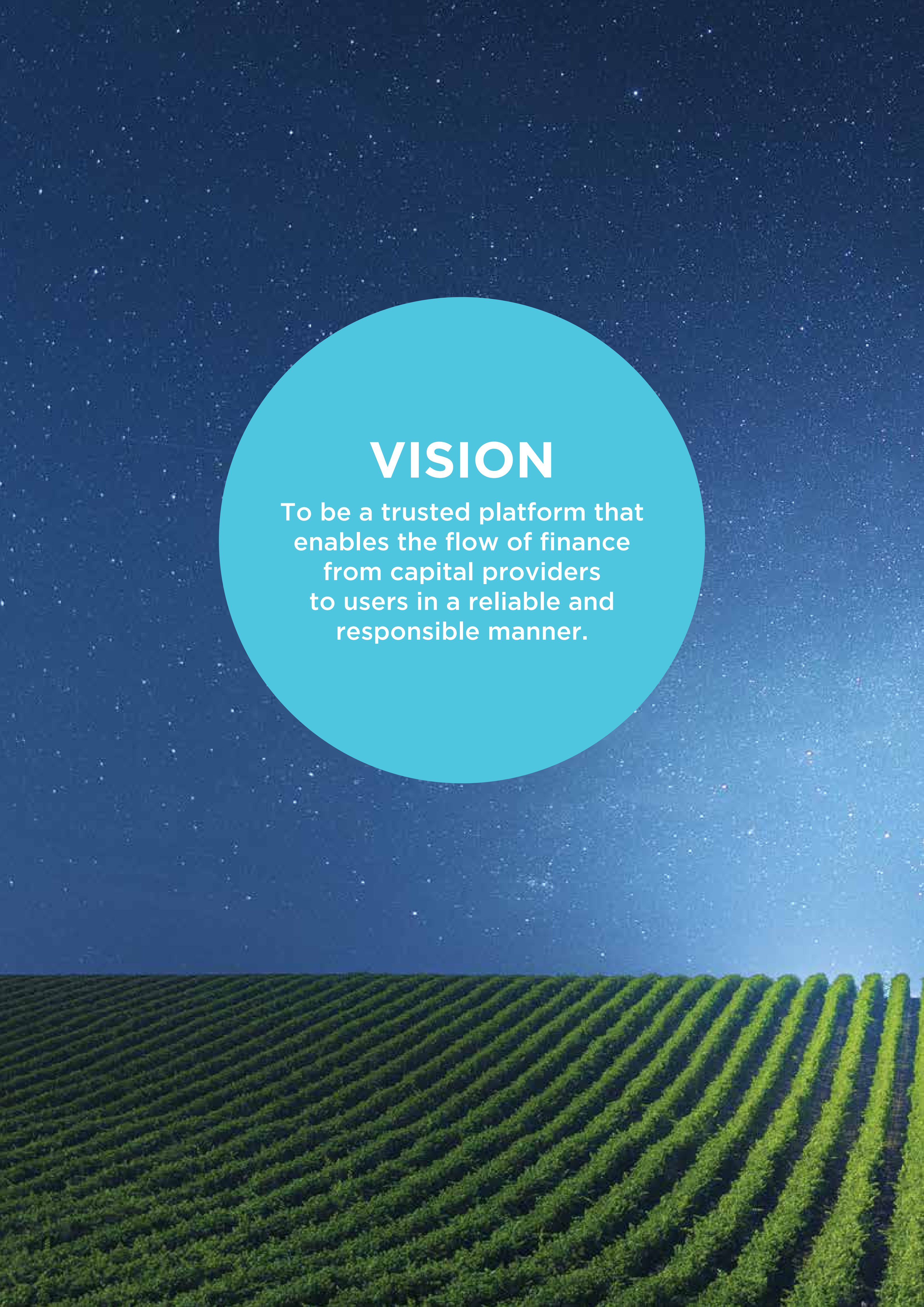
NORTHERN ARC

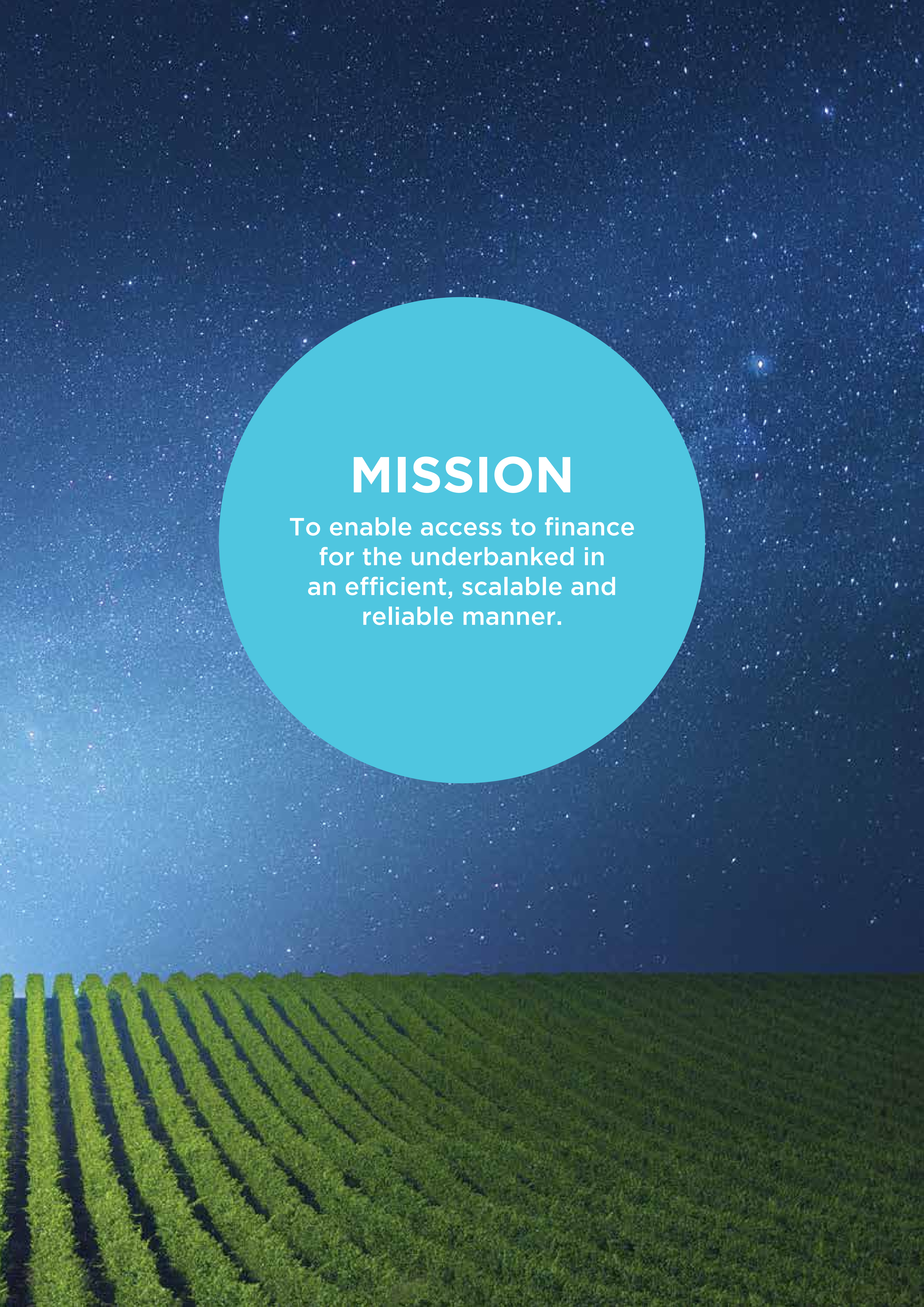
ANNUAL REPORT 2018-19

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



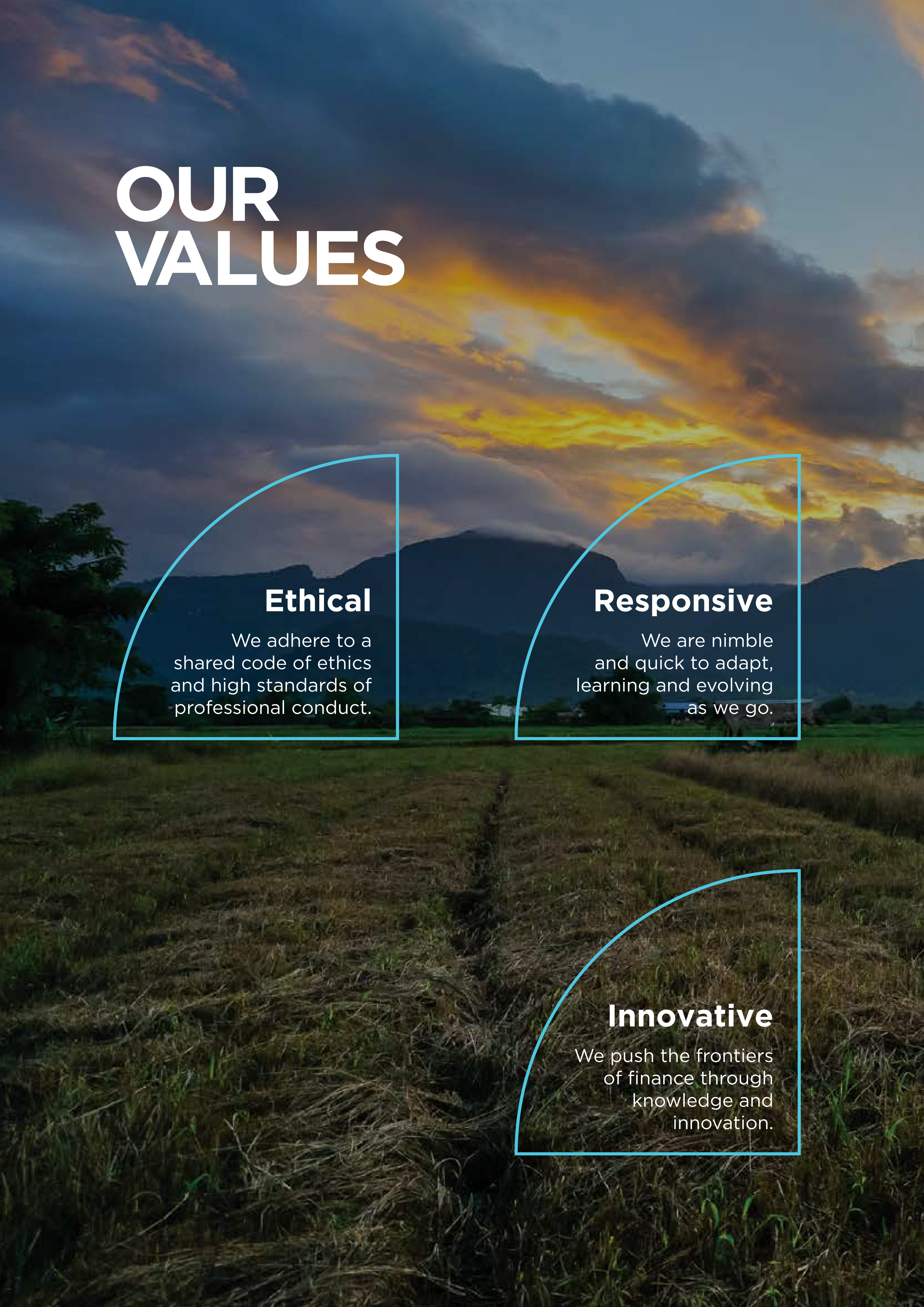
VISION

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.

Responsive

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

Innovative

We push the frontiers of finance through knowledge and innovation.

Empathetic

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

Resolute

We are unwavering in our commitments and stand by them.

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Leo Puri

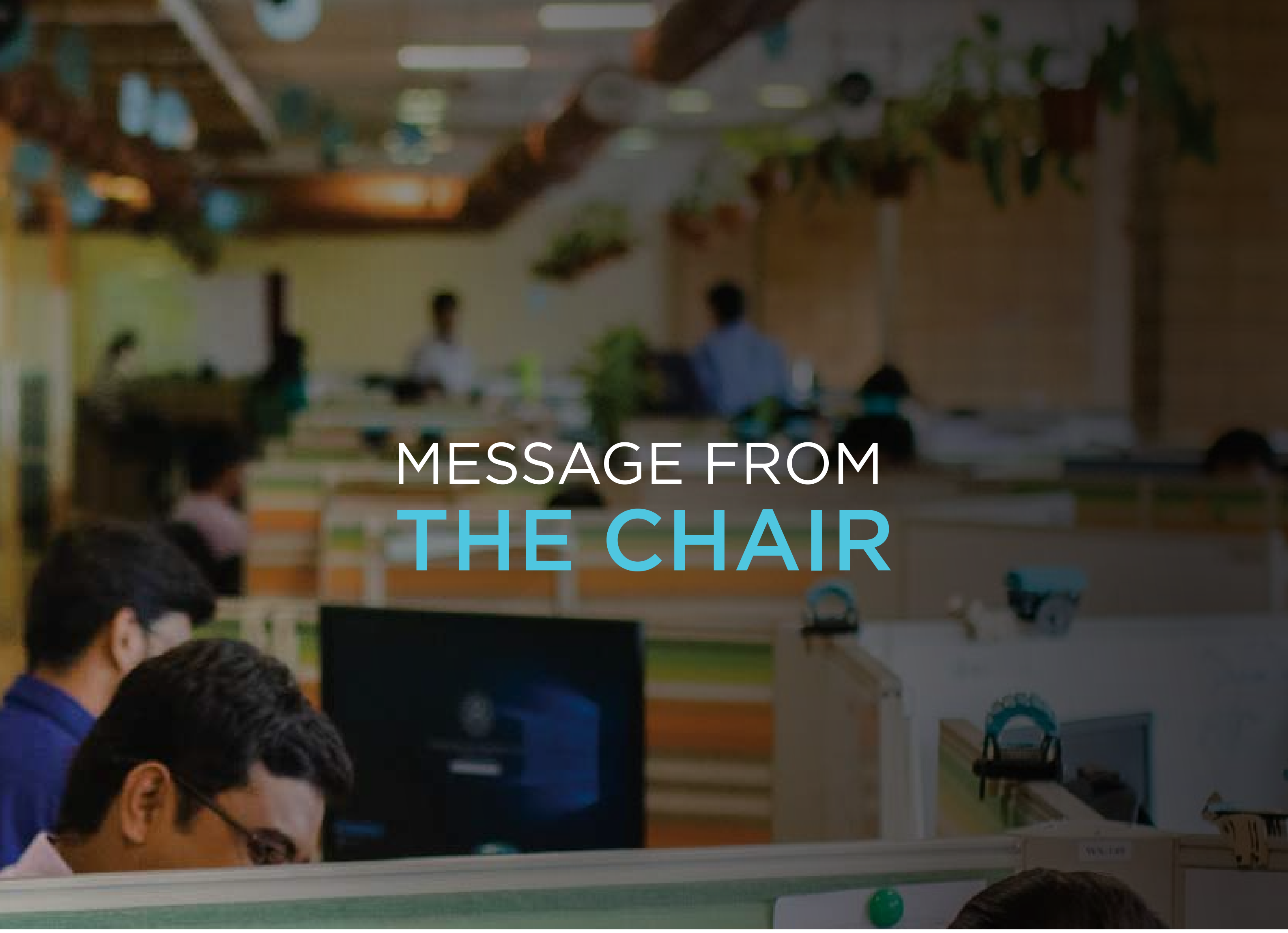
Non-Executive
Independent Chair

I am pleased to share with you a brief on Northern Arc Capital's performance for Financial Year 2019, a year in which the Company made significant strides and achieved several milestones in an environment that tested its resoluteness and fortitude.

Driven by a sense of purpose and operating with market discipline, Northern Arc has the potential to play an important role in the inclusive development of Indian financial markets. In keeping with global best practices, the Company evolved into a Board-led organization with no shareholder/individual identified as promoter. The corporate reorganization process was carried out during the year reinforcing its position as an institution that adheres to high standards of corporate governance with single-minded focus on sustainably providing access to debt capital markets for underbanked individuals, businesses and institutions.

This year has also been significant from a capital perspective. The large quantum of equity raised plus the profits accrued for the year doubled the net worth of the Company. Existing shareholder Standard Chartered Private Equity and IIFL Asset Management participated in the capital raise. The quantum of the investment across new and existing shareholders signals confidence in the business model and the team.

With a strong capital base, a deep reach across clients and debt investors, a wide offering of debt products and an asset book diversified across six sectors and 580 districts of India, Northern Arc continues to grow from strength to strength. Its approach towards credit underwriting at the client onboarding state, its principle of always retaining skin-in-the-game and its emphasis on data and field based risk management & surveillance has been a consistent feature over the years.

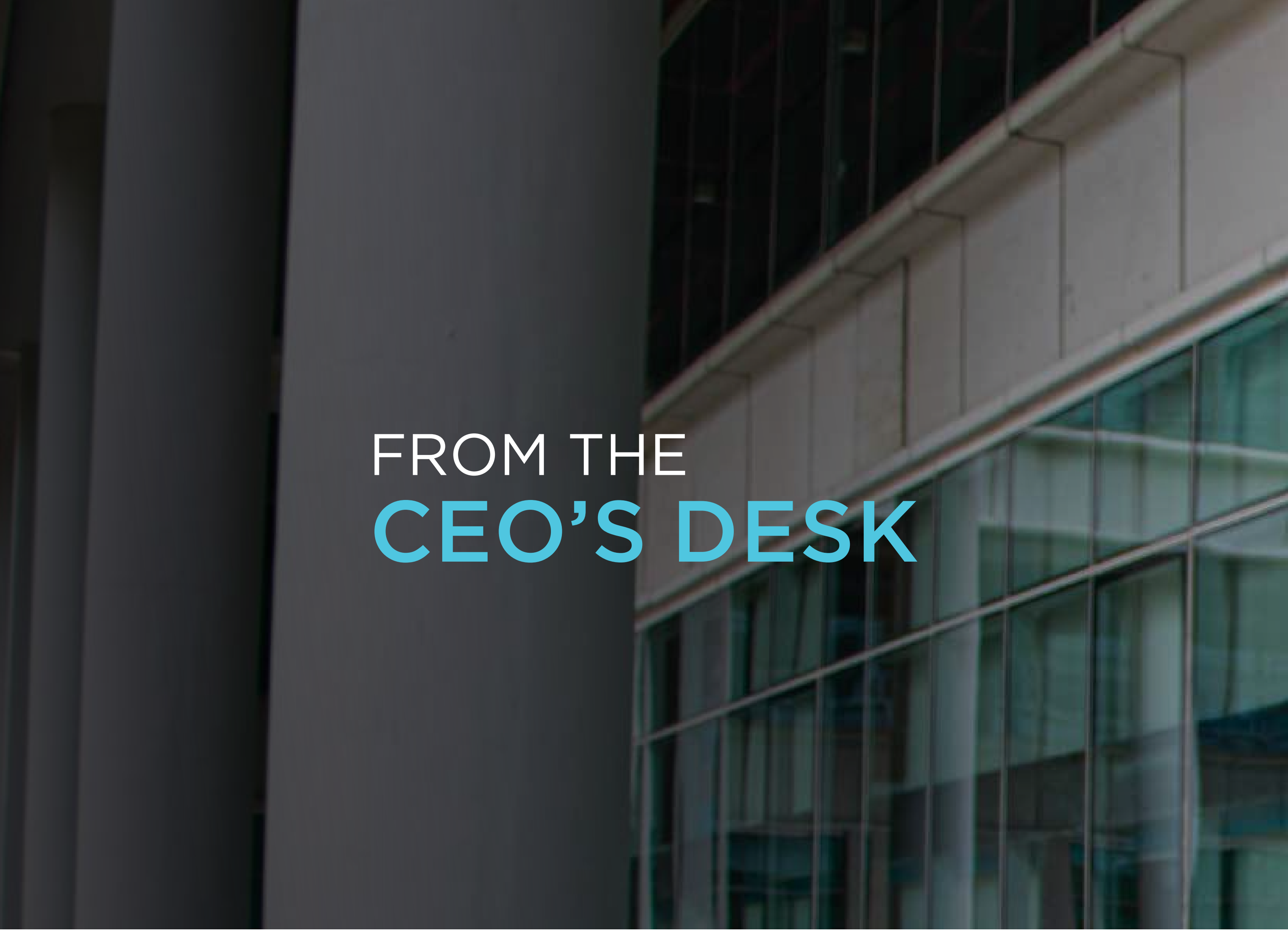


MESSAGE FROM THE CHAIR

The financial performance of the Company was as per expectation with the company continuing to be profitable year on year since inception. The Company continues to evolve along with the evolution of the financial services landscape in India, exhibiting agility without compromising on its basic principles. While the industry has been affected by external macro events that could pose significant risks to growth and asset quality, the environment has provided us with opportunities to intervene in a big way and support the sectors and clients we work with through the most difficult times. We have been able to differentiate ourselves by providing relevant debt offerings that meet the requirements of our clients and capital market investors. Coupled with the substantial equity infusion, the Company is today in a position to also consider strategic opportunities to propel growth and diversification.

This year the Company made significant investments by way of time and capital to build Nimbus, its technology platform. Nimbus has been designed and built by the in-house technology team to improve efficiency, strengthen transparency, aid quicker decision-making and integrate better with our business partners. This has already begun to yield positive results.

As we close an eventful year, I would like to thank our client partners and investors for their continued confidence in the Company. A special note of thanks to all our independent directors for their valuable time and guidance, and to the Company's shareholders for their steadfast support. Finally, I would like to acknowledge the contribution of the Northern Arc team that stands committed to its clients, investors and stakeholders through the ups and downs.



FROM THE CEO'S DESK

The tightened liquidity situation faced by the NBFC sector beginning mid-September 2018 made it a particularly challenging year. However, in a display of tenacity and resilience, Northern Arc Capital continued to achieve steady growth and win investor confidence.

Financial Year 2019 clearly stands out as a landmark year for Northern Arc on multiple fronts. We evolved to a board led management driven company. We completed our largest equity raise from a new and an existing investor. We added 50 plus new clients across sectors to take the number of institutional clients to 200. Our blaze of innovation continued as we launched two new products during the year – Persistent Securitization and Covered Bond. Both products were executed in India for the first time and were designed to increase efficiency and address specific challenges faced by our clients and capital markets investors.

We believe that every market disruption presents an opportunity for us. The current liquidity scenario has allowed us to showcase the critical nature of our products and services to our clients and investors. Investors were provided with opportunities to invest in high quality credits backed by Northern Arc's stringent due diligence and credit enhancement. Securitization deals executed and invested in by Northern Arc continued to perform well though this period.

During the year, investor interest in debt financing was mainly driven towards off-balance-sheet transactions owing to a preference for tenor matched products. There was significant demand for PSL resulting in an increased offtake for microfinance assets. As we navigated through the period of reduced liquidity, balance sheet products recorded lower disbursements as compared to Financial Year 2018 given our considered decision to conserve cash and prioritize incremental disbursements where critical.

We used the year to streamline tech-integration with our Direct Origination partners. We now have the technology backend that allows us to connect end-to-end with our retail portfolio originators across the process of analytics, underwriting, disbursements and collections. We have a strong pipeline of new Direct Origination partners for Financial Year 2020. There will be a focus on scaling these relationships and realizing their full potential in the coming year.

On the liabilities side, we expanded our lender base and initiated conversations with new categories of investors. A marquee deal executed by the Treasury team during the year was an INR 200 crore facility from FMO, one of the world's leading impact investors. The long term tenor of the product and the bullet repayment makes this a very efficient liability structure. We hope to leverage on the visibility and goodwill across other international investors during the coming year.

As a further example of our risk management capabilities, we continued to reverse provisions that had been made on the securitization portfolios that were impacted by demonetization. On the current liquidity environment, while most of our partner entities are comfortable, we continue to be watchful to detect possible stress at an early stage.

While fresh fund raising for the Fund Management business was also impacted due to the market situation, innovative and niche product offerings have ensured that investors continue to be interested. The money market fund has received anchor commitments and has been opened for other subscribers. The first offshore fund has received in-principle commitments from key anchor investors. The organization structure of the business has been revamped and the team has been bolstered through new recruitments and internal movement of personnel from Northern Arc Capital.

Northern Arc's business resilience and continued growth stem from its ability to add value to its clients irrespective of the business environment. In times of volatility, there generally emerges a clear arbitrage between perceived and real risk. Through multiple business and economic cycles, Northern Arc has emerged as a reliable institution that has consistently delivered on its commitments to both our clients and investors.

As we close the year, I would like to take this opportunity to thank all our stakeholders and well wishers for their continued confidence in us – our clients, lenders, capital market investors and shareholders. I also wish to thank Directors on the Board for their guidance through the year, as well as for the support extended through their network of relationships across the world.

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

John Fischer
Nominee Director

Amit Mehta
Nominee Director

Rajiv Lochan
Independent Director

Dr. Susan Thomas
Independent Director

Vedika Bhandarkar
Independent Director

KEY MANAGEMENT

Dr. Kshama Fernandes
Managing Director and
Chief Executive Officer

Bama Balakrishnan
Chief Financial Officer

Gaurav Dangwal
Chief Business Officer

Pardhasaradhi R
Chief Risk Officer

Kalyanasundaram. C
Head - Finance & Operations

Saurabh Jaywant
Chief Legal Counsel

Nandita Ganapathy
Head - Markets

Amit Mandhanya
Head - Business

Salil G Nair
Chief Technology &
Information Officer

Umasree Parvathy Pratap
Head - HR

Ravi Vukkadala
CEO – Investments


BUSINESS
UPDATE

ORIGINATION SECTOR UPDATES

We concluded FY2019 with a total business volume of **INR 14,737 Cr**. While the growth in the first half had picked up as expected, the growth in second half of the financial year was impacted due to liquidity squeeze in the NBFC space due to asset-liability concerns. The growth dipped in Q2 and Q3 and revived in Q4.

The ALM in the NBFC sector largely arose from the practice of using short-term debt significantly for financing long term assets. NBFCs operating in the sectors that we work in largely do not have this mismatch as many of them did not access finance through short term commercial papers.

The RBI continued to support the NBFCs and introduced various measure such as reduction in minimum holding period of loans before securitization, increasing the single borrower exposure limit for NBFC lending by banks and allowing banks to offer partial credit enhancement to NBFCs. ECB framework for NBFCs was also simplified and garnered a lot of investor and originator interest.

The credit profile and asset liability profile of our clients continues to be strong across asset classes. We continue to work with Microfinance & Small Finance Banks, Vehicle finance, Affordable Housing Finance, Small Business Loans, Agri Business Finance, Consumer Finance and Gold Loans.

We scaled up consumer finance securitization this year and started securitization for gold loan companies.

Microfinance continued to contribute to a large portion of our volumes for FY19, followed by Vehicle Finance and Small Business Loans. This was particularly due to the preference for shorter tenure assets and the structurally positive ALM position of most NBFC MFIs. On the products side, securitisation, syndication, and investments from our balance sheet continued to be top contributors to volumes.

Key Sector Updates

A. Microfinance

In FY2019, MFIs disbursed loans aggregating ~INR 82,900 crore – 44% higher than FY2018. MFIs had a total of 4.13 crore clients and a gross loan portfolio of ~INR 68,800 crore as of end-FY2019*.

Despite the credit squeeze in the NBFC segments, NBFC MFIs continued to grow through the year. NBFC MFIs lend for 2 years and typically have borrowings of 3-year tenor and hence the business model does not have any ALM Mismatch. The sector continued to attract good quality investors despite risk aversion from lenders to the NBFC sector underscoring the long term positive outlook for the sector.

In the last financial year, Northern Arc collaborated with Microfinance Institutions Network to offer debt solutions to some of its partners. The MOSEC product scaled up in the MFI segment in FY2019.

