratorium Tenor of Security: 3 Years Redemption date: December 31 2022	9.20%	Exclusive charge on identified unencumbered secured standard receivables/Book debts (eligible for bank finance as per RBI guidelines) with an Asset Cover of at least 120% times
Term Loan 33	2750.00	Repayments terms: 36 monthly Installments Tenor of Security: 3 Years Redemption date: December 31 2022	11.00%	Exclusive charge on unencumbered loan assets/receivables out of standard assets of the company covering 125% times
Term Loan 34	9090.91	Repayments terms:11 quarterly Installments Tenor of Security: 2.2 Years Redemption date: September 30 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.

(All amounts are in Indian Rupees in lakhs)

Note 15 A: Details regarding terms of borrowings (from banks)(continued)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 35	966.67	Repayments terms:35 monthly Installments Tenor of Security: 3.3 Years Redemption date: Jan 5 2023	11.75%	Exclusive charge by way of hypotheciation of identified book debts to the borrower to cover 110% of outstanding facility
Term Loan 36	2187.50	Repayments terms: 8 quarterly Installments Tenor of Security: 2 Years Redemption date: November 30 2021	11.25%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 37	5500.00	Repayments terms: 12 quarterly Installments Tenor of Security: 3 Years Redemption date: December 31 2022	10.20%	First and Exclusive charge on the standard receivables with a security cover of 133%.
Term Loan 38	2000.00	Repayments terms:24 monthly Installments Tenor of Security: 2 Years Redemption date: March 31 2022	11.50%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 39	5000.00	Repayments terms: In 6 equal quarterly Installments of INR. 8.33 Crs each commencing at the end of 3 months from the date of first disbursement. Tenor of Security: 1.6 Years Redemption date: September 30 2021	10.60%	Exclusive charge over specifically identified loan receivables sufficient to provide a security cover of 120% on the outstanding facilities at all times
Term Loan 40	5000.00	Repayments terms: 12 quarterly Installments Tenor of Security: 3 Years Redemption date: April 5 2023	10.75%	Exclusive charge over the specifically identified receivables of the Borrower's loan receivables/ Book Debts with an asset cover of at least 110% times.
Term Loan 41	5000.00	Repayments terms: 48 monthly Installments Tenor of Security: 4 Years Redemption date: March 31 2024	10.80%	Floating and exclusive charge over the assets , sufficient to provide a security cover 110% times on the outstandin facility at all times.
Term Loan 42	5000.00	Repayments terms: 48 monthly Installments Tenor of Security: 4 Years Redemption date: March 31 2024	10.50%	Floating and exclusive charge over the assets , sufficient to provide a security cover 110% times on the outstandin facility at all times.
Term Loan 43	2492.68	Repayments terms: 10 quarterly Installments of Rs2.5 Crs after initial holiday period of 5 months Tenor of Security: 3 Years Redemption date: February 2 2023	11.25%	Exclusive charge of specific receivables of both present and future with minimum security cover of 110% of outstanding amount
Term Loan 44	1000.00	Repayments terms: 24 monthly Installments Tenor of Security: 2 Years Redemption date: March 6 2022	11.25%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 45	9090.91	Repayments terms: 11 quarterly Installments Tenor of Security: 2.2 Years Redemption date: September 30 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 46	625.00	Repayments terms:12 monthly Installments Tenor of Security: 1 Year Redemption date: June 26 2020	11.00%	Floating and Exclusive charge over the assets with a security cover of 120%.

(All amounts are in Indian Rupees in lakhs)

Note 15B: Details regarding terms of borrowings (from others)

Particulars	Amount	Terms of Redemption	Interest rate	Security
Term Loan 1	2500.00	Repayment Terms: Entire amount is repaid on maturity Tenor: 5.50 Years Redemption Date: June 27 2023	10.25%	NA
Term Loan 2	2333.33	Repayment Terms: 36 equal monthly Installments Tenor: 3 Years Redemption Date: December 31 2021	10.50%	Exclusive first charge on the loan receivables, present and future, of the Borrower by way of hypothecation on the loan receivables created from the proceeds of the Facility with a minimum asset cover of 120%.
Term Loan 3	807.08	Repayment Terms: Repayable in 36 equal monthly Installments, commencing 1 month from the date of disbursement. Tenor: 3 Years Redemption Date: September 25 2021	10.21%	Exclusive first charge (floating) on portfolio of receivables, as acceptable to the lender, from time to time covering 110% of the principal at any point of time during the currency of the facility.
Term Loan 4	338.80	Repayment Terms: Repayment to be made in 8 quarterly Installments Tenor: 2 Years Redemption Date: April 13 2020	9.50%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 5	5000.00	Repayment Terms: Repayment in 12 equal quarterly Installments Tenor: 3 Years Redemption Date: March 31 2022	11.90%	Exclusive charge over business loans and assets granted by the borrower to the extent of 110% of the facility outstanding
Term Loan 6	616.56	Repayment Terms: 36 Monthly Installments Tenor:3 Years Redemption Date: November 22 2020	9.30%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 118% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 7	1563.44	Repayment Terms: 36 Monthly Installments Tenor: 3 Years Redemption Date: December 17 2021	12.00%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 118% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 8	3750.00	Repayment Terms: Repayment in 12 equal quarterly Installments Tenor: 3 Years Redemption Date: July 1 2022	11.75%	Exclusive charge on book debts arising out of lender funds with minimum security cover of 120%
Term Loan 9	692.61	Repayment Terms: Repayment in 24 monthly Installments Tenor: 2 Years Redemption Date: July 1 2021	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 10	1818.00	Repayment Terms: Repayment in 11 equal quarterly Installments Tenor: 2.8 Years Redemption Date: June 30 2022	11.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 11	924.71	Repayment Terms: Repayment in 24 monthly Installments Tenor: 2 Years Redemption December 27 2021	11.25%	Exclusive first charge (floating) on portfolio of receivables, as acceptable to the lender, from time to time covering 110% of the principal at any point of time during the currency of the facility.

(All amounts are in Indian Rupees in lakhs)

Note 15B: Details regarding terms of borrowings (from others) (continued)

Particulars	Amount	Terms of Redemption	Interest rate	Security
Term Loan 12	2137.95	Repayment Terms: Repayment in 36 monthly Installments Tenor: 3 Years Redemption Date: Sep 22 2022	12.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 118% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 13	925.12	Repayment Terms: Repayment in 24 equal monthly Installments Tenor: 2 Years Redemption Date: Jan 1 2022	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 14	2222.22	Repayment Terms: Repayment in 18 equal monthly Installments Tenor: 1.5 Years Redemption Date: Jul 15 2021	10.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 115% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 15	2000.00	Repayment Terms: Repayment in 12 equal quarterly Installments Tenor: 3 Years Redemption Date: March 1 2023	11.40%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 16	800.00	Repayment Terms: Repayment in 11 equal quarterly Installments Tenor: 3 Years Redemption Date: Feb 28 2023	11.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.

Note: The balances are gross of accrued interest and unamortised borrowing costs

		As at March 31 2020	As at March 31 2019
20	**Share capital**		
	Authorised		
	125,000,000 (March 31 2019: 125,000,000) equity shares of INR 10 each	12,500.00	12,500.00
	60,100,000 (March 31 2019: 60,100,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	12,020.00	12,020.00
	19,800,000 (March 31 2019: 19,800,000) 9.85% Cumulative non convertible compulsorily redeemable preference shares of INR 10 each	1,980.00	1,980.00
		26,500.00	**26,500.00**
	Issued, subscribed and paid up		
	87,477,903 (March 31 2019: 78,365,776) equity shares of INR 10 each	8,747.79	7,836.57
		8,747.79	**7,836.57**

* Nil (March 31 2019: 1,160,000) redeemable preference shares of INR 100 each have been classified as a financial liability. (Refer note 16)

(All amounts are in Indian Rupees in lakhs)

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	As at March 31 2020		As at March 31 2019	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
At the commencement of the year	78,365,776	7,836.57	78,365,673	7,836.57
Add: Shares issued during the year	3,261,127	326.12	103	0.00
Add: Shares converted into equity	5,851,000	585.10	-	-
At the end of the year	**87,477,903**	**8,747.79**	**78,365,776**	**7,836.57**
0.0001% Compulsorily convertible preference shares				
At the commencement of the year	37,784,296	7,556.86	17,481,889	3,496.38
Add: Shares issued during the year	9,389,908	1,877.98	20,302,407	4,060.48
Less: Shares converted into equity	(5,851,000)	(1,170.20)	-	-
At the end of the year	**41,323,204**	**8,264.64**	**37,784,296**	**7,556.86**
Redeemable preference shares				
At the commencement of the year	1,160,000	1,160.00	-	-
Add: Shares issued during the year	-	-	1,160,000	1,160.00
Less: Shares Redeemed during the year	(1,160,000)	(1,160.00)	-	-
At the end of the year	**-**	**-**	**1,160,000**	**1,160.00**

Note:

During the year, pursuant to amended share subscription and shareholders agreement, the Company has issued

1. 6,133,793 0.0001% Compulsorily convertible preference shares (March 31 2019: 20,302,407) of INR 20 each to IIFL Special opportunities fund Series 1 to 7; 2,230,797 0.0001% Compulsorily convertible preference shares (March 31 2019:Nil) shares of INR 20 each to Standard Chartered Bank (Singapore Branch); 1,025,318 0.0001% Compulsorily convertible preference shares (March 31 2019:Nil) shares of INR 20 each to Augusta Investments II Pte. Ltd and 3,197,644 equity shares (March 31 2019 : Nil) of INR 10 each to Sumitomo Mitsui Banking Corporation.
2. During the year 5,851,000 0.0001% compulsorily convertible preference shares were converted into equity share capital
3. During the year 63,483 (March 31 2019 : Nil) equity shares were allotted to employees who exercised their options under ESOP Trust.
4. Nil (March 31 2019: 3) equity shares of INR 10/- to Kshama Fernandes, Managing Director, Bama Balakrishnan, Chief Finance Officer and C Kalyanasundaram, Senior Director and Head, Finance and Operations.

During the year ended March 31 2019, the Company has increased its authorised share capital and has done reclassification of the authorised share capital limits with equity shares and 0.0001% Compulsorily Convertible Preference Shares. The Company has complied with relevant secretarial requirements in this regard.

b) Rights, preferences and restrictions attached to each class of shares

i) Equity shares

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of 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. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii) 0.0001% Compulsorily convertible preference shares:

0.0001% Compulsory Convertible Preference Shares ('CCPS') having a par value of INR 20 is convertible in the ratio of 1:1 and are treated pari-passu with equity shares on all voting rights. The conversion shall happen at the option of the preference shareholders. The CCPS if not converted by the preference shareholders shall be compulsorily converted into equity shares upon any of the following events:

a. In connection with an IPO, immediately prior to the filing of red herring prospectus (or equivalent document, by whatever name called) with the competent authority or such later date as may be permitted under applicable law at the relevant time; and

b. The date which is 19 (nineteen) years from the date of allotment of CCPS.

Till conversion, the holders of CCPS shall be entitled to a dividend of 0.0001%, if any, declared upon profits of the Company and a proportionate dividend, if any declared on equity shares on 'as converted' basis.

(All amounts are in Indian Rupees in lakhs)

c) **Details of shareholders holding more than 5% shares in the Company**

	As at March 31 2020		As at March 31 2019	
	No. of shares	% held	No. of shares	% held
Equity shares:				
Leapfrog Financial Inclusion India (II) Limited	29,952,665	34.24%	37,469,937	47.81%
Dvara Trust	12,878,682	14.72%	16,685,402	21.29%
Accion Africa Asia Investment Company	7,699,529	8.80%	14,430,553	18.41%
Augusta Investments Pte II Ltd	20,328,820	23.24%	-	-
Sumitomo Mitsui Banking Corporation	7,004,364	8.01%	-	-
0.0001% Compulsorily convertible preference shares:				
Eight Roads Investments Mauritius (II) Limited	11,630,889	28.15%	11,630,889	30.78%
Standard Chartered Bank (Singapore Branch)	-	0.00%	5,851,000	15.49%
Augusta Investments II Pte. Ltd.	3,256,115	7.88%	-	0.00%
IIFL Special Opportunities Fund	4,161,142	10.07%	4,006,813	10.60%
IIFL Special Opportunities Fund - Series 2	4,371,781	10.58%	2,972,534	7.87%
IIFL Special Opportunities Fund - Series 4	6,609,362	15.99%	4,493,946	11.89%
IIFL Special Opportunities Fund - Series 5	5,423,128	13.12%	3,687,384	9.76%
IIFL Special Opportunities Fund - Series 7	3,693,947	8.94%	3,651,601	9.66%
Redeemable preference shares				
RamKumaar Bharat Singh	-	-	60,210	5.19%

		As at March 31 2020	As at March 31 2019
21	**Other equity**		
a)	**Securities premium account**		
	At the commencement of the year	60,488.35	25,642.24
	Add: Premium received on shares issued during the year	23,289.47	35,939.51
	Less: Utilised during the year for writing off share issue expenses	(436.99)	(1,093.40)
	At the end of the year	**83,340.83**	**60,488.35**
b)	**Statutory reserve**		
	At the commencement of the year	6,977.38	5,190.27
	Add : Transfer from retained earnings	1,792.39	1,787.11
	At the end of the year	**8,769.77**	**6,977.38**
c)	**Employee stock options outstanding account**		
	At the commencement of the year	1,715.22	733.19
	Add: Employee compensation expense during the year	806.49	982.03
	At the end of the year	**2,521.71**	**1,715.22**

The Company has established various equity-settled share based payment plans for certain categories of employees of the Company. Refer note 42 for further details of these plans.

d)	**Retained earnings**		
	At the commencement of the year	25,650.90	18,493.31
	Add: Profit for the year	8,961.93	8,935.55
	Add: Transfer from other comprehensive income	40.77	9.15
	Less: Transfer to statutory reserve	(1,792.39)	(1,787.11)
	Add: Transfer to Capital Redemption Reserve	(1,160.00)	-
	At the end of the year	**31,701.21**	**25,650.90**

(All amounts are in Indian Rupees in lakhs)

		As at March 31 2020	As at March 31 2019
e)	**Capital Reserve**		
	At the commencement of the year	3.57	3.57
	Add: Pursuant to the Scheme of arrangement		
	At the end of the year	**3.57**	**3.57**
f)	**Capital Redemption Reserve**		
	At the commencement of the year	1,500.00	1,500.00
	Add: Additions for the year	1,160.00	-
	At the end of the year	**2,660.00**	**1,500.00**
g)	**Other comprehensive income**		
	Opening balance	2,991.04	4,160.48
	Remeasurements of defined benefit asset/ (liability) (refer note (i) below)	40.77	9.15
	Less: Transfer to Retained earnings	(40.77)	(9.15)
	Less : Fair valuation of investment in debt instruments (refer note (ii) below)	281.33	(1,169.44)
	Closing balance	**3,272.37**	**2,991.04**
	Total (a+b+c+d+e+f+g)	**132,269.45**	**99,326.46**

Nature and purpose of reserve

(i) Securities premium
Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of section 52 of the Companies Act 2013.

(ii) Employee stock option outstanding
The Company has established various equity settled share based payment plans for certain categories of employees of the Company.

(iii) Reserve u/s. 45-IA of the Reserve Bank of India Act, 1934 ("the RBI Act, 1934")
Reserve u/s. 45-IA of RBI Act, 1934 is created in accordance with section 45 IC(1) of the RBI Act, 1934. As per Section 45 IC(2) of the RBI Act, 1934, no appropriation of any sum from this reserve fund shall be made by the non-banking financial company except for the purpose as may be specified by RBI.

(iv) Surplus in the statement of profit and loss
Surplus in the statement of profit and loss is the accumulated available profit of the Company carried forward from earlier years. These reserves are free reserves which can be utilised for any purpose as may be required.

(v) Capital reserve
Pursuant to Scheme of arrangement, the Company has created a capital reserve in accordance with the applicable accounting standards.

(vi) Capital redemption reserve
The capital redemption reserve was created on account of the redemption of the Cumulative non convertible compulsorily redeemable preference shares

(vii) Other comprehensive income

a) The Company has elected to recognise changes in the fair value of loans and investments in other comprehensive income. These changes are accumulated within the FVOCI - loans and advances reserve within equity.

b) Remeasurement of the net defined benefit liabilities comprise actuarial gain or loss, return on plan assets excluding interest and the effect of asset ceiling, if any.

(All amounts are in Indian Rupees in lakhs)

		Year ended March 31 2020				Year ended March 31 2019			
		On financial assets measured at			Total	On financial assets measured at			Total
		FVOCI	Amortised cost	FVTPL		FVOCI	Amortised cost	FVTPL	
22	**Interest income**								
	Interest on loans	4,643.58	38,840.06	-	43,483.64	4,643.58	34,166.60	-	38,810.18
	Interest from investments:								
	- Pass through certificates	2,951.58	-	-	2,951.58	3,300.77	-	-	3,300.77
	- Commercial paper	-	-	-	-	-	26.98	-	26.98
	- Non-convertible debentures	6,015.01	-	-	6,015.01	5,147.72	-	-	5,147.72
	Interest on deposits with banks	-	536.74	-	536.74	-	248.25	-	248.25
		13,610.17	**39,376.80**	**-**	**52,986.97**	**13,092.07**	**34,441.83**	**-**	**47,533.90**

		Year ended March 31 2020	Year ended March 31 2019
23	**Fees and commission income**		
	Income from guarantee facility	932.59	783.64
	Income from other financial services		
	- Professional fee	3,796.30	4,017.30
	- Arranger fee for guarantee facility	331.23	130.50
	Others	-	1.89
		5,060.12	**4,933.33**
24	**Net gain on financial instruments at fair value through profit or loss**		
	- On Alternative investment funds	939.04	2,950.95
	- On Mutual fund investments	390.11	200.16
	Profit on sale of investments	12.79	518.83
		1,341.94	**3,669.94**
	Fair value changes:		
	-Realised	1,253.14	3,583.00
	-Unrealised	88.80	86.94
		1,341.94	**3,669.94**
25	**Other income**		
	Interest income from investments in preference shares of subsidiaries	28.66	63.42
	Income from other than financing activities	157.83	-
	Impairment reversal on financial instruments	-	1,551.00
		186.49	**1,614.42**
26	**Finance costs**		
	Finance costs on financial liabilities measured at amortised cost		
	Interest on deposits	89.81	26.27
	Interest on borrowings		
	- term loans from banks	17,438.71	14,583.09
	- cash credits and overdraft	882.85	859.71
	- securitised portfolio	812.69	1,840.16
	Interest on debt securities	9,675.91	9,164.47
	Interest on sub-ordinated liabilities	72.45	53.41
	Interest on lease liability (refer note 33)	126.35	-
	Amortisation of discount on commercial papers	721.97	3,057.15
	Amortisation of ancillary costs relating to borrowings	1,099.76	599.67
		30,920.50	**30,183.93**

(All amounts are in Indian Rupees in lakhs)

		Year ended March 31 2020	Year ended March 31 2019
27	**Impairment on financial instruments**		
	Write off on financial instruments		
	Loans	1,044.54	79.31
	Investments	1,174.67	1,365.38
	Less: Recovery	(137.30)	-
	Impairment loss allowance on financial instruments #		
	Loans	2,330.75	-
	Investments	(902.24)	-
	Others	12.66	-
		3,523.08	**1,444.69**
	# also refer note 25		
28	**Employee benefits**		
	Salaries, wages and bonus	4,782.76	5,168.15
	Contribution to provident fund	264.00	212.73
	Employee share based payment expenses	596.26	982.02
	Expenses related to post-employment defined benefit plans (refer note 41)	112.47	102.86
	Staff welfare expenses	291.88	292.96
		6,047.37	**6,758.72**
29	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment	148.02	88.02
	Depreciation on Right of Use asset (Refer note 10.2 and 33)	288.11	-
	Amortisation of intangible assets	235.49	201.78
		671.62	**289.80**
30	**Other expenses**		
	Rent	536.52	511.76
	Rates and taxes	9.59	158.31
	Travelling and conveyance	647.57	680.16
	Legal and professional charges	1,229.92	1,195.04
	Auditors' remuneration (refer note 30.1 below)	67.34	56.34
	Directors' sitting fees	39.50	19.62
	Repairs and maintenance - others	288.04	224.03
	Communication expenses	78.45	93.87
	Printing and stationery	24.43	17.53
	Subscription charges	84.36	72.29
	Advertisement and business promotion	63.04	44.29
	Corporate social responsibility expenditure (refer note 30.2 below)	334.66	72.22
	Bank charges	32.56	43.53
	Miscellaneous expenses	113.41	155.23
		3,549.39	**3,344.22**
30.1	**Payments to auditor (excluding service tax / goods and services tax)**		
	Statutory audit	51.00	40.00
	Tax audit	2.50	2.50
	Other services	12.50	12.50
	Reimbursement of expenses	1.34	1.34
		67.34	**56.34**
30.2	**Corporate social responsibility ("CSR") expenditure**		
	(a) Amount required to be spent by the Company during the year	221.27	179.50
	(b) Amount spent during the year (in cash) :		
	(i) Construction/ acquisition of any asset	-	-
	(ii) On purposes other than (i) above	334.66	72.22

(All amounts are in Indian Rupees in lakhs)

31 Income tax

A The components of income tax expense for the years ended March 31 2020 and 2019 are:

Particulars	Year ended March 31 2020	Year ended March 31 2019
Current tax	3,370.00	5,046.73
Deferred tax charge	731.90	598.03
Tax expense (i)+(ii)	**4,101.90**	**5,644.76**

B Reconciliation of the total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the years ended March 31 2020 and 2019 is, as follows:-

Particulars	Year ended March 31 2020	Year ended March 31 2019
Profit before tax	13,063.83	14,580.31
Applicable tax rate	25.17%	34.94%
Computed expected tax expense	**3,288.17**	**5,094.94**
Change in tax rate (refer note below)	657.61	-
Permanent differences	156.12	549.82
Tax expenses recognised in the statement of profit and loss	4,101.90	5,644.76
Effective tax rate	31.40%	38.71%

Note: The Company has elected to exercise the option permitted under section 115BAA of the Income tax Act, 1961, as introduced by the Taxation laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax and remeasured its net deferred tax asset at concessional rate for the year ended 31 March 2020.

C Deferred tax

The following table shows deferred tax recorded in the balance sheet and changes recorded in the Income tax expense

Particulars	As at Mar 31, 2019	Statement of profit and loss	Other comprehensive income	As at Mar 31, 2020
Component of Deferred tax asset / (liability)				
Deferred tax asset / (liability) in relation to:				
Property plant and equipment	(42.63)	34.13	-	(8.50)
Impact of fair value of assets	30.38	(1,564.70)	257.40	(1,276.92)
Impairment on financial assets	541.99	796.86	248.89	1,587.74
Provision for employee benefits	(34.88)	207.37	(13.71)	158.78
Unamortised component of processing fee	76.86	(125.73)	-	(48.87)
Premium accrued on preference shares	22.16	(22.16)	-	-
Others	5.79	(57.67)	-	(51.88)
Total	**599.67**	**(731.90)**	**492.58**	**360.35**

(All amounts are in Indian Rupees in lakhs)

32 Earnings per share ('EPS')

Particulars	Year ended March 31 2020	Year ended March 31 2019
Earnings		
Net profit attributable to equity shareholders for calculation of basic EPS	8,961.93	8,935.55
Net profit attributable to equity shareholders for calculation of diluted EPS	9,558.19	9,651.73
Shares		
Equity shares at the beginning of the period	78,365,776	78,365,673
Shares issued during the period	9,112,127	103
Total number of equity shares outstanding at the end of the period	87,477,903	78,365,776
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	83,977,665	78,365,776
Options granted	1,830,336	1,840,922
Compulsory convertible preference shares	40,868,385	17,871,250
Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	126,676,387	98,077,948
Face value per share	10.00	10.00
Earning per share		
Basic	10.67	11.40
Diluted	7.55	9.84

(All amounts are in Indian Rupees in lakhs)

33 Ind AS 116: leases

Nature of effect of adoption of Ind AS 116

The Company has lease contracts for office / branch premises. Before the adoption of Ind AS 116, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of Ind AS 116, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The operating lease commitments as of March 31 2019 reconciled with lease liabilities as at April 1 2019 as follows:

Future operating lease commitments as at March 31 2019	1,271.86
Weighted average incremental borrowing rate as at April 1 2019	9.70%
Discounted operating lease commitments at April 1 2019	973.05
Change in estimate of lease term	-
Lease liabilities as at April 1 2019	**973.05**

The company has applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

The effect of adoption Ind AS 116 as at April 1 2019 [increase/(decrease)] is as follows:

Assets	
Right of use assets	988.97
Deferred tax asset (net)	(4.01)
Total Assets	**984.96**
Liabilities	
Financial liabilities - lease liabilies	973.05
Other Equity	11.91
Total Liabilities	**984.96**

Amounts recognised in the balance sheet and statement of profit and loss

The carrying amounts of the Company's right of use asset and lease liabilities and the movement during the year:

Particulars	Right of use assets Buildings	Lease Liabilities
As at April 01, 2019		
Recogntion of initial application of Ind AS 116	988.97	973.05
Additions	623.28	603.09
Depreciation and amortisation expense	(288.11)	-
Interest expenses	-	126.35
Payments	-	(294.36)
As at March 31 2020	**1,324.14**	**1,408.13**

The amounts recognised in statement of profit or loss:

Post-amendment in Ind AS 116	
Depreciation expense of right of use asset	288.11
Interest expense on lease liabilities	126.35
Rent expense - short term leases and leases of low value assets	536.52
Total amounts recognised in profit or loss	**950.98**
Pre-amendment in Ind AS 116	
Rent expense	827.80
Total amount that would have been recognised in profit or loss	**827.80**

(All amounts are in Indian Rupees in lakhs)

34 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. Derivatives have been classified to mature and/ or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the company uses the same basis of expected repayment behaviour as used for estimating the EIR.