Through the year, collection efficiency in the sector remained steady, after the recovery from demonetization. While the sector's potential for growth remains high, this growth will need to be driven by greater process discipline, strong credit culture, and responsible expansion, for sustainability and impact to be achieved over the long-term.

B. Small Business Loans

Small Business Loans is one of the growth sectors for Northern Arc. The underlying unmet demand is huge and NBFCs shall continue to play a pivotal role in financing small business loans to customers who lack documentary proofs for their income and by designing and delivering customized solutions often leveraging technology.

This sector is the most heterogenous sector with a lot of differentiated business models. The trend of tech enabled underwriting supported by strong infrastructure to have last mile connect with the client became stronger in the last FY. In addition, specialized lending such as school and education financing continue to seek to meet untapped demand.

With the advent of new-age, low-touch business models however, we continue to abide by our stringent underwriting guidelines in this segment and believe that physical touch points with the customer will remain critical in maintaining credit discipline and asset quality. Hence we believe hybrid business models will likely emerge stronger in the sector.

C. Affordable Housing Finance

Our practice in the Affordable Housing Finance sector continues to be strong given our focus on strong underwriting. Our partners in the segments offer retail home loans and loan against property and do not offer construction finance or builder finance. Further, 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.

While ALM mismatch is an inherent problem in the housing finance business model, most of our clients in the sector do not face this issue due to retail asset profile, lower leverage supported by very good portfolio quality and higher prepayment rates as clients graduate to lower cost lenders over time.

In April 2018, the RBI eased the norms for ECBs and allowed HFCs to raise ECBs under Track 1, i.e. without prior approval, provided the exposure is completely hedged. This is likely to enable HFCs to diversify their funding mix and expand the investor base to meet the large funding requirements. However, the proportion of funds raised through the ECB route will depend on the competitiveness of the overall landed cost of these ECBs compared to domestic borrowing rates.

Northern Arc Capital believes that stringent credit assessment given the informal nature of the borrower segment, process orientation, and a good equity base will aid scale and performance of this segment. Any successful affordable housing finance company will need to invest time and capital in infrastructure, human resources, technology, and control systems. While most affordable housing finance companies have significant equity support, we believe that the debt requirement will be higher in the future as business models stabilize.

Source - MFIN, ICRA reports*

D. **Vehicle Finance**

Northern Arc's practice in Vehicle Finance covers Commercial vehicles and Two wheelers financing NBFCs. Within the commercial vehicle financing space, most of our partners are focused on financing of used commercial Vehicle a subsegment which has grown over the last decade.

Used commercial vehicles tend to operate in the shorter haul and hence are not highly correlated to macro-economic factors. New commercial vehicle segment in the medium and heavy category tends to be highly coupled with the economy. This segment is facing cyclical pressure due to excess capacity in the system post the revision of axle load norms last year. GST is also expected to bring in efficiencies in the logistics sector which could lead to a short-term excess supply but will be highly beneficial in the long term. GST norms levy taxes at 28% on new commercial vehicles, impacting the cashflows of transport operators.

Our partners in this segment are a mix of large NBFCs and small NBFCs. The sector continues to be supported by marquee equity investors and also has high interest amongst debt lenders due to the proven track record of the asset class.

The outlook for growth and expansion in the sector remain positive given the healthy credit demand and sales volumes.

E. **Consumer Finance**

India is the 6th largest consumer market and is expected to become 3rd largest consumer market by the year 2025. The biggest opportunity lies in serving the demand of affordable consumption from the "Next Billion" and "Aspirers" – people who have annual income of INR 1.4 lakh - INR 4.5 lakh and INR 4.5 lakh to INR 10 lakh respectively.

The Indian consumer finance market is estimated at USD 1.3 trillion of which more than 70% is serviced by the informal sector. Consumer credit/GDP ratio of India is 13%, lower than most countries, reflecting the inability of large financiers to offer convenient, quick and affordable credit to individual consumers. Banks are active in the credit card segment and through this platform they finance purchase and consumption. EMI based consumer finance is around 15% of the total market, which is largely served by NBFCs.

Digital lending companies in this segment have a high potential – high cost of acquisition and high opex make incumbent lenders inefficient in offering consumer finance.

Northern Arc works with 6 partners in Consumer Finance. While this is a relatively new asset class with lower vintage, risk is managed through lower leverage, shorter tenure exposure and significant levels of credit enhancement for exposure.

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.

Within this segment, we provide customized financing solutions to our corporate clients across diverse sectors like Logistics, Healthcare, Clean Energy, Food & Agri, Services etc for meeting their growth capital needs in the form of Term Loans or Working Capital loans.

These entities are high growth businesses backed by quality promoters and management teams but remain unbanked or under banked and ignored by the mainstream banking system due to lack of hard collateral and the relatively younger vintage. We cater to credit requirements of such businesses through specialized credit underwriting processes centred around a deep understanding of underlying sector and detailed cashflows analysis apart from hygiene factors such as internal controls and governance structures.

In line with our mission to facilitate access of finance to our borrowers from a diversified base of investors, we propose to graduate borrowers in the Mid-Market Corporate Lending segment to access credit using innovative structures from our investors as these entities grow and scale over time.

Since inception, the Mid-Market Corporate Lending business has enabled financing of over INR 500 crore. Our current portfolio is spread across more than 25 entities in high-growth sectors like Healthcare, Logistics, Education, Clean Energy, Food & Agri and B2B services.

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.

Northern Arc has worked very closely with its partners to develop a diversified product suite. Through this platform we offer MSME loans, equipment finance, Consumer finance, Personal Loans and 2-Wheeler Loans with ticket sizes ranging from INR 5000 to INR 10 million. We currently work with 15 originator partners. Our dedicated retail team combines digital focus, tech expertise and banking experience. With our B2B2C approach we aim to serve the retail lending space with increasing scale over the coming years.

SME
LENDING

SMEs are responsible for a sizeable proportion of India's GDP, accounting for 40% of overall output, contributing 45% to exports, providing 40% of overall employment and representing 90% of industrial units by number in the country. The importance of SMEs and their contribution to the economy is set to rise in the coming years as entrepreneurship receives a fillip from enabling government policies and the evolving structure of the domestic and global economy.

Despite their critical contribution in overall economy, there is a large credit gap in the SME sector which is presently estimated at INR 27.8 trillion out of total viable and addressable debt demand which is pegged at INR 36.7 trillion (~USD 525 billion).

The inadequacy of financial support broadly stems from small scale of operations, lack of financial data, lack of collateral, lack of credit history, asymmetry in information, and reach and access issues. Northern Arc undertook a small pilot program for direct lending to SMEs to refine our product proposition and stabilize our processes before scaling up. The ticket size during the pilot phase was kept between INR 1-5 crore with both secured and unsecured offerings, a segment largely adjacent to what our SBL partners do today. We have funded more than INR 106 crore to over 40 customers operating in multiple industries through this pilot. We look forward to scaling up this business segment in FY2020 and beyond.

MARKETS & INVESTOR RELATIONS

Markets – FY2019

In Financial Year 2019, we added a total of eleven investors across various categories. As at March 2019, the total count of investors that have participated in transactions structured by Northern Arc stood at 140. During the year, Small Finance Banks became the newest segment of investors to participate in transactions arranged by Northern Arc Capital. Several Small Finance Banks, many of who were clients previously as NBFCs are now working with us to strengthen their asset base through a mix of lending and investments in securitized paper of the institutions we deal with.

In the first five months of the financial year, we saw a good mix of market placements – across PSL as well as Non PSL securitization transactions, capital market (bond) placements, as well as offshore bond placements. Mutual funds and other domestic capital market investors returned to the credit markets after a lull period during demonetization as they saw continued strong asset performance. In the first quarter of FY19, Northern Arc Capital placed bonds totaling INR 6 billion with investors in the mutual fund and insurance sectors. The ratings of the issuers of these bonds varied from BBB to AA category and we saw strong appetite from multiple investors for these issuances. In addition, we also placed several securitization transactions with underlying assets ranging from unsecured microfinance loans to secured asset backed vehicle finance and housing loans. We have also played a key role in facilitating access to capital markets to newer fintech lenders engaged in deepening access to finance.

In September 2018, the NBFC sector was impacted by a liquidity squeeze in the credit markets , upon fears of impending defaults by some large players. Stock prices of a few Housing Finance Companies and Private Sector Banks crashed, and several investors remained shut for business.

Through the period from October to December, the overall credit environment remained subdued, and risk appetite was severely curtailed. But amid this uncertainty, we found new opportunities to build strong partnerships and stay relevant to our investors and clients. We did this through a mix of new product launches, tighter monitoring of our clients and regular information flow to investors through focused one on one meetings as well as webinars and group sessions to communicate the risk differentiation of the sectors and clients we operate in the NBFC space. We maintained an open line of communication with our clients, lenders as well as investors and sought to bridge the information gap by ensuring regular and relevant flow of updates through our counters. Investors were appreciative of our involvement with them during these uncertain times and our risk and monitoring teams worked vigilantly to ensure that we had a sound understanding of the ground level operations as well as financial updates of all clients, including asset- liability mismatches and static liquidity analysis as well as portfolio quality indicators.

Our ability to continually innovate and bring to the market structured products that meet investor as well as client need has always helped us stay ahead. This year was no different and in particularly challenging times, we introduced several new structured products to help investors participate in a seemingly volatile market. We brought in multiple variants to the securitization product including

a) The partly paid securitization structure to enable higher assured volume of financing for the originator without significantly adding to the risk of the investor,

b) The Z Tranche which allowed different investors to participate in the same transaction but with access to different sections of the pool based on their risk appetite and several others.

Perhaps the most significant transaction Northern Arc brought to the market in December 2018 was the "persistent securitization". Also known as the replenishment-based securitization, it allowed for the SPV to repurchase pools of asset as per predefined criteria, thereby allowing the originator to utilize the funds for fresh disbursements and reducing the all-in cost of the transaction significantly by increasing the overall tenor. The investor requirement to ensure continued access to high quality assets was met through defining stringent criteria on pool selection and close monitoring of the same. This structure is the country's first of its kind in the securitization space.

We also placed the first ever dual recourse bond – a classic transaction which enabled a bond holder dual recourse by way of charge on receivables as well as through a senior charge on cash flows from a ring-fenced pool of receivables held through a Securitization Trust.

In the words of Jack Welch, "*An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage*". At Northern Arc, we pride ourselves on living this every single day. Inculcating an atmosphere that emphasizes on learning, challenges status quo, and pushes us to deliver incremental value to our clients and investors through our own learning has brought us to where we are today.

While market predictions may range from doomsday to turnaround to a slowdown that is likely to last longer before things get better, our unerring faith in the resilience and the potential of the markets we serve will continue to render us confident to work in these segments and build out an efficient and reliable platform to serve these markets in the years to come.

To quote a famous Greek proverb: *"You can never cross the ocean until you have the courage to lose sight of the shore"*. Northern Arc has taken off on this challenging and exciting journey of crossing a mighty ocean, at the other end of which is an inclusive and stable financial system. And while there may be some way to go to attain sight of land, we're set to face the storms the ocean may throw at us and with the support of our stakeholders, are sure to emerge victorious.

STRUCTURING
NEW PRODUCTS

Structuring

FY2019 started well with Securitization and Direct Assignment (DA) volumes in Q1 increasing to thrice that of the deal volumes in Q1 FY2018. The liquidity crisis witnessed post September 2018, led to investors preferring tenor matched off-balance sheet instruments. A record number of securitisation deals, both through Pass Through Certificate (PTC) and DA transactions, were closed overall in the Indian market in FY2019 involving a quantum of INR 2 lakh crore (140% jump over the previous fiscal), with 70% of the transactions having settled post September 2018. As per rating agency reports, the number of transactions in FY2019 through the traditional securitization route was 320, a growth of 55% over FY2018.

Northern Arc Capital closed 116 of these securitisation transactions (143 including DAs as well) for our partners. As has always been the case, in most transactions, we participated as a subordinate investor, ensuring incentive alignment. The total funds raised for our originator partners, through PTCs and DA was ~ INR 8,200 crores, the highest in a single year in Northern Arc's history.

In testing market conditions, the value addition provided by Northern Arc stood out. Out of the 100 plus partners who actively raised funds through PTC and DA, more than 75 accessed capital markets for the first-time in their history. Northern Arc utilized its product ecosystem building capabilities and introduced customized products such as Persistent Securitization (PerSec™) and Covered Bonds (CoBon™) that helped expand access to capital markets in the face of sector specific issues. The PerSec product is a replenishment-based structure that helps originators receive regular funding for a certain period, without the requirement for investors to commit additional capital. The product received the "Best Product of the Year" award at a Securitisation Summit hosted in May, 2019. Dual recourse bonds or Covered bonds enable Originators to achieve a significantly higher rating on their bonds and gain access to a wider investor base.

The year also witnessed the scaling up and expansion of some of Northern Arc's vintage products. We concluded our first two-wheeler financing MOSEC^{R} and successfully placed multiple MOSEC^{R} transactions for various small MFIs who were selling down their assets through securitisation for the first time, at a time when access to liquidity was challenging for NBFCs. Till date, Northern Arc has executed more than 100 MOSEC^{R} transactions.

The Structured Finance and Products desk at Northern Arc has strived to continuously design innovative structures in conjunction 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 an ecosystem of trustees, rating agencies and legal firms. We have also been in discussions with regulatory authorities and other stakeholders with the aim of supporting efforts at further developing the market. The strong technological transformation happening within Northern Arc is bound to add impetus to product innovation and increase manifold the role played by the Company in anchoring the development of the market.

TREASURY

Liability Management

The NBFC sector went through a challenging phase in the second half of Financial Year 2019, on account of tight liquidity leading to constraints on growth and the need for proactive and prudent ALM. However, due to prudent internal measures, stringent asset liability management policy, efficient capital management and limited dependence on short term borrowings, the company was successfully able to navigate the liquidity challenges that the sector faced.

Northern Arc Capital, over the years has taken active measures to broaden and diversify its funding profile thereby mitigating any funding concentration risks. We worked with 28 lenders as of FY2019 across PSU banks, private banks, NBFCs, Mutual Funds and offshore investors. In the current financial year, the company raised INR 1,941 crore of debt from 28 lenders including INR 200 crore of NCDs from a well reputed offshore investor, FMO, the Dutch Development Bank in December 2018. The company's overall cost of funds increased by 12 bps to 9.81 percent for FY2019, driven by higher cost of borrowings during the second half of the year. The company's lending rates for term loans are linked to a Floating Benchmark Linked Rate (FBLR) under which the company publishes its benchmark rates every month, thereby ensuring that the borrowing cost changes are suitably transmitted in lending rates. Consequently, while the company's interest expenses, on standalone basis, increased by 27 percent in FY2019, the interest income also rose by 25 percent.

As a part of asset-liability management, the company also undertakes measures to actively manage the interest rate risk on its balance sheet. 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 within approved limits. Given the floating rate nature of loans linked to an internal benchmark (FBLR), we expect the same to provide a buffer against any adverse interest rate movements in the future.

The company also undertakes a periodic sell down of assets to manage liquidity and capital efficiently. This exercise also improves price discovery and builds visibility for our assets in the market. In FY2019, the company generated additional liquidity of INR 254 crore by way of such sell downs.

Towards the end of FY19, Northern Arc Capital received INR 400 crore of equity capital infusion from IIFL Special Opportunities Fund Series. This helped us expand our capital base and we ended the year with more than INR 1,000 crore of net worth, a critical threshold in the financial services industry. This would also enable the company to pursue growth with adequate capital in the near term.

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 and support growth.

RISK MANAGEMENT

Risk Management

We took positive steps in FY2019 to maintain lower credit impairment and improve asset quality, helping to further strengthen our risk position in an environment which is characterised by increasing uncertainties. At the start of the year we implemented our new Enterprise Risk Management Framework, identifying nine Principal Risk Types including Credit, Market & Liquidity, Operational, Reputational, Compliance, Conduct, Information Technology & Information Security, Strategic and Regulatory & Government Policy related Risks. This approach allows us to view our existing risks more holistically, while improving our ability to identify and proactively manage new Risk Types.

In addition to the focus on Credit, Liquidity, Conduct risk etc., we have established Compliance as a separate function this year in line with the focus on Principal Risk Types. We are also developing our IT system, data and analytics capabilities, harnessing digital and technological innovation to enhance the speed and quality of risk decision-making.

Northern Arc remains well diversified across sectors and geographies and maintains a strong liquidity and capital position. We are well positioned to identify and take up new opportunities, while remaining vigilant towards any new threats that may arise and areas that need improvement.

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 Board (RC) and 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 policy framework.

Credit Risk assessment 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 individual and at the portfolio level. Strong emphasis is placed on evaluation and containment of risk at the individual level and analysis of the portfolio behaviour. The contours of credit risk assessment are defined by a comprehensive Risk Policy which encompasses guidelines for monitoring and mitigating the risks associated with them, Underwriting guidelines for all approved sectors we take exposures to and products with identified risks, possible mitigation and management.

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. We have also strengthened our credit risk management capacity during the year by delegating more authority to Sub Credit Committee, appointment of two Senior Credit Officers to oversee the overall credit risk that the organization carries and making Risk Opinion mandatory for all credit decisions.

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 of our pro-active risk management before exposures become delinquent. The RC periodically reviews the adherence to sector, borrower and group exposure limits and impact of the stress scenarios. All sectors are analysed in detail to suggest strategies considering both risks and opportunities.

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 periodically reviews 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 periodically reported to ALCO, FC and to the RBI.

Interest rate risk is the possible change in portfolio value due to interest rate fluctuations. Nothern 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 periodically with changes in cost of funds.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Northern Arc has adopted strict measures towards formulating an effective operational risk management strategy which involves identification, assessment, review, control and reporting of key operational risks. Northern Arc is building into its operational processes, proper segregation of functions, clear reporting structures, well-defined processes, operating manuals, staff training, verification of high value transactions and strong audit trails to control and mitigate operational risks.

New product notes prepared by business units are reviewed by all concerned departments including compliance, risk management and legal. Measurement and reporting is also achieved through the various management information systems (MIS), providing easily retrievable information, intertwined with each operational process which are generated and monitored regularly. All concerned departments coordinate and discuss key operational risk issues involving people, process, and technology, external factors etc. so as to minimise them or ensure adequate controls over them. Northern Arc has a well-defined approach to identify, measure and mitigate information technology (IT) risks. Risk registers across various processes are being implemented for assessment of likelihood and vulnerability of threats, and evaluation of their acceptability based on existing controls.

Northern Arc has been evolving towards a centralised control mechanism for better deployment and management of resources, an increasingly rigorous surveillance and classification of information to ensure a robust IT Risk management system. The Company has a well-designed Business Continuity Plan (BCP), whose effectiveness is gauged by proper testing mechanisms and which ensures continuity of business in the unlikely event of business disruption.

In addition, to manage operational risk prudently, 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 properly analysing and understanding 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.

Overall, Risk Management at Northern Arc continues to be the key focus area to support the business growth with robust Risk-Return decision making capability, pro-active identification and management of all relevant Risks and Product development for innovative structures.

TECHNOLOGY

From the earliest days of Northern Arc's existence, it has sought to make an impact in the financial inclusion space, by anticipating customer requirements, providing customized solutions and being their partners in progress. While there has been constant innovation in the financial space that has facilitated social impact, we have also increasingly focused on leveraging cutting edge technologies to improve customer experiences & journey, enhance productivity and ensure data consistency through seamless integration with partners.

The end goal is to transform the organization into a completely digital enterprise. Over the last year, we have embraced the cloud and migrated entire application sets to our private datacenter in cloud. This has enabled flexibility, scalability and provides a cost-effective solution to achieve business continuity. The Company has put an overarching information security practice in place to ensure protection of intellectual property and data security. Quarterly vulnerability assessment program and periodic penetrations tests have been institutionalized. SIEM (Security Information and event management) solution has been implemented and BCP drills & IS audits are conducted on a periodic basis.

A strong inhouse technology team comprising software architects and developers has been built. We kicked off project "Nimbus" with an ambitious plan to digitize the entire business process. This would help in optimizing and automating business process and operations. It will also assist in product development and credit assessment through deep analytics and business intelligence.

One segment where technology has already played a strong hand in enabling business opportunities is Direct Origination. Northern Arc's systems have been integrated with its partners enabling seamless transfer of information in real time. It has significantly improved the turnaround time for the end customers as well as reducing operational intensity and enhancing data accuracy. Application to disbursement time has reduced from a few days to under 5 minutes. The process also enables iterative and incremental improvements to credit assessment leading to better asset quality.

FUND MANAGEMENT

Northern Arc Investment Managers Private Limited (NAIMPL) ended FY2019 with a total asset under management (AUM) of INR 12.8 billion and total commitments raised of INR 14.1 billion across 7 Alternative Investment Funds (AIFs) (the "Funds"). True to its mandate, NAIMPL delivered superior returns across all the Funds managed by it while maintaining focus on enabling access to finance and wider capital markets to a broad range of investee companies that impact underserved markets and enterprises. All the Funds managed by NAIMPL that were open to subscription in FY2019, witnessed successful closes over the targeted fund sizes. NAIMPL also managed to attract debt capital for its funds from a wide range of institutional investors - including corporates and private wealth investors. This demonstrated resilience is noteworthy, especially since FY2019 was beset by stresses for capital market investors and liquidity issues for NBFCs, which form the core of the Funds' investee constituents.

Following the onset of the liquidity crisis in September 2018, the short-term capital markets froze. While this raised concerns on the ability of some large NBFCs who had excessive reliance on short-term capital markets for borrowing, the entities where the Funds had exposure had comfortable asset liability positions with negligible mismatches. During the year, 19 investee companies of the Funds received rating upgrades and 9 raised equity from mainstream and impact investors.

Despite the turbulence in the market, NAIMPL was able to deliver superior returns for the investors in its Funds and received no requests for redemptions. This is a testament to its strong underwriting and fund management capabilities, as also investor confidence.

Products and investor relations

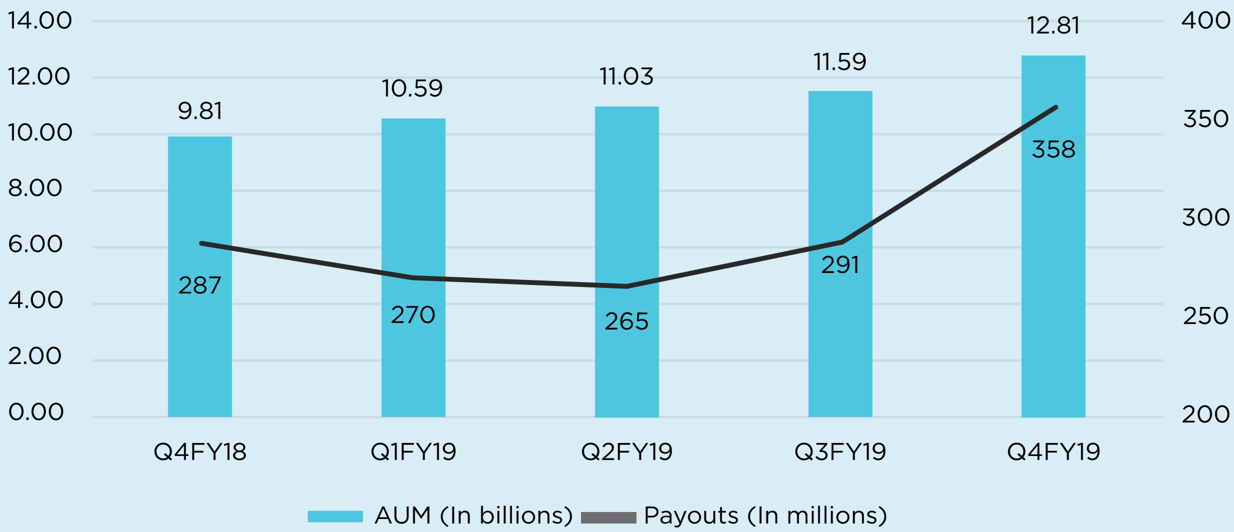
NAIMPL continued to cater to the customized needs of its investors by designing suitable products across the risk/return and tenor spectrums. During the year, the Money Market Alpha Fund ("MMA Fund"), a unique product offering designed to provide superior returns over comparative short-term market products, was launched. This Fund, the first category III fund to be managed by NAIMPL, follows a philosophy of investing in a combination of short-term instruments from the Northern Arc credit universe and open-market liquid instruments. Anchor commitments for the MMA Fund were closed at INR 1.44 billion with participation from corporate and NBFC treasuries.

During the year, NAIMPL completed fund raising and deployment for IFMR FImpact Long Term Credit Fund, IFMR FImpact Medium Term Opportunities Fund and IFMR FImpact Income Builder Fund. All three funds managed to raise higher quantum than targeted. Total committed capital at the end of the year was INR 14.1 billion vis-à-vis approximately INR 10.5 billion as at the end of FY2018.

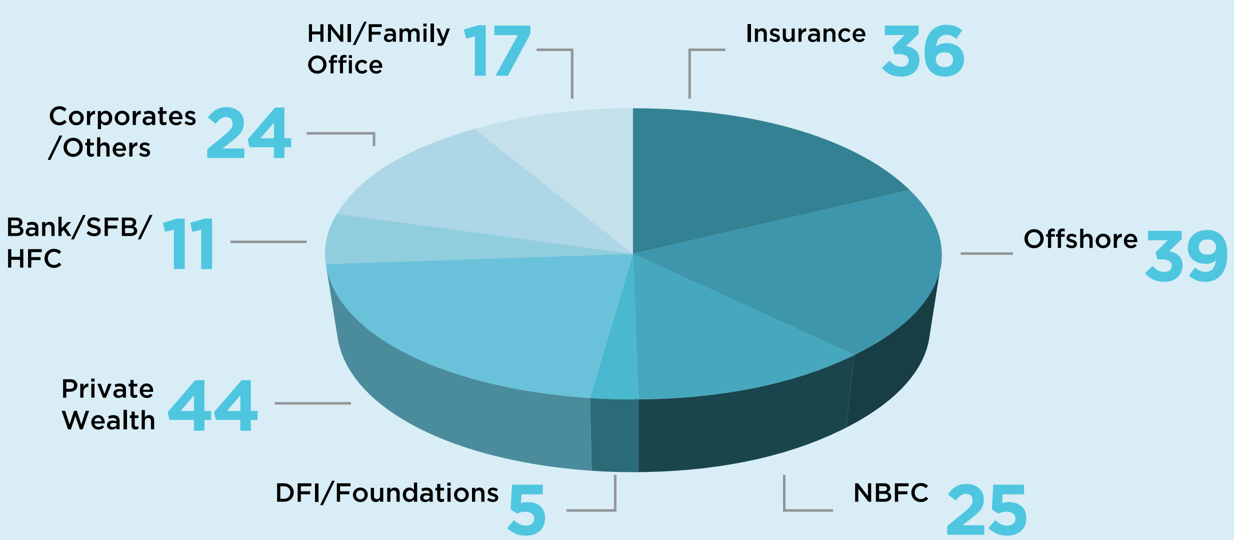
NAIMPL deepened investor relations during the year and expanded its reach to 111 new investors including corporates, private wealth, and offshore investors. The tally of unique investor relationships stands at 201 over 90 as of FY2018.

Following NAIMPL's work with CRISIL on developing India's first credit rating product for AIFs, CRISIL assigned a first of its kind credit opinion on capital protection to IFMR FImpact Medium Term Opportunities Fund. This is of significance since it provides valuable third-party evaluation of risk and sets an industry benchmark. It may aid fund raising from sophisticated investors who will now be able to benchmark vis-à-vis the universe of rated investment opportunities. Separately, CARE Ratings reaffirmed AA ratings for IFMR FImpact Investment Fund and IFMR FImpact Medium Term Microfinance Fund and upgraded ratings to AA from AA- for IFMR FImpact Long Term Multi Asset Class Fund, IFMR FImpact Long Term Credit Fund, IFMR FImpact Medium Term Opportunities Fund and IFMR FImpact Income Builder Fund

AUM Growth and Payouts



Investor Coverage (no. of investors)



Awards and Recognition

NAIMPL was presented with the "Excellence in Finance Companies, 2019" award at the FiNext Awards & Conference, 2019 in Singapore. The FiNext Awards & Conference provides a platform for the global FinTech sector and acknowledges the efforts of FinTech thought leaders and torchbearers of the industry.

Technology

In keeping with its focus on improving investor experience, NAIMPL has developed an in-house debt market tracker that is first of its kind in the industry. NAIMPL had earlier automated investor reporting which has facilitated better communication to investors. In addition, NAIMPL has also invested in a fund accounting tool that will support scale.

Outlook

Going forward, NAIMPL will continue to focus on delivering superior returns through responsible asset management to its investors even as it taps into the offshore investor base and deepens inroads into domestic investor classes. It will also aim to sustain its innovation capabilities that will facilitate investors to meet their risk/return requirements.

AWARDS & RECOGNITION

ET in the Classroom

What are Covered Bonds?

These are best described as layered refinancing instruments - a sort of a hybrid between the usual mortgage-backed security and a traditional, secured bond issued by a company. However, a covered bond is considered a safer instrument than the traditional bond because the former assures additional cushion to the investor in the shape of claims on the dedicated assets pool of the issuer. Covered bonds are now getting media attention after the credit crisis at non-banking finance companies (NBFCs) that have had to pay significantly more to roll over short-term debt and change their borrowing mix.

1. Dual recourse instruments

These are dual recourse instruments that enable companies to issue non-convertible debentures (corporate bonds) with multiple notches higher than the base credit rating. Both balance sheet and a ring-fenced pool of assets provide such dual recourse to the investor in these bonds.

These are widely sold globally as they show resilience during turbulent market and economic conditions. These have different names in various countries, although they largely originated in Europe.

2. How do they benefit investors?

Unlike secured corporate bonds that provide recourse against the issuer, covered bonds give a dual recourse. Dual protection is ensured via the issuer's balance sheet and a legally ring-fenced bankruptcy protected pool of assets. Due to the two-pronged support corporate bonds under the structure can be rated up to six notches higher than the issuer's regular creditworthiness.

3. Benefits for issuers:

Through this a company can tap altogether a different investor base by issuing much higher rated debt papers.

4. Do covered bonds bear prepayment risk?

Covered bonds do not transfer prepayment risk to investors. It repays cash to investors on pre-fixed dates, not entirely dependent on the cash-flow structure of the collateral pool.

5. When did an Indian entity issue covered bonds?

A couple of months ago, rating company ICRA rated India's first covered bond issuance with AA-(SO) grade. Kogta Financial India, actually rated as BBB+, about three-four notches lower than the covered bond grade, raised ₹25.75 crore by selling such securities. Non-Banking Financial Company Northern Arc Capital, helped structure the issuance, while Sundaram Mutual Fund invested in it.

TEXT: Saikat Das

Northern Arc raises $130mn from IIFL, Affirma Capital

TIMES NEWS NETWORK

Chennai: Custom made debt financial platform Northern Arc Capital (formerly IFMR Capital), has raised ₹910 crore or $130 million in equity in a combination of primary and secondary money, from a fund managed by IIFL and Affirma Capital, which doubles the net-worth to ₹1,200 crore.

As part of this transaction, early investors Dvara Trust, LeapFrog Investments and Accion will partially sell their stake in the company, but will however continue to stay significantly invested and remain bullish on the business. With this round of funding, the total equity raised by Northern Arc stands at ₹1,400 crore ($200 million).

Affirma Capital, a newly formed, independent private equity firm to be managed by the team of Standard Chartered Private Equity (SCPE). The Stanchart arm, an existing investor, has also invested in the company.

SCALING UP BIZ

Following this investment, Amit Mehta, Principal, IIFL Private Equity will join the board of the company.

"The capital will allow us to significantly scale-up the existing business and pursue new opportunities. We will continue to invest in product development and technology, building on our knowledge, geographical reach, field insights, data-analytics and risk-modelling," said Kshama Fernandes, Managing Director, and CEO, Northern Arc Capital. The funding received now will take care of the capital requirements for the next 18-24 months, she said. "We are building a tech backbone which will use data a lot more powerfully than what is available now," she added.

Axis Capital, Credit Suisse and ICICI Securities acted as advisors to the transaction.

Northern Arc Capital enables financial inclusion by providing entities that target low-income households and small businesses with critical access to debt capital markets. Till date, the company has enabled debt financing of around ₹70,000 crore for its clients across microfinance, small business finance, affordable housing finance, vehicle finance, agriculture finance and corporate finance.

AWARDS AND RECOGNITION:

- **Arranger of the Year – 2018**
  Indian Securitisation Awards, 2018
- **"Excellence in Finance – Companies" - Northern Arc Investments**
  FiNext Conference in Singapore recently, where Northern Arc Investments was conferred the Excellent in Finance – Companies Award for 2019.
- **Arranger of the Year – 2019**
  Indian Securitisation Awards, 2019
- **Most Innovative Deal of the Year - Persistent Securitization product (PerSec)**
  Indian Securitisation Awards, 2019

Northern Arc Capital raises ₹200 crore

TIMES NEWS NETWORK

Dutch development bank invests in the NBFC through rupee-denominated non-convertible debentures

Non-banking financial company (NBFC) Northern Arc Capital has raised ₹200 crore from the Dutch development bank FMO through an issuance of rupee-denominated non-convertible debentures (NCDs). The NCDs, issued in two tranches of ₹100 crore each, are rated A+ by ICRA.

One tranche has been structured as a "green bond" and will be utilised exclusively for green purposes on lending. "This is the first ever green bond issued in the Indian impact investing space. Northern Arc Capital will dedicate the ₹100 crore tranche to fund NBFCs that in turn finance the purchase of solar lamps, clean cooking stoves, electric and cleaner fuel vehicles, and for the financing of water and sanitation loans," the NBFC said.

"This transaction marks an important milestone in opening up the green bond market to smaller, non-bank issuers. Significantly, this will also encourage lending by NBFC-MFIs (micro-finance institutions), NBFC affordable housing finance companies and housing finance companies for green end uses," it said. "Northern Arc and FMO closely engaged to structure an instrument that will enable green financing to retail borrowers, with the aim of catalysing this sector and encouraging the purchase and installation of assets that are beneficial to the environment," the company said.

"The bond issuance is very timely, the proceeds of which will enable us to further deepen access to debt for underserved households and small enterprises in India," said Kshama Fernandes, Managing Director and CEO of Northern Arc Capital. "The overall average tenure of 3 years and 6 months of the bond issuance creates access to stable, long term financing for Northern Arc and the sectors it serves," he said. "Green bonds were conceptualised and created to fund end uses that have positive environmental and/or climate benefits, with the majority of green bonds issued having green 'use of proceeds' or being asset-linked bonds, as reported by the 'Climate Bonds Initiative'," the NBFC said. "This market kicked off in 2007 with AAA-internationally rated issuances by large multilateral institutions including the European Investment Bank and the IFC, among others," it said.

Northern Arc Capital facilitates ₹20 cr for Samunnati Financial

PRESS TRUST OF INDIA
Chennai, June 11

NON-BANKING FINANCE company Northern Arc Capital, on Monday said it has executed non-convertible debentures aggregating to ₹20 crore by Samunnati Financial to build its product portfolio.

The deal was subscribed by Netherland-based fund ASN Microkredietpool, advised by Triple Jump BV, city-based Northern Arc Capital said in a statement.

For Samunnati Financial Intermediation and Services, the fund raised, is the first offshore debt investment and would

be utilised to build its portfolio by financing the underserved small farmers and agri-enterprises.

"The agricultural value chain is responsible for the livelihood of millions of rural households in India. Despite this, large parts of this critical sector have been outside the ambit of traditional finance," Northern Arc Capital, CEO, Kshama Fernandes said.

"Northern Arc is pleased to have provided Samunnati funding through its own balance sheet as well as access to reputed global investors..," he added.

Chennai-based, Samunnati Financial Intermediation and Services offers finan-

UMMEED HOUSING FINANCE RAISES FUNDS FROM NORTHERN ARC, TRIPLE JUMP

Affordable housing finance company Ummeed Housing Finance Pvt. Ltd has raised ₹16 crore through non-convertible debentures from Northern Arc Capital and Triple Jump BV, a Dutch impact investor. Ummeed plans to use the funds to lend to lower and middle-income borrowers in tier 1 and 2 cities to buy apartments, construct homes, home improvements, and home extensions. The company had ₹198.14 crore in assets under management as on 30 September, and aims to grow its portfolio to over ₹360 crore by the end of FY19.

Kshama Fernandes, CEO
Northern Arc Capital

"We are happy to invest in the debenture issuance in collaboration with Triple Jump's Microbuild 1, enabling Ummeed to continue lending to underserved aspiring homeowners," said Kshama Fernandes, CEO of Northern Arc Capital.

Northern Arc — routing funds from investors to users

CEO Kshama Fernandes talks about the road ahead after the re-branding of IFMR Capital

N RAMAKRISHNAN

The inspiration for the name Northern Arc Capital, formerly IFMR Capital, is an ancient trade route that provided the first contact between the worlds of those with access and those without, which is the company's mandate. Kshama Fernandes, Managing Director & CEO, says Northern Arc Capital will continue to be the vital link between providers and users of capital. In its new avatar, the company will both broaden and deepen the work it does, and also focus on the funds business.

Over the last 10 years, the company has enabled financial inclusion by providing access to debt capital markets to ventures that target low income households and small businesses. In this interview, Kshama talks about the recent re-branding and the road ahead for Northern Arc Capital. Edited excerpts from the interview:

What is the idea behind the renaming and the re-branding?

We have completed 10 years and it was clear that we had established our own identity. It was time to capture that identity in a brand that belonged to us. We looked at all our stakeholders, 500-600 stakeholders, and we did a focussed job of talking to each one of them, running them through the whole logic of why we are doing the brand transformation and what it means. The shift from IFMR Capital to Northern Arc Capital happened surprisingly quickly.

One of the reasons we wanted to change the name was to have an identity that had a little more meaning for us. IFMR conveyed where we came from, but Northern Arc has an interesting history. It is a medieval trade route that connected lands that had access to wealth, property and goods to lands that didn't have access. It was like a trade route that went over mountains, valleys and rivers. The way the entire trade route history is documented is that it completely transformed the geography it went through. It connected people who had with people who didn't have. In some ways, it represents what we have done so well. That is exactly the role we are playing - of connecting people who have access to finance with those who don't.

Will there be a shift in focus? You were focussed on microfinance, affordable housing, agriculture, small business loans, commercial vehicles, and a little bit of fintech...

There is a lot more we can do in these domains. The number of new institutions and clients we are working with has increased significantly over the last quarter. That gives a sense of opportunities that exist. We want to go deeper in these existing sectors. We believe there are other opportunities as well. We have been looking closely at corporate finance. There are SME type businesses that face similar challenges as NBFCs. They have challenges in terms of access to scalable finance. They have funding lines and working capital lines. But you can't plan a business with simply having access to a working capital line.

You need a little more stable, reliable access to debt. We are looking at going beyond doing a financial institution type business. There are opportunities that might exist in the non-financial space. It is very early days. We are exploring that possibility.

We are working with some of our existing clients to directly originate portfolio on our book. We provide the under-writing framework, they originate the portfolio. They get access to a balance sheet. If they originated it on their books, they have to set aside capital. They have access to the client. Because they don't have access to capital themselves, their growth gets limited. This is a great opportunity for them to continue accessing that client base and start originating the portfolio on our books.

The number of new institutions and clients we are working with has increased significantly over the last quarter. That gives a sense of opportunities that exist. We want to go deeper in these existing sectors. We believe there are other opportunities as well. We have been looking closely at corporate finance as well.

KSHAMA FERNANDES
Managing Director & CEO, Northern Arc Capital

The other interesting area is our fund management business. It is an alternative investment fund business. It is a 100 per cent subsidiary of Northern Arc called Northern Arc Investments. We run six funds across the asset classes. The funds get launched depending on the investor, what kind of interest the investor has, what is the kind of requirement for underlying tenors. The fund reaches out to a class of investors which is willing to commit debt capital for a longer period. The Northern Arc business, in some sense what we are doing is a lot of capital market transactions. These capital market transactions are high frequency. For example, we might be doing a large number of pooled loan issuances or securitisation transactions or NCDs.

A lot of investors came back to us, saying instead of coming back to me transaction-by-transaction, why don't I give you a pool of money, why don't you manage it for me. These are all debt funds. The debt funds invest in all the sectors Northern Arc invests in. We have launched debt funds with 3-10 year tenors. There is no 10-year money in the market. What is important for a lot of our clients is that they have access to reliable capital, because of which they can plan their business.

The AUM of the funds is about ₹3,000 crore. Northern Arc has invested in every fund scheme launched by Northern Arc Investments. We have got SEBI approval for a market-linked fund targeted at high networth individuals. The fund gives us the flexibility to cater a particular issuance that the investor wants. We are in conversation with a developmental financial institution for a potential green fund.

Could you give an idea of the business that you have done over the last 10 years and what the roadmap looks like?

In terms of total numbers, it is ₹48,000-50,000 crore of financing since inception. Most of these have been capital market transactions. Our ambition to become the link between a lot of these underlying sectors and capital markets investors is something we have fulfilled over the last 10 years. We deal with 250-300 institutions, on the investor side and the clients side together.

How is the appetite for the kind of financing you arrange?

What we have done in the last 10 years is mainstream this asset class. Today, it is not unusual for a mutual fund to invest in commercial vehicle company or a small business loan company or an affordable housing finance company. Ten years ago one couldn't even imagine that. We have created a market where none existed. There is plenty of appetite.

There is scope to do more in the sectors we are present in, potentially doing newer opportunities from an origination perspective. From an investor perspective, we have explored the market in India. We have brought Indian investors to an asset class that didn't exist. It would be great to expand that geographically and go to investors outside the country. There is a pool of investors which would be interested in looking at these opportunities in India from an investment perspective.

In terms of what do we do over the next 10 years, more depth and breadth of these underlying investments is certainly something that we should be doing. There might be ways for us to scale up the business in multiple ways. We see the fund business growing significantly. We see the opportunities for bringing the international investors base into the sectors we work in.

The direction is clear. We built a market that didn't exist in India for Indian investors and for Indian clients. We believe this could be an interesting market for overseas investors as well.

Would you need to raise more funds?

Absolutely. The company is growing at an interesting rate. It is an NBFC and it is a business that requires capital on an on-going basis. We will be in the market for more equity in 2019.

Northern Arc and GAWA Cap raise ₹106 cr for NBFCs

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

The beneficiaries of this pooled bond are microfinance firms, ASA International India, SMP Financing firm, Ap Fi...

HELPING HAND

...nance, Commercial Vehicle lender, Kanakadurga Finance Limited, and Thirumeni Finance. Northern Arc has provided the common guarantee for Magallanes to dividend.

Kshama Fernandes, CEO of Northern Arc Capital, said, "It is the first debt transaction for us and comes at rate of 11%-12%. 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 disbursements every month," Jaya Prakash Narayana Chowdary of Kanakadurga Finance, said.

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

Leo Puri joins Northern Arc Capital as chairman

INDIA'S DEBT capital platform Northern Arc Capital on Monday announced the appointment of Leo Puri as its first independent, non-executive chairman of the board. Puri currently serves on the boards of Hindustan Unilever and Dr Reddy's as independent director. He has also served as independent director on the boards of Max New York Life Insurance, Infosys and BCCL.

Northern Arc launches its sixth debt fund, targets Rs150 crore

Kavya Kothiyal
kavya.k@livemint.com
MUMBAI

Private equity fund Northern Arc Investments has launched IFMR FImpact Income Builder Fund, its sixth debt fund, targeting a corpus of Rs150 crore with a green shoe option of Rs100 crore.

Northern Arc Investments is a unit of Northern Arc Capital, earlier known as IFMR Capital. The fund will predominantly target domestic institutional investors, high net worth individuals (HNIs) and leading companies. It has achieved a first close of Rs110 crore.

Northern Arc aims to invest in sectors like microfinance, small business loan finance, affordable housing, commercial vehicle finance, agri-business and corporate finance.

The debt fund has tenure of 3.5 years and aims to make eight to 10 investments of Rs20 crore in early to mid stage companies.

Northern Arc Cap closes ₹38-crore PerSec transaction

OUR BUREAU

Chennai, January 6

Northern Arc Capital, a Chennai-based non-banking financial company, today announced that it has closed India's first Persistent Securitisation (PerSec) transaction of ₹38 crore with vehicle loans originated by EssKay Fincorp as underlying assets.

"The PerSec product is unique in many ways and enables the originator to get continuous funding for a longer tenor without multiple transactions and disbursements from lenders," said Kshama Fernandes, CEO, Northern Arc Capital.

Northern Arc structures 'covered bond' transaction

OUR BUREAU

Chennai, January 16

Non-banking financial company Northern Arc Capital announced that it has structured and credit-enhanced India's first 'covered bond' transaction. Non-convertible debentures (NCDs) issued under the covered bond structure enjoy higher ratings compared to their standalone rating since the structure gives the lender recourse to the underlying asset pool and debt that appears in the issuer's balance sheet.

Northern Arc deploys 65% of debt fund

Northern Arc Investments, a subsidiary of Northern Arc Capital (formerly IFMR Capital), has deployed over 65% of its sixth, ₹1.5 billion debt fund. The 'IFMR FImpact Income Builder Fund' made its first close at ₹1.1 billion even as it completed investments worth ₹1 billion across four companies simultaneously. The fund will predominantly target domestic institutional investors, high net worth individuals (HNIs) and leading companies. It has already achieved a first close of ₹1.1 billion.

Northern Arc Capital, which rejigs MFI debt, will issue NCDs in two tranches, of which one will be a green bond

Dutch Bank FMO Invests ₹200 cr in Northern Arc

Our Bureau

Mumbai: Dutch development bank FMO invested ₹200 crore in Northern Arc Capital, which structures and invests in debts of microfinance firms. This is the second debt investment by FMO in Indian ventures this month following its $30 million (₹210 crore) investment in Satin Creditcare Network.

Northern Arc announced the issuance of non-convertible debentures in favour of FMO. The NCDs, issued in two tranches of ₹100 crore each, are rated A+ by Icra.

One tranche has been structured as a "green bond" and will be utilised exclusively for lending to green projects.

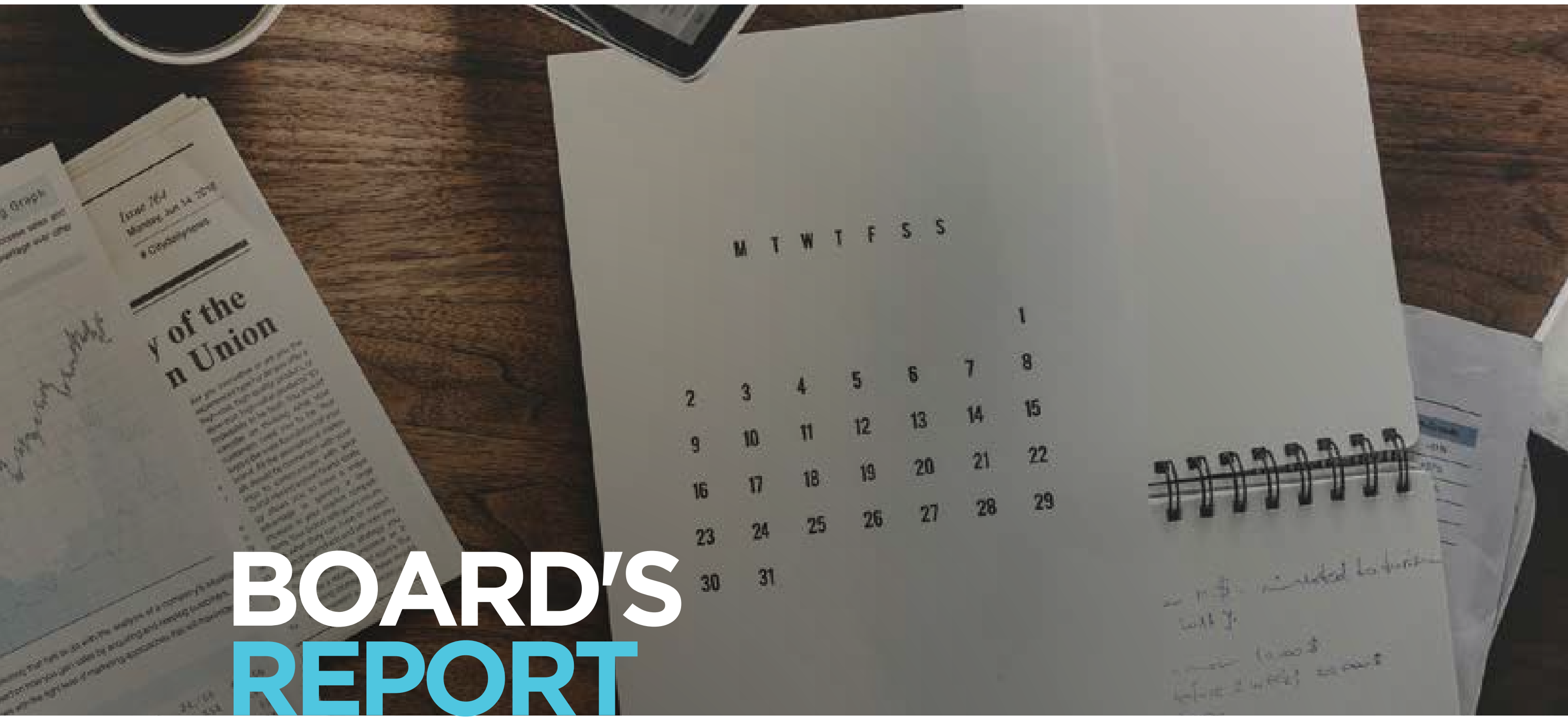
This green bond is particularly interesting as the on-lending is in the financial inclusion area of under banked and clients

LINDA BROEKHUIZEN
Chief Investment Officer, FMO

"The bond issue is of significance not only because of the size and timing but also because of its strategic nature. It is the culmination of a long-term engagement at building sustainable access to finance in India," said Kshama Fernandes, managing director of Northern Arc Capital.

This transaction may open up the green bond market to smaller non-bank issuers. "This green bond is particularly interesting as the on-lending is in the financial inclusion area of under-banked end clients," Linda Broekhuizen, chief investment officer of FMO, was quoted as saying in a press statement issued by Northern Arc.


Refund Form



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, 2019.

Financial highlights:

INR in Lakhs

Particulars	Standalone		Consolidated	
	Year ended 31-Mar-19	Year ended 31-Mar-18	Year ended 31-Mar-19	Year ended 31-Mar-18
Total income	**57,756.31**	**46,822.56**	**61,707.10**	**48,605.80**
Finance costs	30,183.93	23,712.74	30,183.93	23,715.67
Net interest income	27,572.38	23,109.82	31,523.17	24,890.13
Operating expenses	11,257.58	8,536.27	12,259.62	9,094.93
Depreciation	289.8	164.15	294.58	169.47
Pre-provision profit	16,025.00	14,409.40	18,968.97	15,625.73
Impairment and write-offs	1,444.69	3,975.61	1,486.62	4,201.57
Profit before tax	**14,580.31**	**10,433.79**	**17,482.35**	**11,424.16**
Tax expense	5,644.76	3,588.42	5,939.40	3,859.54
Profit for the period	**8,935.55**	**6,845.37**	**11,542.95**	**7,564.62**
Other comprehensive income/(loss)	-1,160.29	118.57	-1,072.71	2,261.02
Total comprehensive income	**7,775.26**	**6,963.94**	**10,470.24**	**9,825.64**
Non-controlling Interest	0.00	0.00	-1,663.98	-2,204.20
Total comprehensive income to Owners	**7,775.26**	**6,963.94**	**8,806.26**	**7,621.44**
Opening balance of retained earnings	**18,493.31**	**13,216.85**	**18,379.49**	**13,425.34**
Transfer to reserves	**-617.67**	**-1,687.48**	**-140.90**	**-2,667.29**
Appropriations	**0.00**	**0.00**	**0.00**	**0.00**
Closing balance of retained earnings	**25,650.90**	**18,493.31**	**27,044.85**	**18,379.49**

The Company has transferred a sum of INR 15 crores into the Capital Redemption Reserve towards redemption of redeemable preference shares issued during Financial Year 2015-16.

The Company and its subsidiaries have adopted Ind AS during the year under review with a transition date of 01 April 2017 and accordingly the comparative financial statement for FY2018 and opening balance sheet of 1st April 2017 has been restated.

Financial Performance

During the year ended March 31, 2019, on a consolidated basis, your Company generated total income of INR 617.07 crore, a growth of 26.95% over the earlier year. Net Interest Income was INR 315.23 crore, representing year-on-year increase of 26.65%, which resulted in a PAT of INR 115.43 crore, 52.58% higher 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 for the year under review.

Transfer to reserves:

During financial year 2018-19, your Company has transferred an amount of INR 17.87 crore 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, 2019 are summarised below. There was no change in the rating of the company during the year.

Instrument	Rating Agency	Rated Amount (in INR Crore)	Rating and Rating Action
Long-term Fund-based Limits	ICRA	2,000.00	ICRA A+/Stable; outstanding
Non-Convertible Debentures	ICRA	1,160.00	ICRA A+/Stable; amount enhanced from INR 985 crore
	India Ratings	500.00	IND A+/Stable; assigned
Subordinated Debt	ICRA	82.50	ICRA A+/Stable; outstanding
Commercial Paper	ICRA	800.00	ICRA A1+; outstanding
	CARE	800.00	CARE A1+; assigned
Preference Shares	ICRA	20.00	ICRA A/Stable; outstanding

Capital adequacy
The company's capital adequacy ratio as at March 31, 2019 was 26.52% as against 17.21% as at March 31, 2018. The minimum capital adequacy ratio prescribed by RBI is 15%.

Share Capital
During the financial year, your company raised additional capital by issue of equity shares and compulsorily convertible preference shares, and consequently the shareholding pattern of the Company (on a fully diluted basis) as at March 31, 2019 was as follows:

Name of Shareholder	No of Shares*	% of Share Capital	No of Shares*	% of Share Capital
	With ESOP Pool		Without ESOP Pool	
Dvara Trust	1,66,85,402	13.70%	1,66,85,402	14.37%
Accion Africa-Asia Investment Company	1,44,30,553	11.85%	1,44,30,553	12.42%
Leapfrog Financial Inclusion India (II) Limited	3,74,69,937	30.76%	3,74,69,937	32.26%
FIL Capital Investments (Mauritius)(II) Limited	1,36,10,748	11.17%	1,36,10,748	11.72%
Standard Chartered Bank (Singapore Branch)	94,88,908	7.79%	94,88,908	8.17%
IIFL Special Opportunities Fund	48,35,784	3.97%	48,35,784	4.16%
IIFL Special Opportunities Fund - Series 2	35,87,433	2.95%	35,87,433	3.09%
IIFL Special Opportunities Fund - Series 3	15,78,040	1.30%	15,78,040	1.36%
IIFL Special Opportunities Fund - Series 4	54,23,564	4.45%	54,23,564	4.67%
IIFL Special Opportunities Fund - Series 5	44,50,157	3.65%	44,50,157	3.83%
IIFL Special Opportunities Fund - Series 6	1,82,571	0.15%	1,82,571	0.16%
IIFL Special Opportunities Fund - Series 7	44,06,972	3.62%	44,06,972	3.79%
ESOP Pool	56,63,747	4.65%	-	-
Others (Individual)	3	0.00%	3	0.00%
Total	**12,18,13,819**	**100.00%**	**11,61,50,072**	**100%**

*Includes equity and CCPS

Change in Directors:
During the financial year, the following changes occurred in the Board of Directors of the Company.