Particulars	As at March 31 2020			As at March 31 2019		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Assets						
Cash and cash equivalents	32,485.12	-	32,485.12	18,285.52	-	18,285.52
Bank balances other than cash and cash equivalents	7,720.21	-	7,720.21	5,233.88	-	5,233.88
Trade receivables	821.57	-	821.57	1,650.25	-	1,650.25
Loans	113,430.76	181,166.30	294,597.06	139,378.83	139,426.55	278,805.38
Investments	27,092.66	77,735.47	104,828.13	27,488.48	77,438.50	104,926.98
Other financial assets	1,173.42	-	1,173.42	988.79	-	988.79
Current tax assets (net)	-	3,662.18	3,662.18	-	1,365.39	1,365.39
Deferred tax assets (net)	-	360.35	360.35	-	599.67	599.67
Property, plant and equipment	-	178.19	178.19	-	67.59	67.59
Intangible assets under development	-	94.94	94.94	-	342.75	342.75
Intangible assets	-	831.54	831.54	-	290.99	290.99
Right of use asset		1,324.14	1,324.14			
Other non- financial assets	244.11		244.11	413.20		413.20
Total Assets	**182,967.84**	**265,353.12**	**448,320.96**	**193,385.94**	**219,531.44**	**412,917.38**

(All amounts are in Indian Rupees in lakhs)

Particulars	As at March 31 2020			As at March 31 2019		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Liabilities						
Derivative financial instruments	-	-	-	10.65	-	10.65
Trade payables			-			-
- total outstanding dues of micro and small enterprises	-	-	-	-	-	-
- total outstanding dues of creditors other than micro and small enterprises	793.17	-	793.17	929.54	-	929.54
Debt securities	27,428.57	58,592.13	86,020.70	79,563.01	44,823.12	124,386.13
Borrowings (Other than debt securities)	104,176.60	101,910.80	206,087.40	105,104.65	61,780.91	166,885.56
Subordinated liabilities	-	-	-	1,213.41	-	1,213.41
Other financial liabilities	3,553.89	1,129.15	4,683.04	3,251.51	-	3,251.51
Provisions	89.31	1,237.78	1,327.09	79.07	1,131.66	1,210.73
Other non-financial liabilities	127.68	-	127.68	362.97	-	362.97
Total Liabilities	**136,169.22**	**162,869.86**	**299,039.08**	**190,461.80**	**107,735.69**	**298,250.50**
Net Worth			**149,281.88**			**114,719.89**

Change in Liabilities arising from financing activities

Particulars	As at April 1, 2019	Cash flows	Change in fair values	Exchange difference	Others*	As at March 31 2020
Debt Securities	124,386.13	(39,386.90)	-	-	1,021.47	86,020.70
Borrowings (other than debt securities)	166,885.56	38,401.58	-	-	800.26	206,087.40
Subordinated liabilities	1,213.41	(1,213.41)	-	-	-	-

* the effect of amortisation of processing fees

(All amounts are in Indian Rupees in lakhs)

35 Financial instrument

A Fair value measurement

Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions i.e, exit price. This is regardless of whether that price is directly observable or estimated using a valuation technique.

Financial instruments by category

The carrying value and fair value of financial instruments measured at fair value as of March 31 2020 were as follows: (Also refer note 76)

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Loans	-	73,160.07	-	-	73,160.07	73,160.07
Investments						
- Pass through securities	-	22,481.44	-	-	22,481.44	22,481.44
- Non convertible debentures	-	54,067.27	-	-	54,067.27	54,067.27
- Alternate Investment Funds	28,453.27	-	-	-	28,453.27	28,453.27
- Share warrants	1.62	-	-	-	1.62	1.62

The carrying value and fair value of financial instruments measured at fair value as of March 31 2019 were as follows:

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Loans	-	39,865.04	-	-	39,865.04	39,865.04
Investments						
- Pass through securities	-	25,731.57	-	-	25,731.57	25,731.57
- Non convertible debentures	-	47,533.58	-	-	47,533.58	47,533.58
- Alternate Investment Funds	31,323.29	-	-	-	31,323.29	31,323.29
- Share warrants	1.14	-	-	-	1.14	1.14

Reconciliation of level 3 fair value measurement is as follows

	Year ended March 31 2020	Year ended March 31 2019
Finanicial assets measured at FVOCI		
Balance at the beginning of the year	2,991.04	4,160.48
Total gains measured through OCI for additions made during the year	281.33	(1,169.44)
Balance at the end of the year	**3,272.37**	**2,991.04**
Finanicial assets measured at FVTPL		
Fair value adjustment	**88.80**	**86.94**

Sensitivity analysis - Increase/ decrease of 100 basis points

	As at March 31 2020		As at March 31 2019	
	Increase	Decrease	Increase	Decrease
Loans	731.60	(731.60)	398.65	(398.65)
Investments				
- Pass through securities	224.81	(224.81)	257.32	(257.32)
- Non convertible debentures	540.67	(540.67)	475.34	(475.34)
- Alternate Investment Funds	284.53	(284.53)	313.23	(313.23)
- Share warrants	0.02	(0.02)	0.01	(0.01)

(All amounts are in Indian Rupees in lakhs)

The carrying value and fair value of other financial instruments by categories as of March 31 2020 were as follows:

Particulars	Carrying Value	Level 1	Level 2	Level 3	Total
	Amortised cost				
Financial assets not measured at fair value:					
Cash and cash equivalents	32,485.12				-
Bank balances other than cash and cash equivalents	7,720.21				-
Trade receivables	821.57				-
Loans	226,307.73				-
Other financial assets	1,173.42				-
Financial liabilities not measured at fair value:					
Derivative financial instruments	-				-
Trade payables					
-total outstanding dues of micro and small enterprises	-				-
-total outstanding dues of creditors other than micro and small enterprises	793.17				-
Debt securities	86,020.71				-
Borrowings (Other than debt securities)	206,087.39				-
Subordinated liabilities	-				-
Other financial liabilities	4,683.04				-

The carrying value and fair value of financial instruments by categories as of March 31 2019 were as follows:

Particulars	Carrying Value	Level 1	Level 2	Level 3	Total
	Amortised cost				
Financial assets not measured at fair value:					
Cash and cash equivalents	18,285.52				-
Bank balances other than cash and cash equivalents	5,233.88				-
Trade receivables	1,650.25				-
Loans	241,653.50				-
Other financial assets	988.79				-
Financial liabilities not measured at fair value:					
Derivative financial instruments	10.65				
Trade payables					
- total outstanding dues of micro and small enterprises	-				-
- total outstanding dues of creditors other than micro and small enterprises	929.54				-
Debt securities	124,386.13				-
Borrowings (Other than debt securities)	166,885.56				-
Subordinated liabilities	1,213.41				-
Other financial liabilities	3,251.51				

Note: For all of the financial assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair values.

(All amounts are in Indian Rupees in lakhs)

B *Measurement of fair values*

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 financial statements. These fair values were calculated for disclosure purposes only.

Short-term financial assets and liabilities
For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and cash equivalents, Bank balances other than cash and cash equivalents, trade receivables, other financial assets, trade payables and other financial liabilities without a specific maturity.

Borrowings
The debt securities, borrowings and subordinated liabilities are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Loans
The Loans are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Transfers between levels I and II
There has been no transfer in between level I and level II.

C *Capital*

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local banking supervisor, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

The Company has complied in full with all its externally imposed capital requirements over the reported period. Equity share capital and other equity are considered for the purpose of Company's capital management.

Regulatory capital *

Particulars	Carrying amount	
	As at March 31 2020	As at March 31 2019
Tier I Capital	141,341.03	110,427.50
Tier II Capital	5,884.56	5,048.38
Total Capital	**147,225.59**	**115,475.88**
Risk weighted assets	444,036.91	426,941.56
Tier I Capital Ratio (%)	31.83%	25.87%
Tier II Capital Ratio (%)	1.33%	1.18%

Tier I capital consists of shareholders' equity and retained earnings. Tier II Capital consists of general provision and loss reserve against standard assets and subordinated debt (subject to prescribed discount rates and not exceeding 50% of Tier I). Tier I and Tier II has been reported on the basis of Ind AS financial information.

36 Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings from banks and issue of debentures. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's financial assets include loan and advances, investments and cash and cash equivalents that derive directly from its operations.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's board of directors has an overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Risk Management Committee and Asset Liability Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and investments (Refer note 76)

The carrying amounts of financial assets represent the maximum credit risk exposure.

(All amounts are in Indian Rupees in lakhs)

A. Loans

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry.

The Company's exposure to credit risk for loans by type of counterparty is as follows. All these exposures are within India.

Particulars	Carrying amount	
	As at March 31 2020	As at March 31 2019
Term loans	299,467.80	281,518.54
Less : Impairment loss allowance	(4,870.74)	(2,713.16)
	294,597.06	**278,805.38**

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due and the type of risk exposures. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments.

Staging:

As per the provision of Ind AS 109 general approach all financial instruments are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with the initial recognition, then an instrument is transferred to stage 2. If there is objective evidence of impairment, then the asset is credit impaired and transferred to stage 3.

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

For financial assets in stage 1, the impairment calculated based on defaults that are possible in next twelve months, whereas for financial instrument in stage 2 and stage 3 the ECL calculation considers default event for the lifespan of the instrument.

As per Ind AS 109, Company assesses whether there is a significant increase in credit risk at the reporting date from the initial recognisation. Company has staged the assets based on the Day past dues criteria and other market factors which significantly impacts the portfolio.

Days past dues status	Stage	Provisions
Current	Stage 1	12 Months Provision
1-30 Days	Stage 1	12 Months Provision
31-90 Days	Stage 2	Lifetime Provision
90+ Days	Stage 3	Lifetime Provision

Also refer Note 76

Grouping

As per Ind AS 109, Company is required to group the portfolio based on the shared risk characteristics. Company has assessed the risk and its impact on the various portfolios and has divided the portfolio into following groups:

- Loans
- Guarantees to pooled issuances
- Other guarantees
- Undrawn exposure
- Second loss credit enhancement
- Investments in pass through securities
- Investments in non convertible debentures

Expected credit loss ("ECL"):

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

a. Marginal probability of default ("MPD")
b. Loss given default ("LGD")
c. Exposure at default ("EAD")
d. Discount factor ("D")

(All amounts are in Indian Rupees in lakhs)

Marginal probability of default:
PD is defined as the probability of whether borrowers will default on their obligations in the future. Historical PD is derived from the internal data which is calibrated with forward looking macroeconomic factors.

For computation of probability of default ("PD"), Pluto Tash Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Company has worked out on PD based on the last four years historical data.

Marginal probability:
The PDs derived from the ARIMA model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

Conditional marginal probability:
As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.

The probability of default was calculated for 3 scenarios: upside, downside and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

LGD
LGD is an estimate of the loss from a transaction given that a default occurs. Under Ind AS 109, lifetime LGD's are defined as a collection of LGD's estimates applicable to different future periods. Various approaches are available to compute the LGD. The Company has considered the workout LGD approach by considering historical losses and recoveries. The following steps are performed to calculate the LGD:

1) Analysis of historical credit impaired accounts at cohort level.

2) The computation consists of five components, which are:
   a) Outstanding balance (POS)
   b) Recovery amount (discounted yearly) by initial contractual rate.
   c) Expected recovery amount (for incomplete recoveries), discounted to reporting date using initial contractual rate.
   d) Collateral (security) amount

The formula for the computation is as below:
% Recovery rate = (discounted recovery amount + security amount + discounted estimated recovery) / (total POS)
% LGD = 1 – recovery rate

In addition, the Group has also considered an LGD of 65% as recommended by the Foundation Internal Ratings Based (FIRB) approach under Basel II guidelines issued by RBI.

EAD:
As per Ind AS 109, EAD is estimation of the extent to which the financial entity may be exposed to counterparty in the event of default and at the time of counterparty's default. The Company has modelled EAD based on the contractual and behavioural cash flows till the lifetime of the loans considering the expected prepayments.

The Company has considered expected cash flows , undrawn exposures and SLCE for all the loans at DPD bucket level for each of the risk segments, which was used for computation of ECL. Moreover, the EAD comprised of principal component, accrued interest and also the future interest for the outstanding exposure. So discounting was done for computation of expected credit loss.

Discounting:
As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

ECL computation:
Conditional ECL at DPD pool level was computed with the following method:
Conditional ECL for year (yt) = EAD (yt) * conditional PD (yt) * LGD (yt) * discount factor (yt)

The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the stage is summarised below:

	Provisions	As at March 31 2020	As at March 31 2019
Stage 1	12 month provision	3,251.68	2,364.19
Stage 2	Life time provision	940.35	98.97
Stage 3	Life time provision	678.71	250.00
Amount of expected credit loss provided for		**4,870.74**	**2,713.16**

(All amounts are in Indian Rupees in lakhs)

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Company's view of economic conditions over the expected lives of the loan receivables. Movement in provision of expected credit loss has been provided in below note.

Particulars	As at March 31 2020	As at March 31 2019
ECL allowance - opening balance	**2,713.16**	**2,217.57**
Addition during the year	2,890.87	516.52
Reversal during the year	-	-
Write offs during the year	(733.29)	-
Transfer to OCI	-	(20.93)
Closing provision of ECL	**4,870.74**	**2,713.16**

Analysis of changes in the gross carrying amount of loans:

Particulars	As at March 31 2020				As at March 31 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**280,094.54**	**474.46**	**949.54**	**281,518.54**	**233,904.67**	**349.49**	**714.50**	**234,968.66**
New assets originated *	197,452.54	13,811.44	-	211,263.98	167,728.02	-	250.00	167,978.02
Asset derecognised or repaid	(192,571.92)	-	(9.51)	(192,581.43)	(121,348.84)	-	-	(121,348.84)
Transfer from stage 1	(17,130.16)	16,101.95	1,028.21	-	(189.31)	124.97	64.34	-
Transfer from stage 2	-	-	-	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	-	-	(733.29)	(733.29)	-	-	(79.30)	(79.30)
As at the end of the year	**267,844.99**	**30,387.86**	**1,234.95**	**299,467.80**	**280,094.54**	**474.46**	**949.54**	**281,518.54**

* New assets originated are those assets which have originated during the year.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, vehicles, loan portfolios and mortgaged properties based on the nature of loans. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure is the total of the carrying amount of the aforesaid balances.

B. Investments

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The exposure to credit risk for investments is to other non-banking finance companies and financial institutions.

The risk committee has established a credit policy under which each new investee pool is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information etc. For investments the collateral is the underlying loan pool purchased from the financial institutions.

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the investments are categorised into groups based on days past due. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments. Further, the risk management committee periodically assessess the credit rating information.

(All amounts are in Indian Rupees in lakhs)

Analysis of changes in the gross carrying amount of investments:

Particulars	As at March 31 2020				As at March 31 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	103,671.65	0.00	2,331.11	106,002.76	102,783.75	4,298.55	3,320.72	110,403.02
New assets originated	57,138.14	2,360.09	-	59,498.23	43,177.47	-	-	43,177.47
Asset derecognised or repaid	(58,342.09)	-	(490.83)	(58,832.92)	(42,289.57)	(2,875.08)	(1,047.70)	(46,212.35)
Transfer from stage 1	(9,902.99)	9,902.99	-	-	-	-	-	-
Transfer from stage 2	-	-	-	-	-	(1,423.47)	1,423.47	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	-	-	(1,174.67)	(1,174.67)	-	-	(1,365.38)	(1,365.38)
As at the end of the year	**92,564.71**	**12,263.08**	**665.61**	**105,493.40**	**103,671.65**	**0.00**	**2,331.11**	**106,002.76**

C. Cash and cash equivalent and Bank deposits

Credit risk on cash and cash equivalent and bank deposits is limited as the Company generally invests in term deposits with banks

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due (also refer note 76).

The Company is monitoring its liquidity risk by estimating the future inflows and outflows during the start of the year and planned accordingly the funding requirement. The Company manages its liquidity by unutilised cash credit facility, term loans and direct assignment.

The composition of the Company's liability mix ensures healthy asset liability maturity pattern and well diverse resource mix.

The table below summarises the maturity profile of the Company's non derivative financial liabilities based on contractual undiscounted payments along with its carrying value as at the balance sheet date.

Particulars	1 day to 30/31 days (one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 year	Over 3 year to 5 year	Over 5 year
As at March 31 2020								
Borrowings	12,405.15	2,180.02	19,856.27	21,022.66	48,712.50	94,448.06	7,046.36	-
Debt securities	7,575.00	6,425.00	-	1,500.00	11,928.57	48,964.29	9,607.14	-
Subordinated liabilities	-	-	-	-	-	-	-	-
As at March 31 2019								
Borrowings	29,812.50	2,237.96	18,772.95	23,042.48	30,300.67	48,965.81	4,000.00	-
Debt securities	3,500.00	10,000.00	7,500.00	7,500.00	50,000.00	29,285.71	15,714.29	-
Subordinated liabilities	-	-	-	-	1,213.41	-	-	-

Note:
-The Balances are gross of accrued interest and unamortised borrowing costs.
-Estimated expected cash flows considering the moratorium availed from lenders.

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and foreign currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(All amounts are in Indian Rupees in lakhs)

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment in bank deposits and variable interest rate lending. Whenever there is a change in borrowing interest rate for the Company, necessary change is reflected in the lending interest rates over the timeline in order to mitigate the risk of change in interest rates of borrowings.

Sensitivity analysis - Increase/ decrease of 100 basis points

	As at March 31 2020		As at March 31 2019	
	Increase	Decrease	Increase	Decrease
Bank deposits	117.23	(117.23)	48.04	(48.04)
Loans	23.47	(23.47)	12.10	(12.10)
Borrowings	(17.79)	17.79	(16.60)	16.60

(iv) Foreign currency risk
The Company does not have any instrument denominated or traded in foreign currency. Hence, such risk does not affect the Company.

		As at March 31 2020	As at March 31 2019
37	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	438.00	420.00
	Undrawn committed sanctions to borrowers	11,020.07	43,408.47
38	**Contingent liabilities**		
	Claims against the Company not acknowledged as debt		
	- Income tax related matters	428.53	253.51
	Guarantees outstanding	25,928.31	23,525.68
39	**Derivatives**		
	i. Outstanding derivatives: (notional principal amount in INR)		
	- for hedging (currency & interest rate derivatives)	-	10.65
	ii. Marked to market positions	-	2,801.85

40 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the Micro, Small and Medium Enterprise Development Act, 2006 ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31 2020 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

	Particulars	As at March 31 2020	As at March 31 2019
a)	The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting period		
	Principal	-	-
	Interest	-	-
b)	The amount of interest paid by the buyer 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 each accounting year;	-	-
c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-
d)	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
e)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

41 Employee benefits

Defined contribution plans

The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expenses in the statement of profit and loss during the period in which the employee renders the related service. The amount recognised as an expense towards contribution to provident fund for the year aggregated to INR 264.00 lakhs (March 31 2019: INR 212.73 lakhs).

Defined benefit plans

The Company's gratuity benefit scheme is a defined plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past services and the fair value of any plan assets are deducted. The Calculation of the Company's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.
Details of actuarial valuation of gratuity pursuant to the Ind AS 19,

	Particulars	March 31 2020	March 31 2019
A.	**Change in present value of obligations**		
	Present value of obligations at the beginning of the year	358.33	273.35
	Current service cost	87.67	82.37
	Interest cost	24.80	20.49
	Past service cost	-	-
	Benefits settled	(15.09)	(3.81)
	Actuarial loss	(54.48)	(14.07)
	Present value of obligations at the end of the year	**401.24**	**358.33**
B.	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	-	-
	Expected return on plan assets	-	-
	Actuarial gains/ (loss)	-	-
	Employer contributions	15.09	3.81
	Benefits settled	(15.09)	(3.81)

(All amounts are in Indian Rupees in lakhs)

	Particulars	March 31 2020	March 31 2019
	Fair value of plan assets at the end of the year	**-**	**-**
C.	**Actual Return on plan assets**		
	Expected return on plan assets	-	-
	Actuarial gains/ (loss) on plan assets	-	-
	Actual return on plan assets	**-**	**-**
D.	**Reconciliation of present value of the obligation and the fair value of the plan assets**		
	Change in projected benefit obligation		
	Present value of obligations at the end of the year	401.24	358.33
	Fair value of plan assets	-	-
	Net liability recognised in balance sheet	**401.24**	**358.33**
	The liability in respect of the gratuity plan comprises of the following non-current and current portions:		
	Current	49.70	44.85
	Non-current	351.54	313.48
		401.24	**358.33**
E.	**Expense recognised in statement of profit and loss and other comprehensive income**		
	Current service cost	87.67	82.37
	Interest on obligation	24.80	20.49
	Past service cost	-	-
	Expected return on plan assets	-	-
	Net actuarial loss recognised in the year	(54.48)	(14.07)
	Total included in statement of profit and loss and other comprehensive income	**57.99**	**88.79**
F	**Assumptions at balance sheet date**		
	Discount rate	6.30%	7.07%
	Salary escalation	8.00%	12.00%
	Mortality rate	Indian Assured Lives (2012 -14)	Indian Assured Lives (2012 -14)
	Attrition rate	15.00%	18.00%

Notes:

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

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the balance sheet date for the estimated term of the obligation.

G Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Year ended March 31 2020		Year ended March 31 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	378.08	427.13	338.20	380.77
Future salary growth (1% movement)	428.22	376.63	381.10	337.45

H Five year Information

	March 31 2020	March 31 2019	March 31, 2018	March 31, 2017	March 31, 2016
Present Value of obligations	401.24	358.33	273.35	155.52	105.79
Fair value of plan asssets	-	-	-	-	-
(Surplus)/ deficit in the plan	-	-	-	-	-
Experience adjustments arising on plan liabilities - (gain)/ loss	(54.48)	(14.07)	31.67	30.05	12.74
Experience adjustments arising on plan assets - (gain)/ loss	-	-	-	-	-

42 Employee stock option plan (ESOP)

Employee Stock Option Plan 2016 (ESOP) has been approved by the Board at its meeting held on May 11, 2016 and by the members in the Extra Ordinary General Meeting held on October 7, 2016. ESOP Stock Option Plan 2018 (ESOP) has been approved by the members in the Extra Ordinary General Meeting held on July 25, 2018.

(All amounts are in Indian Rupees in lakhs)

42.1 Northern Arc Capital Employee Stock Option Plan 2016 – ("Scheme 1") formerly IFMR Capital Employee Stock Option Plan 2016 – ("Scheme 1")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued on 1 March 2017, and will be exercised at INR 10. The options are vested over a period of 4 years in 40:20:20:20 proportion

Northern Arc Capital Employee Stock Option Plan 2016 – ("Scheme 2") formerly IFMR Capital Employee Stock Option Plan 2016 – ("Plan" or "ESOP") ("Scheme 2")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued in six batches. The first and second batch will be exercised at INR 110, third, fourth and fifth batch will be exercised at INR 121 and sixth batch will be exercised at INR 188. The options are vested equally over a period of 5 years.

Northern Arc Capital Employee Stock Option Plan 2018 – ("Plan" or "ESOP") ("Scheme 3")

The Northern Arc Capital Employee Stock Option Plan 2018 is applicable to all employees including employees of subsidiaries.

The options were issued in two batches. The first batch will be exercised at INR 181 and second batch will be exercised at INR 188. The options are vested over a period of 3 years in 30:30:40 proportion

42.2 Options outstanding under Scheme 1, Scheme 2 and Scheme 3

Particulars	As at March 31 2020			As at March 31 2019		
Plan	Scheme 1	Scheme 2	Scheme 3	Scheme 1	Scheme 2	Scheme 3
Grant date	Various	Various	Various	Various	Various	Various
Number of options	411,371	4,027,500	1,449,712	411,371	4,347,500	798,212
Exercise price in INR	10	110 to 188	181 to 188	10	110 to 121	181
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years	1 to 4 years	1 to 5 years	1 to 3 years
Option Price	113.65	31.85 to 117.74	65.57 to 73.55	113.65	31.85 to 117.74	73.55
Vesting condition	Time and performance based vesting					

42.3 Reconciliation of outstanding options

The details of options granted under the above schemes are as follows.

Particulars	Number of options	
	As at March 31 2020	As at March 31 2019
Outstanding at beginning of year	5,557,083	4,423,871
Less: Forfeited during the year	1,194,045	65,000
Less: Exercised during the year	-	-
Add: Granted during the year	1,525,545	1,198,212
Outstanding as at end of year	**5,888,583**	**5,557,083**
Vested and exercisable as at end of year	**2,026,651**	**927,323**

(All amounts are in Indian Rupees in lakhs)

43. Related party disclosures

Related party relationships and transactions are as identified by the management.