Appointments
Mr. Rajiv Lochan (DIN:05309534) was appointed as Additional Director (Independent) by the Board of Directors of the Company with effect from April 01, 2018 and appointment of Mr. Rajiv Lochan was approved by shareholders at the annual general meeting held on July 04, 2018.

Mr. Salim Gangadharan (DIN: 06796232) was appointed as Additional Director (Independent) by the Board of Directors of the Company with effect from April 30, 2018 and appointment of Mr. Salim Gangadharan was approved by shareholders at the annual general meeting held on July 04, 2018.

Mr. Samir Amrit Shah (DIN: 00912693) who was appointed as Additional Director with effect from January 19, 2018 has been regularised at the annual general meeting held on July 04, 2018. Mr. Samir Shah has been re-designated as Nominee Director of Dvara Trust by the Board of Directors of the Company with effect from March 19, 2019.

Mr. Amit Mehta (DIN: 07089427) was appointed on the Board of your Company as a nominee of IIFL Asset Management Limited (investment manager to IIFL Special Opportunities Fund and IIFL Special Opportunities Fund Series 2-7) with effect from March 25, 2019 and the appointment of Mr. Amit Mehta was approved by shareholders at the extraordinary general meeting held on March 27, 2019.

Mr. Leo Puri (DIN: 01764813) has been appointed as Non-Executive Independent Chairman (Additional Director) by the Board of Directors of the Company with effect from March 15, 2019 subject to the approval of the members at the ensuing annual general meeting.

Cessation
Ms. Bindu Ananth (DIN: 02456029), Non Executive Director, Mr. Charles Silberstein (DIN: 03295477) and Mr. Salim Gangadharan (DIN: 06796232), Independent Directors, resigned from the Board on May 11, 2018, May 22, 2018 and January 03, 2019 respectively, and their resignations were accepted by the Board. The Board sincerely appreciates the contribution of the resigned Directors during their tenure.

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

Management Discussion and Analysis

State of Affairs - Industry and Company
The business and risk environment showed a positive trend through most of H1 FY2019 for the company and its clients, but a default by a large NBFC in mid-September 2018 led to fears of a domino effect and a virtual freezing of the credit market. Q3 FY2019 was impacted by the resultant tightened liquidity environment for NBFCs in general, as well as subdued risk appetite for wholesale NBFCs and lower rated NBFCs. While Q4 FY2019 did see a rebound in business particularly for sectors such as microfinance with significant fund raising through products such as securitisation and direct assignment as investors preferred tenure matched structures, the mood continued to be one of caution until the end of the year under review and going into FY2019-2020.

On a full year basis, your Company achieved volumes of INR 14,567 crore across sectors, a growth of 30% year on year, with Q4 FY2019 showing strong performance. In spite of the volatile business environment, particularly in the second half of the year, your Company maintained strong profitability metrics for the year.

Your Company successfully concluded a significant capital raise in the face of a challenging environment for the NBFC sector. The first tranche of the capital amounting to INR 400 crore was received towards the end of the financial year with IIFL Special Opportunities Fund being inducted as a shareholder. After completion of the year under review, your Company has received further investment from Standard Chartered Bank, an existing investor in the Company. The infusion of capital places the Company in a strong position to pursue its growth plans in the near- to medium-term.

The challenging environment faced by NBFCs in raising debt financing, resulted in a significant opportunity for your Company to play an enhanced role in ensuring continued access to credit and liquidity for the underlying sectors. We ended FY2019 with a balance sheet size of INR 4,129.27 crore, a moderate growth of 13.20% year on year, against the backdrop of tight liquidity. The average cost of borrowing for the full year was contained at 9.85% in spite of the rising incremental cost of borrowing, thanks to agile management of the borrowing mix.

We have significantly added to the base of clients we work with, ending at a total of 203 clients across sectors. The risk position of your Company was stable and credit costs were in line with expectation for the full year. This is testament to the stringent underwriting and proactive risk monitoring framework followed by your company, given the uncertain business, risk and liquidity environment that your Company operates in.

The risk management team continued to actively monitor the liquidity position, asset liability profile and portfolio performance to ensure that business expansion takes place with stringent due diligence as appropriate including through the use of external data sources, such as credit bureau data repositories. Many of our technology initiatives went live during the year and would enable us to derive operating efficiencies as we enhance usage.

In FY2020, we expect to see a healthy scale up in business volumes and the balance sheet across sectors and we plan to step-up the direct lending business. Our comfortable capital position gives us the confidence to pursue our growth plans despite the overall environment being one of caution.

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). Northern Arc Foundation has been incorporated during the financial year 2018-19 as a subsidiary of your Company. The details of subsidiaries are as follows:

i. **Northern Arc Investment Managers Private Limited (NAIMPL)**
During the year under review, NAIMPL was appointed as investment manager of the Northern Arc Money Market Alpha Fund ("MMA Fund"), a Category III Alternative Investment Fund (AIF). The MMA Fund is a unique product offering designed to provide alpha of 100 – 200 basis points over short-term money market treasury products. The product stacks well with open ended credit mutual funds in terms of yield, while providing a superior maturity profile for natural liquidity generation, and invests in both short-term instruments from the Northern Arc credit universe and open-market liquid instruments. Anchor commitments for the MMA Fund were closed at INR 144 crore with participation from corporate treasuries and NBFC-client treasuries.

NAIMPL closed the year with commitments of INR 1,410 crore vs. INR 1,045 crore as of end-FY2018. Assets under Management (AUM) grew from INR 981 crores at the end of FY2018 to INR 1,281 crores at the end of FY2019. A total of INR 300 crore was deployed across sectors during the year. NAIMPL brought on board 39 new investors during the year – primarily corporates, HNIs through the private wealth channel – which furthered the aim of diversifying the investor base. The tally of unique investor relationships as of end FY2019 stood at 201 vs. 90 as of end-FY2018.

NAIMPL continues to develop innovative products to meet investors' evolving requirements. Two new funds are on the anvil, including the Northern Arc India Impact Fund, an offshore debt fund which will be launched in Q1FY20. NAIMPL worked with CRISIL to develop a credit rating system for AIFs and IFMR FImpact Medium Term Opportunities Fund became the first AIF in India to be assigned a credit opinion, once again setting a new benchmark. Extending the rating to the newly launched fund will provider impetus to the offshore thrust. NAIMPL was presented with the "Excellence in Finance Companies, 2019" award at the FiNext Awards & Conference 2019 in Singapore, an important acknowledgement of thought leadership in the sectors that NAIMPL invests in and of excellence in operations. The FiNext Awards & Conference provides a platform for the global FinTech sector and acknowledges the efforts of FinTech thought leaders and torchbearers of the industry. NAIMPL has grown to a 13-member strong team during the year under review.

ii. **Northern Arc Investment Adviser Services Private Limited (NAIASPL)**
NAIASPL was established to provide high quality advice and products in asset classes that impact the financially excluded. During FY2018-19, 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") has been set up to focus on capacity building at field level and managerial level. For the field level, the Foundation is focusing on creating employment opportunities for college students or dropouts. The Foundation has engaged a sourcing-cum-training partner called SchoolGuru Eduserve, which is engaged with thousands of students across different states and is training them on basics of Microfinance.

The pilot project to train and employ 500 such candidates is on and should be completed by July 2019. The candidates will be hired by Northern Arc clients in the Microfinance space. Once this is done, the programme will be rolled out nationally. The capacity building at managerial level involves conducting Risk Workshops with the intention to train managers from Northern Arc clients and expose them to Northern Arc risk models. Many such workshops have been planned for FY2019-2020.

The Foundation is also sponsoring research conducted by Nielsen and Dvara Research Foundation. This will help to create a thorough understanding of consumer behaviour. The research will also help other stakeholders like policy makers for better decision making.

The Foundation continues to support other activities like Door Step School, flood relief for Kerala and any such activities which would be impactful.

Going forward the Foundation wants to focus on areas which will be large scale, stretch the rupee to its maximum and offer quality benefits to the one it is intended for.

Future Outlook

The NBFC sector faced multiple challenges in FY2018-2019 but is bouncing back steadily as we enter FY2019-2020, underpinned by an improvement in the flow of credit to the sector and an anticipation of a pick-up in the real economy.

We expect a significant improvement in the growth outlook for the major underlying sectors in our Financial Institutions business, be it microfinance, vehicle finance or small business loans, as our clients in turn are seeing strong demand and steady asset quality. We anticipate significant growth in the direct lending businesses as well: our Direct Origination (co-lending) business has made major strides in technology integration capabilities and has onboarded several fintech originators – we see FY2019-2020 as the year when these partnerships will scale up significantly, capitalising on the pent-up credit requirement in the small business and personal finance space; our Corporate Lending segment, which targets mid-tier corporate borrowers, has been growing its relationships and is well poised to significantly expand business in FY2019-2020; we have successfully completed the pilot in the SME lending space and see it as one of our key growth engines going forward.

Longer term, the Indian market holds immense potential for growth in credit to the underbanked given the abysmally low penetration levels. Northern Arc believes that it is exceptionally well-positioned to participate in this multi-year opportunity, create a significant positive impact on the market and more broadly on society and in the process, deliver significant value to all stakeholders.

Material Developments in Human Resources:

We were saddened by the loss of our Chief Risk Officer, Mr. Jayan Velayudhan, who passed away on 26th April 2018. Mr. Pardhasaradhi Rallabandi took over as the Chief Risk Officer on 2nd July 2018.

The total number of employees of the Company and its subsidiaries as at the end of 31st Mar 2019 was 180.

Non-acceptance of deposits

Your Company has not accepted any public deposits during the financial year 2018-19.

Details of conservation of energy and technology absorption

The Company has no activity relating to conservation of energy and technology absorption.

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 2.79 crore (previous year: INR 0.36 crore) under the heads listed below:

Head of Expense	Year ended 31 March 2019	Year ended 31 March 2018
Travel	0.17	0.04
Director's sitting fees		0.03
Subscription	0.01	0.07
Consultancy charges	2.53	0.18
Advertisement and publishing	0.08	
Miscellaneous expenses		0.05
Total	**2.79**	**0.36**

Meeting of Independent Directors

In terms of Para VII of the Code for Independent Directors, your Company conducted a meeting of its independent directors without the attendance 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 & 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

The provisions of Section 186 of the Act is not applicable to the Company since the Company is an NBFC whose principal business is to provide loans/ guarantees.

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, which is decided by the Compensation Committee of the Board.

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 2018-19, seven (7) meetings of the Board of Directors were held on the following dates: 11th May 2018, 25th July 2018, 07th September 2018, 26th October 2018, 20th November 2018, 05th February 2019, and 19th March 2019.

Audit Committee

Pursuant to provisions of Section 177 (8), the composition of Audit Committee of the Company as on March 31, 2019 is as follows:

Sl. No.	Name of member
1	Mr. Rajiv Lochan- Independent Director
2	Ms. Vedika Bhandarkar- Independent Director
3	Ms. Susan Thomas- Independent Director
4	Mr. Vijay Chakravarthi- Nominee Director
5	Mr. John Fischer- Nominee Director

Nomination and Remuneration Committee

The Composition of Nomination and Remuneration Committee of the Company as on March 31, 2019 is as follows:

Sl. No.	Name of member
1	Mr. Rajiv Lochan- Independent Director
2	Mr. Samir Shah- Nominee Director
3	Ms. Susan Thomas- Independent Director
4	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, 2019 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.

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.

Formal Annual Evaluation

The Company conducted a Board evaluation exercise and the guidance from the same will be used to align the Board processes and eventually achieve the objectives of the Company.

Information under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Company confirms that no complaints were received/ cases filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 during the financial year 2018-19. Your company has also complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Details of 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 1*** and forms an integral part of the Report.

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 M/s. B Ravi & Associates, a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company for FY2018-19. 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 M/s. B Ravi & Associates in their Secretarial Audit Report dated May 02, 2019 on the secretarial and other related records of the Company for FY2018-19.

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.

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

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 3.*** 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.

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 4*** of this report in the format prescribed in the Companies (Corporate Social Responsibility) Rules, 2014.

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 5.***

Details in respect of 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	2,75,80,398	1,435,200	19:1

- 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	15%
Ms. Bama Balakrishnan, Chief Financial Officer	10%*
Ms. R. Srividhya, Company Secretary	20%

**excluding long term incentive plan (LTIP) paid during the financial year 2018-19*

- Percentage increase in the median remuneration of employees in the financial year: 42.7%
- Number of permanent employees on the rolls of the company: 166 (as of 31st March 2019)
- Average percentage increase in the salaries of employees other than the KMP in FY2018-19: 22.7%* and percentage increase in key managerial remuneration: 15%
- 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 Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in an Annexure and forms part of this report. In terms of Section 136(1) of the Companies Act, 2013, the annual report and the financial statements are being sent to the Members excluding the aforesaid Annexure. The Annexure is available for inspection at the Registered office of the Company. Any Member interested in obtaining a copy of the Annexure may write to the Company Secretary 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)

Leo Puri
Non-Executive Independent Chairman
DIN: 01764813

Kshama Fernandes
Managing Director and CEO
DIN: 02539429

Date: May 21, 2019
Place: Mumbai

FORM AOC-1

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

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

Part "A": Subsidiaries

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

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Northern Arc Investment Adviser Services Private Limited (Formerly IFMR Investment Adviser Services Private Limited)
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	NA
4.	Share capital	125.00
5.	Reserves & surplus	100.28
6.	Total assets	329.72
7.	Total Liabilities	104.44
8.	Investments	104.56
9.	Turnover	154.55
10.	Profit before taxation	100.89
11.	Provision for taxation	21.49
12.	Profit after taxation	79.40
13.	Proposed Dividend	0
14.	% of shareholding	100

FORM AOC-1

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

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

Part "A": Subsidiaries

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

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Northern Arc Investment Managers Private Limited (Formerly IFMR Investment Managers Private Limited)
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	NA
4.	Share capital	361.00
5.	Reserves & surplus	1651.76
6.	Total assets	4476.77
7.	Total Liabilities	2464.01
8.	Investments	4044.59
9.	Turnover	1931.95
10.	Profit before taxation	772.30
11.	Provision for taxation	272.04
12.	Profit after taxation	500.26
13.	Proposed Dividend	0
14.	% of shareholding	100

Notes: The following information shall be furnished at the end of the statement:

1. Northern Arc Foundation was incorporated as a subsidiary of your Company on 12th Feb 2019 and was yet to commence operations as at the end of the Financial Year.
2. Names of subsidiaries which have been liquidated or sold during the year - NIL.

ANNEXURE 1

Particulars	Scheme-1	Scheme-2	Scheme-3
(a) Options granted;	721371	5672500	877330
(b) options vested;	246823	691500	-
(c) options exercised;	-	-	-
(d) the total number of shares arising as a result of exercise of option;	-	-	-
(e) options lapsed;	310000	1362000	34208
(f) the exercise price;	10	110 & 121	181
(g) variation of terms of options;	-	-	-
(h) money realized by exercise of options;	-	-	-
(i) total number of options in force;	411371	4310500	843122
(j) employee wise details of options granted to:— (i) key managerial personnel.	i. 256371 Nos	i. 930000 Nos	i. 156525 Nos
(ii) any other employee who receives a grant of options in any one year of option amounting to five per cent or more of options granted during that year.	ii. None	ii. None	ii. None
(iii) identified employees who were granted option, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	iii. None	iii. None	iii. None

ANNEXURE 2

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2019

[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]

The Members
NORTHERN ARC CAPITAL LIMITED
(previously IFMR Capital Finance Private Limited/IFMR Capital Finance Limited)
CIN: U65910TN1989PLC017021
No. 1, Kanagam Village,
10th Floor IITM Research Park,
Taramani Chennai - 600113

Dear Members,

Sub: Our Report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and books of accounts of the company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.,

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management, our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Signature
Name of Company Secretary in practice: Dr. B Ravi
FCS No.: 1810 CP No.: 3318
MANAGING PARTNER
B RAVI & ASSOCIATES
Firm Registration Number: P2016TN052400

Place : Chennai
Date : 02.05.2019

To,
The Members of
NORTHERN ARC CAPITAL LIMITED
(Previously IFMR Capital Finance Private Limited/IFMR Capital Finance Limited)
CIN: U65910TN1989PLC017021
No. 1, Kanagam Village,
10th Floor IITM Research Park,
Taramani Chennai- 600113

Dear Members,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by NORTHERN ARC CAPITAL LIMITED (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

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

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2019** according to the provisions of:

(i) The Companies Act 2013 and the rules made thereunder issued by the Ministry of Corporate Affairs from time to time;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations to the extent of Foreign Direct Investment;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') as amended:-

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (was not applicable to the company during the period under review)

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (was not applicable to the company during the period under review)

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (was not applicable to the company during the period under review)

  (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (was not applicable to the company during the period under review)

  (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

  (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (was not applicable to the company during the period under review)

  (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (was not applicable to the company during the period under review)

  (h) The Securities and Exchange Board of India (Buyback of Securities), Regulations,1998 (was not applicable to the company during the period under review)

  (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(vi) The Following Industry Specific Laws:

  (a) Reserve Bank of India Act, 1934;

  (b) Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015;

  (c) Other relevant guidelines and circulars issued by RBI from time to time to the extent applicable for the Company including Master Direction on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

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

(i) Secretarial Standard 1 and 2 issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreement entered into by the Company with BSE Limited;

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

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors and Non-Executive Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent and the meetings that were convened at shorter notice were in compliance with the requirements mandated under the Act.

A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions were taken unanimously at the Board meeting and with requisite majority at the Annual General Meeting and Extra-Ordinary General Meeting.

We further report that based on the information received, explanations given, process explained, records maintained, statutory compliance and statutory internal audit reports submitted to the Board on quarterly basis, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable labour laws, Goods and Service Tax laws and other applicable

Laws, rules, regulations and guidelines framed by the statutory authorities from time to time. The Company is regular in making statutory payments and there have been no prosecution or notices issued to the Company or its officers.

We further report that during the audit period the Company had:

(a) Obtained consent of the members to issue non-convertible debentures from time to time up to a maximum amount of Rs. 25,00,00,00,000/- and also to borrow and creation of security for such borrowings made from time to time upto an extent of Rs. 50,00,00,00,000/-

(b) Obtained consent of the members to amend the Employee Stock Option Plan 2016 and Stock Option Scheme III, 2018

(c) Issued 103 equity shares of Rs 10/- each, 2,25,33,204 compulsorily convertible preference shares of Rs. 20/- each and 4,50,00,000 cumulative non-convertible compulsorily redeemable preference shares of Rs. 10/- each

(d) Increased its authorised capital to Rs. 2,65,00,00,000/- and reclassified the share capital of the Company and amended the Memorandum of Association to reflect these changes.

(e) Obtained consent of the Board to issue of guarantees from time to time to an extent of Rs. 2,50,00,00,000/- for the Financial Year 2018-19

(f) Issued 20 Commercial Papers amounting to Rs. 6,95,00,00,000/- (Rupees Six Hundred and Ninety Five Crore).

We further report that during the audit period, the Hon'ble National Company Law Tribunal vide its order dated 20th February 2019 had sanctioned the scheme of Arrangement (Demerger) & Amalgamation between M/s. IFMR Holdings Private Limited (Demerged Company) and M/s Dvara Investments Private Limited (Resulting Company/Transferor Company) and Northern Arc Capital Limited (Transferee Company) and their respective shareholders and creditors and pursuant to the order dated 20th February 2019 and corrigendum dated 26th February 2019, the Company allotted 4,58,87,686 equity shares at Rs. 10/- each fully paid up to the shareholders of Transferor Company.

Signature:
Name of Company Secretary in practice: Dr. B Ravi
FCS No.: 1810 CP No.: 3318

MANAGING PARTNER
B RAVI & ASSOCIATES
Firm Registration Number: P2016TN052400

Date: May 2, 2019
Place: Chennai

ANNEXURE 3

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	Four Years	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		21.01.2015
Fellow Subsidiaries:			
Dvara Kshetriya Gramin Financial Services Private Limited (formerly Pudhuaaru Financial Services Private Limited)	Loans provided Fee income for other financial services	As per individual terms entered into on an arms' length basis	22.05.2018
Dvara Research Foundation (Formerly IFMR Finance Foundation)	Corporate Social Responsibility		05.02.2019
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

ANNEXURE 4

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 FY2018-19, the company contributed towards financial inclusion in underdeveloped areas of India and socio-economic development and relief through the following programs:

a) Multi-year Household Finance Research Initiative – Dvara Research Foundation

b) Services relating to content development on ELSP-Microfinance through SchoolGuru Eduserve Private Ltd.

c) Services relating to student mobilization in employment linked skilling program-BFSI through SchoolGuru Eduserve Private Ltd.

d) Donation for Kerala flood fund to Chief Minister's Distress Relief Fund

e) Remuneration paid to Vikrant Pande, President of Northern Arc Foundation

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

III. Average Net Profits of the Company for the last three financial years:

INR 96,96,85,034

IV. Prescribed CSR Expenditure: (two per cent of the amount specified in III. Above):

INR 1,93,93,701 (Amount carried forward from previous year – INR 21,50,387).

V. Details of CSR spent during the year:

a) Total amount to be spent for the financial year – INR 2,15,44,088 (including INR 21,50,387) carried forward from previous financial year)

b) Amount unspent – INR 1,16,31,443/-

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	Dvara Research Foundation - Multi-year Household Finance Research Initiative	Social Business Project	-	-	INR 50,00,000	INR 50,00,000	Direct
2	Services relating to content development on ELSP- Microfinance through School Guru Eduserve Private Ltd.	Skill development Project	Uttar Pradesh and Bihar	INR 215,350	INR 215,350	INR 215,350	Northern Arc Foundation
3	Services relating to student mobilization in employment linked skilling program- BFSI through School Guru Eduserve Private Ltd.	Skill development Project	Uttar Pradesh and Bihar	INR 4,30,700	INR 4,30,700	INR 4,30,700	Northern Arc Foundation
4	Donation for Kerala flood fund to Chief Minister's Distress Relief Fund	Socio economic development and relief and welfare	Kerala	-	INR 20,00,000	INR 20,00,000	Direct
5	Remuneration paid to Vikrant Pande, President of Northern Arc Foundation	CSR Staff expenditure	-	-	INR 21,72,360	INR 21,72,360	Direct
6	Administrative expenses towards conducting workshop on Financial Models for ECL	Social Business Project	Chennai	-	INR 94,235	INR 94,235	Northern Arc Foundation

** The Company had inadvertently missed providing the details of expenditure of INR 2,00,000 for Developing a Testing framework for Credit Risk Models during Previous year in CSR reporting for the year ended 31st March 2018. However, this was added in the amount of expenditure. This inadvertent error is now being rectified.*

VI. *Reason for not spending the required amount to be inserted:*
The CSR Committee noted that since the Northern Arc Foundation had been incorporated towards the end of the Financial Year, the activities pertaining to skill development, training and sourcing activities for the rural youth had just been initiated. With the Northern Arc Foundation taking shape, the Committee expects to strengthen its foray into the focus areas for CSR and spend all the remaining amount over the next Financial 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

ANNEXURE 5

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31/03/2019

[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 debentures)

vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: Karvy Fintech 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 (a company registered under Section 8 of the Companies Act, 2013)	U80904TN2019NPL127426	Subsidiary Company	50%	2(87)

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

i) **Category-wise Shareholding -**

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. (1) Indian Promoters									
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	45887686	0	45887686	47.88%	0	0	0	0.00%	-47.88%
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other	0	0	0	0.00%	0	0	0	0	0.00%
Sub-total (A) (1):-	**45887686**	**0**	**45887686**	**47.88%**	**0**	**0**	**0**	**0.00%**	**-47.88%**
A. (2) Foreign Promoters									
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)	**45887686**	**0**	**45887686**	**47.88%**	**0**	**0**	**0**	**0.00%**	**-47.88%**

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	0	0	0	0	24464521	0	24464521	21.06%	21.06%
ii. Foreign Company	49959876	0	49959876	52.12%	75000146	0	75000146	64.57%	64.57%
Sub-total (B)(1):-	**49959876**	**0**	**49959876**	**52.12%**	**99464667**	**0**	**99464667**	**85.63%**	**85.63%**
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	0	0	0	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									
i. Dvara Trust	0	0	0	0	16685402	0	16685402	14.37%	14.37%
Sub-total (B)(1):-	**0**	**0**	**0**	**0**	**16685402**	**0**	**16685402**	**14.37%**	**14.37%**
Total Public Shareholding(B)= (B)(1)+ (B)(2)	**49959876**	**0**	**49959876**	**52.12%**	**116150072**	**0**	**116150072**	**100.00%**	**100.00%**
C. Shares held by Custodian for GDRs & ADRs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A+B+C)	**9,58,47,562**	**0**	**9,58,47,562**	**100.00%**	**116150072**	**0**	**116150072**	**100%**	**100.00%**

It includes both equity and CCPS

(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
1.	IFMR Holdings Private Limited	45887686	47.88%	Nil	NIL	NIL	Nil	-47.88%
	Total	**45887686**	**47.88%**	**Nil**	**NIL**	**NIL**	**Nil**	**-47.88%**

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

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 pledge/ encumbered to total shares	No. of shares	% of shares pledge/ encumbered to total shares	% of total shares of the company
1.	IFMR Holdings Private Limited	45887686	47.88%	Nil*	-	-	-

** Pursuant to NCLT order dated February 20, 2019 pertaining to the Scheme of Arrangement (Demerger) and Amalgamation read with corrigendum dated February 26, 2019, 45,887,686 equity shares of the Company held by IFMR Holdings Private Limited have been extinguished and re-issued to Dvara Trust, Leapfrog Financial Inclusion (II) Limited and Accion Africa Asia Investment Company.*

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

** Disclosure includes equity shares and CCPS*

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.	**FIL Capital Investments (Mauritius) II Limited**				
	At the beginning of the year	13610748	14.20%	13610748	14.20%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	**Decrease in percentage of shareholding:** **Reason:** Allotment of shares to IIFL Special Opportunities Fund Series 1-7 on March 25, 2019			
	At the End of the year	13610748	11.72%	13610748	11.72%
2.	**Standard Chartered Bank (Singapore Branch)**				
	At the beginning of the year	9488908	9.90%	9488908	9.90%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	**Decrease in percentage of shareholding Reason:** Allotment of shares to IIFL Special Opportunities Fund Series 1-7 on March 25, 2019			
	At the End of the year	9488908	8.17%	9488908	8.17%
3.	**Leapfrog Financial Inclusion (II) India Limited**				
	At the beginning of the year	22860220	28.02%	22860220	28.02%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	**Increase in shareholding:** **Reason:** Allotment of 14,771,731 equity shares pursuant to NCLT order dated February 20, 2019 and corrigendum dated February 26, 2019 sanctioning the Scheme of Arrangement (Demerger) and Amalgamation and **Decrease in shareholding:** **Reason:** Transfer of 4162014 equity shares to IIFL Special Opportunities Fund, IIFL Special Opportunities Fund 2 to 5 and IIFL Special Opportunities Fund 7, on March 28, 2019			
	At the End of the year	37469937	32.26%	37469937	32.26%
4.	**Accion Africa Asia Investment Company**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	Allotment of 14430553 equity shares on March 07, 2019 vide NCLT order dated February 20, 2016 and corrigendum dated February 26, 2019 sanctioning the Scheme of Arrangement (Demerger) and Amalgamation			
	At the End of the year	14430553	12.42%	14430553	12.42%

5.	**Dvara Trusteeship Services Private Limited -Trustee of Dvara Trust**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	Allotment of 16685402 equity shares on March 07, 2019 vide NCLT order dated February 20, 2016 and corrigendum dated February 26, 2019 sanctioning the Scheme of Arrangement (Demerger) and Amalgamation			
	At the End of the year	16685402	14.37%	16685402	14.37%
6.	**IIFL Special Opportunities Fund - Series 4**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	Allotment of shares on March 25, 2019 and Transfer of shares on March 28, 2019			
	At the End of the year	5423564	4.67%	5423564	4.67%
7.	**IIFL Special Opportunities Fund**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	Allotment of shares on March 25, 2019 and Transfer of shares on March 28, 2019			
	At the End of the year	4835784	4.16%	4835784	4.16%
8.	**IIFL Special Opportunities Fund - Series 5**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	Allotment of shares on March 25, 2019 and Transfer of shares on March 28, 2019			
	At the End of the year	4450157	3.83%	4450157	3.83%
9.	**IIFL Special Opportunities Fund - Series 7**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	Allotment of shares on March 25, 2019 and Transfer of shares on March 28, 2019			
	At the End of the year	4406972	3.79%	4406972	3.79%
9.	**IIFL Special Opportunities Fund - Series 2**				
	At the beginning of the year	NIL			
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	Allotment of shares on March 25, 2019 and Transfer of shares on March 28, 2019			
	At the End of the year	3587433	3.09%	3587433	3.09%

(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	2,18,818.75	31,655.68	390.95	2,50,865.38
ii) Interest due but not paid				
iii) Interest accrued but not due	1,129.28	208.84	38.77	1,376.89
Total (i+ii+iii)	**2,19,948.03**	**31,864.52**	**429.72**	**2,52,242.27**
Change in Indebtedness during the financial year				
• Addition	1,90,009.80	94,500.00	1,139.44	2,85,649.24
• Reduction	1,83,593.94	70,906.83	513.18	2,55,013.95
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount	2,24,687.72	55,132.76	1,029.13	2,80,849.61
ii) Interest due but not paid				-
iii) Interest accrued but not due	1,676.17	324.93	26.85	2,027.95
Total (i+ii+iii)	**2,26,363.89**	**55,457.69**	**1,055.98**	**2,82,877.56**

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	2,75,80,398	2,75,80,398
2.	Stock option	Granted – 7,62,515 Vested – 2,67,823	-
3.	Sweat Equity	-	-
4.	Commission - as % of profits - others	-	-
5.	Others	-	-
	Total A	**2,75,80,398**	**2,75,80,398**
	Ceiling as per the Companies Act, 2013	**7,29,01,550**	**7,29,01,550**

* As on 31st March 2019, options have only been granted and vested.

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	6,07,500
2	Ms. Vedika Bhandarkar	4,50,000
3	Ms. Susan Thomas	5,25,230
4	Mr. Leo Puri	90,000
5	Mr. Charles Silberstein	Nil
6	Mr. Salim Gangadharan	1,35,000
	Total	**18,07,730**

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	2,91,24,216	35,81,835	3,27,06,051
2	Stock option	Granted – 5,51,835 Vested – 1,85,000	Granted – 28,546 Vested – 8,000	
3	Sweat Equity			
4	Commission • as % of profits • others			
5	Others			
	Total A	**2,91,24,216**	**35,81,835**	**3,27,06,051**

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: May 21, 2019
Place: Mumbai

STANDALONE FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Northern Arc Capital Limited

Report on the Audit of the Standalone Financial Statement

Opinion

We have audited the standalone financial statements of Northern Arc Capital Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2019, 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 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 31 March 2019, and profit, 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.

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.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Adoption of new accounting framework (Ind AS) – refer note 4 to the financial statements</td></tr>
<tr><td>Effective 1 April 2018, the Company adopted the Ind AS notified by the Ministry of Corporate Affairs with the transition date of 1 April 2017.

The following are the major impact areas for the Company upon transition:
• Classification and measurement of financial assets including assessment of the Business model and financial liabilities,
• Measurement of loan losses (expected credit losses)
• Accounting for loan fees and borrowing costs
• Accounting for employee stock options
• Accounting for securitization and assignment

The migration to the new accounting framework (Ind AS) is a complicated process involving multiple decision points upon transition including regulatory matter related compliances. Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date.

We identified transition date accounting as a key audit matter because of significant degree of management judgment and application on the areas noted above.</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:
• Assessing the design, implementation and operating effectiveness of key internal controls over management's evaluation of transition date choices and controls surrounding computation process.
• We have also confirmed the approvals of Audit Committee on the key transition date choices and assumptions.
• Understood the methodology implemented by management to give impact on the transition and assessed the accuracy of the computations.
• Assessed areas of significant estimates and management judgment in line with principles under Ind AS.</td></tr>
</table>

Key Audit Matter	How the matter was addressed in our audit
Impairment of loans and investments – refer notes 9 and 10 to the financial statements	
Significant estimate and judgment involved With the applicability of Ind AS 109 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. The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following: • **Segmentation of loans and investments to the customer** • **Criteria selected to identify significant increase in credit risk** • **Increase in 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** • **Considering the probability weighted scenarios, the forward looking macro-economic factors** We identified impairment of loans and investments given to customers as key audit matter because the management judgement involved in estimates has significant impact, considering the size of loan portfolio relative to the balance sheet.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • **Evaluation of the appropriateness of the impairment principles based on the requirements of Ind AS 109.** • **Assessed the design and implementation and operating effectiveness in respect of computation of impairment allowance process.** • **As at the year end, 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. We have engaged our modelling specialist to test the model methodology and reasonableness of assumptions used.** • **Performed test of details, on a sample basis, on underlying data relating to segmentation, staging as at 31 March 2019, the key inputs for computation of ECL.**

Key Audit Matter	How the matter was addressed in our audit
Valuation of financial instruments – refer notes 9 and 10 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. 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.** • **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 financial statements and our auditors' report thereon. The annual report 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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.

Management's 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 the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

Other matter

The financial information on the date of transition pursuant to adoption of Ind AS by the Company, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2014 (as amended) audited by the predecessor auditor whose report for the year ended 31 March 2017 dated 10 May 2017 expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of this matter.

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.

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 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 Indian Accounting Standards specified under section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

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

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 Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 39 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 including derivative contracts. Refer notes 7, 9, 10 and 14 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 financial statements since they do not pertain to the financial year ended 31 March 2019.

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 Company to its directors during the 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

Manoj Kumar Vijai
Partner
Place : Mumbai
Date : 21 May 2019

Annexure A to the Independent Auditor's Report to the members of Northern Arc capital Limited for the year ended 31 March 2019

(Referred to in our report of even date)

(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 and on the basis of our examination of the records of the Company, the Company has complied with the provision of Sections 185 and 186 of the Act, with respect to loan and guarantees. The Company has not made investment and granted security to the parties covered under Sections 185 and 186 of the Act. Accordingly, to the extent of paragraph 3(iv) of the Order is not applicable.

(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 31 March 2019 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	5.39	AY 2013-2014	Commissioner of Income Tax (Appeals)
Income tax act, 1961	248.12	AY 2014-2015	Income tax Appellate Tribunal
Finance act, 1994 – Service tax	12.40	AY 2010-2013	Customs, Excise and Service Tax Appellate Tribunal

(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) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments). However, the Company has raised term loans during the year. In our opinion and according to the information and explanations given to us, the term loan taken by the Company have been applied for the purpose for which they were raised.

(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 53 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

Manoj Kumar Vijai
Partner
Membership No: 046882

Place: Mumbai
21 May 2019

Annexure B to the Independent Auditor's Report to the members of Northern Arc Capital Limited for the year ended 31 March 2019 (IFMR Capital Finance Limited)

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 A 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 31 March 2019 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 31 March 2019, 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").

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

Manoj Kumar Vijai
Partner
Membership No: 046882
Mumbai
21 May 2019

NORTHERN ARC CAPITAL LIMITED
Standalone Balance Sheet as at March 31, 2019
(All amounts are in Indian Rupees in lakhs)

Particulars	Note	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
ASSETS				
Financial assets				
Cash and cash equivalents	5	18,285.52	18,052.88	11,958.14
Bank balances other than cash and cash equivalents	6	5,233.88	1,341.53	1,044.92
Derivative financial instruments	7	-	4.04	-
Trade receivables	8	1,597.24	2,312.40	1,018.26
Loans	9	278,805.38	232,751.09	158,235.40
Investments	10	104,926.98	108,146.55	121,878.22
Other financial assets	11	988.79	456.60	390.18
		409,837.79	**363,065.09**	**294,525.12**
Non-financial assets				
Current tax assets (net)		1,365.39	516.52	295.79
Deferred tax assets (net)	33	599.67	574.47	-
Property, plant and equipment	12.1	67.59	30.68	30.03
Intangible assets under development	12.2	342.75	133.40	17.69
Intangible assets	12.3	290.99	359.80	337.86
Other non- financial assets	13	413.20	96.50	156.48
		3,079.59	**1,711.37**	**837.85**
Total assets		**412,917.38**	**364,776.46**	**295,362.97**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Derivative financial instruments	14	10.65	-	21.07
Trade payables				
- Total outstanding dues of micro enterprises and small enterprises		-	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	15	876.53	697.87	1,162.81
Debt securities	16	113,323.12	60,300.00	80,525.00
Borrowings (Other than debt securities)	17	175,947.47	231,449.32	152,094.10
Subordinated liabilities	18	1,213.41	-	-
Other financial liabilities	19	5,252.61	3,480.23	5,716.38
		296,623.79	**295,927.42**	**239,519.36**
Non-financial liabilities				
Provisions	20	1,210.73	1,477.28	580.39
Deferred tax liabilities (net)	33	-	-	855.89
Other non-financial liabilities	21	362.97	315.75	6.08
		1,573.70	**1,793.03**	**1,442.36**
EQUITY				
Equity share capital	22	7,836.57	7,836.57	7,836.57
Other equity	23	106,883.32	59,219.44	46,564.68
		114,719.89	**67,056.01**	**54,401.25**
Total liabilities and equity		**412,917.38**	**364,776.46**	**295,362.97**

Significant accounting policies 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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place : Mumbai
Date : May 21, 2019

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

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Samir Amrit Shah
Director
DIN : 00912693

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

NORTHERN ARC CAPITAL LIMITED

Standalone Statement of profit and loss for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

Particulars	Note	Year ended March 31, 2019	Year ended March 31, 2018
Revenue from operations			
Interest income	24	47,533.90	38,030.61
Fees and commission income	25	4,933.33	4,906.78
Net gain on fair value changes	26	3,669.94	3,359.01
Net gain on derecognition of financial assets		4.72	462.32
Total revenue from operations		**56,141.89**	**46,758.72**
Other income	27	1,614.42	63.84
Total income		**57,756.31**	**46,822.56**
EXPENSES			
Finance costs	28	30,183.93	23,712.74
Impairment on financial instruments	29	1,444.69	3,975.61
Employee benefits expenses	30	6,758.72	4,994.80
Depreciation and amortisation expenses	31	289.80	164.15
Other expenses	32	4,498.86	3,541.47
Total expenses		**43,176.00**	**36,388.77**
Profit before tax		**14,580.31**	**10,433.79**
Tax expense	33		
Current tax		5,046.73	5,082.44
Deferred tax charge/ (credit)		598.03	(1,494.02)
		5,644.76	**3,588.42**
Profit for the year	(A)	**8,935.55**	**6,845.37**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of the defined benefit asset/ (liability)		14.07	(31.67)
Income tax relating to items that will not be reclassified to profit or loss		(4.92)	11.07
		9.15	**(20.60)**
Items that will be reclassified subsequently to profit or loss			
Fair valuation of investment in debt instruments (net)		(1,797.59)	213.92
Income tax relating to items that will be reclassified to profit or loss		628.15	(74.75)
		(1,169.44)	**139.17**
Other comprehensive income for the year	(B)	**(1,160.29)**	**118.57**
Total comprehensive income	(A+B)	**7,775.26**	**6,963.94**
Earnings per equity share (Face Value - INR 10/ Share)	34		
Basic (in rupees)		11.40	8.74
Diluted (in rupees)		9.84	8.01

Significant accounting policies — 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

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Samir Amrit Shah
Director
DIN : 00912693

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

Place : Mumbai
Date : May 21, 2019

NORTHERN ARC CAPITAL LIMITED
Standalone Statement of Cash Flows for the year ended March 31, 2019
(All amounts are in Indian Rupees in lakhs)

	Particulars	Note	As at March 31, 2019	As at March 31, 2018
A	**Cash flow from operating activities**			
	Profit before tax		8,935.55	6,845.37
	Adjustments for:			
	Depreciation and amortisation expenses		289.80	164.15
	Write off of intangible assets under development		63.33	-
	Tax expense (including deferred tax)		5,021.53	3,652.10
	Impact of Mark to market impact on derivative instruments		(14.69)	25.11
	Change in fair valuation of financial assets designated as FVTPL		(86.94)	(795.92)
	Interest income on deposits with bank		(248.25)	(70.53)
	Gain on sale of investments in mutual funds		(200.16)	(267.82)
	Gain on sale of other investments		(518.83)	(226.92)
	Impairment on financial instruments (net)		(106.31)	3,975.61
	Employee stock compensation plan		982.03	694.14
	Amortisation of discount on commercial papers		3,057.15	2,697.67
	Amortisation of ancillary costs relating to borrowings		599.67	424.29
	Finance costs		26,527.11	20,590.78
	Operating profit before working capital changes		**44,300.99**	**37,708.03**
	Changes in working capital and other changes:			
	(Increase)/ decrease in other financial assets		(528.15)	(66.89)
	(Increase)/ decrease in trade receivables		764.43	(1,294.14)
	(Increase)/ decrease in loans		(47,614.27)	(78,352.13)
	Decrease/ (increase) in other non financial assets		(316.70)	59.98
	(Increase)/ decrease in other bank balances		(3,749.79)	(334.84)
	(Decrease)/ increase in trade payables, other liabilities and provisions		1,550.82	174.32
	Cash used in operations		**(5,592.67)**	**(42,105.67)**
	Interest income received		105.96	107.43
	Income tax paid (net)		(5,895.60)	(5,303.19)
	Net cash flow used in operating activities	(A)	**(11,382.31)**	**(47,301.43)**
B	**Cash flows from investing activities**			
	Purchase of fixed assets		(530.58)	(302.45)
	Purchase of mutual fund investments		(57,005.00)	(57,400.00)
	Sale of mutual fund investments		57,205.16	57,667.82
	Purchase of other investments		(43,177.47)	(95,584.44)
	Sale of other investments (including principal repayments)		47,002.81	110,338.95
	Net cash provided by investing activities	(B)	**3,494.92**	**14,719.88**
C	**Cash flow from financing activities**			
	Proceeds from issue of debt securities (net of repayments)		53,023.12	(20,225.00)
	Proceeds from borrowings (net of repayments)		(59,158.67)	76,233.26
	Proceeds from issue of preference share capital		1,213.41	-
	Utilisation of the securities premium		(1,093.40)	-
	Proceeds from issue of convertible preference share capital including securities premium		39,999.99	4,993.11
	Proceeds from issue of equity share capital		-	-
	Finance cost paid		(25,864.13)	(22,326.41)
	Net cash generated from financing activities	(C)	**8,120.32**	**38,674.96**
	Net increase in cash and cash equivalents	(A+B+C)	**232.93**	**6,093.41**
	Cash and cash equivalents at the beginning of the year		18,051.55	11,958.14
	Cash and cash equivalents at the end of the year		**18,284.48**	**18,051.55**

NORTHERN ARC CAPITAL LIMITED

Standalone Statement of Cash Flows for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

		Note	As at March 31, 2019	As at March 31, 2018
	Notes to cash flow statement			
1	**Components of cash and cash equivalents:**	5		
	Cash on hand		-	-
	Balances with banks			
	- in current accounts		15,284.48	14,551.55
	- in deposit accounts free of lien		3,000.00	3,500.00
			18,284.48	**18,051.55**

Particulars	As at March 31, 2018	Cash Flows	Non Cash Changes	As at March 31, 2019
Borrowings	231,449.32	(59,158.67)	3,656.82	175,947.47
Debt Securities	60,300.00	53,023.12	-	113,323.12
Sub ordinated liabilities	-	1,213.41	-	1,213.41

Significant accounting policies 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

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Samir Amrit Shah
Director
DIN : 00912693

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

Place : Mumbai
Date : May 21, 2019

NORTHERN ARC CAPITAL LIMITED

Standalone statement of changes in equity for the year ended March 31, 2019

(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 April 1, 2017	**7,836.57**
Changes in equity share capital during the year	-
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**

B. Other Equity

Particulars	Compulsorily Convertible Preference Shares	Other equity								Total other equity attributable to equity holders of the Company
		Reserves and surplus						Other Comprehensive Income (OCI)		
		Statutory reserve	Capital redemption reserve	Securities premium	Capital Reserve	Employee stock option reserve	Retained earnings	Debt instruments through OCI	Remeasurements of defined benefit liability/ assets	
Balance as at April 1, 2017	2,672.64	3,641.96	1,500.00	21,472.87	-	39.05	13,216.85	4,021.31	-	46,564.68
Change in equity for the year ended March 31, 2018										
Shares issued during the year	823.74	-	-	-	-	-	-	-	-	823.74
Creation of capital reserve pursuant to scheme of arrangement (refer note 76)	-	-	-	-	3.57	-	-	-	-	3.57
Premium received on shares issued during the year	-	-	-	4,169.37	-	-	-	-	-	4,169.37
Profit for the year	-	-	-	-	-	-	6,845.37	-	-	6,845.37
Transfer to statutory reserve	-	1,548.31	-	-	-	-	(1,548.31)	-	-	-
Employee compensation expense during the year	-	-	-	-	-	694.14	-	-	-	694.14
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	(20.60)	(20.60)
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	(20.60)	-	20.60	-
Fair valuation of investment in debt instruments (net)	-	-	-	-	-	-	-	139.17	-	139.17
Balance as at March 31, 2018	**3,496.38**	**5,190.27**	**1,500.00**	**25,642.24**	**3.57**	**733.19**	**18,493.31**	**4,160.48**	**-**	**59,219.44**

NORTHERN ARC CAPITAL LIMITED

Standalone statement of changes in equity for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

B. Other Equity (Continued)

Particulars	Compulsorily Convertible Preference Shares	Other equity								Total other equity attributable to equity holders of the Company
		Reserves and surplus						Other Comprehensive Income (OCI)		
		Statutory reserve	Capital redemption reserve	Securities premium	Capital Reserve	Employee stock option reserve	Retained earnings	Debt instruments through OCI	Remeasurements of defined benefit liability/ assets	
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**	**60,488.35**	**3.57**	**1,715.22**	**25,650.90**	**2,991.04**	**-**	**106,883.32**

Significant accounting policies 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

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Leo Puri
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Kshama Fernandes
Managing Director
DIN: 02539429

Samir Amrit Shah
Director
DIN : 00912693

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

Place : Mumbai
Date : May 21, 2019

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 notified under Section 133 of Companies Act, 2013, (the 'Act'), other relevant provisions of the Act.

These standalone financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015 as amended by the Companies (Indian Accounting Standards) Rules 2016. The Company has adopted Ind AS from 1 April 2018 with effective transition date of 1 April 2017 and accordingly these standalone financial statements have been prepared in accordance with the recognition and measurement principles as laid down in Ind AS prescribed under Section 133 of the Act.

As these are the Company's first standalone financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position and financial performance of the Company is provided in Note 4.

These standalone financial statements were authorised for issue by the Company's Board of Directors on May 21, 2019.

Details of the Company's accounting policies were 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 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. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented separately.

Financial assets and financial liability 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, 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.

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 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 behavioral 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 behavior 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 asset**
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 all owances.

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 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 FVOCI and financial instrument measured at 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 instrument - 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) **FVOCI**

iii) **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 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 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 (FVTOCI)**
A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset 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 to sale and collect contractual cash flows, they are measured at FVTOCI.

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 Company has accounted for its investments in subsidiaries at cost.

Financial liability
i) **Initial recognition and measurement**
All financial liability 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 value 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 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. The Company did not reclassify any of its financial assets or liabilities in the year ended 31 March 2019 and 31 March 2018.

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

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) Full 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 catagorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

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

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

Stage 3: Loans considered credit impaired are the loans 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 loans 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 loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company 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. Loans and advances measured at FVOCI
The ECLs for loans and advances 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 a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time.

i) **Customer Spending**

ii) **Interest rates**

3.7 Write-offs
Financial assets are written off when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 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 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) **Transition to Ind AS**

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at April 1, 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment.

iii) **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.

iv) **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) **Transition to Ind AS**

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

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

i) **Determining whether an arrangement contains a lease**
At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair

values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

ii) **Lease payments**
Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost.

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.

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 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.

3.20 Standard Issued But Not Yet Effective

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective from April 1, 2019

Ind AS 116 - Leases

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

The Company will adopt Ind AS 116, effective annual reporting period beginning April 1, 2019. The Company will apply the standard to its leases, prospectively, using the modified prospective method with the cumulative effect of initially applying the standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company will not restate comparative information, instead, the cumulative effect of initially applying this Standard will be recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an Company shall recognise the income tax consequences of dividends in the statement of profit or loss, other comprehensive income or equity according to where the Company originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the Company pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the Company has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the Company is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) Company has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 109 – Prepayment features with negative compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

Ind AS 19 – Plan amendment, curtailment or settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement.

In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

4 Explanation of transition to Ind AS

As stated in Note 2.1, these are the Company's first standalone financial statements prepared in accordance with Ind AS. For the year ended March 31, 2018, the Company had prepared its standalone financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The accounting policies set out in Note 3 have been applied in preparing these standalone financial statements for the year ended March 31, 2019 including the comparative information for the year ended March 31, 2018 and the opening standalone Ind AS balance sheet on the date of transition i.e. April 1, 2017.

In preparing its Ind AS balance sheet as at April 1, 2017 and in presenting the comparative information for the year ended March 31, 2018, the Company has adjusted amounts reported previously in standalone financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Company in restating its standalone financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

Optional exemptions availed and mandatory exceptions

In preparing these standalone financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

4.1 Optional exemptions availed

i) **Property plant and equipment and intangible assets**

As per Ind AS 101 an entity may elect to:

i) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date

ii) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:

- fair value;
- or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

The elections under (i) and (ii) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, *Intangible Assets,* (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market).

iii) use carrying values of property, plant and equipment and intangible assets as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment and intangible assets. The same election has been made in respect of intangible assets. The carrying values of property, plant and equipment as aforesaid are after making adjustments relating to decommissioning liabilities, if any.

ii) **Investment in subsidiaries**

Ind AS 101 allows a first time adopter to use a deemed cost when measuring an investment in a subsidiary in the separate opening statement of financial position. This deemed cost can be determined using either fair value at the date of tranistion to Ind AS or a previous GAAP carrying amount at that date. A first time adopter is able to choose whether the to use the deemed cost exemption on an investment by investment basis for its subisidiary.

Accordingly the Company has elected to avail the exemption and use the previous GAAP carrying value as a deemed cost.

iii) **Designation of previously recognised financial instruments**

Ind AS 101 permits an entity to designate particular equity investments (other than equity investments in subsidiaries) as at fair value through other comprehensive income (FVOCI) based on facts and circumstances at the date of transition to Ind AS (rather than at initial recognition)

The Company has opted to avail this exemption to designate equity investments (other than investment in subsidiary) as FVOCI on the date of transition.

4.2 Mandatory exceptions

i) **Accounting Estimates**

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Fair valuation of financial instruments carried at FVTPL and FVOCI
- Impairment of financial assets based on the expected credit loss model
- Determination of discount value for financial instruments carried at amortised cost

ii) **Classification and measurement of financial assets**
Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

iii) **Derecognition of financial assets and liabilities**
As per Ind AS 101, an entity should apply the de-recognition requirements in Ind AS 109, Financial Instruments, prospectively for transactions occuring on or after the date of transition to Ind AS. However an entity may apply the de-recognition requirements retrospectively from a date chosen by it if the information needed to apply Ind AS 109 to financial assets and financial liabilities de-recogniesed as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the derecognition criteria for financial assets/ liabiltiies prospectively. Hence it has not recognised any financial assets/ financial liabilities previously de-recognised

iv) **Impairment of financial assets**
The Company being NBFC company is required to assess the impairment of financial assets based upon the new model i.e. ECL instead of rule based guidance (RBI Prudential Norms) as prevailed under previous GAAP.

Accordingly, the Company has applied the impairment requirement of Ind-AS 109 on all financial assets recognised as per Ind-AS 109 retrospectively except:

1. The Company has sought to approximate the credit risk on initial recognition by considering all reasonable and supportable information that is available without undue cost or effort.
2. The Company has determined whether the financial asset is having low credit risk, as specified in Ind-AS 109, and whether there is a significant increase in credit risk since initial recognition of financial assets by applying rebuttable presumption of 60 days past due.
3. If the Company is unable to determine whether there is a significant increase in credit risk since initial recognition of a financial asset, without involving undue cost or effort, the Company shall recognise a loss amount equal to life time expected losses at each reporting date till the financial asset is derecognised.

   Accordingly, the Company has developed ECL model for testing of impairment of loans and advances.