(i) Holding company	IFMR Holdings Private Limited (upto February 26, 2019)
(ii) Wholly owned subsidiaries	Northern Arc Investment Adviser Services Private Limited Northern Arc Investment Managers Private Limited Northern Arc Foundation
(iii) Fellow subsidiaries	Dvara Kshetriya Gramin Financial Services Private Limited (formerly Pudhuaaru Financial Services Private Limited) (upto February 26, 2019) Dvara Trust (upto February 26, 2019) Dvara Research Foundation (upto February 26, 2019) IFMR Rural Channels and Services Private Limited (upto February 26, 2019)
(iv) Key Managerial Personnel (KMP)	Ms. Kshama Fernandes, Managing Director Ms. Bama Balakrishnan, Chief Financial Officer

A. Transactions during the Year:

	Particulars	As at March 31 2020	As at March 31 2019
A.	Transactions during the Year :		
	Dvara Trust		
	Reimbursement of expenses	-	354.43
	IFMR Holdings Private Limited		
	Purchase of ERP	-	52.28
	Northern Arc Investment Adviser Services Private Limited		
	Fee income	32.15	44.16
	Reimbursement of income	0.97	-
	Sale of fixed assets	0.73	0.58
	ESOP issued	89.74	-
	Redemption of preference share capital	-	76.00
	Premium on preference shares	-	22.29
	Northern Arc Investment Managers Private Limited		
	Reimbursement of expenses	154.84	30.34
	Reimbursement of income	65.15	113.92
	Fee income	86.70	49.18
	Interest income	232.57	14.96
	Loans given	1,933.45	450.00
	Loans repaid	904.00	335.00
	Redemption of preference share capital	722.00	-
	Premium on preference shares received	231.04	-
	Premium on preference shares Income	28.66	57.76
	ESOP Issued	151.32	-
	Sale of fixed assets	-	0.19

(All amounts are in Indian Rupees in lakhs)

Particulars	As at March 31 2020	As at March 31 2019
Northern Arc Foundation		
Contribution to CSR	197.68	-
Investment in equity	1.00	-
Dvara Kshetriya Gramin Financial Services Private Limited		
Interest income	-	335.11
Fee received	-	205.55
Loan given	-	6,000.00
Loan repaid	-	2,801.07
Guarantees	-	1,500.00
Dvara Research Foundation		
Corporate social responsibility expenditure	-	50.00
Ms. Kshama Fernandes		
Remuneration and other benefits *	240.75	248.71
Employee stock option (in units)	0.49	0.96
Ms. Bama Balakrishnan		
Remuneration and other benefits *	189.20	190.55
Employee stock option (in units)	0.38	0.52

* Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.

B. Balances as at year end:

Particulars	As at March 31 2020	As at March 31 2019
Dvara Trust		
Trade payable	-	39.80
Northern Arc Investment Adviser Services Private Limited		
Equity share capital	127.80	127.80
ESOP payable	89.74	-
Advances	87.02	54.98
Northern Arc Investment Managers Private Limited		
Equity share capital	361.00	361.00
Preference share capital	-	924.38
ESOP payable	151.32	-
Loans	2,170.14	1,140.01
Advances	140.20	147.50
Northern Arc Foundation		
Investment in Equity	1.00	-
Ms. Kshama Fernandes		
Security Deposit	-	2.00
Employee stock option (in units)	8.11	7.63
Ms. Bama Balakrishnan		
Employee stock option (in units)	5.89	5.52

44. The details of the investments held by the Company in the Alternative Investment Funds managed by the Company's wholly owned subsidiary

Fund	For the year ended March 31 2020		For the year ended March 31 2019	
	Purchases	Redemption*	Purchases	Redemption*
IFMR Fimpact Investment Fund	-	-	-	-
IFMR Fimpact MT Microfinance Fund	-	1,558.76	-	105.27
IFMR Fimpact Long Term Multi Asset Fund	1,034.03	-	-	-
IFMR Fimpact Long Term Credit Fund	-	-	3,500.00	138.32
IFMR Fimpact Medium Term Opportunities Fund	-	631.51	2,063.90	829.62
IFMR Fimpact Income Builder Fund	1,079.00	577.21	521.25	-
Northern Arc Money Market Alpha Trust Fund	132.84	400.00	2,523.89	100.00
Northern Arc Income Builder (Series II) Fund	401.00	-	-	-

* represents the dividend received in respect of cum dividend investment

Fund	Interest Income	
	Year ended March 31 2020	Year ended March 31 2019
IFMR Fimpact Investment Fund	244.52	247.61
IFMR Fimpact MT Microfinance Fund	126.00	227.33
IFMR Fimpact Long Term Multi Asset Fund	(1,412.45)	682.73
IFMR Fimpact Long Term Credit Fund	1,321.85	881.33
IFMR Fimpact Medium Term Opportunities Fund	331.81	740.47
IFMR Fimpact Income Builder Fund	34.60	47.80
Northern Arc Money Market Alpha Trust Fund	204.22	36.74
Northern Arc Income Builder (Series II) Fund	(0.31)	-

Outstanding balances (Investment) at Cost

Fund	As at March 31 2020		As at March 31 2019	
	Units	Cost (INR in lakhs)	Units	Cost (INR in lakhs)
IFMR Fimpact Investment Fund	1,431.53	1,431.53	1,431.53	1,431.53
IFMR Fimpact MT Microfinance Fund	-	-	1,558.76	1,558.76
IFMR Fimpact Long Term Multi Asset Fund	5,491.53	5,491.53	4,457.50	4,457.50
IFMR Fimpact Long Term Credit Fund	10,244.08	10,244.08	10,244.08	10,244.08
IFMR Fimpact Medium Term Opportunities Fund	5,579.11	5,579.11	6,210.62	6,210.62
IFMR Fimpact Income Builder Fund Fund	1,829.63	2,023.04	1,482.17	1,521.25
Northern Arc Money Market Alpha Trust Fund	2,156,738.22	2,156.74	2,423,894.90	2,423.89
Northern Arc Income Builder (Series II) Fund	401.00	401.00	-	-

45 Segment reporting

Operating segments

The Company's operations predominantly relate to arranging or facilitating or providing finance either in the form of loans or investments or guarantees. The information relating to this operating segment is reviewed regularly by the Company's Board of Directors (Chief Operating Decision Maker) to make decisions about resources to be allocated and to assess its performance. The CODM considers the entire business of the Company on a holistic basis to make operating decisions and thus there are no segregated operating segments. The CODM of the Company reviews the operating results of the Company as a whole and therefore not more than one reportable segment is required to be disclosed by the Company as envisaged by Ind AS 108 Operating Segments.

The company does not have any separate geographic segment other than India. As such there are no separate reportable segments as per IND AS 108 Operating Segments.

(All amounts are in Indian Rupees in lakhs)

46 Disclosure Pursuant to paragraph 26 of Master Direction - Non-Banking Financial Company –Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016:

Gold loan portfolio

The Company has not provided loan against gold during the year ended March 31 2020 and March 31 2019

Disclosures required in terms of Annexure XIV of the RBI Master Direction
DNBR. PD. 008/03.10.119/2016-17 dated 1 September 2016 (Updated as on February 22, 2019)
"Master Direction - Non-banking Financial Company -Systemically Important Non-
Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

47 Capital adequacy ratio

The Company's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines, is as follows:

Particulars	Year ended March 31 2020	Year ended March 31 2019
Tier I Capital	141,341.03	110,427.50
Tier II Capital	5,884.56	5,048.38
Total Capital	**147,225.59**	**115,475.88**
Total Risk Assets	**444,036.91**	**426,941.56**
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	31.83%	25.87%
Tier II Capital as a percentage of Total Risk Assets (%)	1.33%	1.18%
Total Capital (%)	**33.16%**	**27.05%**

48 Investments

Particulars	As at March 31 2020	As at March 31 2019
Value of investment		
Gross value of investments		
- In India	105,493.40	106,002.76
- Outside India	-	-
Provisions for investments		
- In India	665.27	1,075.78
- Outside India	-	-
Net value investments		
- In India	104,828.13	104,926.98
- Outside India	-	-
Movement of provisions held towards investments		
Opening balance	**1,075.78**	**2,256.47**
Add: Provisions made during the year	-	-
Less: Write off/ write back/ reversal of provision during the year	(410.51)	(1,180.69)
Closing balance	**665.27**	**1,075.78**

(All amounts are in Indian Rupees in lakhs)

49 Disclosure Pursuant to paragraph 18 of Master Direction - Non-Banking Financial Company –Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016:

Sl. No.	Particulars	As at March 31 2020		As at March 31 2019	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	Liabilities side:				
1	**Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:**				
	(a) Debentures				
	- Secured (net of unamortised borrowing cost)	57,110.16	-	64,611.09	-
	- Unsecured (net of unamortised borrowing cost)	27,454.75	-	50,324.93	-
	(other than falling within the meaning of public deposits)				
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans (net of unamortised borrowing cost)	174,054.74	-	128,785.37	-
	(d) Inter-Corporate Loans and Borrowings	-	-	-	-
	(e) Commercial Paper	1,455.79	-	9,450.11	-
	(f) Public Deposits	-	-	-	-
	(g) Other Loans (net of unamortised borrowing cost)	32,032.66	-	38,100.19	-
	(Represents Working Capital Demand Loans and Cash Credit from Banks)				
2	**Break-up of (1)(f)above (outstanding public deposits inclusive of interest accrued thereon but not paid)**				
	(a) In the form of Unsecured debentures		-	-	-
	(b) In the form of partly secured debentures i.e debentures where there is a shortfall in the value of security	-	-	-	-
	(c) Other public deposits	-	-	-	-

Sl. No.	Particulars	As at March 31 2020	As at March 31 2019
	Assets side:		
3	**Break-up of Loans and Advances * including Bills Receivables [other than those included in (4) below]:**		
	(a) Secured	254,073.34	248,446.44
	(b) Unsecured	45,394.46	33,072.10
	(Excludes loss allowance and includes unamortised fee)		
4	**Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities**		
	(i) Lease Assets including Lease Rentals Accrued and Due:		
	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	-	-

Notes to the Standalone financial statements for the year ended March 31 2020

(All amounts are in Indian Rupees in lakhs)

Sl. No.	Particulars	As at March 31 2020	As at March 31 2019
5	**Break-up of Investments (net of provision for diminution in value):**		
	Current Investments:		
	I. Quoted:		
	i. Shares		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and bonds	11,398.10	3,818.75
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) commercial paper	-	-
	II. Unquoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) pass through certificates	13,471.72	14,126.77
	b) units of alternative investment fund	3,588.27	4,479.73
	Long Term Investments:		
	I. Quoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	42,669.17	43,714.83
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)		
	II. Unquoted:		
	i. Shares		
	a) Equity	489.8	488.8
	b) Preference	-	0
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) pass through certificates	9,009.72	11,604.80
	b) units of alternative investment fund	24,865.00	26,843.56
	c) share warrants	1.62	1.14

(All amounts are in Indian Rupees in lakhs)

6 Borrower Group-wise Classification of Assets Financed as in (3) and (4) above:

Category	As at March 31 2020 (Net of provision for NPA)		As at March 31 2019 (Net of provision for NPA)	
	Secured	Unsecured	Secured	Unsecured
1. Related parties				
(a) Subsidiaries	-	2,170.14	-	1,140.01
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	254,073.34	43,224.32	248,446.44	31,932.09
	254,073.34	**45,394.46**	**248,446.44**	**33,072.10**

7 Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted)

Category	Market Value / Break up Value or Fair Value or Net Asset Value as on March 31 2020	Book Value as on March 31 2020 (Net of provisions)	Market Value / Break up Value or Fair Value or Net Asset Value as on March 31 2019	Book Value as on March 31 2019 (Net of provisions)
1. Related Parties				
(a) Subsidiaries	489.80	489.80	1,413.18	1,413.18
(b) Companies in the same Group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	105,003.60	104,338.33	104,589.58	103,513.80
	105,493.40	**104,828.13**	**106,002.76**	**104,926.98**

8 Other Information *(Also refer note 76)*

Category	As at March 31 2020		As at March 31 2019	
	Related Parties	Other than Related Parties	Related Parties	Other than Related Parties
(i) Gross Non-Performing Assets	-	2,000.45	-	3,381.52
(ii) Net Non-Performing Assets	-	590.69	-	177.92
(iii) Assets Acquired in Satisfaction of Debt	-	-	-	-

Note : NPA contracts represents the Stage 3 contracts. Also this excludes the impact of the fair value changes on the financial assets. Also refer note 76.

NORTHERN ARC CAPITAL LIMITED

Notes to the Standalone financial statements for the year ended March 31 2020

(All amounts are in Indian Rupees in lakhs)

50 Asset Liability Management

Maturity Pattern of certain items of Assets and Liabilities:

Particulars	1 day to 30/31 days (1 Month)	Over 1 month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from banks and others	12,405.15	2,180.02	19,856.27	21,022.66	48,712.50	94,448.06	7,046.36	-	**205,671.02**
	(29,812.50)	(2,237.96)	(18,772.95)	(23,042.48)	(30,300.67)	(48,965.81)	(4,000.00)	-	**(157,132.37)**
Market Borrowings	7,575.00	6,425.00	-	1,500.00	11,928.57	48,964.29	9,607.14	-	**86,000.00**
	(3,500.00)	(10,000.00)	(7,500.00)	(7,500.00)	(50,000.00)	(29,285.71)	(15,714.29)	-	**(123,500.00)**
Assets									
Advances	9,174.13	5,057.47	4,716.43	21,136.17	73,346.56	161,479.78	23,136.21	27.44	**298,074.20**
	(12,045.72)	(13,927.82)	(15,492.89)	(35,529.57)	(62,382.83)	(112,423.74)	(11,265.45)	(7,672.19)	**(270,740.21)**
Investments	7,472.01	897.31	1,027.98	6,078.03	11,617.34	34,744.48	21,097.84	17,698.00	**100,632.98**
	(5,289.68)	(1,215.29)	(1,655.24)	(6,183.36)	(7,236.76)	(21,311.73)	(35,271.08)	(20,855.69)	**(99,018.83)**

Note:
- Numbers in brackets represent previous year balances.
- The balances are gross of impairment loss allowance, accrued interest and fair valuation gain/loss
- Advances and borrowings are exclusive of the securitisation transactions which has been recognised in the books of account in accordance with Ind AS
- Estimated expected cashflows considering the moratorium given to customers and availed from Lenders. Also refer note 76.

51 Disclosure of frauds reported during the year ended March 31 2020

There were no frauds (March 31 2019 - 1 case amounting to INR 79.30 Lakhs) reported during the year.

52 Exposure to Real estate sector

	Particulars	As at March 31 2020	As at March 31 2019
A.	**Direct Exposure**		
	i. Residential Mortgages - refer note below	**18,464.95**	**21,908.09**
	(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented)		
	ii. Commercial Real Estate –		
	(Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)	-	-
	iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a) Residential (refer note below)	**2,689.70**	**2,786.83**
	b) Commercial Real Estate	-	-

Note: Represents Loans, Investments in pass through certificates and Non convertible debentures extended to housing finance companies.

53 Exposure to capital market

	Particulars	As at March 31 2020	As at March 31 2019
	(i) Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt	-	-
	(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	-	-
	(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security ;	-	-
	(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds ' does not fully cover the advances ;	100.00	100.00
	(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers ;	-	-
	(vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources ;	-	-
	(vii) Bridge loans to companies against expected equity flows / issues ;	-	-
	(viii) All exposures to Venture capital funds (both registered and unregistered)	-	-

(All amounts are in Indian Rupees in lakhs)

54 Disclosures relating to Securitisation

54.1 Details of assignment transactions undertaken

Particulars	As at March 31 2020	As at March 31 2019
Number of Accounts	3.00	2.00
Aggregate value of account sold	15,294.83	11,950.18
Aggregate consideration	15,294.83	11,950.18
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain/(loss) over net book value	-	-

54.2 Details of securitisation transactions undertaken

Particulars	As at March 31 2020	As at March 31 2019
No of SPVs sponsored by the NBFC for securitisation transactions	1.00	3.00
Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	5,224.54	27,900.28
Total amount of exposures retained by the NBFC to comply with MRR		
a) Off-balance sheet exposures		
* First loss		
* Others		
b) On-balance sheet exposures		
* First loss	-	-
* Others - over collateral	626.94	1,817.05
Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitisations		
* First loss	-	-
* Others - corporate guarantee	156.74	438.31
ii) Exposure to third party securitisations		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
* First loss - cash collateral	-	1,419.85
* Others	-	-
ii) Exposure to third party securitisations		
* First loss	-	-
* Others	-	-

55 Details of non- performing financial assets purchases / sold
The Company has neither purchased nor sold any non- performing financial assets during the previous year.

56 Details of financing of Parent Company products
Nil

57 Details of Single Borrower Limits (SBL)/ Group Borrower Limits (GBL) exceeded
The Company has not exceeded the single borrower limit as set by Reserve Bank of India for the year ended March 31 2020 and March 31 2019.

58 Advances against Intangible Securities
The Company has not given any loans against intangible securities

59 Registration/ licence/ authorisation obtained from other financial sector regulators :

Registration / Licence	Authority issuing the registration / license	Registration / Licence reference
Certificate of Registration	Reserve Bank of India	B-07-00430 dated March 8, 2018 (Original certificate dated August 8, 2013)

60 Penalties imposed by RBI and other regulators
No penalties have been imposed by RBI and Other Regulators during the financial year 2019-20 (FY 2018-19 - NIL)

(All amounts are in Indian Rupees in lakhs)

61 Ratings

The Credit Analysis & Research Limited (CARE) and ICRA Limited (ICRA) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Particulars	Rating agency	March 31 2020	March 31 2019
Bank facilities	ICRA	A+	A+
Non-convertible debentures - long term	ICRA	A+	A+
Non-convertible debentures - short term	CARE	A1+	A1+
Subordinated debt issue	ICRA	A+	A+
Cumulative non-convertible compulsorily redeemable preference shares	ICRA	A	A
Commercial paper	ICRA	A1+	A1+

62 Provisions and contingencies

Particulars	As at March 31 2020	As at March 31 2019
Loss allowance on financial assets	3,523.08	1,444.69
Provision made towards current income taxes	3,370.00	5,046.73

63 Draw down from reserves

The Company has not made any drawdown from existing reserves.

64 Concentration of advances

Particulars	As at March 31 2020	As at March 31 2019
Total advances to twenty largest borrowers	98,319.74	105,821.36
Percentage of advances to twenty largest borrowers to total exposure	33.37%	37.96%

65 Concentration of exposures

Particulars	As at March 31 2020	As at 31 March 2019
Total exposure to twenty largest borrowers	153,478.91	177,785.95
Percentage of exposures to twenty largest borrowers to total exposure	35.02%	40.37%

66 Concentration of NPA Contracts*

Particulars	As at March 31 2020	As at March 31 2019
Total exposure to top four NPA accounts	1,168.94	1,201.88
*represents stage 3 contracts. Also refer note 76		

67 Sector-wise NPAs (Percentage of NPA's to total advances in that sector)

Particulars	As at March 31 2020	As at March 31 2019
Agriculture & allied activities	0.00%	0.00%
MSME	0.00%	0.00%
Corporate borrowers	0.40%	0.13%
Services	0.00%	0.00%
Unsecured personal loans	0.00%	0.00%
Auto loans	0.00%	0.00%
Other loans	0.59%	3.42%

The above Sector-wise NPA and advances are based on the data available with the Company which has been relied upon by the auditors. NPA contracts represents the Stage 3 contracts (also refer note 76)

(All amounts are in Indian Rupees in lakhs)

68 Movement of Non-Performing Assets (NPA's)

	Particulars	As at March 31 2020	As at March 31 2019
(a)	**Net NPAs to net advances (%)**	0.15%	0.05%
	(Net of provision for NPAs)		
(b)	**Movement of gross NPAs**		
	Opening balance	3,381.52	3,813.33
	Additions during the year	-	-
	Reductions during the year	(1,381.07)	(431.81)
	Closing balance	**2,000.45**	**3,381.52**
(c)	**Movement of net NPAs**		
	Opening balance	177.92	238.51
	Additions during the year	412.77	-
	Reductions during the year	-	(60.59)
	Closing balance	**590.69**	**177.92**
(d)	**Movement of provisions for NPAs (excluding contingent provisions against standard assets)**		
	Opening balance	3,203.60	3,574.82
	Provisions made during the year	-	-
	Write-off / write-back of excess provisions	(1,793.84)	(371.22)
	Closing balance	**1,409.76**	**3,203.60**

Note: NPA contracts represents Stage 3 contracts and the NPA Provision represents the Loss allowance on Stage 3 contracts (Also Refer Note 76)

68.1 Movement of provisions held towards guarantees

	Particulars	As at March 31 2020	As at March 31 2019
	Opening balance	660.74	1,108.32
	Add: Provisions made during the year	-	-
	Less: Write off/ write back/ reversal of provision during the year	(35.45)	447.58
	Closing balance	**696.19**	**660.74**

Note: The above disclosure also includes the loss allowance towards undrawn loans

69 Overseas assets (for those with joint ventures and subsidiaries abroad)
There are no overseas asset owned by the Company.

70 Off-balance sheet SPVs sponsored
There are no SPVs which are required to be consolidated as per accounting norms.

(All amounts are in Indian Rupees in lakhs)

71 Customer complaints

Particulars	As at March 31 2020	As at March 31 2019
No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	-	-
No. of complaints redressed during the year	-	-
No. of complaints pending at the end of the year	-	-

The above details are based on the information available with the Company regarding the complaints received from the customers which has been relied upon by the auditors.

72 Disclosure pursuant to Reserve Bank of India Circular DOR.NO.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 pertaining to Asset Classification and Provisioning in terms of COVID19 regulatory Package

Particulars	As at March 31 2020
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended	871.92
Respective amount where asset classification benefits is extended	871.92
General provision made*	-
General provision adjusted during the period against slippages and the residual provisions	-

*The Company, being NBFC, has complied with Ind-AS and guidelines duly approved by the Board for recognition of the impairments. Refer Note 76

73 Disclosure under clause 28 of the Listing Agreement for Debt Securities

Particulars	As at March 31 2020	As at March 31 2019
Loans and advances in the nature of loans to subsidiaries	2,170.14	1,140.01
Loans and advances in the nature of loans to associates	-	-
Loans and advances in the nature of loans where there is -		
(i) no repayment schedule or repayment beyond seven years	-	-
(ii) no interest or interest below section 186 of Companies Act, 2013	-	-
Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-

74 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of an exclusive hypothecation of loans, investment in pass through certificates and investment in debentures.

(All amounts are in Indian Rupees in lakhs)

75 Disclosure pursuant to Reserve Bank of India notification DOR (NBFC).CC.PD.No.109 /22.10.106/2019- 20 dated March 13, 2020 pertaining to Asset Classification as per RBI Norms.

As at March 31, 2020

Asset classification as per RBI Norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind As	Loss allowance (provision) as required under Ind AS 109	Net carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	281,878.10	3,509.21	278,368.89	1,180.16	2,329.05
	Stage 2	30,978.06	945.41	30,032.66	37.58	907.82
Sub Total for Standard		**312,856.16**	**4,454.62**	**308,401.54**	**1,217.74**	**3,236.87**
Non Performing Assets (NPA)		-	-	-	-	-
Substandard	Stage 3	-	-	-	-	-
Doubtful - upto 1 year	Stage 3	1,234.95	678.71	556.24	615.34	63.38
1 - 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Sub Total for NPA		**1,234.95**	**678.71**	**556.24**	**615.34**	**63.38**
Other items such as guarantees, loan commitment etc., which are in the scope of Ind AS 109 but not covered under Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	84,081.89	903.94	83,177.95	-	903.94
	Stage 2	15,349.80	938.15	14,411.66	-	938.15
	Stage 3	765.50	731.05	34.45	-	731.05
Subtotal		**100,197.19**	**2,573.13**	**97,624.06**	**-**	**2,573.13**
Total	**Stage 1**	**365,959.99**	**4,413.15**	**361,546.84**	**1,180.16**	**3,232.99**
	Stage 2	**46,327.87**	**1,883.55**	**44,444.31**	**37.58**	**1,845.97**
	Stage 3	**2,000.45**	**1,409.76**	**590.69**	**615.34**	**794.42**
		414,288.31	**7,706.47**	**406,581.84**	**1,833.08**	**5,873.38**

(All amounts are in Indian Rupees in lakhs)

As at March 31, 2019

Asset classification as per RBI Norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind As	Loss allowance (provision) as required under Ind AS 109	Net carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	302,395.36	2,175.91	300,219.46	1,076.80	1,099.10
	Stage 2	474.47	98.97	375.50	1.90	97.07
Sub Total for Standard		**302,869.83**	**2,274.87**	**300,594.96**	**1,078.70**	**1,196.17**
Non Performing Assets (NPA)		-	-	-	-	-
Substandard	Stage 3	-	-	-	-	-
Doubtful - upto 1 year	Stage 3	1,028.85	864.78	164.06	689.21	175.57
1 - 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Sub Total for NPA		**1,028.85**	**864.78**	**164.06**	**689.21**	**175.57**
Other items such as guarantees, loan commitment etc., which are in the scope of Ind AS 109 but not covered under Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	96,135.48	711.91	95,423.57	-	711.91
	Stage 2	-	-	-	-	-
	Stage 3	3,797.36	2,418.12	1,379.24	-	2,418.12
Subtotal		**99,932.84**	**3,130.03**	**96,802.81**	**-**	**3,130.03**
Total	**Stage 1**	**398,530.84**	**2,887.81**	**395,643.02**	**1,076.80**	**1,811.01**
	Stage 2	**474.47**	**98.97**	**375.50**	**1.90**	**97.07**
	Stage 3	**4,826.21**	**3,282.91**	**1,543.30**	**689.21**	**2,593.69**
		403,831.52	**6,269.69**	**397,561.82**	**1,767.92**	**4,501.77**

In terms of the requirement as per RBI notifications no. RBI/2019-20/170 DOR (NBFC).CC. PD No. 109/22.10.106/2019-20 dated March 13, 2020 on implementation of Indian accounting standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income recognition, Asset Classification and Provisioning (IRACP) Norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the Company exceeds the total provision required under IRACP (including standard asset provisioning as at March 31, 2020 and accordingly, no amount is required to be transferred to impairment reserve. Also refer note 76.