(All amounts are in Indian Rupees in lakhs)

4 Explanation of transition to Ind AS (Continues)

4.3 Reconciliation of equity

ASSETS	As at date of transition April 1, 2017			As at March 31, 2018		
	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
ASSETS						
Financial assets						
Cash and cash equivalents	11,958.14	-	11,958.14	18,052.88	-	18,052.88
Bank balances other than cash and cash equivalents	1,044.92	-	1,044.92	1,341.53	-	1,341.53
Derivative financial instruments	-	-	-	4.04	-	4.04
Receivables	-			-		
- Trade receivables	1,045.66	(27.40)	1,018.26	2,463.94	(151.54)	2,312.40
Loans	159,684.60	(1,449.20)	158,235.40	229,151.66	3,599.43	232,751.09
Investments	114,240.42	7,637.80	121,878.22	99,641.99	8,504.56	108,146.55
Other financial assets	399.95	(9.77)	390.18	360.78	95.82	456.60
	288,373.69	**6,151.43**	**294,525.12**	**351,016.82**	**12,048.27**	**363,065.09**
Non-financial assets						
Current tax assets (net)	295.79	-	295.79	516.52	-	516.52
Deferred tax assets (net)	1,219.98	(1,219.98)	-	2,240.77	(1,666.30)	574.47
Other non- financial assets	32.11	124.37	156.48	18.01	78.49	96.50
Property, plant and equipment	30.03	-	30.03	30.68	-	30.68
Intangible assets	337.86	-	337.86	359.80	-	359.80
Intangible fixed assets under development	17.69	-	17.69	133.40	-	133.40
	1,933.46	**(1,095.61)**	**837.85**	**3,299.18**	**(1,587.81)**	**1,711.37**
Total asset	**290,307.15**	**5,055.82**	**295,362.97**	**354,316.00**	**10,460.46**	**364,776.46**

NORTHERN ARC CAPITAL LIMITED

Notes to the Standalone financial statements for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

Particulars	As at date of transition April 1, 2017			As at March 31, 2018		
	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
LIABILITIES AND EQUITY						
LIABILITIES						
Financial liabilities						
Derivative financial instruments	21.07	-	21.07	-	-	-
Trade payables	1,150.68	12.13	1,162.81	683.64	14.23	697.87
Debt securities	80,525.00	-	80,525.00	60,300.00	-	60,300.00
Borrowings (Other than debt secuities)	152,052.68	41.42	152,094.10	224,358.84	7,090.48	231,449.32
Other financial liabilities	5,716.38	-	5,716.38	3,890.45	(410.22)	3,480.23
	239,465.81	**53.55**	**239,519.36**	**289,232.93**	**6,694.49**	**295,927.42**
Non-financial liabilities						
Provisions	783.85	(203.46)	580.39	1,779.48	(302.20)	1,477.28
Deferred tax liabilities (net)	-	855.89	855.89	-	-	-
Other non-financial liabilities	6.08	-	6.08	315.75	-	315.75
	789.93	**652.43**	**1,442.36**	**2,095.23**	**(302.20)**	**1,793.03**
EQUITY						
Equity share capital	7,836.57	-	7,836.57	7,836.57	-	7,836.57
Other equity	42,214.84	4,349.84	46,564.68	55,151.27	4,068.17	59,219.44
	50,051.41	**4,349.84**	**54,401.25**	**62,987.84**	**4,068.17**	**67,056.01**
Total liabilities and equity	**290,307.15**	**5,055.82**	**295,362.97**	**354,316.00**	**10,460.46**	**364,776.46**

**previous year figures were regrouped, wherever necessary to conform to current year presentation.*

(All amounts are in Indian Rupees in lakhs)

4 Explanation of transition to Ind AS (Continues)

	April 1, 2017	March 31, 2018
Total equity (shareholder's funds) as per previous GAAP	**50,051.41**	**62,987.84**
Impact on recognition of processing fee on financial assets and financial liabilities under Effective Interest Rate method	(1,147.79)	(1,897.81)
Impact on application of Expected Credit Loss method for impairment allowance on financial assets	52.93	(1,018.10)
Fair value adjustment on investments	1,130.92	1,926.84
Income adjustment on account of derecognition of loans (net)	114.73	168.98
Interest income from investments in preference shares of subsidiaries	97.41	161.25
Fair valuation adjustment of financial assets through Other Comprehensive Income	6,181.31	6,394.99
Others	(3.80)	(1.68)
Tax effects on above adjustments	(2,075.87)	(1,666.30)
Total adjustments	**4,349.84**	**4,068.17**
Total equity (shareholder's funds) as per Ind AS	**54,401.25**	**67,056.01**

4.4 Reconciliation of total comprehensive income for the year ended March 31, 2018

	Year ended March 31, 2018		
	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Revenue from operations	45,898.26	860.46	46,758.72
Other income	-	63.84	63.84
Total income	**45,898.26**	**924.30**	**46,822.56**
Expenses			
Finance costs	22,964.55	748.19	23,712.74
Impairment on financial instruments/write-offs	2,904.58	1,071.03	3,975.61
Employee benefits expenses	4,534.12	460.68	4,994.80
Depreciation and amortisation expenses	164.15	-	164.15
Other expenses	3,527.89	13.58	3,541.47
Total expenses	**34,095.29**	**2,293.48**	**36,388.77**
Profit before income tax	**11,802.97**	**(1,369.18)**	**10,433.79**
Current tax	5,082.44	-	5,082.44
Deferred tax	(1,021.00)	(473.02)	(1,494.02)
Income tax expense	**4,061.44**	**(473.02)**	**3,588.42**
Profit for the year	**7,741.53**	**(896.16)**	**6,845.37**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax	-	(20.60)	(20.60)
Items that will be reclassified subsequently to profit or loss, net of tax	-	139.17	139.17
Total comprehensive income	**7,741.53**	**(777.59)**	**6,963.94**

(All amounts are in Indian Rupees in lakhs)

4 Explanation of transition to Ind AS (Continues)

Particulars		Year ended March 31, 2018
Profit as per previous GAAP		**7,741.53**
Adjustments resulting in increase / (decrease) in profit after tax as reported under previous GAAP:		
Impact on recognition of processing fee on financial assets and financial liabilities under Effective Interest Rate method	*(i) and (ii)*	(750.02)
Impact on application of Expected Credit Loss method for impairment allowance on financial assets	*(iii)*	(1,071.03)
Fair value adjustment on investments	*(iv)*	795.92
Income adjustment on account of derecognition of loans (net)	*(v)*	54.25
Interest income from investments in preference shares of subsidiaries	*(vi)*	63.84
Employee stock compensation expense under fair valuation method	*(vii)*	(492.37)
Other adjustments		30.22
Tax impact on above adjustments		473.03
Net Profit after tax for the year under Ind AS		**6,845.37**
Other comprehensive income		
Fair valuation adjustment of financial assets through Other Comprehensive Income, net of taxes	*(iv)*	139.17
Remeasurement loss on defined benefit plan, net of taxes		(20.60)
Total Comprehensive Income for the year under Ind AS		**6,963.94**

**Previous year figures were regrouped, wherever necessary to conform to current year presentation.*

(i) Loans at amortised cost

Based on Ind AS 109, financial assets in the form of loans have been accounted at amortised cost using effective interest rate method and accordingly, processing fee have been recognised using the effective interest rate method and recorded under interest income in the statement of profit and loss. Under previous GAAP, processing fee were recognised on an upfront basis to the income statement and disclosed under Revenue from operations (as Income from other financial services).

	Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit	
Processing fee income	*(686.00)*
Adjustment before income tax	**(686.00)**

	April 1, 2017	March 31, 2018
Balance sheet		
Increase in unamortised processing fee income *	*1,106.37*	1,792.37
Adjustment to retained earnings	**1,106.37**	**1,792.37**

** Consequent decrease in loans*

(All amounts are in Indian Rupees in lakhs)

(ii) Borrowings at amortised cost

Based on Ind AS 109, financial liabilities in the form of borrowings have been accounted at amortised cost using effective interest rate method. Accordingly, upfront transaction costs have been included in the effective interest rate computations and disclosed as interest cost in the statement of profit and loss. Under previous GAAP, these costs were amortised on a straight line basis over the tenure of the loan and disclosed under finance costs (as amortisation of ancillary cost). The unamortised component were disclosed under Loans and advances under previous GAAP.

The impact arising from the change is summarized as follows:

	Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit	
Finance costs	*(64.02)*
Adjustment before income tax	**(64.02)**

	April 1, 2017	March 31, 2018
Balance sheet		
Decrease in unamortised borrowings cost*	*41.42*	105.44
Adjustment to retained earnings	**41.42**	**105.44**

** Consequent decrease in borrowings*

(iii) Loss allowance

On transition to Ind AS, the Company has recognised impairment loss on loans measured at amortised cost based on the expected credit loss model as required by Ind AS 109. Consequently, loans measured at amortised cost have been reduced with a corresponding decrease/ increase in retained earnings on the date of transition and there has been an incremental provision for the year ended March 31, 2018. The provision for standard assets and provision for non-performing assets were disclosed as provisions in the previous GAAP. Under Ind AS, the expected credit loss has been disclosed as a deduction from loans.

The impact arising from the change is summarized as follows:

	Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit	
Impairment loss allowance on loans	*(1,071.03)*
Adjustment before income tax	**(1,071.03)**

	April 1, 2017	March 31, 2018
Balance sheet		
(Decrease)/ Increase impairment loss allowance on loans #	*(52.93)*	1,018.10
Adjustment to retained earnings	**(52.93)**	**1,018.10**

 # Shown as a reduction in loans

(All amounts are in Indian Rupees in lakhs)

(iv) Fair valuation of investments

In accordance with Ind AS, financial assets representing certain loans, investment in alternative investment funds, pass through certificates and debt instruments have been fair valued. The Company has designated loans, pass through certificates and debt instruments as fair value through other comprehensive income and investment in alternative investment funds as fair value through profit or loss, as permitted by Ind AS 109. Under the previous GAAP, such investments were carried at cost.

The impact arising from the change is summarized as follows:

	Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit	
Increase in fair valuation adjustment-Assets fair valued through Profit and Loss	*795.68*
Other Comprehensive Income ('OCI') - Increase / (decrease) in OCI	
Increase in fair valuation adjustment-Assets fair valued through OCI	*213.92*
Adjustment before income tax	**1,009.60**

	April 1, 2017	March 31, 2018
Balance sheet		
Increase in fair value of the financial assets designated as FVOCI	*6,181.31*	6,394.99
Increase in fair value of the financial assets designated as FVTPL	1,130.92	1,926.84
Adjustment to retained earnings	**7,312.23**	**8,321.83**

(v) De-recognition of securitised and assignment portfolio

Under Ind AS, since the loan portfolio sold would not meet the derecognition criteria for securitisation transactions, the Company has reinstated the loan portfolio in the books and recognised a corresponding liability for the amounts received from the investors in the pass through certificates. The Company has recognised interest income at the actual rates on the underlying loans and also recognised interest expense for the rate payable to the investors. Further, the interest on fixed deposits has been recognized on an accrual basis.

The gain on sale or derecognition of assigned portfolio are recorded upfront in the statement of profit and loss as per Ind AS 109.

The impact arising from the change is summarized as follows:

	Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit	
Interest income	*684.16*
Finance costs	*(684.16)*
Adjustment before income tax	**-**

	April 1, 2017	March 31, 2018
Balance sheet		
Increase on account of de-recognition of loans	114.73	168.98
Adjustment to retained earnings	**114.73**	**168.98**

(vi) Interest income on compulsory convertible preference shares

As per Ind AS Interest income from investments in preference shares of subsidiaries has been recognised as income and the corresponding liability has been created to the extent of the preference dividend.
The impact arising from the change is summarized as follows:

	Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit	
Interest income	*63.84*
Adjustment before income tax	**63.84**

	April 1, 2017	March 31, 2018
Balance sheet		
Interest income from investments in preference shares of subsidiaries	*97.41*	161.25
Adjustment to retained earnings	**97.41**	**161.25**

(vii) Share based payments measurement

The Company granted cash-settled share-based payments to certain employees. The Company accounted for these share-based payment arrangements by reference to their intrinsic value under previous GAAP. Under Ind AS, the related liability has been adjusted to reflect the fair value of the outstanding cash-settled shared-based payments.
The impact arising from the change is summarized as follows:

	Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit	
Employee benefits expenses	(492.37)

	April 1, 2017	March 31, 2018
Balance sheet		
Incrase in Employee stock option reserve	*0.95*	493.32
Adjustment to retained earnings	**0.95**	**493.32**

(viii) Recognition of suspended interest income (net)

Further, under previous GAAP the Company did not accrue interest income on contracts that were classified as non-performing assets in accordance with the RBI Regulations. Under Ind AS, the Company recognises interest income on stage 3 assets resulting in an increase in income of INR 7 lakhs for the year ended 31 March 2018 and provided for the same on account of uncertainity of its collections.

(ix) Remeasurement of post-employment benefit obligations

Under the previous GAAP, actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability was forming part of the profit or loss for the year. However under Ind AS, such actuarial gains and losses are recognised in other comprehensive income. However, there is no major change on the total comprehensive income and total equity as at April 1, 2017 and March 31, 2018.

(x) Other comprehensive income

Under Previous GAAP, there was no concept of OCI. Under Ind AS, fair valuation of certain loans, investments in pass through certificates and debt securities whose business model is "held to collect and sell" and re-measurement of defined benefit plan liability are recognised in OCI.

(xi) Deferred tax

IGAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS12 requires entities to account for deferred taxes using the Balance Sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under IGAAP.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings, OCI or profit and loss respectively.

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
5	**Cash and cash equivalents**			
	Balance with banks	15,284.48	14,551.55	11,958.14
	Bank deposit with maturity of less than 3 months (free of lien)	3,000.00	3,500.00	-
	Interest accrued	1.04	1.33	-
		18,285.52	**18,052.88**	**11,958.14**

Balances with banks earn interest at floating rates based on daily bank deposit rates. 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, 2019	As at March 31, 2018	As at April 1, 2017
6	**Bank balances other than cash and cash equivalents**			
	Fixed deposit with bank	1,195.54	390.92	967.77
	Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments	3,857.90	913.02	-
	Interest accrued	180.44	37.59	77.15
		5,233.88	**1,341.53**	**1,044.92**

Note:

6.1 The Company has received cash collateral amounting to Rs.1,195.54 lakhs (March 31, 2018 : Rs.390.92 Lakhs; April 1, 2017: Rs 962.08 lakhs) for the loans given.

6.2 The Company has given fixed deposits as credit enhancement for securitisation transactions entered by it, amounting to Rs 3,857.90 lakhs (March 31, 2018 : Rs.913.02 Lakhs; April 1, 2017: Nil).

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
7	**Derivative financial instruments**			
	Currency derivatives			
	Currency swaps	-	4.04	-
		-	**4.04**	**-**

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
8	**Trade receivables**			
	Receivables - considered good, unsecured	1,699.51	2,463.94	1,045.66
	Less: Impairment loss allowance	(102.27)	(151.54)	(27.40)
		1,597.24	**2,312.40**	**1,018.26**
	Receivables which have significant increase in credit risk, unsecured Less: Impairment loss allowance	-	-	-
		1,597.24	**2,312.40**	**1,018.26**
	Of the above, trade receivables from related parties	-	-	-

(All amounts are in Indian Rupees in lakhs)

9 Loans

	Particulars	As at March 31, 2019			As at March 31, 2018			As at April 1, 2017		
		At Amortised cost	At Fair Value through Other Comprehensive Income	Total	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	241,653.50	39,865.04	281,518.54	201,302.96	33,665.70	234,968.66	108,886.76	50,421.61	159,308.37
	Less : Impairment loss allowance	(2,713.16)	-	(2,713.16)	(2,217.57)	-	(2,217.57)	(1,072.97)	-	(1,072.97)
	Total	**238,940.34**	**39,865.04**	**278,805.38**	**199,085.39**	**33,665.70**	**232,751.09**	**107,813.79**	**50,421.61**	**158,235.40**
B.	**Based on Security**									
	(i) Secured by tangible assets	209,735.42	38,711.02	248,446.44	169,407.64	30,652.71	200,060.35	84,922.03	38,708.74	123,630.77
	(ii) Unsecured	31,918.08	1,154.02	33,072.10	31,895.32	3,012.99	34,908.31	23,964.73	11,712.87	35,677.60
	Total Gross Loans	**241,653.50**	**39,865.04**	**281,518.54**	**201,302.96**	**33,665.70**	**234,968.66**	**108,886.76**	**50,421.61**	**159,308.37**
	Less: Impairment loss allowance	(2,713.16)	-	(2,713.16)	(2,217.57)	-	(2,217.57)	(1,072.97)	-	(1,072.97)
	Total Net Loans	**238,940.34**	**39,865.04**	**278,805.38**	**199,085.39**	**33,665.70**	**232,751.09**	**107,813.79**	**50,421.61**	**158,235.40**
C.	**Based on region**									
	(I) Loans in India									
	(i) Public Sector	-	-	-	-	-	-	-	-	-
	(ii) Private Sector	241,653.50	39,865.04	281,518.54	201,302.96	33,665.70	234,968.66	108,886.76	50,421.61	159,308.37
	Total Gross loans	**241,653.50**	**39,865.04**	**281,518.54**	**201,302.96**	**33,665.70**	**234,968.66**	**108,886.76**	**50,421.61**	**159,308.37**
	Less: Impairment loss allowance	(2,713.16)	-	(2,713.16)	(2,217.57)	-	(2,217.57)	(1,072.97)	-	(1,072.97)
	Total (I)-Net loans	**238,940.34**	**39,865.04**	**278,805.38**	**199,085.39**	**33,665.70**	**232,751.09**	**107,813.79**	**50,421.61**	**158,235.40**
	(II) Loans outside India									
	Loans outside India	-	-	-	-	-	-	-	-	-
	Total (I) and (II)	**238,940.34**	**39,865.04**	**278,805.38**	**199,085.39**	**33,665.70**	**232,751.09**	**107,813.79**	**50,421.61**	**158,235.40**

*Term loans are secured exposures secured wholly by way of underlying portfolio. Notes: Of the above, loans to related parties are as below:

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Total loans to related parties	1,140.01	1,127.04	1,496.91
Less: Loss allowance on loans to related parties	(19.20)	(17.13)	(28.80)
Net loans to related parties	**1,120.81**	**1,109.91**	**1,468.11**

NORTHERN ARC CAPITAL LIMITED

Notes to the Standalone financial statements for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

10 Investments

Particulars	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
Investment in debentures (quoted)					
Non-convertible redeemable debentures	-	47,533.58	-	-	47,533.58
Investment in Commercial papers (quoted)					
Commercial papers	-	-	-	-	-
Investment in pass-through certificates (unquoted)					
Investment in pass-through certificates	-	25,731.57	-	-	25,731.57
Investment in Other approved securities (unquoted)					
Alternative Investment Funds	-	-	31,323.29	-	31,323.29
Investments in subsidiaries, at cost (Unquoted)					
Preference shares in subsidiaries					
Northern Arc Investment Adviser Services Private Limited	-	-	-	-	-
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
Northern Arc Investment Managers Private Limited	-	-	-	361.00	361.00
Other investments (Unquoted)					
Share warrants	-	-	1.14	-	1.14
Total Gross investments (A)	**-**	**73,265.15**	**31,324.43**	**1,413.18**	**106,002.76**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	-	73,265.15	31,324.43	1,413.18	106,002.76
Total Gross investments	**-**	**73,265.15**	**31,324.43**	**1,413.18**	**106,002.76**
Less: Impairment loss allowance for Investments in India (B)		(1,075.78)	-	-	(1,075.78)
Less: Write off on financial instruments					-
Total Net Investments (A + B)	**-**	**72,189.37**	**31,324.43**	**1,413.18**	**104,926.98**

(All amounts are in Indian Rupees in lakhs)

10 Investments (Continues)

Particulars	As at March 31, 2018				
	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	-	50,175.62	-	-	50,175.62
Investment in Commercial papers (quoted)					
Commercial papers	-	-	-	-	-
Investment in pass-through certificates (unquoted)					
Investment in pass-through certificates	-	35,382.02	-	-	35,382.02
Investment in Other approved securities (unquoted)					
Alternative Investment Funds	-	-	23,397.10	-	23,397.10
Investments in subsidiaries, at cost (Unquoted)					
Preference shares in subsidiaries					
Northern Arc Investment Adviser Services Private Limited	-	-	-	92.63	92.63
Northern Arc Investment Managers Private Limited	-	-	-	866.62	866.62
Equity shares of subsidiaries					
Northern Arc Investment Adviser Services Private Limited	-	-	-	127.80	127.80
Northern Arc Investment Managers Private Limited	-	-	-	361.00	361.00
Other investments (Unquoted)					
Share warrants	-	-	0.23	-	0.23
Total Gross investments (A)	**-**	**85,557.64**	**23,397.33**	**1,448.05**	**110,403.02**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	-	85,557.64	23,397.33	1,448.05	110,403.02
Total Gross investments	**-**	**85,557.64**	**23,397.33**	**1,448.05**	**110,403.02**
Less: Impairment loss allowance for Investments in India (B)		(2,256.47)	-	-	(2,256.47)
Less: Write off on financial instruments					
Total Net Investments (A + B)	**-**	**83,301.17**	**23,397.33**	**1,448.05**	**108,146.55**

(All amounts are in Indian Rupees in lakhs)

10 Investments (Continues)

Particulars	As at April 1, 2017				
	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	-	63,879.21	-	-	63,879.21
Investment in Commercial papers (quoted)					
Commercial papers	2,800.00	-	-	-	2,800.00
Investment in pass-through certificates (unquoted)					
Investment in pass-through certificates	-	42,728.26	-	-	42,728.26
Investment in Other approved securities (unquoted)					
Alternative Investment Funds	-	-	11,107.22	-	11,107.22
Investments in subsidiaries, at cost (Unquoted)					
Preference shares in subsidiaries					
Northern Arc Investment Adviser Services Private Limited	-	-	-	86.55	86.55
Northern Arc Investment Managers Private Limited	-	-	-	808.86	808.86
Equity shares of subsidiaries					
Northern Arc Investment Adviser Services Private Limited	-	-	-	127.80	127.80
Northern Arc Investment Managers Private Limited	-	-	-	361.00	361.00
Other investments (Unquoted)					
Share warrants	-	-	-	-	-
Total Gross investments (A)	**2,800.00**	**106,607.47**	**11,107.22**	**1,384.21**	**121,898.90**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	2,800.00	106,607.47	11,107.22	1,384.21	121,898.90
Total Gross investments	**2,800.00**	**106,607.47**	**11,107.22**	**1,384.21**	**121,898.90**
Less: Impairment loss allowance for Investments in India (B)	(20.68)	-	-	-	(20.68)
Less: Write off on financial instruments					
Total Net Investments (A + B)	**2,779.32**	**106,607.47**	**11,107.22**	**1,384.21**	**121,878.22**

(All amounts are in Indian Rupees in lakhs)

11 Other financial assets

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Unsecured, considered good			
Security deposits	217.54	173.49	163.41
Advances to employees	26.05	24.49	2.38
Excess Interest spread receivable	14.63	168.98	114.73
Other receivables	528.09	51.65	10.48
Advances to subsidiaries	202.48	37.99	99.18
	988.79	**456.60**	**390.18**

12.1 Property plant and equipment

	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Cost or deemed cost							
Balance at April 1, 2017	0.29	1.73	11.37	11.73	0.19	4.72	30.03
Additions	-	0.41	34.86	10.16	-	-	45.43
Disposals	-	-	1.09	-	-	-	1.09
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	-	-	2.73	-	-	-	2.73
As at March 31, 2019	**0.29**	**2.52**	**149.23**	**40.39**	**0.19**	**4.72**	**197.34**
Accumulated depreciation							
Balance at April 1, 2017	-	-	-	-	-	-	-
Depreciation for the year	0.16	1.36	24.38	17.17	0.12	1.57	44.76
On disposals	-	-	1.07	-	-	-	1.07
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	-	-	1.96	-	-	-	1.96
As at March 31, 2019	**0.23**	**2.02**	**91.90**	**32.81**	**0.17**	**2.62**	**129.75**
Net block							
As at April 1, 2017	**0.29**	**1.73**	**11.37**	**11.73**	**0.19**	**4.72**	**30.03**
As at March 31, 2018	**0.13**	**0.78**	**21.83**	**4.72**	**0.07**	**3.15**	**30.68**
As at March 31, 2019	**0.06**	**0.50**	**57.33**	**7.58**	**0.02**	**2.10**	**67.59**

NORTHERN ARC CAPITAL LIMITED
Notes to the Standalone financial statements for the year ended March 31, 2019
(All amounts are in Indian Rupees in lakhs)

12.2 Intangible assets under development

	Software	Total
Balance at April 1, 2017	**17.69**	**17.69**
Add: Additions	154.02	154.02
Less: Capitalized during the year	(38.31)	(38.31)
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**

12.3 Intangible assets

	Software	Total
Cost or deemed cost		
Balance at April 1, 2017	**337.86**	**337.86**
Additions	141.33	141.33
Disposals	-	-
As at March 31, 2018	**479.19**	**479.19**
Additions	132.97	132.97
Disposals	-	-
As at March 31, 2019	**612.16**	**612.16**
Accumulated amortisation		
Amortisation for the year	119.39	119.39
On disposals	-	-
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**
Net block		
As at April 1, 2017	**337.86**	**337.86**
As at March 31, 2018	**359.80**	**359.80**
As at March 31, 2019	**290.99**	**290.99**

(All amounts are in Indian Rupees in lakhs)

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
13	**Other non- financial assets**			
	Prepaid expense	67.95	29.67	51.64
	Advances to vendors	345.25	66.83	104.84
		413.20	**96.50**	**156.48**
14	**Derivative financial instruments**			
	Currency derivatives			
	Currency swaps	10.65	-	21.07
		10.65	**-**	**21.07**
15	**Trade payables**			
	Trade payables			
	- dues to micro enterprises and small enterprises (refer note 41)	-	-	-
	- dues to creditors other than micro enterprises and small enterprises	876.53	697.87	1,162.81
		876.53	**697.87**	**1,162.81**
16	**Debt securities**			
	Measured at amortised cost:			
	Secured, redeemable non-convertible debentures:			
	- 11.10% Redeemable non-convertible debentures of INR 1,000,000 each	-	-	12,500.00
	- 9.80% Redeemable non-convertible debentures of INR 1,000,000 each	5,000.00	-	-
	- 9.88% Redeemable non-convertible debentures of INR 1,000,000 each	3,500.00	-	-
	- 9.69% Redeemable non-convertible debentures of INR 1,000,000 each	7,500.00	7,500.00	-
	- 10.90% Redeemable non-convertible debentures of INR 1,000,000 each	7,500.00	7,500.00	7,500.00
	- 9.60% Redeemable non-convertible debentures of INR 1,000,000 each	10,000.00	10,000.00	10,000.00
	- 9.88% Redeemable non-convertible debentures of INR 1,000,000 each	10,000.00	10,000.00	-
	- 11.15% Redeemable non-convertible debentures of INR 1,000,000 each	-	-	15,000.00
	- 10.10% Redeemable non-convertible debentures of INR 1,000,000 each	-	-	10,000.00
	- 9.45% Redeemable non-convertible debentures of INR 1,000,000 each	9,916.94	-	-
	- 9.60% Redeemable non-convertible debentures of INR 1,000,000 each	9,906.18	-	-
		63,323.12	**35,000.00**	**55,000.00**

(All amounts are in Indian Rupees in lakhs)

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
16	**Debt securities (Continued)**			
	Unsecured, redeemable non-convertible debentures:			
	- 14.50% redeemable non-convertible debentures of INR 50,000 each	-	300.00	525.00
	- 10.15% Redeemable non-convertible debentures of INR 1,000,000 each	25,000.00	-	-
	- 10.43% redeemable non-convertible debentures of INR 1,000,000 each	25,000.00	25,000.00	25,000.00
		50,000.00	**25,300.00**	**25,525.00**
	Total redeemable non-convertible debentures	**113,323.12**	**60,300.00**	**80,525.00**
	Debt securities in India	113,323.12	60,300.00	80,525.00
	Debt securities outside India	-	-	-
	Total redeemable non-convertible debentures	**113,323.12**	**60,300.00**	**80,525.00**
17	**Borrowings** *(Other than debt secuities)*			
	Measured at amortised cost:			
	Secured			
	Term Loans			
	- from banks	91,792.85	123,457.44	86,840.14
	- from others	31,924.06	25,289.34	7,360.80
	Loans repayable on demand from banks			
	- working capital loan from banks	17,500.00	16,500.00	9,209.00
	- Cash credit from banks	20,696.74	19,013.82	16,464.34
		161,913.65	**184,260.60**	**119,874.28**
	Unsecured			
	Term Loans			
	- from banks	1,500.00	1,500.00	
	- from others	3,650.23	4,870.96	
	Others			
	- Commercial paper	10,000.00	42,500.00	33,500.00
	- Less: unamortised discount on commercial paper	(549.89)	(1,225.11)	(942.28)
	- Commercial paper (net)	9,450.11	41,274.89	32,557.72
		14,600.34	**47,645.85**	**32,557.72**
	Total borrowings (Other than debt secuities)	**176,513.99**	**231,906.45**	**152,432.00**
	Borrowings in India	176,513.99	231,906.45	152,432.00
	Borrowings outside India	-	-	-
	Total borrowings (Other than debt secuities)	**176,513.99**	**231,906.45**	**152,432.00**
	Less: Unamortised borrowing costs	(566.52)	(457.13)	(337.90)
	Total borrowings (Other than debt secuities)	**175,947.47**	**231,449.32**	**152,094.10**

Note : The Company has not defaulted in the repayment of principal and interest.