76 Impact of Covid 19

The outbreak of COVID -19 pandemic and consequent lockdown has severely impacted various activities across the country. The impact of COVID -19 on the economy is uncertain and would also be dependent upon future developments including various measures taken by the Government, Regulator, responses of businesses, consumers etc. Hence, the extent to which COVID-19 pandemic will impact the Company's business, cash flows and financial results, is dependent on such future developments, which are highly uncertain.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated March 27 2020 and April 17 2020 relating to 'COVID-19 – Regulatory Package', the Company has granted moratorium upto three months on the payment of instalments falling due between March 1 2020 and May 31 2020 on a case to case basis to eligible borrowers in accordance with the Company's policy approved by its Board. Further pursuant to the RBI notification dated May 23 2020 the moratorium is being extended for a further period of three months in accordance with the Company's policy approved by its Board. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109. The Company continues to recognise interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria.

Estimates and associated judgments / assumptions applied in preparation of these financial statements including determining the impairment loss allowance and fair valuation of investments are based on a combination of historical experience and emerging / forward looking indicators resulting from the pandemic. In addition to the early indicators available during the moratorium period, the Company has also used potential stress on probability of default and exposure at default on the expected credit losses and accordingly recognized an expected credit loss (including write off) of INR 3,523.08 lakhs during the year. This includes an additional impairment overlay provision amounting to INR 2,279.87 lakhs. Further, the disclosure in these financial statements are made after considering the moratorium benefits and estimated cash inflows and outflows which are based on the current understanding / arrangement with its customers / lenders. The Company believes that it has considered all the possible impact of the currently known events arising out of COVID-19 pandemic in the preparation of financial statements including financial resources, profitability, liquidity position and internal financial controls. However, since the impact assessment of COVID-19 is a continuing process given its uncertainty in nature and duration, this may have corresponding impact in the financial position in future. The Company will continue to monitor any material changes to the future economic conditions.

77 Disclosure of Specified Bank Notes ('SBN')

The disclosures regarding details of specified bank notes held and transacted during November 8, 2016 to December 30, 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended March 31 2020.

78 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with the current period presentation.

As per our report of even date attached
for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place : Chennai
Date : June 26 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : June 26 2020

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Northern Arc Capital Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated financial statements of Northern Arc Capital Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2020, the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Consolidated 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 on the Consolidated financial statements.

Emphasis of matter

As more fully described in Note 49 to the Consolidated financial statements, in respect of accounts overdue but standard as at 29 February 2020 where moratorium benefits have been granted, the staging of those accounts as at 31 March 2020 is based on the days past due status as on 29 February 2020, in accordance with Reserve bank of India COVID-19 Regulatory Package.

Further, the extent of impact of the COVID - 19 pandemic will impact the Group's financial position and performance including the Group's estimates of impairment of loans and fair valuation of investments, are dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><th colspan="2">Impairment of loans and investments – refer notes 7, 8 and 28 to the Consolidated financial statements</th></tr>
<tr><td>Recognition and measurement of impairment of loans and investments involve significant management judgement.

Under Ind AS 109 - Financial Instruments, credit loss assessment is based on expected credit loss (ECL) model. The Group's impairment allowance is derived from estimates including the historical default, loss ratios etc. Management exercises judgement in determining the quantum of loss based on a range of factors.

Further, in relation to COVID-19 pandemic, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the economy

The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following:</td><td>In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence:

• Performed process walkthroughs to identify the controls used in the impairment allowance processes.

• Assessed the design and implementation of controls in respect of the Holding Company's impairment allowance process such as the timely recognition of impairment loss, the completeness and accuracy of reports used in the impairment allowance process and management review processes over the calculation of impairment allowance

• Obtained understanding of management's revised processes, systems and controls implemented in relation to impairment allowance process, specifically in view of providing moratorium as per board approved policy read with RBI COVID - 19 regulatory package including management rationale for determination of criteria of significant increase in credit risk.</td></tr>
</table>

Key Audit Matter	How the matter was addressed in our audit
• Segmentation of loans given to the customer • Criteria selected to identify significant increase in credit risk, specifically in respect of moratorium benefit given to select borrowers, as per the Holding Company's board approved policy, read with the RBI COVID 19 regulatory package • Increased level of data inputs for capturing the historical data to calculate the Probability of Default ('PDs') and Loss Given Default ("LGD") and the completeness and accuracy of that data • Use of management overlays, considering the probability weighted scenarios, credit risk of customers, the forward looking macro-economic factors, economic environment and the timing of cash flows, impact of the pandemic on the Holding Company's customers and their ability to repay dues and application of regulatory package announced by the Reserve Bank of India on asset classification and provisioning. The underlying forecasts and assumptions used in the estimates of impairment loss allowance are subject to uncertainties which are often outside the control of the Group. The extent to which the COVID-19 pandemic will impact the Group's current estimate of impairment loss allowances is dependent on future developments, which are highly uncertain at this point. The management judgement involved in estimates has significant impact, considering the size of loan portfolio relative to the balance sheet. Therefore, we identified impairment allowances for loans and advances and investments as key audit matter.	• Evaluated whether the methodology applied by the Group is compliant with the requirements of the relevant accounting standards and confirmed that the calculations are performed in accordance with the approved methodology, including checking mathematical accuracy of the workings. • Tested the periods considered for capturing underlying data as base to PD and LGD calculations are in line with Group's recent experience of past observed periods. • Tested the accuracy of the key inputs used in the calculation and independently evaluated the reasonableness of the assumptions made. • Challenged completeness and validity of impairment allowance including the management overlays, particularly in response to COVID 19 with assistance of our financial risk modelling experts by critically evaluating the risks that have been addressed by management. We also tested management's workings supporting the overlay quantum. • Performed test of details, on a sample basis, on underlying data relating to segmentation, management overlays, staging as at 31 March 2020, the key inputs for computation of ECL. Assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment loss allowance in the financial statements are appropriate and sufficient.
Valuation of financial instruments – refer notes 7 and 8 to the Consolidated financial statements	
Certain Financial instruments are carried at fair values based on the Group's assessment of business model. The effect of fair value adjustments may impact either the profit or loss or other comprehensive income. The valuation of these Financial instruments is based on a combination of market data, and valuation models which often require significant management judgement including management overlay for COVID – 19 impact. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Obtained and confirmed the approvals of Audit Committee on the methodology and key assumptions used for the valuation of financial instruments. • Assessed the appropriateness of the valuation methodology and challenging the valuation model by testing the key inputs including the Management overlay for COVID - 19 considered for fair value computation. • Performed test of details, on a sample basis, on re-computation of the fair value and the key inputs used in the fair values to ensure accuracy and relevance of data.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report but does not include the Consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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 identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under applicable laws and regulations.

Responsibilities of management and those charged with governance for the Consolidated financial statements

The Holding Company's management and Board of Directors are responsible for preparation and presentation of these Consolidated financial statements in terms of the requirements of the Act, that give a true and fair view of the consolidated state of affairs, consolidated profit / loss and 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 Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Board of Directors of the Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding of the assets of each 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 Consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated financial statements, the respective management and Board of Directors of the Companies included in the Group are responsible for assessing the ability of each Company 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.

The respective Board of Directors of the companies included in the group are also responsible for overseeing the financial reporting process of each Company.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the Consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparing Consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated financial statements, including the disclosures, and whether the Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the Consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the Consolidated financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated financial statements

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

A. *As required by Section 143(3) of the Act, we report that:*

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit 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.

c) The Consolidated balance sheet, the Consolidated statement of profit and loss (including other comprehensive income), the Consolidated statement of changes in equity and Consolidated statement of cash flows 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 the 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 as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, none of the directors of the Group are disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

f) Two subsidiary Companies (Northern Arc Investment Adviser Services Private Limited and Northern Arc Investment Managers Private Limited) have been exempted from the requirement of its auditors' reporting on whether the Company has adequate internal financial controls with reference to the financial statements in place and the operating effectiveness of such controls. Further, IFMR Fimpact Long Term Credit Fund, not being a company, requirement of its auditors' reporting on adequate internal financial controls with reference to the financial statements is not applicable. With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. *With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:*

i. The Consolidated financial statements disclose the impact of pending litigations as at March 31, 2020 on the Consolidated financial position of the group. Refer Note 39 to the Consolidated financial statements;

ii. Provision has been made in the Consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts. Refer Note 7, 8 and 28 to the Consolidated financial statements;

iii. There are no amounts which is required to be transferred to the Investor Education and Protection Fund by the group during the year ended March 31, 2020;

iv. The disclosures in the Consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from November 8, 2016 to December 30, 2016 have not been made in these Consolidated financial statements since they do not pertain to the financial year ended March 31, 2020.

C. *With respect to the matter to be included in the Auditors' Report under section 197(16):*

In our opinion and according to the information and explanation given to us, the remuneration paid by the Holding Company to its directors during the year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any of the Holding Company director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us. The provisions of Section 197 of the Act is not applicable to subsidiaries being private companies and alternative investment fund.

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No – 101248W/W-100022

K Raghuram
Partner
Membership No. 211171
UDIN: 20211171AAAABQ3132
Place: Chennai
Date: June 26, 2020

Annexure A to the Independent Auditors' Report

To the Members of Northern Arc Capital Limited for the year ended March 31, 2020

Report on the internal financial controls with reference to the aforesaid Consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the Consolidated financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls with reference to the Consolidated financial statements of the Holding Company as of that date.

In our opinion, the Holding Company has, in all material respects, adequate internal financial controls with reference to Consolidated financial statements and such internal financial controls were operating effectively as at March 31, 2020, based on the internal financial controls with reference to Consolidated financial statements criteria established by the such companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI").

Emphasis of Matter

As described in Emphasis of Matter paragraph of our report on Consolidated financial statements, the extent to which the COVID-19 pandemic will have impact on the Holding Company's internal financial controls with reference to the Consolidated financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter.

Management's Responsibility for Internal Financial Controls

The Holding Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to Consolidated financial statements criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Holding company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to Consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to Consolidated financial statements. 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 Consolidated financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to Consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to Consolidated financial statements included obtaining an understanding of internal financial controls include, 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 Auditors' judgement, including the assessment of the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to Consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

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

Inherent Limitations of Internal Financial controls with Reference to Consolidated Financial Statements

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

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No – 101248W/W-100022

K Raghuram
Partner
Membership No. 211171
UDIN: 20211171AAAABQ3132
Place: Chennai
Date: June 26, 2020

NORTHERN ARC CAPITAL LIMITED
Consolidated Balance Sheet as at March 31 2020
(All amounts are in Indian Rupees in lakhs)

Particulars	Note	As at March 31 2020	As at March 31 2019
ASSETS			
Financial assets			
Cash and cash equivalents	4	33,321.71	19,079.35
Bank balances other than cash and cash equivalents	5	7,720.21	5,233.88
Trade receivables	6	830.15	1,679.62
Loans	7	292,467.79	277,684.57
Investments	8	117,148.90	119,297.45
Other financial assets	9	748.72	883.69
		452,237.48	**423,858.56**
Non-financial assets			
Current tax assets (net)		4,119.03	1,523.78
Deferred tax assets (net)	32	319.08	629.95
Property, plant and equipment	10.1	178.41	68.40
Right of use asset	10.2	1,324.14	-
Intangible assets under development	10.3	94.94	342.75
Intangible assets	10.4	831.54	290.99
Goodwill		174.63	174.63
Other non- financial assets	11	469.62	655.75
		7,511.39	**3,686.25**
TOTAL ASSETS		**459,748.87**	**427,544.81**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Derivative financial instruments	12	-	10.65
Trade payables	13		
- Total outstanding dues of micro enterprises and small enterprises		-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises		830.89	977.42
Debt securities	14	86,020.70	124,386.13
Borrowings (Other than debt securities)	15	206,128.26	166,904.76
Subordinated liabilities	16	-	1,213.41
Other financial liabilities	17	5,191.61	3,188.66
		298,171.46	**296,681.03**
Non-financial liabilities			
Provisions	18	1,402.98	1,222.46
Current tax liabilities (net)		-	43.60
Other non-financial liabilities	19	403.31	594.25
		1,806.29	**1,860.31**
EQUITY			
Equity share capital	20	8,747.79	7,836.57
Other equity	21	141,894.93	108,916.78
Equity attributable to the owners of the Company		**150,642.72**	**116,753.35**
Non-controlling interest	22	9,128.40	12,250.12
Total equity		**159,771.12**	**129,003.47**
Total liabilities and equity		**459,748.87**	**427,544.81**

Significant accounting policies (Refer note 2 and 3)
The notes referred to above form an integral part of consolidated financial statements.
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place: Chennai
Date: June 26, 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN: 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place: Chennai
Date: June 26, 2020

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Profit and Loss for the year ended March 31, 2020

(All amounts are in Indian Rupees in lakhs)

Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
Revenue from operations			
Interest income	23	55,645.42	51,071.83
Fees and commission income	24	6,530.81	6,036.75
Net gain on fair value changes	25	616.39	3,042.07
Net gain on derecognition of financial instruments		489.38	4.72
Total revenue from operations		**63,282.00**	**60,155.37**
Other income	26	163.33	1,551.73
Total income		**63,445.33**	**61,707.10**
Expenses			
Finance costs	27	30,920.50	30,183.93
Fees and commission expense		2,289.11	1,154.64
Impairment on financial instruments	28	3,548.66	1,486.62
Employee benefits expenses	29	6,829.67	7,208.46
Depreciation and amortisation	30	672.97	294.58
Other expenses	31	4,735.23	3,896.52
Total expenses		**48,996.14**	**44,224.75**
Profit before tax		**14,449.19**	**17,482.35**
Tax expense	32		
Current tax		3,350.80	5,347.55
Less: MAT Credit entitlement		-	(7.43)
Deferred tax charge		805.04	599.28
Total Tax expense		**4,155.84**	**5,939.40**
Profit for the year	(A)	**10,293.35**	**11,542.95**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of the defined benefit asset/ (liability)		7.64	28.98
Income tax relating to items that will not be reclassified to profit or loss		(1.62)	(9.26)
		6.02	**19.72**
Items that will be reclassified to profit or loss			
Fair valuation of financial instruments (net)		(277.42)	(1,720.58)
Income tax relating to items that will be reclassified to profit or loss		506.27	628.15
		228.85	**(1,092.43)**
Other comprehensive income for the year	**(B)**	**234.87**	**(1,072.71)**
Total comprehensive income for the year	**(A+B)**	**10,528.22**	**10,470.24**
Profit for the year attributable to			
Owners of the Company		9,283.68	9,918.57
Non-controlling Interest	22	1,009.67	1,624.38
Other comprehensive income for the year, net of tax			
Owners of the Company		257.24	(1,112.31)
Non-controlling Interest	22	(22.37)	39.60
Total comprehensive income for the year, net of tax			
Owners of the Company		9,540.92	8,806.26
Non-controlling Interest	22	987.30	1,663.98
Earnings per equity share (Face Value - INR 10/ Share)	33		
Basic (in rupees)		11.05	12.66
Diluted (in rupees)		7.92	10.91

Significant accounting policies (Refer note 2 and 3)
The notes referred to above form an integral part of consolidated financial statements.
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place: Chennai

Date: June 26, 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN: 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place: Chennai
Date: June 26, 2020

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of cash flow for the year ended March 31 2020

(All amounts are in Indian Rupees in lakhs)

	Particulars	Note	For the year ended March 31 2020	For the year ended March 31 2019
A	**Cash flow from operating activities**			
	Profit after tax		10,293.35	11,542.95
	Adjustments for:			
	Depreciation and amortisation		672.97	294.58
	Write off of intangible assets under development		55.80	63.33
	Tax expense (including deferred tax)		4,155.84	5,939.40
	Mark-to-market gain on derivative contracts		-	14.69
	Unrealised gain on alternative investment funds designated at fair value through profit or loss		111.93	105.80
	Interest income on loans, fixed deposits and investments		(55,645.42)	(51,071.83)
	Gain on mutual funds investments designated at fair value through profit or loss		(435.28)	(224.70)
	Profit on sale of investments		(12.79)	(576.89)
	Impairment on financial instruments (net)		3,548.66	(64.76)
	Employee share based payment expenses		772.32	1,047.03
	Amortisation of discount on commercial papers		721.97	3,057.15
	Amortisation of ancillary costs relating to borrowings		1,099.76	599.67
	Finance costs		29,098.77	26,527.11
	Operating profit before working capital changes		**(5,562.12)**	**(2,746.47)**
	Changes in working capital and other changes:			
	Decrease / (Increase) in other financial assets		134.97	(222.13)
	Decrease in trade receivables		930.95	685.79
	(Increase) in loans		(17,171.90)	(45,883.02)
	Decrease / (Increase) in other non-financial assets		184.04	(431.79)
	(Increase) in other bank balances		(2,376.76)	(3,749.79)
	Increase in trade payables, other liabilities and provisions		1,269.95	972.10
	Cash used in operations		**(22,590.87)**	**(51,375.31)**
	Interest income received on loans, fixed deposits and investments		53,998.68	51,125.52
	Finance cost paid		(29,760.66)	(25,864.13)
	Income tax paid (net)		(5,980.98)	(6,279.07)
	Net cash flow used in operating activities	**(A)**	**(4,333.83)**	**(32,392.99)**
B	**Cash flows from investing activities**			
	Purchase of fixed assets		(1,080.51)	(532.12)
	Purchase of mutual fund investments		(77,203.00)	(57,208.00)
	Proceeds from sale of investments in Mutual fund		77,638.07	57,432.49
	Purchase of other investments		(57,138.14)	(57,781.22)
	Proceeds from sale of other investments		59,107.33	63,752.37
	Change in the ownership interest in funds		(4,228.54)	(9,276.40)
	Net cash provided by investing activities	**(B)**	**(2,904.79)**	**(3,612.88)**
C	**Cash flow from financing activities**			
	Proceeds from issue of debt securities (net of repayments)		(38,365.43)	53,023.12
	Proceeds from borrowings (net of repayments)		37,401.77	(59,156.60)
	Payment of lease liabilities		(291.28)	-
	(Repayments) of / Proceeds from issue of non convertible preference shares		(1,285.86)	1,213.41
	Utilisation of the securities premium		(436.99)	(1,093.40)
	Proceeds from issue of convertible preference share capital including securities premium		18,500.00	39,999.99
	Proceeds from issue of equity share capital including securities premium		6,993.57	-
	Capital Contributions		-	3,311.69
	Distributions made to Investors including Dividend Distribution Tax		(1,034.81)	(935.34)
	Net cash generated from financing activities	**(C)**	**21,480.97**	**36,362.87**
	Net increase in cash and cash equivalents	**(A+B+C)**	**14,242.35**	**357.00**
	Cash and cash equivalents at the beginning of the year		19,079.35	18,722.35
	Cash and cash equivalents at the end of the year		**33,321.70**	**19,079.35**

NORTHERN ARC CAPITAL LIMITED
Consolidated Statement of cash flow for the year ended March 31 2020
(All amounts are in Indian Rupees in lakhs)

	Particulars	Note	As at March 31 2020	As at March 31 2019
	Notes to cash flow statement			
1	**Components of cash and cash equivalents:**	4		
	Cash on hand		-	-
	Balances with banks			
	- in current accounts		29,318.99	16,078.31
	- in deposit accounts free of lien		4,002.72	3,001.04
			33,321.71	**19,079.35**

2 Changes in liabilities arising from financing activities

Particulars	As at March 31 2019	Cash Flows	Non Cash Changes	As at March 31 2020
Borrowings	166,904.76	38,423.24	800.26	206,128.26
Debt Securities	124,386.13	(39,386.90)	1,021.47	86,020.70
Subordinated liabilities	1,213.41	(1,213.41)	-	-
Total	**292,504.30**	**(2,177.07)**	**1,821.73**	**292,148.96**

Significant accounting policies (Refer note 2 and 3)
The notes referred to above form an integral part of consolidated financial statements.
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place: Chennai

Date: June 26, 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN: 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

Place: Chennai
Date: June 26, 2020

R. Srividhya
Company Secretary
Membership No: A22261

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Changes in Equity for the year ended March 31, 2020

(All amounts are in Indian Rupees in lakhs)

A. Equity Share Capital	
Equity Share capital of INR 10 each Issued, Subscribed and Fully paid	
Balance as at March 31, 2018	**7,836.57**
Changes in equity share capital during the year	**-**
Balance as at March 31, 2019	**7,836.57**
Changes in equity share capital during the year	**911.22**
Balance as at March 31, 2020	**8,747.79**
B. Other Equity	

Particulars	Other equity									Total attributable to owners of the Company	Total Non-controling Interest (NCI)	Total
	Compulsorily Convertible Preference Shares (CCPS)	Reserves and surplus						Other Comprehensive Income (OCI)				
		Statutory reserve	Capital redemption reserve	Capital Reserve	Securities Premium	Employee Stock Options Outstanding Account	Retained Earnings	Debt instruments through OCI	Remeasurements of Defined Benefit Obligations			
Balance as at March 31, 2018	3,496.38	5,190.27	1,509.00	3.57	25,642.24	733.19	18,379.49	5,438.22	-	60,392.36	17,250.73	77,643.09
Change in equity for the year ended March 31, 2019												
Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	-	-	-	-	-	590.18	(825.64)	-	(235.46)	(9,040.94)	(9,276.40)
Shares issued during the year	4,060.48	-	-	-	-	-	-	-	-	4,060.48	-	4,060.48
Premium received on shares issued during the year	-	-	-	-	35,939.51	-	-	-	-	35,939.51	-	35,939.51
Contribution by NCI	-	-	-	-	-	-	-	-	-	-	3,311.69	3,311.69
Distribution to the NCI including Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	(935.34)	(935.34)
Utilisation of the share premium	-	-	-	-	(1,093.40)	-	-	-	-	(1,093.40)	-	(1,093.40)
Profit for the year	-	-	-	-	-	-	9,918.57	-	-	9,918.57	1,624.38	11,542.95
Transfer to statutory reserve	-	1,787.11	-	-	-	-	(1,787.11)	-	-	-	-	-
Transfer to Capital Redemption reserve	-	-	76.00	-	-	-	(76.00)	-	-	-	-	-
Employee compensation expense during the year	-	-	-	-	-	1,047.03	-	-	-	1,047.03	-	1,047.03
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	19.72	19.72	-	19.72
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	19.72	-	(19.72)	-	-	-
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	(1,132.03)	-	(1,132.03)	39.60	(1,092.43)
Balance as at March 31, 2019	**7,556.86**	**6,977.38**	**1,585.00**	**3.57**	**60,488.35**	**1,780.22**	**27,044.85**	**3,480.55**	**-**	**108,916.78**	**12,250.12**	**121,166.90**

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Changes in Equity for the year ended March 31, 2020

(All amounts are in Indian Rupees in lakhs)

Changes in equity for the year ended March 31, 2020												
Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	-	-	-	-	-	(864.51)	-	-	(864.51)	(3,074.21)	(3,938.72)
Shares issued during the year	1,877.98	-	-	-	-	-	-	-	-	1,877.98	-	1,877.98
CCPS converted into equity	(1,170.20)	-	-	-	-	-	-	-	-	(1,170.20)	-	(1,170.20)
Premium received on shares issued during the year	-	-	-	-	23,289.46	-	-	-	-	23,289.46	-	23,289.46
Distribution to the NCI including Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	(1,034.81)	(1,034.81)
Utilisation of the share premium	-	-	-	-	(436.99)	-	-	-	-	(436.99)	-	(436.99)
Profit for the year	-	-	-	-	-	-	9,283.68	-	-	9,283.68	1,009.67	10,293.35
Transfer to statutory reserve	-	1,792.39	-	-	-	-	(1,792.39)	-	-	-	-	-
Transfer to Capital Redemption reserve	-	-	1,882.00	-	-	-	(1,882.00)	-	-	-	-	-
Employee compensation expense during the year	-	-	-	-	-	741.49	-	-	-	741.49	-	741.49
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	6.02	6.02	-	6.02
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	6.02	-	(6.02)	-	-	-
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	251.22	-	251.22	(22.37)	228.85
Balance as at March 31, 2020	**8,264.64**	**8,769.77**	**3,467.00**	**3.57**	**83,340.82**	**2,521.71**	**31,795.65**	**3,731.77**	**-**	**141,894.93**	**9,128.40**	**151,023.33**

Significant accounting policies (Refer note 2 and 3)
The notes form an integral part of consolidated financial statements.
As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place: Chennai
Date: June 26, 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN: 01764813

Kshama Fernandes
Chief Executive Officer and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place: Chennai
Date: June 26, 2020

(All amounts are in Indian Rupees in lakhs)

1 Reporting entity

Northern Arc Capital Limited ("the Holding Company"), was incorporated on March 9, 1989 and is registered as a non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated August 8, 2013 in lieu of Certificate of Registration dated June 24, 1999 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND"). The Company's registered address is No. 1, Kanagam Village, 10th Floor IITM Research Park, Taramani Chennai TN 600113. The Company was formerly known as IFMR Capital Finance Limited. The Company has obtained revised certificate dated March 8, 2018 for name change.

The Company's objective is to provide liquidity and develop access to debt-capital markets for institutions that impact financially excluded households and enterprises.

The Company has 2 wholly owned subsidiaries Northern Arc Investment Adviser Services Private Limited which is in the business of facilitating investments and act as advisors to provide financial/ investment advice to both Indian and foreign investors and Northern Arc Investment Managers Private Limited which is carrying on the business of investment company and also to provide portfolio management services to offshore funds and all kinds of Investment Funds.

The Group structure is as follows:

Entity	Country of Incorporation	Nature of Interest	% of Shareholding	
			As at March 31, 2020	As at March 31, 2019
Northern Arc Capital Limited (NACL) ("Holding Company")	India	Parent Company	Not applicable	Not applicable
Northern Arc Investment Managers Private Limited (NAIM)	India	Wholly owned subsidiary	100%	100%
Northern Arc Investment Adviser Services Private Limited (NAIA)	India	Wholly owned subsidiary	100%	100%

Northern Arc Capital Limited ('NACL') has floated Alternate Investment Funds ('AIF'), wherein Northern Arc Invesment Managers Private Limited ('IM') and NACL have also invested. NACL evaluated the existence of control on these AIFs in accordance with Ind AS 110 (Consolidated Financial Statements) and consolidated the following AIFs in accordance with Ind AS 110.

Name of the AIF	Years of consolidation	
IFMR FImpact Long Term Credit Fund	Year ended March 31, 2020	Year ended March 31, 2019
IFMR FImpact Medium Term Opportunities Fund	-	From April 01, 2018 till December 06, 2018#
Northern Arc Money Market Alpha Trust Fund	From April 01, 2019 till August 08, 2019#	Year ended March 31, 2019

Northern Arc Capital Limited, Northern Arc Investment Adviser Services Private Limited, Northern Arc Investment Managers Private Limited and the above mentioned AIFs are together referred to as "Group".

#The Group lost control over the Fund and it derecognized the assets and liabilities and related Non controlling interest. The investment retained in the Fund has been measured at fair value.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, notified under Section 133 of Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

These consolidated financial statements were authorised for issue by the Company's Board of Directors on June 26, 2020.

Details of the Company's accounting policies are disclosed in note 3.

2.2 Presentation of financial statements

The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, Consolidated Statement of Changes in Equity, are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non Banking Financial Companies ('NBFC') that are required to comply with Ind AS. The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 -Statement of Cash Flows. The Group presents its Consolidated Balance Sheet in order of liquidity.

Financial assets and financial liabilities are generally reported on a gross basis in the Consolidated Balance Sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Indian Rupees (INR), which is also the Group's functional currency. All amounts have been rounded-off to the nearest lakhs(two decimals), unless otherwise indicated.

2.4 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities (including derivatives instruments)	Fair value
Liabilities for equity-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

2.5 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

Estimation of uncertainties relating to the global health pandemic from novel coronavirus 2019 ("COVID-19"):

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of loans and investments. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of 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. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

Information about judgements, estimates and assumptions made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

i) Business model assessment

Classification and measurement of financial assets depends on the results of business model test and the solely payments of principal and interest ('SPPI') test. 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 measured at amortised cost or fair value through other comprehensive income or fair value through profit and loss 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 the business model and if so, a prospective change to the classification of those assets.

ii) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether

2.5 Use of estimates and judgements (continued)

that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

iii) Effective Interest Rate ('EIR') method

The Group's EIR methodology recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to interest rates and other fee income/ expense that are integral parts of the instrument.

iv) Impairment of financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss ('ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

a) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time expected credit loss ('LTECL') basis.

b) Development of ECL models, including the various formulas and the choice of inputs.

c) Determination of associations between macroeconomic scenarios and economic inputs, such as consumer spending, lending interest rates and collateral values, and the effect on probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD').

d) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

v) Provisions and other contingent liabilities

The Holding Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory inspections in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case including commercial/ contractual arrangements and considers such outflows to be probable, the group records a provision against the case. Where the outflow is considered to be probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Management believes that the estimates used in preparation of the consolidated financial statements are prudent and reasonable.

vi) Other assumptions and estimation uncertainties

Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

a) Measurement of defined benefit obligations: key actuarial assumptions;

b) Estimated useful life of property, plant and equipment and intangible assets;

c) Recognition of deferred taxes;

d) Upfront recognition of Excess Interest Spread (EIS) in relation to assignment transactions.

2.6 Basis of Consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Holding Company. Holding Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2.6 Basis of Consolidation (continued)

ii) Non-controlling interests (NCI)
NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii) Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

iv) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 Significant accounting policies

3.1 Revenue Recognition

Revenue (other than for those items to which Ind AS 109 - Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 - Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within other Ind ASs.

The Group recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

A. Effective Interest Rate ('EIR') Method

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost, financial instruments measured at Fair value through other comprehensive income (FVOCI) and financial instrument measured at Fair value through Profit and Loss (FVTPL). The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest income in the statement of profit and loss.

The Group calculates interest income by applying EIR to the gross carrying amount of financial assets other than credit impaired assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', the Group calculates interest income on the net basis. If the financial asset cures and is no longer credit impaired, the Group reverts to calculating interest income on a gross basis.

B. Other income

Income from guarantee facilities, collateral deposits from customers, investment in non-convertible debentures are recognized on a time proportionate basis. Income from investment in commercial papers is recognised on a straight-line basis over the tenure of such investments. Income from investment in alternative investment fund is recognised when the right to receive is established.

C. Dividend income

Dividend income (including from FVOCI investments) is recognised when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

D. Other interest income

Other interest income is recognised on a time proportionate basis.

E. Fees and commission income

Fees and commission income such as guarantee commission, service income etc. are recognised on point in time or over the period basis, as applicable.

3.2 Financial instruments - initial recognition

A. Date of recognition
Debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

B. Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from this amount.

C. Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

i) Amortised cost

ii) Fair value through other comprehensive income ('FVOCI')

iii) Fair value through profit and loss ('FVTPL')

3.3 Financial assets and liabilities

A. Financial assets

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel.

b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

c How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

d) The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

Sole Payments of Principal and Interest (SPPI) test
As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Accordingly, financial assets are measured as follows:

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

ii) Financial assets at fair value through other comprehensive income (FVOCI)
A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Since the loans and advances are held for sale and collect contractual cash flows, they are measured at FVOCI.

iii) Financial assets at fair value through profit or loss (FVTPL)
A financial asset which is not classified in any of the above categories are measured at FVTPL.

iv) Investment in subsidiaries
The Group has accounted for its investments in subsidiaries at cost.

B. Financial liabilities

i) Initial recognition and measurement
All financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair valued through profit or loss, are adjusted to the fair value on initial recognition.

ii) Subsequent measurement
Financial liabilities are carried at amortized cost using the Effective Interest Rate Method.

3.4 Reclassification of financial assets and liabilities
The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.5 Derecognition of financial assets and liabilities

A. Derecognition of financial assets due to substantial modification of terms and conditions

The Group derecognises a financial asset 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. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

B. Derecognition of financial instruments other than due to substantial modification

i) Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Accordingly, gain on sale or derecognition of assigned portfolio are recorded upfront in the statement of profit and loss as per Ind AS 109. Also, the Group recognises servicing income as a percentage of interest spread over tenure of loan in cases where it retains the obligation to service the transferred financial asset.

ii) Financial Liability

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

3.6 Impairment of financial assets

A. Overview of Expected Credit Loss ('ECL') principles

In accordance with Ind AS 109, the Group uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

Expected credit losses are measured through a loss allowance at an amount equal to:

i.) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

ii.) Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

Both LTECLs and 12 months ECLs are calculated on collective basis.

Based on the above, the Group catagorises its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1:
When financial assets are first recognised, the Group recognises an allowance based on 12-months ECL. Stage 1 financial assets includes those financial assets where there is no significant increase in credit risk observed and also includes facilities where credit risk has been improved and the financial asset has been reclassified from stage 2 or stage 3.

Stage 2:
When a financial asset has shown a significant increase in credit risk since initial recognition, the Group records an allowance for the life time ECL. Stage 2 financial assets also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

Stage 3:
Financial assets are considered credit impaired if they are past due for more than 90 days. The Group records an allowance for life time ECL.

B. Calculation of ECLs

The mechanics of ECL calculations are outlined below and the key elements are, as follows:

PD:
Probability of Default ("PD") 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.

EAD:
Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

LGD:
Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Group has calculated PD, EAD and LGD to determine impairment loss on the portfolio of financial assets and discounted at an EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

3.6 Impairment of financial assets (continued)

The mechanics of the ECL method are summarised below:

Stage 1:
The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by the original EIR.

Stage 2:
When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by the original EIR.

Stage 3:
For financial assets considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

C. Financial assets measured at FVOCI
The ECLs for financial assets measured at FVOCI do not reduce the carrying amount of these financial assets in the balance sheet, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

D. Forward looking information
In its ECL models, the Group relies on forward looking macro parameters such as consumer spending and interest rates to estimate the impact on probability of the default at a given point of time.

3.7 Write-offs
The gross carrying amount of a financial asset is written-off when there is no reasonable expectation of recovering the asset. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment on financial instruments in the statement of profit and loss.

3.8 Determination of fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group has taken into account the characteristics of the asset or liability as if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1
financial instruments: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

Level 2
financial instruments: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads; and

Level 3
financial instruments - Those that include one or more unobservable input that is significant to the measurement as whole.

3.9 Foreign currency transactions
Transactions in foreign currencies are translated into the functional currency of the Group, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

3.10 Property, plant and equipment

i. Recognition and measurement
Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

3.10 Property, plant and equipment (continued)

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the statement of profit and loss. The Group follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset category	Estimated Useful life
Plant and machinery	15 years
Furniture and fittings	10 years
Office equipment's	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

3.11 Intangible assets

i. Intangible assets

Intangible assets including those acquired by the Group are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the written down value method, and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset category	Estimated Useful life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

3.12 Employee benefits

i. Post-employment benefits
Defined contribution plan

The Group's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans
Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

ii. Other long-term employee benefits
Compensated absences

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Group records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on

3.12 Employee benefits (continued)

the basis of independent actuarial valuation using the projected unit credit method.

iii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

iv. Stock based compensation

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

3.13 Leases

Effective 01 April 2019, the Group has adopted Ind-AS 116 - Leases and applied it to all lease contracts existing on 01 April 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Group is not required to restate the comparative figures.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The following policies apply subsequent to the date of initial application, 1 April 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.
- Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in statement of profit and loss.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments

3.14 Income tax (continued)

to, and account separately for, any services provided by the supplier as part of the contract.

3.14 Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax 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.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

Deferred tax is not recognised for:

- Temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised.

Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised. Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefit ts in the form of availability of set off against future income tax liability.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by 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 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 on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.15 Borrowing cost

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss account on an accrual basis using the Effective Interest Rate Method.

3.16 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

3.17 Segment reporting- Identification of segments:

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

3.18 Earnings per share

The Group reports basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

3.19 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Group are segregated. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

		As at March 31 2020	As at March 31 2019
4	**Cash and cash equivalents**		
	Balance with banks	29,318.99	16,078.31
	Bank deposit with maturity of less than 3 months (free of lien)	4,002.72	3,001.04
		33,321.71	**19,079.35**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

5	**Bank balances other than cash and cash equivalents**	As at March 31 2020	As at March 31 2019
	Fixed deposit with bank	5,468.58	1,221.21
	Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments	2,251.63	4,012.67
		7,720.21	**5,233.88**

Note:

5.1 Fixed deposit with bank includes cash collateral amounting to INR 1,408.63 lakhs (March 31, 2019: INR 1,221.21 lakhs) for the loans provided by the Group.

5.2 Fixed deposits amounting to INR 2,251.63 lakhs (March 31, 2019: INR 4,012.67 lakhs) have been provided as credit enhancement for securitisation transactions.

6	**Trade receivables**		
	Unsecured		
	Low Risk	717.68	1,681.09
	Significant increase in credit risk	84.24	-
	Credit impaired	99.89	100.87
		901.81	**1,781.96**
	Less: Impairment loss allowance	(71.66)	(102.34)
	Total	**830.15**	**1,679.62**
	Trade receivables from related parties	-	-

(All amounts are in Indian Rupees in lakhs)

7 Loans

	As at March 31 2020			As at March 31 2019		
	At Amortised cost	At Fair Value through Other Comprehensive Income	Total	At Amortised cost	At Fair Value through Other Comprehensive Income	Total
A. Based on nature						
Term loans	224,137.59	73,160.07	297,297.66	240,513.49	39,865.04	280,378.53
Less: Impairment loss allowance	(4,829.87)	-	(4,829.87)	(2,693.96)	-	(2,693.96)
Total	**219,307.72**	**73,160.07**	**292,467.79**	**237,819.53**	**39,865.04**	**277,684.57**
B. Based on Security						
(i) Secured by tangible assets *	186,931.28	67,142.06	254,073.34	209,735.42	38,711.02	248,446.44
(ii) Unsecured	37,206.31	6,018.01	43,224.32	30,778.07	1,154.02	31,932.09
Total Gross Loans	**224,137.59**	**73,160.07**	**297,297.66**	**240,513.49**	**39,865.04**	**280,378.53**
Less: Impairment loss allowance	(4,829.87)	-	(4,829.87)	(2,693.96)	-	(2,693.96)
Total Net Loans	**219,307.72**	**73,160.07**	**292,467.79**	**237,819.53**	**39,865.04**	**277,684.57**
C. Based on region						
(I) Loans in India						
(i) Public Sector	-	-	-	-	-	-
(ii) Private Sector	224,137.59	73,160.07	297,297.66	240,513.49	39,865.04	280,378.53
Total Gross loans	**224,137.59**	**73,160.07**	**297,297.66**	**240,513.49**	**39,865.04**	**280,378.53**
Less: Impairment loss allowance	(4,829.87)	-	(4,829.87)	(2,693.96)	-	(2,693.96)
Total (I)-Net loans	**219,307.72**	**73,160.07**	**292,467.79**	**237,819.53**	**39,865.04**	**277,684.57**
(II) Loans outside India						
Loans outside India	-	-	-	-	-	-
Total (I) and (II)	**219,307.72**	**73,160.07**	**292,467.79**	**237,819.53**	**39,865.04**	**277,684.57**

** Term loans are secured by way of hypothecation of underlying loan receivables.*

(All amounts are in Indian Rupees in lakhs)

8 Investments

	As at March 31 2020					As at March 31 2019				
	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total
Investment in debentures (quoted)										
Non-convertible redeemable debentures	-	74,513.35	-	-	74,513.35	-	67,974.99	-	-	67,974.99
Investment in Commercial papers (quoted)										
Commercial papers	-	-	-	-	-	-	5,961.19	-	-	5,961.19
Investment in pass-through certificates (unquoted)										
Investment in pass-through certificates	-	22,481.44	-	-	22,481.44	-	25,731.57	-	-	25,731.57
Investment in Other approved securities										
Alternative Investment Funds(unquoted)	-	-	20,406.27	-	20,406.27	-	-	20,476.28	-	20,476.28
Investment in Mutual Funds(quoted)	-	-	410.49	-	410.49	-	-	229.56	-	229.56
Investments in subsidiaries, at cost (Unquoted)										
Equity shares of subsidiaries										
Northern Arc Foundation	-	-	-	1.00	1.00					
Other investments (Unquoted)										
Share warrants	-	-	1.62	-	1.62	-	-	1.14	-	1.14
Sub total	**-**	**96,994.79**	**20,818.38**	**1.00**	**117,814.17**	**-**	**99,667.75**	**20,706.98**	**-**	**120,374.73**
Less: Impairment loss allowance for Investments in India	-	(665.27)	-	-	(665.27)	-	(1,077.28)	-	-	(1,077.28)
Total Investments	**-**	**96,329.52**	**20,818.38**	**1.00**	**117,148.90**	**-**	**98,590.47**	**20,706.98**	**-**	**119,297.45**
(i) Investments outside India	-	-	-	-	-	-	-	-	-	-
(ii) Investments in India	-	96,329.52	20,818.38	1.00	117,148.90	-	98,590.47	20,706.98	-	119,297.45
Total Investments	**-**	**96,329.52**	**20,818.38**	**1.00**	**117,148.90**	**-**	**98,590.47**	**20,706.98**	**-**	**119,297.45**

(All amounts are in Indian Rupees in lakhs)

9. Other financial assets

	As at March 31 2020	As at March 31 2019
Unsecured, considered good		
Security deposits	264.58	219.04
Advances to employees	10.89	26.05
Other receivables	221.43	9.17
Advances to subsidiaries	26.01	535.01
Excess Interest spread on derecognition of financial instruments	212.62	14.63
Less: Impairment loss allowance	(4.39)	-
	731.14	**803.90**
Unbilled revenue	17.58	80.55
Less: Impairment loss allowance	-	(0.76)
	17.58	**79.79**
	748.72	**883.69**

10.1 Property, plant and equipment

	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Cost or deemed cost							
As at March 31, 2018	**0.29**	**2.14**	**54.48**	**22.69**	**0.19**	**4.72**	**84.51**
Additions	-	0.38	107.59	18.50	-	-	126.47
Disposals/Discarded	-	-	2.73	-	-	-	2.73
As at March 31, 2019	**0.29**	**2.52**	**159.34**	**41.19**	**0.19**	**4.72**	**208.25**
Additions			37.38	100.21	-	122.53	260.11
Disposals/Discarded			2.46				2.46
As at March 31, 2020	**0.29**	**2.52**	**194.25**	**141.40**	**0.19**	**127.25**	**465.90**
Accumulated depreciation							
As at March 31, 2018	**0.16**	**1.36**	**27.91**	**17.89**	**0.12**	**1.57**	**49.01**
Depreciation for the year	0.07	0.66	75.26	15.71	0.05	1.05	92.80
Disposals/Discarded	-	-	1.96	-	-	-	1.96
As at March 31, 2019	**0.23**	**2.02**	**101.21**	**33.60**	**0.17**	**2.62**	**139.85**
Depreciation for the year	0.02	0.33	82.53	50.16	0.01	16.32	149.36
Disposals/Discarded			1.72				1.72
As at March 31, 2020	**0.25**	**2.35**	**182.02**	**83.76**	**0.18**	**18.94**	**287.49**
Net block							
As at March 31, 2019	**0.06**	**0.50**	**58.13**	**7.59**	**0.02**	**2.10**	**68.40**
As at March 31, 2020	**0.04**	**0.17**	**12.24**	**57.64**	**0.01**	**108.31**	**178.41**

(All amounts are in Indian Rupees in lakhs)

10.2 Right of use asset

The details of right of use asset held by the Company is as follows:

	Office Premises-Buildings	Total
At April 01, 2019	988.97	988.97
Additions	623.28	623.28
Disposals	-	-
At March 31, 2020	**1,612.25**	**1,612.25**
Depreciation		
At April 01, 2019	-	-
Additions	288.11	288.11
Disposals	-	-
At March 31, 2020	**288.11**	**288.11**
Net Block Value:		
At March 31, 2020	**1,324.14**	**1,324.14**

Note:
Effective 1 April 2019, the Group has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on 1 April 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Group is not required to restate the comparative figures. On transition, the adoption of the new standard resulted in recognition of Right-of-use asset and a lease liability. Also refer note 34.

10.3 Intangible assets under development

	Software	Total
As at March 31, 2018	**133.40**	**133.40**
Add: Additions	405.65	405.65
Less: Capitalised during the year	(132.97)	(132.97)
Less: Written off during the year	(63.33)	(63.33)
As at March 31 2019	**342.75**	**342.75**
Add: Additions	547.95	547.95
Less: Capitalised during the year	(739.96)	(739.96)
Less: Written off during the year	(55.80)	(55.80)
As at March 31, 2020	**94.94**	**94.94**

10.4 Intangible assets

	Software	Total
Cost or deemed cost		
As at March 31, 2018	**479.19**	**479.19**
Additions	132.97	132.97
Disposals	-	-
As at March 31 2019	**612.16**	**612.16**
Additions	776.05	776.05
Disposals	-	-
As at March 31 2020	**1,388.21**	**1,388.21**
Accumulated amortisation		
As at March 31, 2018	**119.39**	**119.39**
Amortisation for the year	201.78	201.78
On disposals	-	-
As at March 31 2019	**321.17**	**321.17**
Amortisation for the year	235.50	235.50
On disposals		
As at March 31 2020	**556.67**	**556.67**
Net block		
As at March 31, 2019	**290.99**	**290.99**
As at March 31, 2020	**831.54**	**831.54**

(All amounts are in Indian Rupees in lakhs)

		As at March 31 2020	As at March 31 2019
11	**Other non- financial assets**		
	Prepaid expense	330.66	298.00
	Balances with government authorities	65.10	12.50
	Advances to vendors	73.86	345.25
		469.62	**655.75**
12	**Derivative financial instruments**		
	Currency derivatives		
	Currency swaps	-	10.65
		-	**10.65**
13	**Trade payables**		
	Trade payables		
	- Total outstanding dues to micro enterprises and small enterprises (refer note 41)	-	-
	- Total outstanding dues to creditors other than micro enterprises and small enterprises	830.89	977.42
		830.89	**977.42**
14	**Debt securities**		
	Measured at amortised cost:		
	Secured, redeemable non-convertible debentures:		
	- 9.80% Redeemable non-convertible debentures of INR 1,000,000 each	-	5,026.85
	- 9.88% Redeemable non-convertible debentures of INR 1,000,000 each	-	3,574.16
	- 9.69% Redeemable non-convertible debentures of INR 1,000,000 each	-	7,506.40
	- 10.90% Redeemable non-convertible debentures of INR 1,000,000 each	-	8,119.58
	- 9.60% Redeemable non-convertible debentures of INR 1,000,000 each	-	10,005.26
	- 9.88% Redeemable non-convertible debentures of INR 1,000,000 each	-	10,010.81
	- 9.45% Redeemable non-convertible debentures of INR 1,000,000 each	10,224.62	10,199.12
	- 9.60% Redeemable non-convertible debentures of INR 1,000,000 each	10,197.42	10,168.91
	- 11.96% Redeemable non-convertible debentures of INR 1,000,000 each	4,004.55	-
	- 10.35% Redeemable non-convertible debentures of INR 10,000 each	524.88	-
	-11.96% Redeemable non-convertible debenture of INR 1,000,000 each	4,614.68	-
	-11.35% Redeemable non-convertible debentures of INR 1,000,000 each	5,027.97	-
	-11.35% Redeemable non-convertible debentures of INR 1,000,000 each	5,027.91	-
	-11.34% Redeemable non-convertible debentures of INR 1,000,000 each	7,502.32	-
	- 11.30% Redeemable non-convertible debentures of INR 1,000,000 each	9,985.80	-
		57,110.15	**64,611.09**
	Unsecured, redeemable non-convertible debentures:		
	- 10.15% Redeemable non-convertible debentures of INR 1,000,000 each	24,501.01	25,117.64
	- 10.43% redeemable non-convertible debentures of INR 1,000,000 each	-	25,207.29
	- 11.60% redeemable non-convertible debentures of INR 1,000,000 each	2,953.75	-
		27,454.76	**50,324.93**
	Others		
	- Commercial paper	1,455.79	9,450.11
	Total Debt securities	**86,020.70**	**124,386.13**
	Debt securities in India	86,020.70	124,386.13
	Debt securities outside India	-	-
	Total Debt securities	**86,020.70**	**124,386.13**

Note 14 A: Details regarding terms of issuance of debt securities

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Secured, redeemable non-convertible debentures:				
- 2,000 units (March 31, 2019: Nil units) of 11.30% Redeemable non-convertible debentures of INR 500,000 each, maturing on June 17, 2021	10000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: June 17, 2021	11.30%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
- 400 units (March 31, 2019: Nil units) of 11.96% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 25, 2021	4000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: June 25, 2021	11.96%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
- 5000 units (March 31, 2019: Nil units) of Market linked Redeemable non-convertible debentures of INR 10,000 each, maturing on Jan 11, 2021	500.00	Coupon payment frequency: at maturity Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 1.3 years Redemption date:Jan 11, 2021	Market Linked	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
- 450 units (March 31, 2019: Nil units) of 11.96% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on Jan 13, 2022	4500.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: Jan 13, 2022	11.96%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
- 500 units (March 31, 2019: Nil units) of 11.35% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on Feb 26, 2021	5000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 23 months Redemption date:Feb 26, 2021	11.35%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
- 500 units (March 31, 2019: Nil units) of 11.35% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 26, 2021	5000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date:March 26, 2021	11.35%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
- 750 units (March 31, 2019: Nil units) of 11.34% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 28, 2024	7500.00	Coupon payment frequency: Annual Principal repayment frequency: Entire principal to be repaid in 4 equal Installments at the end of 24 months, 36 Months, 42 months and 48 months Tenure of security: 4 years Redemption date: March 30, 2024	11.34%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
- 1,000 units (March 31, 2019: 1000 units) of 9.45% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 11, 2022	10000.00	Coupon payment frequency:Semi annual Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3.50 years Redemption date: June 11,2022	9.45%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
- 1,000 units (March 31, 2019: 1000 units) of 9.60% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 20, 2023	10000.00	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal to be repaid in 7 equal semi annual Installments after a moratorium of eighteen months Tenure of security: 5 years Redemption date:December 20,2023	9.60%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
Unsecured, redeemable non-convertible debentures:				
- 2,500 units (March 31, 2019: 2500) of 10.15% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on July 16, 2021	25000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3 years Redemption date:July 16,2021	10.15%	NA
- 30,000,000 units (March 31, 2019: Nil units) of 11.6% Redeemable non-convertible debentures of INR 10 each, maturing on Sep 25, 2023	3000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3 years Redemption date:July 16,2021	11.60%	NA
Unsecured, Commercial Paper:				
- 300 units (March 31, 2019: Nil units) of 10.60% commercial paper of INR 5 lakh each, maturing on Jul 15, 2020	1500.00	Tenure of security: 120 days Redemption date:July 15,2020	10.60%	NA

Note: The balances are gross of accrued interest and unamortised borrowing costs

(All amounts are in Indian Rupees in lakhs)