(All amounts are in Indian Rupees in lakhs)

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
18	**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	**-**	**-**
19	**Other financial liabilities**			
	Collateral deposits from customers	1,029.13	390.95	929.60
	Interest accrued on collateral deposits from customers	26.85	38.70	78.65
	Employee benefits payable	1,944.14	1,577.00	682.43
	Remittances payable - derecognised assets	203.31	-	638.68
	Interest accrued but not due on debt securities	1,612.90	861.97	2,522.83
	Interest accrued but not due on borrowings other than debt securities	388.20	476.15	550.92
	Other liabilities	48.08	135.46	313.27
		5,252.61	**3,480.23**	**5,716.38**
20	**Provisions**			
	Provision for employee benefits:			
	- gratuity	358.33	274.16	156.29
	- compensated absences	191.65	94.80	81.06
	Provision for others:			
	- Impairment loss allowance for guarantees	402.97	521.68	172.90
	- Impairment loss allowance for undrawn loans	257.77	586.64	170.14
		1,210.72	**1,477.28**	**580.39**

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
21	**Other non- financial liabilities**			
	Statutory dues payable	362.97	315.75	6.08
		362.97	**315.75**	**6.08**

(All amounts are in Indian Rupees in lakhs)

Note 16 A : Details regarding terms of issuance of debt securities

Particulars	Amount	Terms of Redemption	Interest rate	Security
Secured, redeemable non-convertible debentures:				
- 350 units (March 31, 2018: Nil units) of 9.88% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on April 3, 2019	3,500.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 1 year Redemption date: April 3 ,2019	9.88%	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, 2018: 750 units) of 9.69% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on May 2, 2019	7,500.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal to be repaid on maturity Tenure of security: 400 days Redemption date: May 2,2019	9.69%	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, 2018: 750 units) of 10.90% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 24, 2019	7,500.00	Coupon payment frequency: Annual Principal repayment frequency: Entire principal to be repaid on maturity Tenure of security: 3 years Redemption date: June 24, 2019	10.90%	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, 2018: Nil units) of 9.80% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on September 27, 2019	5,000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal to be repaid on maturity Tenure of security: 381 days Redemption date: September 27, 2019	9.80%	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, 2018: 1,000 units) of 9.60% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 27, 2019	10,000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal to be repaid on maturity Tenure of security: 3 years Redemption date: Decemebr 27,2019	9.60%	Secured with loan receivables and investments, with a security cover of 1.05x over the outstanding Non-Convertible Debentures
- 1,000 units (March 31, 2018: 1,000 units) of 9.88% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 27, 2020	10,000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: March 27, 2020	9.88%	Secured with loan receivables and investments, with a security cover of 1.05x over the outstanding Non-Convertible Debentures
- 1,000 units (March 31, 2018: 1,000 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, 2018: Nil 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 annually Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 5 years Redemption date: Dec 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
Secured, redeemable non-convertible debentures:				
- 2,500 units (March 31, 2018: 2,500 units) of 10.43% redeemable non-convertible debentures of INR 1,000,000 each, maturing on August 2, 2019	25,000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3 years Redemption date: August 2,2019	10.43%	NA
- 2,500 units (March 31, 2018: Nil 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

Note 17 A : Details regarding terms of borrowings (from banks)

Particulars	Amount	Terms of Redemption	Interest rate	Security
Term Loan 1	280,185,331.73	Repayments terms: 8 Equal quarterly installments (Repayment is made in USD equivalents of the repayment amount as per the repayment schedule in the cross currency swap deal confirmation) Tenor of Security : 2 years Redemption date: December 30, 2019	8.90%	Exclusive charge over the standard assets of the company created out of the Commercial Term Loan Facility granted by Axis Bank Term Loan with security cover of l.20x on the outstanding facility at all time.
Term Loan 2	125,000,000.00	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: September 26, 2019	8.90%	First exclusive charge over specifically identified loan receivables and investments of the Borrower, sufficient to provide a security cover of 1 .20x on the outstanding facility at all time.
Term Loan 3	166,666,666.68	Repayments terms: 6 Half Yearly installments Tenor of Security : 3 Years Redemption date: November 30, 2019	10.00%	First exclusive charge (floating) over loan receivables and investments of ihe company to provide a security cover of 1.20 times of the facility outstanding at all times
Term Loan 4	74,985,889.00	Repayments terms: Facility to be repaid in 8 equal quarterly instalment after a moratorium of six months Tenor of Security : 30 months Redemption date: December 26, 2019	10.10%	Exclusive charge over the standard assets of the company created out of the Commercial Term Loan Facility granted by Abu Dhabi Commercial Bank with security cover of l .15x on the outstanding facility at all time.
Term Loan 5	555,000,000.00	Repayments terms: Repayment of 15 crores followed by 10 equal quarterly installments Tenor of Security : 3 Years Redemption date: December 31, 2019	10.20%	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 6	166,666,672.00	Repayments terms: Repayable in 36 months by 12 equal quarterly installments Tenor of Security : 3 Years Redemption date: March 24, 2020	9.15%	Hypothecation of Specific loan assets to the value of 125% of the loan amount.
Term Loan 7	199,343,285.43	Repayments terms: 10 Quarterly installments after the first 6 months. Tenor of Security : 2.75 Years Redemption date: March 28 ,2020	9.80%	The Security for DPN Loan of Rs.50.00 crore shall be H Exclusive Hypothecation charge on the specific receivable& (excluding capital market receivables and· investments) of the Company both present and future with minimum security coverage of 110% at any point of time "instead of" First Ranking pari pasu charge on receivables (excluding capital market receivables and investments)
Term Loan 8	71,428,571.50	Repayments terms: Repayment 14 Quarterly repayments commencing (nine) months from the date of disbursement Tenor of Security : 48 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	104,166,669.00	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.

(All amounts are in Indian Rupees in lakhs)

Note 17 A : Details regarding terms of borrowings (from banks) (Continued)

Particulars	Amount	Terms of Redemption	Interest rate	Security
Term Loan 10	583,333,330.66	Repayments terms: Monthly installments 6 months from the date of 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 1.11 times of our loan at any point of time during currency of the facility.
Term Loan 11	312,500,000.00	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%	First exclusive charge over specifically identified loan receivables and investments of the Borrower, sufficient to provide a security cover of 1 .20x on the outstanding facility at all time.
Term Loan 12	143,750,000.03	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 13	250,000,000.00	Repayments terms: 10 equal quarterly installments Tenor of Security : 3 Years Redemption date: June 28, 2022	9.45%	First exclusive charge (floating) over loan receivables and investments of the company to provide a security cover of 1.20 times of the facility outstanding at all times
Term Loan 14	312,500,000.00	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 1.10 times
Term Loan 15	75,000,000.00	Repayments terms: 12 Quarterly Installments 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 16	275,000,002.00	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 17	25,000,004.00	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 18	147,833,830.01	Repayments terms: Repayment of INR. 2,50,00,000 per quarter. 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 1.10 times.

Note 17 A : Details regarding terms of borrowings (from banks)

Particulars	Amount	Terms of Redemption	Interest rate	Security
Term Loan 19	157,500,000.00	Repayments terms: Facility to be repaid in 8 equal quarterly instalment 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 from ADCB with asset classification as "standard" and with a security cover of 1.15x at all time during the tenor of the term loan.
Term Loan 20	249,999,999.66	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 21	250,000,000.00	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 1.15 times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 22	633,333,308.00	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 1.1x.
Term Loan 23	160,000,000.00	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 1.15 times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 24	160,000,000.00	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 1.15 times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 25	187,499,998.00	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 1.15 at all times)
Term Loan 26	909,090,909.00	Repayments terms: 10 quarterly instalments of Rs.2,50,00,000 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 1.25 times on the outstanding facility at all times.

(All amounts are in Indian Rupees in lakhs)

Note 17 A : Details regarding terms of borrowings (from banks)

Particulars	Amount	Terms of Redemption	Interest rate	Security
Term Loan 27	458,333,333.00	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 28	916,000,000.00	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 1. 10 times on the outstandin facility at all times.
Term Loan 29	229,166,668.00	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 1.20 times
Term Loan 30	250,000,000.00	Repayments terms: 12 equal quarterly installments Tenor of Security: 3 Years Redemption date: January 9, 2022	10.95%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 31	750,000,000.00	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 1.1x.
Term Loan 32	150,000,000.00	Repayments terms: Entire amount repaid on the redemptio date Tenor of Security: 66 Months Redemption date: June 28, 2023	10.25%	NA

Note 17 B : Details regarding terms of borrowings (from others)

Particulars	Amount	Terms of Redemption	Interest rate	Security
Term Loan 1	145,454,548	Repayment Terms: Quarterly installments Tenor: 3 years Redemption Date: February 7, 2020	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 1.20x
Term Loan 2	261,756,451	Repayment Terms: Repayment to be made in 8 quarterly installments Tenor: 2 Years Redemption Date: March 19, 2020	9.50%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.10 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 3	161,711,034	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 1.10 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 4	147,266,628	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 1.18 times of the outstanding principal at any point of time during currency of the facility.

(All amounts are in Indian Rupees in lakhs)

Note 17 B : Details regarding terms of borrowings (from others)

Particulars	Amount	Terms of Redemption	Interest rate	Security
Term Loan 5	128,066,279	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 1.1O x of the principal at any point of time during the currency of the facility.
Term Loan 6	232,014,411	Repayment Terms: 36 Monthly installments Tenor: 3 Years Redemption Date: Decemebr 17, 2021	12.00%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.18 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 7	366,666,664	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 1.20x
Term Loan 8	750,000,000	Repayment Terms: Repayment in 12 equal quarterly installments Tenor: 3 Years Redemption Date: March 31, 2022	11.90%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.10 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 9	250,000,000	Repayment Terms: Entire amount is repaid on maturity Tenor: 5.50 Years Redemption Date: June 27, 2023	10.25%	NA

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
22	**Share capital**			
	Authorised			
	125,000,000 (March 31, 2018: 165,000,000; April 1 2017: 165,000,000) equity shares of INR 10 each	12,500.00	16,500.00	16,500.00
	60,100,000 (March 31, 2018: 17,500,000; April 1, 2017: 17,500,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	12,020.00	3,500.00	3,500.00
	19,800,000 (March 31, 2018: 20,000,000; April 1, 2017: 20,000,000) 9.85% Cumulative non convertible compulsorily redeemable preference shares of INR 10 each	1,980.00	2,000.00	2,000.00
		26,500.00	**22,000.00**	**22,000.00**
	Issued, subscribed and paid up			
	78,365,776 (March 31, 2018: 78,365,673; April 1, 2017 : 78,365,673) equity shares of INR 10 each	7,836.57	7,836.57	7,836.57
		7,836.57	**7,836.57**	**7,836.57**

(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, 2019		As at March 31, 2018		As at April 1, 2017	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
Equity shares						
At the commencement of the year	78,365,673	7,836.57	78,365,673	7,836.57	78,365,473	7836.55
Add: Shares issued during the year	103	0.00	-	-	200	0.02
At the end of the year	**78,365,776**	**7,836.57**	**78,365,673**	**7,836.57**	**78,365,673**	**7,836.57**
0.0001% Compulsorily convertible preference shares	-	-	-	-	-	-
At the commencement of the year	17,481,889	3,496.38	13,363,175	2,672.64	-	-
Add: Shares issued during the year	20,302,407	4,060.48	4,118,714	823.74	13,363,175	2,672.64
At the end of the year	**37,784,296**	**7,556.86**	**17,481,889**	**3,496.38**	**13,363,175**	**2,672.64**

Note:

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

1. 3 equity shares of INR 10 each to Kshama Fernandes, Managing Director, Bama Balakrishnan, Chief Finance Officer and C Kalyanasundaram, Senior Director and Head, Finance and Operations

2. 20,302,407 0.0001% Compulsorily convertible preference shares (March 31, 2018: 3,711,952; March 31, 2017: 7,918,937) of INR 20 each to FIL Capital Investments (Mauritius) (II) Limited; Nil 0.0001% Compulsorily convertible preference shares (March 31, 2018: 406,762; March 31, 2017: 5,444,238) shares of INR 20 each to Standard Chartered Bank (Singapore Branch) and 100 equity shares (March 31, 2018 : Nil; April 1, 2017 : Nil) of INR 10 each to IIFL Special Opportunities Fund Series 1 to 7.

Also during the year, 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.

c) Shares held by holding/ ultimate holding company and /or their subsidiaries / associates:

	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
Equity shares						
IFMR Holdings Private Limited (including nominee shareholders) (Holding Company till February 26, 2019)	NA	NA	45,887,686	58.56%	45,887,686	58.56%

(All amounts are in Indian Rupees in lakhs)

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

	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
Equity shares:						
IFMR Holdings Private Limited and its nominees	-	-	45,887,686	58.56%	45,887,686	58.56%
Leapfrog Financial Inclusion India Holdings Limited	37,469,937	47.81%	26,860,220	34.28%	26,860,220	34.28%
Dvara Trust	16,685,402	21.29%	-	-	-	-
Accion Africa Asia Investment Company	14,430,553	18.41%	-	-	-	-
Also refer note 76 to the Scheme of Amalgamation						
0.0001% Compulsorily convertible preference shares:						
FIL Capital Investments Mauritius (II) Limited	11,630,889	30.78%	11,630,889	66.53%	7,918,937	59.26%
Standard Chartered Bank (Singapore Branch)	5,851,000	15.49%	5,851,000	33.47%	5,444,238	40.74%
IIFL Special Opportunities Fund	4,006,813	10.60%	-	-	-	-
IIFL Special Opportunities Fund – Series 2	2,972,534	7.87%	-	-	-	-
IIFL Special Opportunities Fund – Series 4	4,493,946	11.89%	-	-	-	-
IIFL Special Opportunities Fund – Series 5	3,687,384	9.76%	-	-	-	-
IIFL Special Opportunities Fund – Series 7	3,651,601	9.66%	-	-	-	-

		As at March 31, 2019	As at March 31, 2018
23	**Other equity**		
	a) Securities premium account		
	At the commencement of the year	25,642.24	21,472.87
	Add: Premium received on shares issued during the year	35,939.51	4,169.37
	Less: Utilised during the year for writing off share issue expenses	(1,093.40)	-
	At the end of the year	**60,488.35**	**25,642.24**
	b) Statutory reserve		
	At the commencement of the year	5,190.27	3,641.96
	Add : Transfer from retained earnings	1,787.11	1,548.31
	At the end of the year	**6,977.38**	**5,190.27**
	c) Employee stock options outstanding account		
	At the commencement of the year	733.19	39.05
	Add: Employee compensation expense during the year	982.03	694.14
	At the end of the year	**1,715.22**	**733.19**

The Company has established various equity-settled share based payment plans for certain categories of employees of the Company. Refer note 37 for further details of these plans.

	d) Retained earnings		
	At the commencement of the year	18,493.31	13,216.85
	Add: Profit for the year	8,935.55	6,845.37
	Add: Transfer from other comprehensive income	9.15	(20.60)
	Less: Transfer to statutory reserve	(1,787.11)	(1,548.31)
	At the end of the year	**25,650.90**	**18,493.31**
	e) Capital Reserve		
	At the commencement of the year	3.57	-
	Add: Pursuant to the Scheme of arrangement (refer note 76)	-	3.57
	At the end of the year	**3.57**	**3.57**

(All amounts are in Indian Rupees in lakhs)

	As at March 31, 2019	As at March 31, 2018
f) Capital Redemption Reserve		
At the commencement of the year	1,500.00	1,500.00
Add: Additions for the year	-	-
At the end of the year	**1,500.00**	**1,500.00**
g) Other comprehensive income		
Opening balance	4,160.48	4,021.31
Remeasurements of defined benefit asset/ (liability) (refer note (i) below)	9.15	(20.60)
Less: Transfer to Retained earnings	(9.15)	20.60
Less : Fair valuation of investment in debt instruments (refer note (ii) below)	(1,169.44)	139.17
Closing balance	**2,991.04**	**4,160.48**
Total (a+b+c+d+e+f+g)	**99,326.46**	**55,723.06**

(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 reserve 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, 2019				Year ended March 31, 2018			
		On financial assets measured at			Total	On financial assets measured at			Total
		FVOCI	Amortised cost	FVTPL		FVOCI	Amortised cost	FVTPL	
24	**Interest income**								
	Interest on loans	4,643.58	34,166.60	-	38,810.18	3,512.56	24,391.55	-	27,904.11
	Interest from investments:								
	- Pass through certificates	3,300.77	-	-	3,300.77	4,053.14	-	-	4,053.14
	- Commercial paper	-	26.98	-	26.98	-	182.51	-	182.51
	- Non-convertible debentures	5,147.72	-	-	5,147.72	5,820.32	-	-	5,820.32
	Interest on deposits with banks	-	248.25	-	248.25	-	70.53	-	70.53
		13,092.07	**34,441.83**	**-**	**47,533.90**	**13,386.02**	**24,644.59**	**-**	**38,030.61**

		As at March 31, 2019	As at March 31, 2018
25	**Fees and commission income**		
	Income from guarantee facility	783.64	623.17
	Income from other financial services		
	- Professional fee	4,017.30	3,720.60
	- Arranger fee for guarantee facility	130.50	558.38
	Others	1.89	4.63
		4,933.33	**4,906.78**
26	**Net gain on fair value changes**		
	Net gain on financial instruments at fair value through profit or loss		
	On Alternative investment funds	2,864.01	2,068.35
	On trading portfolio		
	-Mutual fund investments	200.16	267.82
	-Alternate investment funds	86.94	795.92
	Profit on sale of investments	518.83	226.92
		3,669.94	**3,359.01**
	Fair value changes:		
	- Realised	3,583.00	2,563.09
	- Unrealised	86.94	795.92
		3,669.94	**3,359.01**
27	**Other income**		
	Interest income from investments in preference shares of subsidiaries	63.42	63.84
	Impairment reversal on financial instruments	1,551.00	-
		1,614.42	**63.84**
28	**Finance costs**		
	Finance costs on financial liabilities measured at amortised cost		
	Interest on deposits	26.27	49.95
	Interest on borrowings		
	- term loans from banks	14,583.09	12,676.14
	- cash credits and overdraft	859.71	1,135.40
	- securitised portfolio	1,840.16	684.17
	Interest on debt securities	9,164.47	6,045.12
	Interest on sub-ordinated liabilities	53.41	-
	Amortisation of discount on commercial papers	3,057.15	2,697.67
	Amortisation of ancillary costs relating to borrowings	599.67	424.29
		30,183.93	**23,712.74**

(All amounts are in Indian Rupees in lakhs)

		As at March 31, 2019	As at March 31, 2018
29	**Impairment on financial instruments**		
	Impairment loss allowance on financial instruments including write off	1,444.69	3,975.61
		1,444.69	**3,975.61**
30	**Employee benefits**		
	Salaries, wages and bonus	5,168.15	3,871.59
	Contribution to provident fund	212.73	153.05
	Stock based compensation expense	982.02	694.15
	Expenses related to post-employment defined benefit plans (refer note 42)	102.86	137.94
	Staff welfare expenses	292.96	138.07
		6,758.72	**4,994.80**
31	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment	88.02	44.76
	Amortisation of intangible assets	201.78	119.39
		289.80	**164.15**
32	**Other expenses**		
	Rent	511.76	591.72
	Rates and taxes	158.31	25.31
	Travelling and conveyance	680.16	453.14
	Legal and professional charges	2,349.68	1,812.30
	Auditors' remuneration (refer note 32.1 below)	56.34	36.12
	Directors' sitting fees	19.62	7.17
	Repairs and maintenance - others	224.03	98.86
	Communication expenses	93.87	53.38
	Printing and stationery	17.53	14.48
	Subscription charges	72.29	44.94
	Advertisement and business promotion	44.29	191.16
	Corporate social responsibility expenditure (refer note 32.2 below)	72.22	148.44
	Bank charges	43.53	16.71
	Miscellaneous expenses	155.23	47.74
		4,498.86	**3,541.47**
32.1	**Payments to auditor (excluding service tax / goods and services tax)**		
	Statutory audit	40.00	27.50
	Tax audit	2.50	1.00
	Other services	12.50	6.50
	Reimbursement of expenses	1.34	1.12
		56.34	**36.12**
32.2	**Corporate social responsibility ("CSR") expenditure**		
	(a) Amount required to be spent by the Company during the year	131.35	148.44
	(b) Amount spent during the year (in cash) :		
	(i) Construction / acquisition of any asset	-	-
	(ii) On purposes other than (i) above	72.22	148.44

(All amounts are in Indian Rupees in lakhs)

33 Income tax

A The components of income tax expense for the years ended 31 March 2019 and 2018 are:

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Current tax	5,046.73	5,082.44
Deferred tax charge/ (Credit)	598.03	(1,494.02)
Tax expense (i)+(ii)	**5,644.76**	**3,588.42**

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 31 March 2019 and 2018 is, as follows:-

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Profit before tax	14,580.31	10,433.79
Applicable tax rate	34.94%	34.61%
Computed expected tax expense	**5,094.94**	**3,610.93**
Permanent differences	549.82	(22.51)
Tax expenses recognised in the statement of profit and loss	**5,644.76**	**3,588.42**
Effective tax rate	38.71%	34.39%

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, 2018	Statement of profit and loss	Other comprehensive income	As at Mar 31, 2019
Component of Deferred tax asset / (liability)				
Deferred tax asset / (liability) in relation to:				
Property plant and equipment	(67.69)	25.06	-	(42.63)
Impact of fair value of assets	(2,418.13)	2,448.51	-	30.38
Impairment on financial assets	2,466.72	(2,552.88)	628.15	541.99
Provision for employee benefits	291.99	(321.95)	(4.92)	(34.88)
Unamortised component of processing fee	397.27	(320.41)	-	76.86
Premium accrued on preference shares	(46.86)	69.02	-	22.16
Others	(48.83)	54.62	-	5.79
Total	**574.47**	**(598.03)**	**623.23**	**599.67**

Particulars	As at Mar 31, 2017	Statement of profit and loss	Other comprehensive income	As at Mar 31, 2018
Component of Deferred tax asset / (liability)				
Deferred tax asset / (liability) in relation to:				
Property plant and equipment	(57.50)	(10.19)	-	(67.69)
Impact of fair value of assets	(2,362.26)	18.88	(74.75)	(2,418.13)
Impairment on financial assets	1,175.18	1,291.54	-	2,466.72
Provision for employee benefits	204.06	76.86	11.07	291.99
Unamortised component of processing fee	251.96	145.31	-	397.27
Premium accrued on preference shares	(31.47)	(15.39)	-	(46.86)
Others	(35.86)	(13.00)	-	(48.83)
Total	**(855.89)**	**1,494.02**	**(63.68)**	**574.47**

(All amounts are in Indian Rupees in lakhs)

34 Earnings per share ('EPS')

Particulars	As at March 31, 2019	As at March 31, 2018
Earnings		
Net profit attributable to equity shareholders for calculation of basic EPS	8,935.55	6,845.37
Net profit attributable to equity shareholders for calculation of diluted EPS	9,651.73	7,474.00
Shares		
Equity shares at the beginning of the period	78,365,673	78,365,673
Shares issued during the period	103	-
Total number of equity shares outstanding at the end of the period	78,365,776	78,365,673
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	78,365,776	78,365,776
Options granted	1,840,923	690,411
Compulsory convertible preference shares	17,871,250	14,209,486
Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	98,077,949	93,265,570
Face value per share	10.00	10.00
Earning per share		
Basic	11.40	8.74
Diluted	9.84	8.01

(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 2019			As at 31 March 2018			As at 1 April 2017		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Assets									
Cash and cash equivalents	18,285.52	-	18,285.52	18,052.88	-	18,052.88	11,958.14	-	11,958.14
Bank balances other than cash and cash equivalents	5,233.88	-	5,233.88	1,341.53	-	1,341.53	1,044.92	-	1,044.92
Derivative financial instruments	-		-	4.04	-	4.04	-	-	-
Trade receivables	1,597.24	-	1,597.24	2,312.40	-	2,312.40	1,018.26	-	1,018.26
Loans	139,378.83	139,426.55	278,805.38	116,598.33	116,152.76	232,751.09	81,879.85	76,355.55	158,235.40
Investments	23,349.63	81,577.35	104,926.98	31,021.09	77,125.46	108,146.55	36,757.67	85,120.55	121,878.22
Other financial assets	988.79	-	988.79	456.60	-	456.60	390.18	-	390.18
Current tax assets (net)	-	1,365.39	1,365.39	-	516.52	516.52	-	295.79	295.79
Deferred tax assets (net)	-	599.67	599.67	-	574.47	574.47	-	-	-
Property, plant and equipment	-	67.59	67.59	-	30.68	30.68	-	30.03	30.03
Intangible assets under development	-	342.75	342.75	-	133.40	133.40	-	17.69	17.69
Intangible assets	-	290.99	290.99	-	359.80	359.80	-	337.86	337.86
Other non- financial assets	413.20		413.20	96.50	-	96.50	156.48	-	156.48
Total Assets	**189,247.09**	**223,670.29**	**412,917.38**	**169,883.37**	**194,893.09**	**364,776.46**	**133,205.50**	**162,157.47**	**295,362.97**

NORTHERN ARC CAPITAL LIMITED

Notes to the Standalone financial statements for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

Particulars	As at 31 March 2019			As at 31 March 2018			As at 1 April 2017		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Liabilities									
Derivative financial instruments	10.65	-	10.65	-	-	-	21.07		21.07
Trade payables			-	-	-	-	-	-	
- total outstanding dues of micro and small enterprises	-	-	-	-	-	-	-	-	
- total outstanding dues of creditors other than micro and small enterprises	876.53	-	876.53	697.87	-	697.87	1,162.81	-	1,162.81
Debt securities	68,500.00	44,823.12	113,323.12	300.00	60,000.00	60,300.00	63,248.62	17,276.38	80,525.00
Borrowings (Other than debt secuities)	112,953.15	62,994.32	175,947.47	160,776.41	70,672.91	231,449.32	61,225.00	90,869.10	152,094.10
Subordinated liabilities	1,213.41	-	1,213.41	-	-	-	-	-	-
Other financial liabilities	5,252.61		5,252.61	3,480.23	-	3,480.23	5,716.38	-	5,716.38
Provisions	79.07	1,131.66	1,210.73	23.21	1,454.07	1,477.28	23.26	557.13	580.39
Deferred tax liabilities (net)			-	-	-	-	-	855.89	855.89
Other non-financial liabilities	362.97	-	362.97	315.75	-	315.75	6.08	-	6.08
Total Liabilities	**189,248.39**	**108,949.10**	**298,197.49**	**165,593.47**	**132,126.98**	**297,720.45**	**131,403.22**	**109,558.50**	**240,961.72**
Net			**114,719.89**			**67,056.01**			**54,401.25**

Change in Liabilities arising from financing activities

Particulars	As at April 1, 2018	Cash flows	Change in fair values	Exchange difference	Others*	As at March 31, 2019
Debt Securities	60,300	53,023	-	-	-	113,323
Borrowings (other than debt securities)	231,449	(59,159)	-	-	3,657	175,947
Subordinated liabilities	-	1,213	-	-	-	1,213

* 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, 2019 were as follows:

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Fair value	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

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2018 were as follows:

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Fair value	Level 2	Level 3	Total
Loans	-	33,665.70	-	-	33,665.70	33,665.70
Investments						
- Pass through securities	-	35,382.02	-	-	35,382.02	35,382.02
- Non convertible debentures	-	50,175.62	-	-	50,175.62	50,175.62
- Alternate Investment Funds	23,397.10	-	-	-	23,397.10	23,397.10
- Share warrants	-	0.23	-	-	0.23	0.23

Reconciliation of level 3 fair value measurement is as follows

Particulars	Year ended 31 Mar 2019	Year ended 31 Mar 2018
Finanicial assets measured at FVOCI		
Balance at the beginning of the year	4,160.48	4,021.31
Total gains measured through OCI for additions made during the year	(1,169.44)	139.17
Balance at the end of the year	**2,991.04**	**4,160.48**
Finanicial assets measured at FVTPL		
Fair value adjustment	86.94	795.92

Sensitivity analysis - Increase / decrease of 100 basis points

Particulars	As at 31 March 2019		As at 31 March 2018	
	Increase	Decrease	Increase	Decrease
Loans	398.65	398.65	336.66	336.66
Investments				
- Pass through securities	257.32	257.32	353.82	353.82
- Non convertible debentures	475.34	475.34	501.76	501.76
- Alternate Investment Funds	313.23	313.23	233.97	233.97
- Share warrants	0.01	0.01	0.00	0.00

(All amounts are in Indian Rupees in lakhs)

The carrying value and fair value of other 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	1,597.24				-
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	876.53				-
Debt securities	113,323.12				-
Borrowings (Other than debt secuities)	175,947.47				-
Subordinated liabilities	1,213.41				-
Other financial liabilities	5,252.61				-

The carrying value and fair value of financial instruments by categories as of March 31, 2018 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	18,052.88				-
Bank balances other than cash and cash equivalents	1,341.53				-
Derivative financial instruments	4.04				-
Trade receivables	2,312.40				
Loans	232,751.09				-
Other financial assets	456.60				-
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	697.87				-
Debt securities	60,300.00				-
Borrowings (Other than debt secuities)	231,449.32				-
Other financial liabilities	3,480.23				-

(All amounts are in Indian Rupees in lakhs)

The carrying value and fair value of financial instruments by categories as of April 01, 2017 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	11,958.14				-
Bank balances other than cash and cash equivalents	1,044.92				-
Derivative financial instruments	-				-
Trade receivables	1,018.26				
Loans	158,235.40				-
Other financial assets	390.18				-
Financial liabilities not measured at fair value:					
Derivative financial instruments	21.07				-
Trade payables					-
-total outstanding dues of micro and small enterprises	-				-
-total outstanding dues of creditors other than micro and small enterprises	1,162.81				-
Debt securities	80,525.00				-
Borrowings (Other than debt secuities)	152,094.10				
Other financial liabilities	5,716.38				-

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 liabilites 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.