		As at March 31 2020	As at March 31 2019
15	**Borrowings (Other than debt securities)**		
	Measured at amortised cost:		
	Secured		
	Term Loans		
	- from banks	142,890.08	91,743.02
	- from others	25,873.49	31,911.37
	Loans repayable on demand from banks		
	- working capital loan from banks	22,357.00	17,432.89
	- cash credit from banks	9,675.65	20,667.30
		200,796.22	**161,754.58**
	Unsecured		
	Term Loans		
	- from banks	1,493.59	1,492.01
	- from others	3,838.45	3,658.17
		5,332.04	**5,150.18**
	Total borrowings (Other than debt securities)	**206,128.26**	**166,904.76**
	Borrowings in India	206,128.26	166,904.76
	Borrowings outside India	-	-
	Total borrowings (Other than debt securities)	**206,128.26**	**166,904.76**

Note: The Company has not defaulted in the repayment of principal and interest

		As at March 31 2020	As at March 31 2019
16	**Subordinated liabilities**		
	Measured at amortised cost:		
	Preference shares other than those that qualify as equity:		
	Non-convertible preference shares	-	1,213.41
		-	**1,213.41**
	Subordinated liabilities in India	-	1,213.41
	Subordinated liabilities outside India	-	-
		-	**1,213.41**
17	**Other financial liabilities**		
	Collateral deposits from customers	1,170.01	1,055.98
	Employee benefits payable	1,233.47	1,881.29
	Remittances payable - derecognised assets	1,210.88	203.31
	Other liabilities	166.43	48.08
	Unpaid Dividend on Non convertible Preference shares	2.69	-
	Lease Liability	1,408.13	-
		5,191.61	**3,188.66**
18	**Provisions**		
	Provision for employee benefits:		
	- Gratuity (refer note 42)	450.48	362.91
	- Compensated absences	256.31	198.80
	Provision for others:		
	- Impairment loss allowance for guarantees	576.53	402.97
	- Impairment loss allowance for undrawn loans	119.66	257.78
		1,402.98	**1,222.46**
19	**Other non- financial liabilities**		
	Statutory dues payable	324.67	467.03
	Management Fee received in Advance	18.98	-
	Discount to be amortised on CP/CD investment	-	66.23
	Deferred interest	59.66	60.99
		403.31	**594.25**

(All amounts are in Indian Rupees in lakhs)

Note 15 A: Details regarding terms of borrowings (from banks)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 1	675.00	Repayments terms: Facility to be repaid in 8 equal quarterly Installments after a moratorium of six months Tenor of Security: 30 months Redemption date: December 29 2020	9.75%	Exclusive charge on specific business receivables of the Company created out of the term loan with asset classification as "standard" and with a security cover of 115% at all time during the tenor of the term loan.
Term Loan 2	625.00	Repayments terms: In 8 equal quarterly Installments of INR. 6.25 Crs each commencing at the end of 3 months from the date of first disbursement. Tenor of Security: 2 Years Redemption date: June 19 2020	9.00%	Exclusive charge over specifically identified loan receivables sufficient to provide a security cover of 120% on the outstanding facilities at all times.
Term Loan 3	5,454.55	Repayment Terms: 11 Equal quarterly Installments commencing 6 months after 1st drawdown Tenor of Security: 3 Years Redemption date: September 25 2021	10.15%	First exclusive charge over the specific book debts/ loan receivables/ Investments created out of loan with provision that security cover 125% times on the outstanding facility at all times.
Term Loan 4	467.83	Repayment Terms: 10 Equated quarterly Installments after initial moratorium of 6 months from the date of disbursement Tenor of Security: 3 Years Redemption date: September 29 2020	9.40%	Exclusive charge over the specifically identified receivables of the Borrower's loan receivables/ Book Debts with an asset cover of at least 110% times.
Term Loan 5	500.00	Repayments terms: 10 equal quarterly Installments Tenor of Security: 3 Years Redemption date: June 28 2020	9.45%	First exclusive charge (floating) over loan receivables and investments of the Company to provide a security cover of 120% times of the facility outstanding at all times
Term Loan 6	1,500.00	Repayments terms: Entire amount repaid on the redemption date Tenor of Security: 66 Months Redemption date: June 28 2023	10.25%	NA
Term Loan 7	208.27	Repayments terms: Repayable in 36 months by 12 equal quarterly Installments Tenor of Security: 3 Years Redemption date: April 27 2020	9.15%	Hypothecation of Specific loan assets to the value of 125% of the loan amount.
Term Loan 8	916.52	Repayments terms: 36 months by 12 equal quarterly Installments Tenor of Security: 36 Months Redemption date: March 31 2020	11.00%	Exclusive charge (floating) portfolio first on of receivables as acceptable to bank covering 125% of the principal at any point of time during the currency of the facility.
Term Loan 9	83.32	Repayments terms:36 months by 12 equal quarterly Installments Tenor of Security: 3 Years Redemption date: September 28 2020	9.15%	Hypothecation of Specific loan assets to the value of 125% of the loan amount.
Term Loan 10	150.00	Repayments terms:10 Quarterly Installments commencing at the end of 9th month from drawdown date Tenor of Security: 3 Years Redemption date: June 30 2020	9.05%	Hypothecation of Specific loan assets to the value of 110% of the loan amount.
Term Loan 11	3,166.67	Repayments terms: 36 Bi-monthly Installments Tenor of Security: 3 Years Redemption date: March 20, 2021	9.25%	Exclusive charge over book debt/ receivables providing security cover of 110%.
Term Loan 12	7,500.00	Repayments terms: Repayment in 3 equal Installments at end of 24 months, 30 months and 36 months Tenor of Security: 3 Years Redemption date: January 21 ,2022	11.00%	Exclusive charge over book debt/ receivables providing security cover of 110%.

Note 15 A: Details regarding terms of borrowings (from banks) (continued)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 13	625.00	Repayments terms: Repayment in equated 8 quarterly Installments from the end of the 1st year. Tenor of Security: 3 Years Redemption date: July 27 2020	9.50%	Exclusive charge on identified unencumbered secured standard receivables/Book debts (eligible for bank finance as per RBI guidelines) with an Asset Cover of at least 110% times
Term Loan 14	5,800.00	Repayments terms: Repayment in 36 equal monthly Installments with 12 month moratorium from the date of disbursement. Tenor of Security: 4 Years Redemption date: December 29 2021	9.25%	Floating and exclusive charge over the assets , sufficient to provide a security cover 110% times on the outstanding facility at all times.
Term Loan 15	1,458.33	Repayments terms: Equated 36 month Installments with no moratorium Tenor of Security: 3 Years Redemption date: December 31 2021	10.25%	Exclusive charge on identified unencumbered secured standard receivables/Book debts (eligible for bank finance as per RBI guidelines) with an Asset Cover of at least 120% times
Term Loan 16	287.50	Repayments terms: 48 Equal monthly Installments Tenor of Security: 2 Years Redemption date: June 20 2020	9.60%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 17	2,916.67	Repayments terms: 12 Equal quarterly Installments Tenor of Security: 3 Years Redemption date: October 23 2021	10.70%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 18	1,666.67	Repayments terms: 12 equal quarterly Installments Tenor of Security: 3 Years Redemption date: Jan 9 2022	10.40%	Exclusive charge by way of hypothecation of Specific book debts/ receivable of the Company with a Minimum assets cover of 115% times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 19	1,071.43	Repayments terms: Repayment 14 Quarterly repayments commencing (nine) months from the date of disbursement Tenor of Security: 48 Months Redemption date: January 31 2021	10.70%	Exclusive charge (floating) portfolio first on of receivables as acceptable to bank covering 125% of the principal at any point of time during the currency of the facility .
Term Loan 20	833.33	Repayments terms: 12 equal quarterly Installments of INR 20,833,334/- each commencing at the end of 3 months from the date of disbursement Tenor of Security: 3 Years Redemption date: March 31 2021	9.15%	a) Exclusive charge over loan receivables and investments of the Borrower to the extent of minimum 115% of the loan amount. (Company to maintain Asset Coverage ratio of 115% at all times)
Term Loan 21	800.00	Repayments terms: 10 equal Installments of 4 crores each Tenor of Security: 3 Years Redemption date: March 27 2021	9.25%	Exclusive charge by way of hypothecation of Specific book debts/ receivable of the Company with a Minimum assets cover of 115% times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 22	800.00	Repayments terms: 10 equal Installments of 4 crores each Tenor of Security: 3 Years Redemption date: March 27 2021	9.25%	Exclusive charge by way of hypothecation of Specific book debts/ receivable of the Company with a Minimum assets cover of 115% times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 23	1,250.00	Repayments terms: 8 equal quarterly Installments Tenor of Security: 2 Years Redemption date: March 19 2021	11.25%	Exclusive charge by way of hypothecation of Specific book debts/ receivable of the Company with a Minimum assets cover of 115% times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 24	833.33	Repayments terms:24 Equal monthly Installments after initial moratorium of 6 months from the date of 1st disbursement.. Tenor of Security: 2.50 Years Redemption date: May 31,2020	9.30%	First Exclusive charge by way of hypothecation on book debts/ receivable and current assets of the Company with a minimum asset cover of 111% times of our loan at any point of time during currency of the facility.

(All amounts are in Indian Rupees in lakhs)

Note 15 A: Details regarding terms of borrowings (from banks) (continued)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 25	21,666.67	Repayments terms: 30 Equal monthly Installments commencing next month after 1st drawdown Tenor of Security: 3 Years Redemption date: May 16 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 26	8,000.00	Repayments terms: 30 monthly Installments Tenor of Security: 2.5 Years Redemption date: March 27 2022	10.50%	First exclusive charge over the specific book debts/ loan receivables created out of loan with provision that security cover 125% times on the outstanding facility at all times.
Term Loan 27	5,000.00	Repayments terms:11 quarterly Installments Tenor of Security: 3.3 Years Redemption date: Dec 27 2022	11.00%	Floating and exclusive charge over the assets , sufficient to provide a security cover 120% times on the outstanding facility at all times.
Term Loan 28	1,500.00	Repayments terms:24 monthly Installments Tenor of Security: 2 Years Redemption date: Sep 24 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 29	800.00	Repayments terms: 10 quarterly Installments Tenor of Security: 3 Years Redemption date: Sep 21 2022	11.30%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 30	7,500.00	Repayments terms: 12 quarterly Installments Tenor of Security: 2.3 Years Redemption date: March 31 2023	10.40%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 31	2,625.00	Repayments terms:8 quarterly Installments Tenor of Security: 2 Years Redemption date: December 31 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 32	2,750.00	Repayments terms: Equated 36 month Installments with no moratorium Tenor of Security: 3 Years Redemption date: December 31 2022	9.20%	Exclusive charge on identified unencumbered secured standard receivables/Book debts (eligible for bank finance as per RBI guidelines) with an Asset Cover of at least 120% times
Term Loan 33	2,750.00	Repayments terms: 36 monthly Installments Tenor of Security: 3 Years Redemption date: December 31 2022	11.00%	Exclusive charge on unencumbered loan assets/receivables out of standard assets of the Company covering 125% times
Term Loan 34	9,090.91	Repayments terms: 11 quarterly Installments Tenor of Security: 2.2 Years Redemption date: September 30 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 35	966.67	Repayments terms: 35 monthly Installments Tenor of Security: 3.3 Years Redemption date: Jan 5, 2023	11.75%	Exclusive charge by way of hypothecation of identified book debts to the borrower to cover 110% of outstanding facility
Term Loan 36	2,187.50	Repayments terms:8 quarterly Installments Tenor of Security: 2 Years Redemption date: November 30 2021	11.25%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 37	5,500.00	Repayments terms:12 quarterly Installments Tenor of Security: 3 Years Redemption date: December 31 2022	10.20%	First and Exclusive charge on the standard receivables with a security cover of 133%.
Term Loan 38	2,000.00	Repayments terms:24 monthly Installments Tenor of Security: 2 Years Redemption date: March 31 2022	11.50%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 39	5,000.00	Repayments terms: In 6 equal quarterly Installments of INR. 8.33 Crs each commencing at the end of 3 months from the date of first disbursement. Tenor of Security: 1.6 Years Redemption date: September 30 2021	10.60%	Exclusive charge over specifically identified loan receivables sufficient to provide a security cover of 120% on the outstanding facilities at all times

(All amounts are in Indian Rupees in lakhs)

Note 15 A: Details regarding terms of borrowings (from banks) (continued)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 40	5,000.00	Repayments terms: 12 quarterly Installments Tenor of Security : 3 Years Redemption date: April 5 2023	10.75%	Exclusive charge over the specifically identified receivables of the Borrower's loan receivables/ Book Debts with an asset cover of at least 110% times.
Term Loan 41	5,000.00	Repayments terms: 48 monthly Installments Tenor of Security: 4 Years Redemption date: March 31 2024	10.80%	Floating and exclusive charge over the assets , sufficient to provide a security cover 110% times on the outstanding facility at all times.
Term Loan 42	5,000.00	Repayments terms:48 monthly Installments Tenor of Security: 4 Years Redemption date: March 31 2024	10.50%	Floating and exclusive charge over the assets , sufficient to provide a security cover 110% times on the outstanding facility at all times.
Term Loan 43	2,492.68	Repayments terms: 10 quarterly Installments of Rs2.5 Crs after initial holiday period of 5 months Tenor of Security: 3 Years Redemption date: February 2 2023	11.25%	Exclusive charge of specific receivables of both present and future with minimum security cover of 110% of outstanding amount
Term Loan 44	1,000.00	Repayments terms:24 monthly Installments Tenor of Security : 2 Years Redemption date: March 6 2022	11.25%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 45	9,090.91	Repayments terms: 11 quarterly Installments Tenor of Security: 2.2 Years Redemption date: September 30 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 46	625.00	Repayments terms: 12 monthly Installments Tenor of Security: 1 Year Redemption date: June 26 2020	11.00%	Floating and Exclusive charge over the assets with a security cover of 120%.

Note 15 B: Details regarding terms of borrowings (from others)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 1	2,500.00	Repayment Terms: Entire amount is repaid on maturity Tenor: 5.50 Years Redemption Date: June 27 2023	10.25%	NA
Term Loan 2	2,333.33	Repayment Terms: 36 equal monthly Installments Tenor: 3 Years Redemption Date: December 31 2021	10.50%	Exclusive first charge on the loan receivables, present and future, of the Borrower by way of hypothecation on the loan receivables created from the proceeds of the Facility with a minimum asset cover of 120%.
Term Loan 3	807.08	Repayment Terms: Repayable in 36 equal monthly Installments, commencing 1 month from the date of disbursement. Tenor: 3 Years Redemption Date: September 25 2021	10.21%	Exclusive first charge (floating) on portfolio of receivables, as acceptable to the lender, from time to time covering 110% of the principal at any point of time during the currency of the facility.
Term Loan 4	338.80	Repayment Terms: Repayment to be made in 8 quarterly Installments Tenor: 2 Years Redemption Date: April 13 2020	9.50%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.

(All amounts are in Indian Rupees in lakhs)

Note 15 B: Details regarding terms of borrowings (from others) (continued)

Particulars	Gross Balance as at March 31 2020	Terms of Redemption	Interest rate	Security
Term Loan 5	5,000.00	Repayment Terms: Repayment in 12 equal quarterly Installments Tenor: 3 Years Redemption Date: March 31 2022	11.90%	Exclusive charge over business loans and assets granted by the borrower to the extent of 110% of the facility outstanding
Term Loan 6	616.56	Repayment Terms: 36 Monthly Installments Tenor:3 Years Redemption Date: November 22 2020	9.30%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 118% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 7	1,563.44	Repayment Terms: 36 Monthly Installments Tenor: 3 Years Redemption Date: December 17 2021	12.00%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 118% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 8	3,750.00	Repayment Terms: Repayment in 12 equal quarterly Installments Tenor: 3 Years Redemption Date: July 1 2022	11.75%	Exclusive charge on book debts arising out of lender funds with minimum security cover of 120%
Term Loan 9	692.61	Repayment Terms: Repayment in 24 monthly Installments Tenor: 2 Years Redemption Date: July 1 2021	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 10	1,818.00	Repayment Terms: Repayment in 11 equal quarterly Installments Tenor: 2.8 Years Redemption Date: June 30 2022	11.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 11	924.71	Repayment Terms: Repayment in 24 monthly Installments Tenor: 2 Years Redemption Data: Sep 27 2021	11.25%	Exclusive first charge (floating) on portfolio of receivables, as acceptable to the lender, from time to time covering 110% of the principal at any point of time during the currency of the facility.
Term Loan 12	2,137.95	Repayment Terms: Repayment in 36 monthly Installments Tenor: 3 Years Redemption Date: Sep 22 2022	12.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 118% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 13	925.12	Repayment Terms: Repayment in 24 equal monthly Installments Tenor: 2 Years Redemption Date: Jan 1 2022	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 14	2,222.22	Repayment Terms: Repayment in 18 equal monthly Installments Tenor: 1.5 Years Redemption Date: Jul 15 2021	10.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 115% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 15	2,000.00	Repayment Terms: Repayment in 12 equal quarterly Installments Tenor: 3 Years Redemption Date: March 1 2023	11.40%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.
Term Loan 16	800.00	Repayment Terms: Repayment in 11 equal quarterly Installments Tenor: 3 Years Redemption Date: Feb 28 2023	11.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 110% times of the outstanding principal at any point of time during currency of the facility.

Note: The balances are gross of accrued interest and unamortised borrowing costs

(All amounts are in Indian Rupees in lakhs)

20 Share capital

	As at March 31 2020	As at March 31 2019
Authorised		
125,000,000 (March 31, 2019: 125,000,000) equity shares of INR 10 each	12,500.00	12,500.00
60,100,000 (March 31, 2019: 60,100,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	12,020.00	12,020.00
19,800,000 (March 31, 2019: 19,800,000) 9.85% Cumulative non convertible compulsorily redeemable preference shares of INR 10 each	1,980.00	1,980.00
	26,500.00	**26,500.00**
Issued, subscribed and paid up		
87,477,903 (March 31, 2019: 78,365,776) equity shares of INR 10 each	8,747.79	7,836.57
	8,747.79	**7,836.57**

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	As at March 31 2020		As at March 31 2019	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
At the commencement of the year	78,365,776	7,836.57	78,365,673	7,836.57
Add: Shares issued during the year	3,261,127	326.12	103	-
Add: Shares Converted into equity	5,851,000	585.10	-	-
At the end of the year	**87,477,903**	**8,747.79**	**78,365,776**	**7,836.57**
0.0001% Compulsorily convertible preference shares				
At the commencement of the year	37,784,296	7,556.86	17,481,889	3,496.38
Add: Shares issued during the year	9,389,908	1,877.98	20,302,407	4,060.48
Less: Shares Converted into equity	(5,851,000)	(1,170.20)	-	-
At the end of the year	**41,323,204**	**8,264.64**	**37,784,296**	**7,556.86**
Redeemable preference shares				
At the commencement of the year	1,160,000	1,160.00	-	-
Add: Shares issued during the year	-	-	1,160,000	1,160.00
Less: Shares Redeemed during the year	(1,160,000)	(1,160.00)	-	-
At the end of the year	**-**	**-**	**1,160,000**	**1,160.00**

Note:

During the year, pursuant to amended share subscription and shareholders agreement, the Company has issued:

1. 6,133,793 0.0001% Compulsorily convertible preference shares (March 31, 2019: 20,302,407) of INR 20 each to IIFL Special opportunities fund Series 1 to 7; 2,230,797 0.0001% Compulsorily convertible preference shares (March 31, 2019:Nil) shares of INR 20 each to Standard Chartered Bank (Singapore Branch); 1,025,318 0.0001% Compulsorily convertible preference shares (March 31, 2019:Nil) shares of INR 20 each to Augusta Investments II Pte. Ltd and 3,197,644 equity shares (March 31, 2019: Nil) of INR 10 each to Sumitomo Mitsui Banking Corporation.

2. During the year 5,851,000 0.0001% compulsorily convertible preference shares were converted into equity share capital.

3. During the year 63,483 (March 31, 2019: Nil) equity shares were allotted to employees who exercised their options under ESOP Trust.

4. Nil (March 31, 2019: 3) equity shares of INR 10/- to Kshama Fernandes, Managing Director, Bama Balakrishnan, Chief Financial Officer and C Kalyanasundaram, Senior Director and Head, Finance and Operations.

During the year ended 31 March 2019, the Company has increased its authorised share capital and has done reclassification of the authorised share capital limits with equity shares and 0.0001% Compulsorily Convertible Preference Shares. The Group has complied with relevant secretarial requirements in this regard.

(All amounts are in Indian Rupees in lakhs)

b) Rights, preferences and restrictions attached to each class of shares

i) Equity shares

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of 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. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii) 0.0001% Compulsorily convertible preference shares:

0.0001% Compulsory Convertible Preference Shares ('CCPS') having a par value of INR 20 is convertible in the ratio of 1:1 and are treated pari passu with equity shares on all voting rights. The conversion shall happen at the option of the preference shareholders. The CCPS if not converted by the preference shareholders shall be compulsorily converted into equity shares upon any of the following events:

a. In connection with an IPO, immediately prior to the filing of red herring prospectus (or equivalent document, by whatever name called) with the competent authority or such later date as may be permitted under applicable law at the relevant time; and

b. The date which is 19 (nineteen) years from the date of allotment of CCPS.

Till conversion, the holders of CCPS shall be entitled to a dividend of 0.0001%, if any, declared upon profits of the Company and a proportionate dividend, if any declared on equity shares on 'as converted' basis.

c) Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2020		As at March 31 2019	
	No. of shares	% held	No. of shares	% held
Equity shares:				
Leapfrog Financial Inclusion India (II) Limited	29,952,665	34.24%	37,469,937	47.81%
Dvara Trust	12,878,682	14.72%	16,685,402	21.29%
Accion Africa Asia Investment Company	7,699,529	8.80%	14,430,553	18.41%
Augusta Investments Pte II Ltd	20,328,820	23.24%	-	0.00%
Sumitomo Mitsui Banking Corporation	7,004,364	8.01%	-	0.00%
0.0001% Compulsorily convertible preference shares:				
FIL Capital Investments Mauritius (II) Limited	11,630,889	28.15%	11,630,889	30.78%
Standard Chartered Bank (Singapore Branch)	-	0.00%	5,851,000	15.49%
Augusta Investments II Pte. Ltd.	3,256,115	7.88%	-	0.00%
IIFL Special Opportunities Fund	4,161,142	10.07%	4,006,813	10.60%
IIFL Special Opportunities Fund – Series 2	4,371,781	10.58%	2,972,534	7.87%
IIFL Special Opportunities Fund – Series 4	6,609,362	15.99%	4,493,946	11.89%
IIFL Special Opportunities Fund – Series 5	5,423,128	13.12%	3,687,384	9.76%
IIFL Special Opportunities Fund – Series 7	3,693,947	8.94%	3,651,601	9.66%
Redeemable preference shares				
RamKumaar Bharat Singh	-	0.00%	60,210	5.19%

(All amounts are in Indian Rupees in lakhs)

21 Other equity

		As at March 31 2020	As at March 31 2019
a)	**Securities premium**		
	At the commencement of the year	60,488.35	25,642.24
	Add: Premium received on shares issued	23,289.46	35,939.51
	Less: Utilised during the year for writing off share issue expenses	(436.99)	(1,093.40)
	At the end of the year	**83,340.82**	**60,488.35**
b)	**Statutory reserve**		
	At the commencement of the year	6,977.38	5,190.27
	Add: Transfer from retained earnings	1,792.39	1,787.11
	At the end of the year	**8,769.77**	**6,977.38**
c)	**Employee stock options outstanding account**		
	At the commencement of the year	1,780.22	733.19
	Add: Employee compensation expense during the year	741.49	1,047.03
	At the end of the year	**2,521.71**	**1,780.22**
d)	**Retained earnings**		
	At the commencement of the year	27,044.85	18,379.49
	Add: Profit for the year	9,283.68	9,918.57
	Add: Transfer from other comprehensive income	6.02	19.72
	Less: Transfer to statutory reserve	(1,792.39)	(1,787.11)
	Less: Transfer to capital redemption reserve	(1,882.00)	(76.00)
	Change in the ownership interest in subsidiaries/ funds resulting in change of control	(864.51)	590.18
	At the end of the year	**31,795.65**	**27,044.85**
e)	**Capital Redemption Reserve**		
	At the commencement of the year	1,585.00	1,509.00
	Add: Transfer to CRR	1,882.00	76.00
	At the end of the year	**3,467.00**	**1,585.00**
f)	**Capital Reserve**		
	At the commencement of the year	3.57	3.57
	Add: Addition during the year	-	-
	At the end of the year	**3.57**	**3.57**
g)	**Other comprehensive income**		
	Opening balance	3,480.55	5,438.22
	Remeasurements of net defined benefit asset/ (liability) (refer note (vii) below)	(6.02)	(19.72)
	Less: Transfer to Retained earnings	6.02	19.72
	Less: Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	(825.64)
	Less: Fair valuation of investment in debt instruments (refer note (vii) below)	251.22	(1,132.03)
	Closing balance	**3,731.77**	**3,480.55**
	Total (a+b+c+d+e+f+g)	**133,630.29**	**101,359.92**

Nature and purpose of reserve

(i) Securities premium
Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with the provisions of section 52 of the Companies Act 2013.

(ii) Employee stock option outstanding
The Holding Company has established various equity settled share based payment plans for certain categories of employees of the Group.

(iii) Reserve u/s. 45-IA of the Reserve Bank of India Act, 1934 ("the RBI Act, 1934")
Reserve u/s. 45-IA of RBI Act, 1934 is created in accordance with section 45 IC(1) of the RBI Act, 1934. As per Section 45 IC(2) of the RBI Act, 1934, no appropriation of any sum from this reserve fund shall be made by the non-banking financial company except for the purpose as may be specified by RBI.

(iv) Surplus in the statement of profit and loss
Surplus in the statement of profit and loss is the accumulated available profit of the Group carried forward from earlier years. These reserve are free reserves which can be utilised for any purpose as may be required.

(v) Capital reserve
Pursuant to Scheme of arrangement, the Group has created a capital reserve in accordance with the applicable accounting standards.

(vi) Capital redemption reserve
The capital redemption reserve was created on account of the redemption of the cumulative non convertible compulsorily redeemable preference shares.

(vii) Other comprehensive income

a) The Group has elected to recognise changes in the fair value of loans and investments in other comprehensive income. These changes are accumulated within the FVOCI - loans and advances reserve within equity.

b) Remeasurement of the net defined benefit liabilities comprise actuarial gain or loss, return on plan assets excluding interest and the effect of asset ceiling, if any.

(All amounts are in Indian Rupees in lakhs)

22 Additional information as required under Schedule III to the Companies Act 2013, of entities consolidated as subsidiaries/ associates/ joint ventures

Particulars	Net assets (total assets minus total liabilities)		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % consolidated of total comprehensive income	Amount
As at March 31, 2020								
Parent								
Northern Arc Capital Limited	93.44%	149,281.88	87.10%	8,961.93	137.14%	322.10	88.19%	9,284.03
Domestic Subsidiaries - (parent's share)								
Northern Arc Investment Adviser Services Private Limited	0.18%	295.10	0.80%	78.13	-3.53%	(8.30)	0.66%	69.83
Northern Arc Investment Managers Private Limited	1.25%	1,992.78	0.70%	71.47	-11.26%	(26.44)	0.43%	45.03
IFMR Fimpact Long Term Credit Fund	7.04%	11,242.04	13.90%	1,435.08	-12.82%	(30.12)	13.34%	1,404.96
IFMR Fimpact Medium Term opportunities Fund	0.00%		0.00%					-
Northern Arc Money Market Alpha Fund	0.00%		0.80%	83.31			0.79%	83.31
Non-controlling interests in all subsidiaries	**5.71%**	**9,128.40**	**9.80%**	**1,009.67**	**-9.52%**	**(22.37)**	**9.38%**	**987.30**
Eliminations	-7.62%	(12,169.08)	-13.10%	(1,346.24)	0.00%	-	-12.79%	(1,346.24)
As at March 31, 2020	**100.00%**	**159,771.12**	**100.00%**	**10,293.35**	**100.01%**	**234.87**	**100.00%**	**10,528.22**

(All amounts are in Indian Rupees in lakhs)

22 Additional information as required under Schedule III to the Companies Act 2013, of entities consolidated as subsidiaries/ associates/ joint ventures (continued)

Particulars	Net assets (total assets minus total liabilities)		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % consolidated of total comprehensive income	Amount
As at March 31, 2019								
Parent								
Northern Arc Capital Limited	88.93%	114,719.89	77.40%	8,935.55	108.16%	(1,160.29)	74.26%	7,775.26
Domestic Subsidiaries - (parent's share)								
Northern Arc Investment Adviser Services Private Limited	0.17%	225.28	0.70%	79.40	-0.03%	0.27	0.76%	79.67
Northern Arc Investment Managers Private Limited	1.62%	2,092.71	4.30%	498.75	-0.96%	10.30	4.86%	509.05
IFMR Fimpact Long Term Credit Fund	8.81%	11,364.92	9.20%	1,060.14	-0.85%	9.07	10.21%	1,069.21
IFMR Fimpact Medium Term opportunities Fund	0.00%	-	4.10%	474.01	0.00%	-	4.53%	474.01
Northern Arc Money Market Alpha Fund	2.17%	2,793.79	0.20%	23.92	-2.64%	28.34	0.50%	52.26
Non-controlling interests in all subsidiaries	**9.50%**	**12,250.12**	**14.10%**	**1,624.38**	**-3.68%**	**39.60**	**15.89%**	**1,663.98**
Eliminations	-11.20%	(14,443.24)	-10.00%	(1,153.20)	0.00%	-	-11.02%	(1,153.20)
As at March 31, 2019	**100.00%**	**129,003.47**	**100.00%**	**11,542.95**	**100.00%**	**(1,072.71)**	**100.00%**	**10,470.24**

(All amounts are in Indian Rupees in lakhs)

23 Interest income

	Year ended March 31 2020			Total	Year ended March 31 2019			Total
	On financial assets measured at				On financial assets measured at			
	FVOCI	Amortised cost	FVTPL		FVOCI	Amortised cost	FVTPL	
Interest on loans	4,643.58	38,607.49	-	43,251.07	4,643.58	34,021.49	-	38,665.07
Interest from investments:								
- Pass through certificates	2,951.58	-	-	2,951.58	3,300.77	-	-	3,300.77
- Commercial paper	-	158.70	-	158.70	-	80.37	-	80.37
- Non-convertible debentures	8,747.33	-	-	8,747.33	8,777.37	-	-	8,777.37
Interest on deposits with banks	-	536.74	-	536.74	-	248.25	-	248.25
	16,342.49	**39,302.93**	**-**	**55,645.42**	**16,721.72**	**34,350.11**	**-**	**51,071.83**

24 Fees and commission income

	Year ended March 31 2020	Year ended March 31 2019
Income from guarantee facility	**932.59**	**783.64**
Income from other financial services		
- Professional fee	3,914.31	4,078.51
- Management fee	1,347.18	1,010.84
- Arranger fee for guarantee facility	331.23	130.50
Others	5.50	33.26
	6,530.81	**6,036.75**

25 Net gain on fair value changes

	Year ended March 31 2020	Year ended March 31 2019
Net gain on financial instruments at fair value through profit or loss		
On Alternative investment funds	-	1,863.08
On trading portfolio		
-Mutual fund investments	435.28	224.70
-Alternate investment funds	168.32	377.40
Profit on sale of investments	12.79	576.89
	616.39	**3,042.07**
Fair value changes:		
-Realised	504.46	2,936.27
-Unrealised	111.93	105.80
	616.39	**3,042.07**

(All amounts are in Indian Rupees in lakhs)

26 Other income

	Year ended March 31 2020	Year ended March 31 2019
Impairment reversal on financial instruments	0.83	1,551.38
Income from other than financing activities	162.50	-
Interest Income from Income tax refund	-	0.24
Provision no longer required written back	-	0.11
	163.33	**1,551.73**

27 Finance costs

	Year ended March 31 2020	Year ended March 31 2019
Finance costs on financial liabilities measured at amortised cost		
Interest on deposits	89.81	26.27
Interest on borrowings		
- term loans from banks	17,438.71	14,583.09
- cash credits and overdraft	882.85	859.71
- securitised portfolio	812.69	1,840.16
Interest on debt securities	9,675.91	9,164.47
Interest on sub-ordinated liabilities	72.45	53.41
Interest on lease liability	126.35	-
Amortisation of discount on commercial papers	721.97	3,057.15
Amortisation of ancillary costs relating to borrowings	1,099.76	599.67
	30,920.50	**30,183.93**

28 Impairment on financial instruments

	Year ended March 31 2020	Year ended March 31 2019
Write off on financial instruments		
Loans	1,044.54	79.31
Investments	1,200.25	1,407.31
Less: Recovery	(137.30)	-
Impairment loss allowance on financial instruments#		
Loans	2,330.75	-
Investments	(902.24)	-
Others	12.66	-
	3,548.66	**1,486.62**

also refer note 26

29 Employee benefits expense

	Year ended March 31 2020	Year ended March 31 2019
Salaries, wages and bonus	5,346.09	5,517.08
Contribution to provident fund	291.98	225.74
Employee share based payment expenses	772.32	1,047.02
Expenses related to post-employment defined benefit plans (refer note 42)	115.28	110.11
Staff welfare expenses	304.00	308.51
	6,829.67	**7,208.46**

(All amounts are in Indian Rupees in lakhs)

30 Depreciation and amortisation expense

	Year ended March 31 2020	Year ended March 31 2019
Depreciation of property, plant and equipment	149.36	92.80
Depreciation on Right of Use asset (refer note 10.2 and 34)	288.11	-
Amortisation of intangible assets	235.50	201.78
	672.97	**294.58**

31 Other expenses

	Year ended March 31 2020	Year ended March 31 2019
Rent	591.05	541.46
Rates and taxes	9.63	164.28
Travelling and conveyance	700.40	734.60
Legal and professional charges	1,358.40	1,412.87
Distribution fee expense	156.64	188.57
Set Up Cost	52.07	-
Loss on sale of investment	4.00	-
Auditors' remuneration (refer note 31.1 below)	74.64	71.08
Directors' sitting fees	58.47	29.72
Net Loss on fair value changes	650.93	-
Repairs and maintenance - others	288.04	225.94
Communication expenses	93.75	96.38
Printing and stationery	24.43	17.53
Subscription charges	106.54	88.16
Advertisement and business promotion	63.04	44.29
Corporate social responsibility expenditure (refer note 31.2 below)	347.39	82.27
Bank charges	32.92	43.89
Miscellaneous expenses	122.89	155.48
	4,735.23	**3,896.52**

31.1 Payments to auditor (excluding service tax / goods and services tax)

	Year ended March 31 2020	Year ended March 31 2019
Statutory audit	57.00	53.21
Tax audit	3.50	3.50
Other services	12.50	12.50
Reimbursement of expenses	1.64	1.87
	74.64	**71.08**

31.2 Corporate social responsibility ("CSR") expenditure

	Year ended March 31 2020	Year ended March 31 2019
(a) Amount required to be spent by the Group during the year	234.00	189.55
(b) Amount spent during the year (in cash):		
(i) Construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above	361.66	72.22

(All amounts are in Indian Rupees in lakhs)

32 Income tax

A. The components of income tax expense for the years ended 31 March 2020 and 2019 are:

Particulars	Year ended March 31 2020	Year ended March 31 2019
Current tax	3,350.80	5,347.55
Less: MAT Credit entitlement	-	(7.43)
Deferred tax charge/ (Credit)	805.04	599.28
Tax expense (i)+(ii)	**4,155.84**	**5,939.40**

B. Reconciliation of the total tax charge

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the years ended March 31, 2020 and 2019 is, as follows:

Particulars	Year ended March 31 2020	Year ended March 31 2019
Profit before tax	14,449.19	17,482.35
Less/(Add): Exempted profit	(1,009.67)	(2,028.14)
Profit before tax attributable to equity holders	13,439.52	15,454.21
Applicable tax rate	0.25	0.35
Computed expected tax expense	**3,382.73**	**5,400.32**
Effect of difference in tax expenditure due to differential tax rates applicable for subsidiaries *	(39.76)	(52.17)
Change in tax rate (refer note below)	647.05	-
Permanent differences	165.82	591.25
Tax expenses recognised in the statement of profit and loss	**4,155.84**	**5,939.40**
Effective tax rate	30.92%	38.43%

Note: The Company and its subsidiary (Northern Arc Investment Managers Private Limited) has elected to exercise the option permitted under section 115BAA of the Income tax Act, 1961, as introduced by the Taxation laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax and remeasured its net deferred tax asset at concessional rate for the year ended 31 March 2020.

* Tax rates applicable for subsidiaries are as follows

	Year ended March 31 2020	Year ended March 31 2019
Northern Arc Investment Managers Private Limited	25.17%	29.12%
Northern Arc Investment Adviser Services Private Limited	27.82%	27.82%

(All amounts are in Indian Rupees in lakhs)

34 Income tax (continued)

C. Deferred tax

The following table shows deferred tax recorded in the balance sheet and changes recorded in the Income tax expense

Particulars	As at March 31, 2018	Statement of profit and loss	Other comprehensive income	MAT utilization	As at March 31 2019
Component of Deferred tax asset / (liability)					
Deferred tax asset / (liability) in relation to:					
Property plant and equipment	(41.30)	33.71	-	-	(7.59)
Impact of fair value of assets	30.38	(1,639.62)	257.39	-	(1,351.85)
Impairment on financial assets	541.99	792.55	248.88	-	1,583.42
Provision for employee benefits	(34.14)	213.90	(1.62)	-	178.14
Unamortised component of processing fee	76.86	(125.73)	-	-	(48.87)
Premium accrued on preference shares	22.16	(22.16)	-	-	-
Others	5.79	(57.67)	-	-	(51.88)
Minimum alternative tax	28.21	-	-	(10.50)	17.71
Total	**629.95**	**(805.04)**	**504.65**	**(10.50)**	**319.08**

33 Earnings per share ('EPS')

Particulars	Year ended March 31 2020	Year ended March 31 2019
Earnings		
Net profit attributable to equity shareholders for calculation of basic EPS	9,283.68	9,918.57
Net profit attributable to equity shareholders for calculation of diluted EPS	10,056.00	10,699.75
Shares		
Equity shares at the beginning of the period	78,365,776.00	78,365,673.00
Shares issued during the period	9,112,127.00	103.00
Total number of equity shares outstanding at the end of the period	**87,477,903.00**	**78,365,776.00**
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	83,977,665.20	78,365,776.00
Options granted	2,047,492.34	1,840,923.00
Compulsory convertible preference shares	40,868,385.19	17,871,250.00
Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	**126,893,542.73**	**98,077,949.00**
Face value per share	10.00	10.00
Earnings per share		
Basic	11.05	12.66
Diluted	7.92	10.91

(All amounts are in Indian Rupees in lakhs)

34 Ind AS 116: leases

Nature of effect of adoption of Ind AS 116

The Group has lease contracts for office / branch premises. Before the adoption of Ind AS 116, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of Ind AS 116, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The operating lease commitments as of 31 March 2019 reconciled with lease liabilities as at 1 April 2019 as follows:

Future operating lease commitments as at 31 March 2019	1,271.86
Weighted average incremental borrowing rate as at 1 April 2019	9.70%
Discounted operating lease commitments at 1 April 2019	973.05
Change in estimate of lease term	-
Lease liabilities as at 1 April 2019	**973.05**

The Group has applied the avilable practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

The effect of adoption Ind AS 116 as at 1 April 2019 [increase/(decrease)] is as follows:

Assets	
Right of use assets	988.97
Deferred tax asset (net)	(4.01)
Total Assets	**984.96**
Liabilities	
Financial liabilities - lease liabilies	973.05
Other Equity	11.91
Total Liabilities	**984.96**

Amounts recognised in the balance sheet and statement of profit and loss

The carrying amounts of the Group's right of use asset and lease liabilities and the movement during the year:

	Right of use assets	Lease Liabilities
	Buildings	
As at April 01, 2019		
Recogntion of initial application of Ind AS 116	988.97	973.05
Additions	623.28	603.09
Depreciation and amortisation expense	(288.11)	-
Interest expenses	-	126.35
Payments	-	(294.36)
As at March 31, 2020	**1,324.14**	**1,408.13**
The amounts recognised in statement of profit or loss:		
Post-amendment in Ind AS 116		
Depreciation expense of right of use asset	288.11	
Interest expense on lease liabilities	126.35	
Rent expense - short term leases and leases of low value assets	591.05	
Total amounts recognised in profit or loss	**1,005.51**	
Pre-amendment in Ind AS 116		
Rent expense	827.80	
Total amount that would have been recognised in profit or loss	**827.80**	

(All amounts are in Indian Rupees in lakhs)

35. 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. Derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the company uses the same basis of expected repayment behaviour as used for estimating the EIR.

Particulars	As at 31 March 2020			As at March 31 2019		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Assets						
Cash and cash equivalents	33,321.71	-	33,321.71	19,079.35	-	19,079.35
Bank balances other than cash and cash equivalents	7,720.21	-	7,720.21	5,233.88	-	5,233.88
Trade receivables	830.15	-	830.15	1,679.62	-	1,679.62
Loans	113,430.07	179,037.72	292,467.79	139,378.82	138,305.75	277,684.57
Investments	26,712.58	90,436.32	117,148.90	29,097.81	90,199.64	119,297.45
Other financial assets	747.73	0.99	748.72	883.69	-	883.69
Current tax assets (net)	-	4,119.03	4,119.03	-	1,523.78	1,523.78
Deferred tax assets (net)	-	319.08	319.08	-	629.95	629.95
Property, plant and equipment	-	178.41	178.41	-	68.40	68.40
Intangible assets under development	-	94.94	94.94	-	342.75	342.75
Intangible assets	-	831.54	831.54	-	290.99	290.99
Leases	-	1,324.14	1,324.14			
Goodwill	-	174.63	174.63	-	174.63	174.63
Other non- financial assets	469.63	(0.01)	469.62	655.75	-	655.75
Total Assets	**183,232.08**	**276,516.79**	**459,748.87**	**196,008.92**	**231,535.89**	**427,544.81**

(All amounts are in Indian Rupees in lakhs)

35. Maturity Analysis of assets and liabilities (continued)

Particulars	As at 31 March 2020			As at March 31 2019		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Liabilities						
Derivative financial instruments	-	-	-	10.65	-	10.65
Trade payables						
`Total outstanding dues of micro and small enterprises	-	-	-	-	-	-
`Total outstanding dues of creditors other than micro and small enterprises	830.89	-	830.89	977.42	-	977.42
Debt securities	27,428.57	58,592.13	86,020.70	79,563.01	44,823.12	124,386.13
Borrowings (Other than debt secuities)	104,176.60	101,951.66	206,128.26	103,891.24	63,013.52	166,904.76
Subordinated liabilities	-	-	-	1,213.41	-	1,213.41
Other financial liabilities	5,191.61	-	5,191.61	3,188.66	-	3,188.66
Provisions	97.55	1,305.43	1,402.98	81.28	1,141.18	1,222.46
Current tax liabilities (net)	-	-	-	-	43.60	43.60
Other non-financial liabilities	403.31	-	403.31	594.25	-	594.25
Total Liabilities	**138,128.53**	**161,849.22**	**299,977.75**	**189,519.92**	**109,021.42**	**298,541.34**
Net Worth			**159,771.12**			**129,003.47**

Change in Liabilities arising from financing activities

Particulars	As at April 1, 2019	Cash flows	Change in fair values	Exchange difference	Others*	As at March 31 2020
Debt Securities	124,386.13	(39,386.90)	-	-	1,021.47	86,020.70
Borrowings (other than debt securities)	166,904.76	38,423.24	-	-	800.26	206,128.26
Subordinated liabilities	1,213.41	(1,213.41)	-	-	-	-

* the effect of accrued but not paid interest on borrowing, amortisation of processing fees etc.

(All amounts are in Indian Rupees in lakhs)

36 Financial instrument

A Fair value measurement

Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions i.e., exit price. This is regardless of whether that price is directly observable or estimated using a valuation technique.

Financial instruments by category

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2020 were as follows (Also refer note 49)

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Loans	-	73,160.07	-	-	73,160.07	73,160.07
Investments						
- Commercial papers	-	-	-	-	-	-
- Pass through securities	-	22,481.44	-	-	22,481.44	22,481.44
- Non convertible debentures	-	74,513.35	-	-	74,513.35	74,513.35
- Alternate Investment Funds	20,406.27	-	-	-	20,406.27	20,406.27
- Share warrants	1.62	-	-	-	1.62	1.62
- Mutual funds	410.49	-	410.49	-	-	410.49

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2019 were as follows:

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Loans	-	39,865.04	-	-	39,865.04	39,865.04
Investments						
- Commercial papers	-	5,961.19	-	-	5,961.19	5,961.19
- Pass through securities	-	25,731.57	-	-	25,731.57	25,731.57
- Non convertible debentures	-	67,974.99	-	-	67,974.99	67,974.99
- Alternate Investment Funds	20,476.28	-	-	-	20,476.28	20,476.28
- Share warrants	1.14	-	-	-	1.14	1.14
- Mutual funds	229.56	-	229.56	-	-	229.56

Reconciliation of level 3 fair value measurement is as follows

	Year ended	
	March 31 2020	March 31 2019
Financial assets measured at FVOCI		
Balance at the beginning of the year	4,701.09	6,463.59
Total gains measured through OCI for additions made during the year	(303.00)	(1,762.51)
Balance at the end of the year	**4,398.09**	**4,701.09**
Financial assets measured at FVTPL		
Fair value adjustment	111.93	105.80

Sensitivity analysis - Increase/ decrease of 100 basis points

Particulars	As at March 31 2020		As at March 31 2019	
	Increase	Decrease	Increase	Decrease
Loans	**731.60**	**(731.60)**	**398.65**	**(398.65)**
Investments				
- Pass through securities	224.81	(224.81)	257.32	(257.32)
- Non convertible debentures	987.70	(987.70)	922.37	(922.37)
- Alternate Investment Funds	204.06	(204.06)	204.76	(204.76)
- Mutual funds	1.64	(1.64)	1.28	(1.28)
- Share warrants	0.02	(0.02)	0.01	(0.01)

(All amounts are in Indian Rupees in lakhs)

A. Fair value measurement (continued)

The carrying value and fair value of other financial instruments by categories as of March 31, 2020 were as follows:

	Carrying Value				
Particulars	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:					
Cash and cash equivalents	33,321.71				-
Bank balances other than cash and cash equivalents	7,720.21				-
Trade receivables	830.15				-
Loans	224,137.59				-
Other financial assets	748.72				-
Financial liabilities not measured at fair value:					
Trade payables					
- total outstanding dues of micro and small enterprises	-				-
- total outstanding dues of creditors other than micro and small enterprises	830.89				-
Debt securities	86,020.70				-
Borrowings (Other than debt securities)	206,128.26				-
Other financial liabilities	5,191.61				-

The carrying value and fair value of financial instruments by categories as of March 31, 2019 were as follows:

Financial assets not measured at fair value:					
Cash and cash equivalents	19,079.35				-
Bank balances other than cash and cash equivalents	5,233.88				-
Derivative financial instruments	-				-
Trade receivables	1,679.62				-
Loans	240,513.49				-
Other financial assets	883.69				-
Financial liabilities not measured at fair value:					
Derivative financial instruments	10.65				
Trade payables					
- total outstanding dues of micro and small enterprises	-				-
- total outstanding dues of creditors other than micro and small enterprises	977.42				-
Debt securities	124,386.13				-
Borrowings (Other than debt securities)	166,904.76				-
Subordinated liabilities	1,213.41				
Other financial liabilities	5,189.76				-

Note:

For all of the financial assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair values.

B ***Measurement of fair values***

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 financial statements. These fair values were calculated for disclosure purposes only.

Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and cash equivalents, balances other than cash and cash equivalents, trade receivables, other financial assets, trade payables and other financial liabilities without a specific maturity.

Borrowings

The debt securities, borrowings and subordinated liabilities are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Loans

The Loans are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Transfers between levels I and II

There has been no transfer in between level I and level II.

(All amounts are in Indian Rupees in lakhs)

C Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The Group's adjusted net debt to equity ratio is as follows:

Particulars	As at March 31 2020	As at March 31 2019
Total liabilities	298,171.46	298,488.33
Less: cash and cash equivalents	(33,321.71)	(19,079.35)
Adjusted net debt	**264,849.75**	**279,408.98**
Total equity	159,771.12	129,003.47
Adjusted net debt to equity ratio	**1.66**	**2.17**

The Holding Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local banking supervisor, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

The Holding Company has complied in full with all its externally imposed capital requirements over the reported period. Equity share capital and other equity are considered for the purpose of Company's capital management.

Regulatory capital of the parent Company*

Particulars	Carrying amount	
	As at March 31 2020	As at March 31 2019
Tier I Capital	141,341.03	110,427.50
Tier II Capital	5,884.56	5,048.38
Total Capital	**147,225.59**	**115,475.88**
Risk weighted assets	444,036.91	426,941.56
Tier I Capital Ratio (%)	31.83%	25.87%
Tier II Capital Ratio (%)	1.33%	1.18%

Tier I capital consists of shareholders' equity and retained earnings. Tier II Capital consists of general provision and loss reserve against standard assets and subordinated debt (subject to prescribed discount rates and not exceeding 50% of Tier I). Tier I and Tier II has been reported on the basis of Ind AS financial information.

37 Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings from banks and issue of debentures. The main purpose of these financial liabilities is to finance the Group's operations and to support its operations. The Group's financial assets include loan and advances, investments and cash and cash equivalents that derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. The Group's board of directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee and asset liability committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(I) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and investments (Also refer note 49).

The carrying amounts of financial assets represent the maximum credit risk exposure.

Loans

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry.

(All amounts are in Indian Rupees in lakhs)

The Group's exposure to credit risk for loans by type of counterparty is as follows. All these exposures are with in India.

Particulars	Carrying Amount	
	As at March 31 2020	As at March 31 2019
Term loans	297,297.66	280,378.53
Less: Impairment loss allowance	(4,829.87)	(2,693.96)
	292,467.79	**277,684.57**

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due and the type of risk exposures. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - Financial Instruments.

Staging:

As per the provision of Ind AS 109 all financial instruments are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with the initial recognition, then an instrument is transferred to stage 2. If there is objective evidence of impairment, then the asset is credit impaired and transferred to stage 3.

The Group considers a financial instrument defaulted and therefore stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

For financial assets in stage 1, the impairment calculated based on defaults that are possible in next twelve months, whereas for financial instrument in stage 2 and stage 3 the ECL calculation considers default event for the lifetime of the instrument.

As per Ind AS 109, Group assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. Group has staged the assets based on the days past dues criteria and other market factors which significantly impacts the portfolio.

Days past dues	Stage	Provisions
Current	Stage 1	12 Months Provision
1-30 Days	Stage 1	12 Months Provision
31-90 Days	Stage 2	Lifetime Provision
90+ Days	Stage 3	Lifetime Provision

Also refer note 49

Grouping

As per Ind AS 109, the Group is required to group the portfolio based on the shared risk characteristics. The Group has assessed the risk and its impact on the various portfolios and has divided the portfolio into following groups:

- Loans
- Guarantees to pooled issuances
- Other guarantees
- Undrawn exposure
- Second loss credit enhancement
- Investments in pass through securities
- Investments in non convertible debentures

Expected credit loss ("ECL"):

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probity is low. ECL is calculated based on the following components:

a. Marginal probability of default ("MPD")
b. Loss given default ("LGD")
c. Exposure at default ("EAD")
d. Discount factor ("D")

Marginal probability of default:

PD is defined as the probability of whether borrowers will default on their obligations in the future. Historical PD is derived from the internal data which is calibrated with forward looking macroeconomic factors.

For computation of probability of default ("PD"), Pluto Tasche Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Group has worked out on PD based on the last four years historical data.

37 Financial risk management objectives and policies (continued)

(I) Credit risk (continued)

Marginal probability:
The PDs derived from the ARIMA model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

Conditional marginal probability:
As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.

The probability of default was calculated for 3 scenarios: upside, downside and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

LGD
LGD is an estimate of the loss from a transaction given that a default occurs. Under Ind AS 109, lifetime LGD's are defined as a collection of LGD's estimates applicable to different future periods. Various approaches are available to compute the LGD. The Group has considered the workout LGD approach by considering historical losses and recoveries. The following steps are performed to calculate the LGD:

1) Analysis of historical credit impaired accounts at cohort level.

2) The computation consists of five components, which are:

   a) Outstanding balance (POS)

   b) Recovery amount (discounted yearly) by initial contractual rate.

   c) Expected recovery amount (for incomplete recoveries), discounted to reporting date using initial contractual rate.

   d) Collateral (security) amount

The formula for the computation is as below:

% Recovery rate = (discounted recovery amount + security amount + discounted estimated recovery) / (total POS)

% LGD = 1 – recovery rate

In addition, the Group has also considered an LGD of 65% as recommended by the Foundation Internal Ratings Based (FIRB) approach under Basel II guidelines issued by RBI.

EAD:
As per Ind AS 109, EAD is estimation of the extent to which the financial entity may be exposed to counterparty in the event of default and at the time of counterparty's default. The Group has modelled EAD based on the contractual and behavioural cash flows till the lifetime of the loans considering the expected prepayments.

The Group has considered expected cash flows , undrawn exposures and SLCE for all the loans at DPD bucket level for each of the risk segments, which was used for computation of ECL. Moreover, the EAD comprised of principal component, accrued interest and also the future interest for the outstanding exposure. So discounting was done for computation of expected credit loss.

Discounting:
As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

ECL computation:
Conditional ECL at DPD pool level was computed with the following method:

Conditional ECL for year (yt) = EAD (yt) * conditional PD (yt) * LGD (yt) * discount factor (yt)

The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the stage is summarised below:

(All amounts are in Indian Rupees in lakhs)

37 Financial risk management objectives and policies (continued)

(I) Credit risk (continued)

	Provisions	As at March 31 2020	As at March 31 2019
Stage 1	12 month provision	3,210.81	2,344.99
Stage 2	Life time provision	940.35	98.97
Stage 3	Life time provision	678.71	250.00
Amount of expected credit loss provided		**4,829.87**	**2,693.96**

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Group's view of economic conditions over the expected lives of the loan receivables. Movement in provision of expected credit loss has been provided in below note.

Particulars	As at March 31 2019	As at March 31, 2018
ECL allowance - opening balance	**2,693.96**	**2,200.44**
Addition during the year	2,869.20	514.45
Write offs during the year	(733.29)	-
Transfer to OCI	-	(20.93)
Closing provision of ECL	**4,829.87**	**2,693.96**

Analysis of changes in the gross carrying amount of loans:

Particulars	As at March 31 2020				As at March 31 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**278,954.53**	**474.46**	**949.54**	**280,378.53**	**232,777.63**	**349.49**	**714.50**	**233,841.62**
New assets originated *	197,452.54	13,811.44	-	211,263.98	167,538.71	-	250.00	167,978.22
Asset derecognised or repaid	(193,602.05)	-	(9.51)	(193,611.56)	(121,172.50)	-	-	(121,361.81)
Transfer from stage 1	(17,130.16)	16,101.95	1,028.21	-	(189.31)	124.97	64.34	-
Transfer from stage 2	-	-	-	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	-	-	(733.29)	(733.29)	-	-	(79.30)	(79.50)
As at the end of the year	**265,674.86**	**30,387.85**	**1,234.95**	**297,297.66**	**278,954.53**	**474.46**	**949.54**	**280,378.53**

* New assets originated are those assets which have originated during the year.

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, vehicles, loan portfolios and mortgaged properties based on the nature of loans. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure is the total of the carrying amount of the aforesaid balances.

(All amounts are in Indian Rupees in lakhs)

37 Financial risk management objectives and policies (continued)

(I) Credit risk (continued)

B. *Investments*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The exposure to credit risk for investments is to other non-banking finance companies and financial institutions.

The risk committee has established a credit policy under which each new investee pool is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information etc. For investments the collateral is the underlying loan pool purchased from the financial institutions.

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the investments are categorised into groups based on days past due. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments. Further, the risk management committee.

Analysis of changes in the gross carrying amount of investments:

Particulars	As at March 31 2020				As at March 31 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	118,043.62	0.00	2,331.11	120,374.73	121,446.65	4,298.55	3,320.72	129,065.92
New assets originated *	57,138.14	2,360.09	-	59,498.23	43,177.47	-	-	43,177.47
Asset derecognised or repaid	(60,393.29)	-	(490.83)	(60,884.12)	(46,580.50)	(2,875.08)	(1,047.70)	(50,503.28)
Transfer from stage 1	(9,902.99)	9,902.99	-	-	-	-	-	-
Transfer from stage 2	-	-	-	-	-	(1,423.47)	1,423.47	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	-	-	(1,174.67)	(1,174.67)	-	-	(1,365.38)	(1,365.38)
As at the end of the year	**104,885.48**	**12,263.08**	**665.61**	**117,814.17**	**118,043.62**	**0.00**	**2,331.11**	**120,374.73**

C. *Cash and cash equivalent and Bank deposits*

Credit risk on cash and cash equivalent and bank deposits is limited as the Group generally invests in term deposits with banks

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities. The Group approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due. (Also refer note 49)

The Group is monitoring its liquidity risk by estimating the future inflows and outflows during the start of the year and planned accordingly the funding requirement. The Group manages its liquidity by unutilised cash credit facility, term loans and direct assignment.

The composition of the Group liability mix ensures healthy asset liability maturity pattern and well diverse resource mix.

The table below summarises the maturity profile of the Group's non derivative financial liabilities based on contractual undiscounted payments along with its carrying value as at the balance sheet date.

Particulars	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 year to 5 years	Over 5 years
As at March 31 2020								
Borrowings	12,405.15	2,180.02	19,856.27	21,022.66	48,712.50	94,448.06	7,046.36	-
Debt securities	7,575.00	6,425.00	-	1,500.00	11,928.57	48,964.29	9,607.14	-
Subordinated liabilities	-	-	-	-	-	-	-	-
As at March 31 2019								
Borrowings	29,812.50	2,237.96	18,772.95	23,042.48	30,300.67	48,965.81	4,000.00	-
Debt securities	3,500.00	10,000.00	7,500.00	7,500.00	50,000.00	29,285.71	15,714.29	-
Subordinated liabilities	-	-	-	-	1,213.41	-	-	-

Note:
- The balances are gross of accrued interest and unamortised borrowing costs.
- Estimated expected cashflows considering the moratorium availed from lenders.

(All amounts are in Indian Rupees in lakhs)

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and foreign currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investment in bank deposits and variable interest rate lending. Whenever there is a change in borrowing interest rate for the Group, necessary change is reflected in the lending interest rates over the timeline in order to mitigate the risk of change in interest rates of borrowings.

Sensitivity analysis - Increase/ decrease of 100 basis points

	As at March 31 2020		As at March 31 2019	
	Increase	Decrease	Increase	Decrease
Bank deposits	117.23	(117.23)	48.04	(48.04)
Loans	23.47	(23.47)	12.10	(12.10)
Borrowings	(17.79)	17.79	(16.60)	16.60

(iv) Foreign currency risk

The Company does not have any instrument denominated or traded in foreign currency. Hence, such risk does not affect the Company.

38 Commitments

	As at March 31 2020	As at March 31 2019
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	438.00	420.00
Undrawn committed sanctions to borrowers	11,020.07	43,208.48

39 Contingent liabilities

	As at March 31 2020	As at March 31 2019
Claims against the Company not acknowledged as debt		
- Income tax related matters	428.53	253.51
Guarantees outstanding	25,928.31	23,525.68

40 Derivatives

	As at March 31 2020	As at March 31 2019
i. Outstanding derivatives: (notional principal amount in INR)		
- for hedging (currency & interest rate derivatives)	-	10.65
ii. Marked to market positions	-	2,801.85

41 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the Micro, Small and Medium Enterprise Development Act, 2006 ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2020 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

	Particulars	As at March 31 2020	As at March 31 2019
a.	The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting period		
	Principal	-	-
	Interest	-	-
b.	The amount of interest paid by the buyer 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 each accounting year;	-	-
c.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

42 Employee benefits

Defined contribution plans
The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Group's contribution is recognized as an expenses in the statement of profit and loss during the period in which the employee renders the related service. The amount recognised as an expense towards contribution to provident fund for the year aggregated to INR 291.98 lakhs (March 31, 2019: INR 225.74 lakhs).

Defined benefit plans
The Group's gratuity benefit scheme is a defined plan. The Group's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past services and the fair value of any plan assets are deducted. The Calculation of the Group's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

42 Employee benefits (continued)

Details of actuarial valuation of gratuity pursuant to the Ind AS 19

		As at March 31 2020	As at March 31, 2019
A.	**Change in present value of obligations**		
	Present value of obligations at the beginning of the year	362.90	285.59
	Current service cost	90.34	88.69
	Interest cost	24.94	21.42
	Past service cost	-	-
	Benefits settled	(20.08)	(3.81)
	Actuarial loss	(7.62)	(28.98)
	Present value of obligations at the end of the year	**450.48**	**362.91**
B.	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	-	-
	Expected return on plan assets	-	-
	Actuarial gains/ (loss)	-	-
	Employer contributions	15.09	3.81
	Benefits settled	(15.09)	(3.81)
	Fair value of plan assets at the end of the year	**-**	**-**
C.	**Actual Return on plan assets**		
	Expected return on plan assets	-	-
	Actuarial gains/ (loss) on plan assets	-	-
	Actual return on plan assets	**-**	**-**
D.	**Reconciliation of present value of the obligation and the fair value of the plan assets**		
	Change in projected benefit obligation		
	Present value of obligations at the end of the year	450.48	362.91
	Fair value of plan assets	-	-
	Net liability recognised in balance sheet	**450.48**	**362.91**

E.	**Expense recognised in statement of profit and loss and other comprehensive income**		
	Current service cost	90.34	88.69
	Interest on obligation	24.94	21.42
	Past service cost	-	-
	Expected return on plan assets	-	-
	Net actuarial loss recognised in the year	(7.62)	(28.98)
	Total included in 'employee benefits'	**107.66**	**81.13**

F.	**Assumptions at balance sheet date**		
	Discount rate	5.48% to 6.68%	6.82% to 7.70%
	Salary escalation	0.08	10% to 12%
	Mortality rate	Indian Assured Lives (2012 -14)	Indian Assured Lives (2012 -14)
	Attrition rate	1% to 33%	1% to 30%

Notes:

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

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the balance sheet date for the estimated term of the obligation.

(All amounts are in Indian Rupees in lakhs)

42 Employee benefits (continued)

G. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	As at March 31 2020		As at March 31 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	420.11	485.45	342.52	385.63
Future salary growth (1% movement)	486.44	418.59	385.96	341.76

H. Five year Information

Particulars	March 31 2020	March 31 2019	April 1, 2018	March 31, 2017	March 31, 2016
Present Value of obligations	450.48	362.91	286.41	159.26	109.44
Fair value of plan assets	-	-	-	-	-
(Surplus)/ deficit in the plan	-	-	-	-	-
Experience adjustments arising on plan liabilities - (gain) / loss	(7.62)	(28.98)	37.59	27.85	1.78
Experience adjustments arising on plan assets - (gain) / loss	-	-	-	-	-

43 Employee stock option plan (ESOP)

Employee Stock Option Plan 2016 (ESOP) has been approved by the Board at its meeting held on May 11, 2016 and by the members in the Extra Ordinary General Meeting held on October 7, 2016. ESOP Stock Option Plan 2018 (ESOP) has been approved by the members in the Extra Ordinary General Meeting held on July 25, 2018.

43.1 Northern Arc Capital Employee Stock Option Plan 2016 – ("Scheme 1") formerly IFMR Capital Employee Stock Option Plan 2016 – ("Scheme 1")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued on March 1, 2017, and will be exercised at INR 10. The options are vested over a period of 4 years in 40:20:20:20 proportion.

Northern Arc Capital Employee Stock Option Plan 2016 – ("Scheme 2") formerly IFMR Capital Employee Stock Option Plan 2016 – ("Plan" or "ESOP") ("Scheme 2")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued in six batches. The first and second batch will be exercised at INR 110, third, fourth and fifth batch will be exercised at INR 121 and sixth batch will be exercised at INR 188. The options are vested equally over a period of 5 years.

Northern Arc Capital Employee Stock Option Plan 2018 – ("Plan" or "ESOP") ("Scheme 3")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued in two batches. The first batch will be exercised at INR 181 and second batch will be exercised at INR 188. The options are vested over a period of 3 years in 30:30:40 proportion

(All amounts are in Indian Rupees in lakhs)

43.2 Options outstanding under Scheme 1, Scheme 2 and Scheme 3

	As at March 31 2020			As at March 31 2019		
Plan	**Scheme 1**	**Scheme 2**	**Scheme 3**	**Scheme 1**	**Scheme 2**	**Scheme 3**
Grant date	**Various**	**Various**	**Various**	**Various**	**Various**	**Various**
Number of options	411,371	4,027,500	1,449,712	411,371	4,502,500	843,122
Exercise price in INR	10	110 to 188	181 to 188	10	110 to 121	181
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years	1 to 4 years	1 to 5 years	1 to 3 years
Option Price	113.65	31.85 to 117.74	65.57 to 73.55	113.65	31.85 to 117.74	73.55
Vesting condition	Time and performance based vesting					

43.3 Reconciliation of outstanding options

The details of options granted under the above schemes are as follows.

Particulars	Number of options	
	As at March 31 2020	As at March 31 2019
Outstanding at beginning of year	5,756,993	4,618,871
Less: Forfeited during the year	1,073,235	113,307
Less: Exercised during the year	-	8,000
Add: Granted during the year	1,204,825	1,259,429
Outstanding as at end of year	**5,888,583**	**5,756,993**
Vested and exercisable as at end of year	**2,026,651**	**1,001,165**

44 Related party disclosures

Related party relationships and transactions are as identified by the management.

(i) Holding company	IFMR Holdings Private Limited (upto February 26, 2019)
(ii) Fellow subsidiaries	Dvara Kshetriya Gramin Financial Services Private Limited (formerly Pudhuaaru Financial Services Private Limited) (upto February 26, 2019) Dvara Trust (upto February 26, 2019) Dvara Research Foundation (upto February 26, 2019) IFMR Rural Channels and Services Private Limited (upto February 26, 2019)
(iii) Key Managerial Personnel (KMP)	Ms. Kshama Fernandes, Managing Director
	Ms. Bama Balakrishnan, Chief Financial Officer
	Mr. Ravi Vukkadala, Chief Executive Officer Northern Arc Investment Managers Private Limited
	Mr. Kalyanasundaram C, Chief Financial Officer Northern Arc Investment Managers Private Limited (from March 31, 2019)
	Mr. Chaitanya Pande, Director of Northern Arc Investment Managers Private Limited

44 Related party disclosures (continued)

A. Transactions during the Year:

Particulars	Year ended March 31 2020	Year ended March 31 2019
Dvara Trust		
Reimbursement of expenses	-	362.13
IFMR Holdings Private Limited		
Reimbursement of income	-	-
Purchase of ERP	-	52.28
Dvara Kshetriya Gramin Financial Services Private Limited		
Interest income	-	335.11
Fee received	-	205.55
Loan given	-	6,000.00
Loan repaid	-	2,801.07
Guarantees	-	1,500.00
Dvara Research Foundation		
Corporate social responsibility expenditure	-	50.00
Ms. Kshama Fernandes		
Remuneration and other benefits *	285.15	248.71
Employee stock option (lakhs units)	0.49	0.96
Ms. Bama Balakrishnan		
Remuneration and other benefits *	214.15	190.55
Employee stock option (lakhs units)	0.38	0.52
Chaitanya Pande		
Professional Fee	-	18.00
Mr. Ravi Vukkadala		
Remuneration and other benefits *	140.51	134.86
Employee stock option (lakhs units)	0.25	0.35
Mr. Kalyanasundaram C		
Remuneration and other benefits *	101.40	-
Employee stock option (lakhs units)	0.18	-

* Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.

44 Related party disclosures (continued)

B. Balances as at year end:

	As at March 31, 2020	As at March 31, 2019
Dvara Trust		
Trade payable	-	40.74
Ms. Kshama Fernandes		
Security Deposit	-	2.00
Employee stock option (lakhs units)	8.11	7.63
Ms. Bama Balakrishnan		
Employee stock option (lakhs units)	5.89	5.52
Mr. Ravi Vukkadala		
Employee stock option (lakhs units)	2.11	1.85
Mr. Kalyanasundaram C		
Employee stock option (lakhs units)	1.61	1.44

C. Note:

During the year the Holding Company has incorporated a wholly owned subsidiary company, Northern Arc Foundation under the provisions of Section 8 of the Companies Act, 2013 for undertaking the CSR activities. Northern Arc Foundation doesn't meet the definition of control as defined under Ind AS 110 - Consolidated Financial Statements and hence not consolidated in these financial statements. During the year, the Holding Company has invested INR 1 lakh in its equity share capital and contributed INR 197.68 lakhs towards CSR activities during the year.

45 The details of the investments held by the group in the Alternative Investment Funds managed by the Company's wholly owned subsidiary, Northern Arc Investment Managers Private Limited, as disclosed in the respective standalone financial statements (aggregate amounts) are as follows:

Fund	For the year ended March 31 2020		For the year ended March 31 2019	
	Purchases	Redemption #	Purchases	Redemption #
IFMR Fimpact Investment Fund	-	-	-	-
IFMR Fimpact MT Microfinance Fund	-	1,808.76	-	105.27
IFMR Fimpact Long Term Multi Asset Fund	1,034.03	-	-	-
IFMR Fimpact Long Term Credit Fund	-	-	3,500.00	138.32
IFMR Fimpact Medium Term Opportunities Fund	-	631.51	2,063.90	829.62
IFMR Fimpact Income Builder Fund Fund	1,079.00	577.21	631.25	-
Northern Arc Money Market Alpha Trust Fund	833.14	400.00	2,866.63	100.00
Northern Arc Income Builder (Series II) Fund	737.90	204.00	-	-

represents the dividend received in respect of cum dividend investment

(All amounts are in Indian Rupees in lakhs)

Fund	Income for the year	
	Year ended March 31 2020	Year ended March 31 2019
IFMR Fimpact Investment Fund	336.37	425.11
IFMR Fimpact MT Microfinance Fund	149.78	365.13
IFMR Fimpact Long Term Multi Asset Fund	(1,755.42)	1,408.39
IFMR Fimpact Long Term Credit Fund	1,402.64	1,192.99
IFMR Fimpact Medium Term Opportunities Fund	303.07	1,089.04
IFMR Fimpact Income Builder Fund Fund	54.48	239.18
Northern Arc Money Market Alpha Trust Fund	266.17	42.92
Northern Arc Income Builder (Series II) Fund	(0.26)	-

46 Segment reporting

The Group's operations predominantly relate to arranging or facilitating or providing finance either in the form of loans or investments or guarantees, providing portfolio management, investment advisory and investment management services. The information relating to this operating segment is reviewed regularly by the Company's Board of Directors (Chief Operating Decision Maker (CODM)) to make decisions about resources to be allocated and to assess their performance.

The Group has four reportable segments Viz., Financing activity, Investment advisory services, Investment management services, Portfolio Management services. For each of the business, CODM reviews internal management reports on periodic basis.

	Year ended March 31 2020	Year ended March 31 2019
Segment Revenue		
Financing activity	60,064.90	56,204.97
Investment advisory services	319.50	164.28
Investment management services	1,941.61	1,912.62
Portfolio Management Services	2,924.19	3,756.26
Total	**65,250.20**	**62,038.13**
Less: Inter segment revenue	(2,084.09)	(1,882.76)
Revenue from operations	**63,166.11**	**60,155.37**
Segment Results (Profit before other income)		
Financing activity	12,877.34	13,029.30
Investment advisory services	103.70	100.16
Investment management services	94.35	772.28
Portfolio Management Services	1,181.83	2,028.88
Total	**14,257.22**	**15,930.62**
Add: Other income	191.99	1,551.73
Profit before tax	**14,449.21**	**17,482.35**

(All amounts are in Indian Rupees in lakhs)

	Year ended March 31 2020	Year ended March 31 2019
Segment Assets		
Financing activity	433,096.98	395,290.20
Investment advisory services	526.41	329.72
Investment management services	4,751.58	4,478.90
Portfolio management Services	21,199.27	27,218.35
Unallocated	174.63	174.63
Total	**459,748.87**	**427,491.80**
Segment Liabilities		
Financing activity	296,441.81	295,188.18
Investment advisory services	231.31	104.44
Investment management services	2,758.79	2,386.19
Portfolio Management Services	545.84	809.52
Total	**299,977.75**	**298,488.33**
Capital Employed (Segment assets - Segment liabilities)	**159,771.12**	**129,003.47**

47 Disclosure under clause 28 of the Listing Agreement for Debt Securities

S.No.	Particulars	Year ended March 31 2020	Year ended March 31 2019
a)	Loans and advances in the nature of loans to subsidiaries	-	-
b)	Loans and advances in the nature of loans to associates	-	-
c)	Loans and advances in the nature of loans where there is -		
	(i) no repayment schedule or repayment beyond seven years	-	-
	(ii) no interest or interest below section 186 of Companies Act, 2013	-	-
d)	Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-

48 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of an exclusive hypothecation of loans, investment in pass through certificates and investment in debentures.

49 Impact of Covid 19

The outbreak of COVID -19 pandemic and consequent lockdown has severely impacted various activities across the country. The impact of COVID -19 on the economy is uncertain and would also be dependent upon future developments including various measures taken by the Government, Regulator, responses of businesses, consumers etc. Hence, the extent to which COVID-19 pandemic will impact the Group's business, cash flows and financial results, is dependent on such future developments, which are highly uncertain.

In accordance with the Board of Directors approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated March 27, 2020 and April 17, 2020 relating to 'COVID-19 – Regulatory Package', the Holding Company has granted moratorium upto three months on the payment of Installments falling due between March 01, 2020 and May 31, 2020 on a case to case basis to eligible borrowers in accordance with the Holding Company's policy approved by its Board. Further pursuant to the RBI notification dated May 23, 2020 the moratorium is being extended for a further period of three months in accordance with the Holding Company's policy approved by its Board. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Holding Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109. The Holding Company continues to recognise interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria.

Estimates and associated judgments / assumptions applied in preparation of these financial statements including determining the impairment loss allowance and fair valuation of investments are based on a combination of historical experience and emerging / forward looking indicators resulting from the pandemic. In addition to the early indicators available during the moratorium period, the Holding Company has also used potential stress on probability of default and exposure at default on the expected credit losses and accordingly recognized an expected credit loss (including write off) of INR 3,523.08 lakhs during the year. This includes an additional impairment overlay provision amounting to INR 2,279.87 lakhs. Further, the disclosure in these financial statements are made after considering the moratorium benefits and estimated cash inflows and outflows which are based on the current understanding / arrangement with its customers / lenders. The Holding Company believes that it has considered all the possible impact of the currently known events arising out of COVID-19 pandemic in the preparation of financial statements including financial resources, profitability, liquidity position and internal financial controls. However, since the impact assessment of COVID-19 is a continuing process given its uncertainty in nature and duration, this may have corresponding impact in the financial position in future. The Holding Company will continue to monitor any material changes to the future economic conditions.

50 Disclosure of Specified Bank Notes ('SBN')

The disclosures regarding details of specified bank notes held and transacted during November 8, 2016 to December 30, 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended March 31, 2020.

51 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with the current period presentation.

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

K Raghuram
Partner
Membership No. 211171

Place: Chennai
Date: June 26, 2020

For and on behalf of the board of directors of
Northern Arc Capital Limited
CIN: U65910TN1989PLC017021

Leo Puri
Chairman
DIN: 01764813

Kshama Fernandes
Chief Executive Officer
and Whole Time Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place: Chennai
Date: June 26, 2020

NOTES

NOTES

NORTHERN ARC

Chennai (Registered Office)
10th Floor, IIT M Research Park,
1, Kanagam Village, Taramani,
Chennai 600 113, India
Tel: +91 44 6668 7000

Mumbai
The Capital, 902 – B Wing
No C- 70, Bandra Kurla Complex
Bandra (East), Mumbai – 400051, India
Tel: +91 22 6668 7500

New Delhi
No. 912, 9th Floor, Kailash Building,
26 Kasturba Gandhi Marg,
New Delhi - 110001, India
Tel: +91 11 6813 7050

Bengaluru
365 Shared Space, D-5, Fourth Floor,
No 18, 80 Feet Road, Koramangala 4th
Block , Bengaluru, Karnataka 560034