(All amounts are in Indian Rupees in lakhs)

Regulatory capital*

Particulars	Carrying amount	
	As at 31 Mar 2019	As at 31 Mar 2018
Tier I Capital	110,427.50	61,798.18
Tier II Capital	5,048.38	4,941.56
Total Capital	**115,475.88**	**66,739.74**
Risk weighted assets	426,941.56	401,668.46
Tier I Capital Ratio (%)	25.87%	15.39%
Tier II Capital Ratio (%)	1.18%	1.23%

Tier 1 capital consists of shareholders' equity and retained earnings. Tier 2 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 1 and Tier 2 has been reported on the basis of Ind AS financial information.

*The above computations are as per Ind AS. RBI related accounting implications on account of Ind AS adoption are not considered in the above computations, as RBI is yet to provide guidance on Ind AS implications in CRAR computations.

37 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 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 receivables from customers and loans

The carrying amounts of financial assets represent the maximum credit risk exposure.

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 with in India.

Particulars	Carrying amount		
	As at Mar 31, 2019	As at Mar 31, 2018	As at Mar 31, 2017
Term loans	281,518.54	234,968.66	159,308.37
Less : Impairment loss allowance	(2,713.16)	(2,217.57)	(1,072.97)
	278,805.38	**232,751.09**	**158,235.40**

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.

(All amounts are in Indian Rupees in lakhs)

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

Grouping
As per Ind AS 109, Company is required to group the portfolio based on the shared risk charecterstics. Company has assessed the risk and its impact on the various portfolios and has divided the portfolio into following groups:

- Loans
- Guarantees
- Undrawn exposure
- Second level credit enhancement
- Investments in pass through secirities
- Investments in non convertible debentures

Expected credit loss ("ECL"):
ECL on financial assets is an unbiased probablity weighted amount based out of possible outcomes after considering risk of credit loss even if probblity is low. ECL is calaculated based on the following components:

a. Marginal probablity of default ("MPD")

b. Loss given default ("LGD")

c. Exposure at default ("EAD")

d. Discount factor ("D")

Marginal probablity of default:
PD is defined as the probablity 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 (15%), downside (15%) and base (70%). 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.

(All amounts are in Indian Rupees in lakhs)

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

EAD:
As per Ind AS 109, EAD is estimation of the extent to which the financial entity may be expsoed 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 behaviourial 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 31 March 2019	As at 31 March 2018	As at 1 April 2017
Stage 1	12 month provision	2,364.19	2,138.27	960.89
Stage 2	Life time provision	98.97	-	-
Stage 3	Life time provision	250.00	79.30	112.08
Amount of expected credit loss provided for		**2,713.16**	**2,217.57**	**1,072.97**

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 31 March 2019	As at 31 March 2018
ECL allowance - opening balance	2,217.57	1,072.97
Addition during the year	516.52	1,144.60
Reversal during the year	-	(179.65)
Write offs during the year	-	-
Transfer to OCI	(20.93)	179.65
Closing provision of ECL	**2,713.16**	**2,217.57**

Analysis of changes in the gross carrying amount of loans:

Particulars	As at 31 Mar 2019				As at 31 Mar 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	233,904.67	349.49	714.50	234,968.66	158,912.28	243.02	153.07	159,308.37
New assets originated *	167,538.71	124.97	314.54	167,978.22	155,247.01	106.47	561.43	155,914.91
Asset derecognised or repaid	(121,348.84)	-	-	(121,348.84)	(80,254.62)	-	-	(80,254.62)
Transfer from stage 1	-	-	-	-	-	-	-	-
Transfer from stage 2	-	-	-	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	-	-	(79.50)	(79.50)	-	-	-	-
As at the end 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 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.

The total provision under expected credit loss model is INR 1,075.78 Lakhs (31 March 2018 and 1 April 2017: INR 2256.47 lakhs and INR 20.68 Lakhs).

B *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.

(All amounts are in Indian Rupees in lakhs)

(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.

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.

Capital adequacy ratio of the Company, as on 31 March 2019 is 27.05% against regulatory norms of 15%. Tier I capital is 25.87% as against requirement of 10%. Tier II capital is 1.18% which may increase from time to time depending on the requirement and also as a source of structural liquidity to strengthen asset liability maturity pattern.

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.

	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 year	Over 3 year to 5 year	Over 5 year
As at 31 March 2019								
Borrowings	29,812.50	2,237.96	18,772.95	23,042.48	29,087.26	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	-	-	-
As at 31 March 2018								
Borrowings	33,028.68	7,479.83	14,467.76	30,211.90	33,088.24	59,384.89	2,555.56	4,000.00
Debt securities	5,000.00	20,000.00	1,500.00	2,650.00	13,650.00	60,000.00	-	-
Subordinated liabilities	-	-	-	-	-	-	-	-
As at 1 April 2017								
Borrowings	18,218.51	2,550.59	10,048.94	10,530.95	21,899.63	55,436.39	1,210.31	-
Debt securities	22,500.00	10,000.00	2,500.00	112.50	26,112.50	42,800.00	10,000.00	-
Subordinated liabilities	-	-	-	-	-	-	-	-

(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.

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 31 March 2019		As at 31 March 2018	
	Increase	Decrease	Increase	Decrease
Bank deposits	48.04	(48.04)	9.68	(9.68)
Loans	12.10	(12.10)	-	-
Borrowings	(16.60)	(16.60)	(10.86)	10.86

(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.

(All amounts are in Indian Rupees in lakhs)

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
38	**Commitments**			
	Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	420.00	97.33	11.85
	Undrawn committed sanctions to borrowers	43,408.47	67,557.31	16,350.00
39	**Contingent liabilities**			
	Claims against the Company not acknowledged as debt			
	- Service tax related matters	-	-	8.54
	- Income tax related matters	253.51	595.25	595.25
	Guarantees outstanding	23,525.68	21,915.40	9,287.54
40	**Derivatives**			
	i. Outstanding derivatives: (notional principal amount in INR)	10.65	4.04	21.07
	- for hedging (currency & interest rate derivatives)	2,801.85	6,562.50	10,709.00
	ii. Marked to market positions			

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, 2019 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.

		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
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 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 212.73 lakhs (March 31, 2018: INR 153.05 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.

	Particulars	March 31, 2019	March 31, 2018
A.	**Change in present value of obligations**		
	Present value of obligations at the beginning of the year	273.35	155.53
	Current service cost	82.37	37.82
	Interest cost	20.49	9.20
	Past service cost	-	90.92
	Benefits settled	(3.81)	(51.79)
	Actuarial loss	(14.07)	31.67
	Present value of obligations at the end of the year	**358.33**	**273.35**
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	3.81	-
	Benefits settled	(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**		
	Present value of obligations at the end of the year	358.33	273.35
	Fair value of plan assets	-	-
	Net liability recognised in balance sheet	**358.33**	**273.35**
	The liability in respect of the gratuity plan comprises of the following non-current and current portions:		
	Current	44.85	12.96
	Non-current	313.48	260.39
		358.33	**273.35**

(All amounts are in Indian Rupees in lakhs)

42 Employee benefits (Continues)

	Particulars	March 31, 2019	March 31, 2018
E.	**Expense recognised in statement of profit and loss and other comprehensive income**		
	Current service cost	82.37	37.82
	Interest on obligation	20.49	9.20
	Past service cost	-	-
	Expected return on plan assets	-	-
	Net actuarial loss recognised in the year	(14.07)	31.67
	Total included in 'employee benefits'	**88.79**	**78.69**
F.	**Assumptions at balance sheet date**		
	Discount rate	7.07%	7.55%
	Salary escalation	12.00%	12.00%
	Mortality rate	Indian Assured Lives (2012 -14)	Indian Assured Lives (2006 -08)
	Attrition rate	18.00%	12.00%

Note:

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.

	As at 31 March 2019		As at 31 March 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	338.20	380.77	251.88	298.08
Future salary growth (1% movement)	381.10	337.45	297.93	251.52

H. Five year Information

	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Present Value of obligations	358.33	273.35	155.52	105.79	81.07
Fair value of plan asssets	-	-	-	-	-
(Surplus)/ deficit in the plan	-	-	-	-	-
Experience adjustments arising on plan liabilities - (gain)/ loss	(14.07)	31.67	30.05	12.74	12.12
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.

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

(All amounts are in Indian Rupees in lakhs)

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.

The options were issued in four batches. The first and second batch will be exercised at INR 110, third and fourth batch will be exercised at INR 121. 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.

The options were issued in two batches. The first and second batch will be exercised at INR 181. The options are vested over a period of 3 years in 30:30:40 proportion

43.2 Options outstanding under Scheme 1, Scheme 2 and Scheme 3

	As at March 31, 2019			As at March 31, 2018		
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	4,347,500	798,212	421,371	4,002,500	NA
Exercise price in INR	10	110 to 121	181	10	110 to 121	NA
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years	1 to 4 years	1 to 5 years	NA
Option Price	113.65	31.85 to 117.74	73.55	113.65	31.85 to 39.28	NA
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 31 March 2019	As at 31 March 2018
Outstanding at beginning of year	4,423,871	721,371
Less: Forfeited during the year	65,000	300,000
Less: Exercised during the year	-	-
Add: Granted during the year	1,198,212	4,002,500
Outstanding as at end of year	5,557,083	4,423,871
Vested and exercisable as at end of year	**927,323**	**421,371**

44. Related party disclosures (also refer note 76)
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
(iii) Fellow subsidiaries	Dvara Kshetriya Gramin Financial Services Private Limited (formerly Pudhuaaru Financial Services Private Limited) (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

(All amounts are in Indian Rupees in lakhs)

Related party disclosures (also refer note 76) (Continues)

A. Transactions during the Year:

Particulars	As at 31 March 2019	As at 31 March 2018
Dvara Trust		
Reimbursement of expenses	354.43	341.22
IFMR Holdings Private Limited		
Reimbursement of income	-	10.50
Purchase of ERP	52.28	51.79
Northern Arc Investment Adviser Services Private Limited		
Reimbursement of expenses	-	0.21
Fee income	44.16	-
Reimbursement of income	-	0.15
Sale of fixed assets	0.58	-
Redemption of preference share capital	76.00	-
Premium on preference shares	22.29	-
Northern Arc Investment Managers Private Limited		
Reimbursement of expenses	30.34	-
Fee income	163.10	-
Interest income	14.96	154.03
Loans given	450.00	590.00
Loans repaid	335.00	775.00
Sale of fixed assets	0.19	0.02
Dvara Kshetriya Gramin Financial Services Private Limited		
Interest income	335.11	230.04
Fee received	205.55	248.86
Loan given	6,000.00	2,500.00
Loan repaid	2,801.07	3,654.28
Guarantees	1,500.00	2,500.00
Dvara Research Foundation		
Corporate social responsibility expenditure	50.00	66.17
Ms. Kshama Fernandes		
Remuneration and other benefits*	248.71	207.46
Employee stock option (in units)	0.96	5.10
Ms. Bama Balakrishnan		
Remuneration and other benefits*	190.55	197.72
Employee stock option (in units)	0.52	4.00

*Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.

(All amounts are in Indian Rupees in lakhs)

B. Balances as at year end:

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Dvara Trust			
Trade payable	39.80	39.54	2.67
IFMR Holdings Private Limited			
Trade payable	-	-	5.44
Northern Arc Investment Adviser Services Private Limited			
Equity share capital	127.80	127.80	127.80
Preference share capital	-	76.00	76.00
Advances	54.98	0.67	-
Northern Arc Investment Managers Private Limited			
Equity share capital	361.00	361.00	361.00
Preference share capital	924.38	866.62	808.86
Loans	1,140.01	1,127.04	1,496.91
Advances	147.50	37.32	99.18
Interest Accrued but not due Loan	-	-	19.25
Dvara Kshetriya Gramin Financial Services Private Limited			
Loans	-	368.85	1,523.13
Interest accrued but not due on fixed deposits	-	-	0.33
Interest accrued but not due on loan	-	2.93	7.76
Fee income accrued	-	51.63	80.92
Guarantees	-	498.80	348.01
Ms. Kshama Fernandes			
Security Deposit	2.00	2.00	2.00
Employee stock option (in units)	7.63	6.66	6.66
Ms. Bama Balakrishnan			
Employee stock option (in units)	5.52	5.00	5.00

45. 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, 2019		For the year ended March 31, 2018	
	Purchases	Redemption	Purchases	Redemption*
IFMR FImpact Investment Fund	-	-	147.00	-
IFMR FImpact MT Microfinance Fund	-	105.27	-	58.14
IFMR FImpact Long Term Multi Asset Fund	-	-	-	45.26
IFMR FImpact Long Term Credit Fund	3,500.00	138.32	4,882.40	-
IFMR FImpact Medium Term Opportunities Fund	2,063.90	829.62	4,976.34	-
IFMR FImpact Income Builder Fund	521.25	-	1,000.00	-
Northern Arc Money Market Alpha Trust Fund	2,523.89	100.00	-	-

*Represents the dividend received in respect of cum dividend investment

Fund	Interest Income	
	Year ended March 31, 2019	Year ended March 31, 2018
IFMR FImpact Investment Fund	247.61	245.62
IFMR FImpact MT Microfinance Fund	227.33	230.15
IFMR FImpact Long Term Multi Asset Fund	682.73	687.58
IFMR FImpact Long Term Credit Fund	881.33	547.11
IFMR FImpact Medium Term Opportunities Fund	738.65	351.92
IFMR FImpact Income Builder Fund	47.80	5.99
Northern Arc Money Market Alpha Trust Fund	36.74	-

Outstanding balances (Investment)

Fund	Aas at March 31, 2019		As at March 31, 2018	
	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	1,664.03	1,664.03
IFMR FImpact Long Term Multi Asset Fund	4,457.50	4,457.50	4,457.50	4,457.50
IFMR FImpact Long Term Credit Fund	10,244.08	10,244.08	6,882.00	6,882.40
IFMR FImpact Medium Term Opportunities Fund	6,210.62	6,210.62	4,976.00	4,976.34
IFMR FImpact Income Builder Fund	1,482.17	1,521.25	993.00	1,000.00
Northern Arc Money Market Alpha Trust Fund	2,423,894.90	2,423.89	-	-

46 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.

47 Operating leases

The Company has cancellable operating lease agreements for office space, which can be terminated by either parties after giving the notice. For the year ended March 31, 2019, an amount of INR 511.76 lakhs (March 31, 2018: INR 591.72 lakhs) was recorded as expenses towards lease rentals in the statement of profit and loss.

48 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, 2019 and March 31, 2018

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 22 February 2019) “Master Direction - Non-banking Financial Company -Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

(All amounts are in Indian Rupees in lakhs)

49 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, 2019	Year ended March 31, 2018
Tier I Capital	110,427.50	61,798.18
Tier II Capital	5,048.38	4,941.56
Total Capital	**115,475.88**	**66,739.74**
Total Risk Assets	**426,941.56**	**401,668.46**
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	25.87%	15.39%
Tier II Capital as a percentage of Total Risk Assets (%)	1.18%	1.23%
Total Capital (%)	**27.05%**	**16.62%**

50 Investments

Particulars	As at March 31, 2019	As at March 31, 2018
Value of investment		
Gross value of investments		
- In India	106,002.76	110,403.02
- Outside India	-	-
Provisions for investments		
- In India	1,075.78	2,256.47
- Outside India		-
Net value investments		
- In India	104,926.98	108,146.55
- Outside India		-
Movement of provisions held towards investments		
Opening balance	**2,256.47**	**20.68**
Add: Provisions made during the year		2,235.79
Less: Write off/ write back/ reversal of provision during the year	(1,180.69)	-
Closing balance	**1,075.78**	**2,256.47**

51 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, 2019		As at March 31, 2018	
		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	64,611.09	-	35,653.13	-
	- Unsecured	50,324.93	-	25,508.84	-

(All amounts are in Indian Rupees in lakhs)

Sl. No.	Particulars	As at March 31, 2019		As at March 31, 2018	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	(other than falling within the meaning of public deposits)				
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans (net of unamortised borrowing cost)	128,688.82	-	155,136.76	-
	(d) Inter-Corporate Loans and Borrowings	-	-	-	-
	(e) Commercial Paper	9,450.11	-	41,274.89	-
	(f) Public Deposits	-	-	-	-
	(g) Other Loans	38,196.74	-	35,513.82	-
	(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, 2019	As at March 31, 2018
Asset Side:			
3	**Break-up of Loans and Advances * including Bills Receivables [other than those included in (4) below]:**		
	(a) Secured	248,446.44	200,060.35
	(b) Unsecured	33,072.10	34,908.31
	** Excludes loss allowance*		
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	-	-

Sl. No.	Particulars	As at March 31, 2019	As at March 31, 2018
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	3,818.75	8,134.95
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) commercial paper	-	-
	II. Unquoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	924.38	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) pass through certificates	14,126.77	25,186.81
	b) units of alternative investment fund	4,479.73	-
	Long Term Investments:		
	I. Quoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	43,714.83	42,040.67
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)		
	II. Unquoted:		
	i. Shares		
	a) Equity	488.80	488.80
	b) Preference	-	959.25
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) pass through certificates	11,604.80	10,195.21
	b) units of alternative investment fund	26,843.56	23,397.10
	c) share warrants	1.14	0.23

(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, 2019 (Net of provision for NPA)		As at March 31, 2018 (Net of provision for NPA)	
	Secured	Unsecured	Secured	Unsecured
1. Related parties				
(a) Subsidiaries	-	1,140.01	-	1,127.04
(b) Companies in the same group	-	-	368.85	-
(c) Other related parties	-	-	-	-
2. Other than related parties	248,205.86	31,387.20	199,612.20	33,384.58
	248,205.86	**32,527.21**	**199,981.05**	**34,511.62**

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, 2019	Book Value as on March 31, 2019 (Net of provisions)	Market Value / Break up Value or Fair Value or Net Asset Value as on March 31, 2018	Book Value as on March 31, 2018 (Net of provisions)
1. Related Parties				
(a) Subsidiaries	1,413.18	1,413.18	1,448.05	1,448.05
(b) Companies in the same Group				
(c) Other related parties				
2. Other than related parties	104,589.58	103,513.80	108,954.97	106,698.50
	106,002.76	**104,926.98**	**110,403.02**	**108,146.55**

8 **Other Information**

Category	As at March 31, 2019		As at March 31, 2018	
	Related Parties	Other than Related Parties	Related Parties	Other than Related Parties
(i) Gross Non-Performing Assets	-	3,381.52	-	3,813.33
(ii) Net Non-Performing Assets	-	177.92	-	238.51
(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.

(All amounts are in Indian Rupees in lakhs)

52 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	29,812.50	2,237.96	18,772.95	23,042.48	30,300.67	48,965.81	4,000.00	-	157,132.37
	(33,028.68)	(7,479.83)	(14,467.76)	(30,211.90)	(33,088.24)	(59,384.89)	(2,555.56)	(4,000.00)	(184,216.86)
Market Borrowings	3,500.00	10,000.00	7,500.00	7,500.00	50,000.00	29,285.71	15,714.29	-	123,500.00
	(5,000.00)	(20,000.00)	(1,500.00)	(2,650.00)	(13,650.00)	(60,000.00)	-	-	(102,800.00)
Assets									
Advances	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
	(11,047.89)	(9,126.81)	(8,176.16)	(32,346.87)	(55,900.61)	(98,919.66)	(14,303.06)	-	(229,821.06)
Investments	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
	(4,874.05)	(2,797.91)	(2,935.84)	(11,454.45)	(8,958.84)	(20,586.28)	(21,670.86)	(28,055.16)	(101,333.39)

Note:
- Numbers in brackets represent previous year balances.
- The balances are gross of impairment loss allowance
- Advances and borrowings are exclusive of the securitisation transactions which has been recognised in the books of account in accodance with Ind AS

(All amounts are in Indian Rupees in lakhs)

53 Disclosure of frauds reported during the year ended March 31, 2019

Nature of Fraud	No of Cases	Amount of fraud	Amount written off
Cash misappropriation by employee	-	-	-
Fraudulent representation by customers	1.00	79.30	79.30

The above summary with respect to fraud is based on the information available with the Company which has been relied upon by the auditors.

54 Exposure to Real estate sector

	Particulars	March 31, 2019	March 31, 2018
A.	**Direct Exposure**		
	i. Residential Mortgages -	**21,908.09**	**15,815.76**
	(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)	**2,786.83**	**420.25**
	b) Commercial Real Estate	**-**	**-**

Note:
Represents investment in pass through certificates extended to housing finance companies.

55 Exposure to capital market

Particulars	March 31, 2019	March 31, 2018
(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	1,000.00
(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)

56 Disclosures relating to Securitisation

56.1 Details of assignment transactions undertaken

Particulars	As at March 31, 2019	As at March 31, 2018
Number of assignment transactions	2	5
Outstanding assigned assets in books of assignee	1,438.40	6,502.50
Less: Collections not yet due to be remitted to assignee *	203.31	472.49
Outstanding Assigned Assets as per books	**1,235.09**	**6,030.01**
Book value of assets sold	**11,950.18**	**30,636.62**

56.2 Details of securitisation transactions undertaken

Particulars	As at March 31, 2019	As at March 31, 2018
Number of Securitisation Transactions	3	1
Outstanding assigned assets in books of seller	12,797.48	6,914.71
Less: Collections not yet due to be remitted to Trust *	1,412.01	339.53
Outstanding Assigned Assets as per books	**11,385.46**	**6,575.19**
Book value of assets sold	**27,900.28**	**11,412.74**
Total amount of exposure		
- Off balance sheet exposure		
First Loss	-	-
Others	438.31	-
- On balance sheet exposure		
First loss - cash collateral	**1,419.85**	**913.02**
Others - over collateral	**1,817.05**	**570.64**
	3,236.90	**1,483.66**

*excludes interest collected from customers on securitised assets.

57 Details of non- performing financial assets purchases / sold

The Company has neither purchased nor sold any non- performing financial assets during the previous year.

58 Details of financing of Parent Company products

Nil

59 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, 2019 and March 31, 2018.

60 Advances against Intangible Securities

The Company has not given any loans against intangible securities.

61 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)

62 Penalties imposed by RBI and other regulators

No penalties have been imposed by RBI and Other Regulators during the financial year (FY) 2018-19 (FY2017-2018 - NIL).

(All amounts are in Indian Rupees in lakhs)

63 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, 2019	March 31, 2018
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 Stable	-
Commercial paper	ICRA	A1+	A1+

64 Provisions and contingencies

Particulars	March 31, 2019	March 31, 2018
Loss allowance on financial assets	1,444.69	3,975.61
Provision made towards current income taxes	5,046.73	5,082.44

65 Draw down from reserves

The Company has not made any drawdown from existing reserves.

66 Concentration of advances

Particulars	As at 31 March 2019	As at 31 March 2018
Total advances to twenty largest borrowers	105,821	103,172
Percentage of advances to twenty largest borrowers to total advances	37.96%	44.89%

67 Concentration of exposures

Particulars	As at 31 March 2019	As at 31 March 2018
Total exposure to twenty largest borrowers	177,786	110,469
Percentage of exposures to twenty largest borrowers to total exposure	40.37%	40.09%

68 Concentration of NPA Contracts*

Particulars	As at 31 March 2019	As at 31 March 2018
Total exposure to top four NPA accounts	1,201.88	79.31
** represents stage 3 contracts*		

69 Sector-wise NPAs (Percentage of NPA's to total advances in that sector)

Particulars	March 31, 2019	March 31, 2018
Agriculture & allied activities	0.00%	0.00%
MSME	0.00%	0.00%
Corporate borrowers	0.13%	0.05%
Services	0.00%	0.00%
Unsecured personal loans	0.00%	0.00%
Auto loans	0.00%	0.00%
Other loans	3.42%	3.35%

The above Sector-wise NPA and advances are based on the data available with the Company which has been relied upon by the auditors. Also NPA contracts represents the Stage 3 contracts.

(All amounts are in Indian Rupees in lakhs)

70 Movement of Non-Performing Assets (NPA's)

	Particulars	March 31, 2019	March 31, 2018
A	**Net NPAs to net advances (%)** (Net of provision for NPAs)	0.05%	0.07%
B	**Movement of gross NPAs**		
	Opening balance	3,813.33	170.57
	Additions during the year (net)	-	3,642.76
	Reductions during the year (net)	(431.81)	-
	Closing balance	3,381.52	3,813.33
C	**Movement of net NPAs**		
	Opening balance	238.51	33.99
	Additions during the year (net)	-	204.52
	Reductions during the year (net)	(60.59)	-
	Closing balance	177.92	238.51
D	**Movement of provisions for NPAs (excluding contingent provisions against standard assets)**		
	Opening balance	3,574.82	136.58
	Provisions made during the year	-	3,438.24
	Write-off / write-back of excess provisions (net)	(371.22)	-
	Closing balance	3,203.60	3,574.82

Note: NPA contracts represents Stage 3 contracts and the NPA Provision represents the Loss allowance on Stage 3 contracts.

70.1 Movement of provisions held towards guarantees

Particulars	March 31, 2019	March 31, 2018
Opening balance	1,108.32	343.04
Add: Provisions made during the year	-	765.28
Less: Write off/ write back/ reversal of provision during the year	447.58	-
Closing balance	660.74	1,108.32

Note: The above disclosure also includes the loss allowance towards undrawn loans

71 Overseas assets (for those with joint ventures and subsidiaries abroad)

There are no overseas asset owned by the Company.

72 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)

73 Customer complaints

	Particulars	March 31, 2019	March 31, 2018
	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.

74 Disclosure under clause 28 of the Listing Agreement for Debt Securities

	Particulars	March 31, 2019	March 31, 2018
a)	Loans and advances in the nature of loans to subsidiaries	1,140	1,127
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	-	369

75 Disclosure under clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of a first and pari passu hypothecation of receivables under financing activities, investment in pass through certificates and investment in debentures.

76 Scheme of arrangement

During the previous year, the Company vide its board meeting dated 18 December 2017 had approved the Scheme of Arrangement (Demerger) & Amalgamation between the Company, IFMR Holdings Private Limited ('IFMR Holdings'), Dvara Investments Private Limited and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013.

Pursuant to the approval of the scheme by Hon'ble National Company Law Tribunal on February 26, 2019 (with appointment date of March 31, 2017)

- The aggregator business of IFMR Holdings Private Limited and the entire investments relating to the Company held by of IFMR Holdings Private Limited to be transferred to Dvara Investments Private Limited.
- Amalgamation of Dvara Investments Private Limited into the Company.

The salient features of the Scheme of merger were as follows:

1. The Company shall account for all the assets and liabilities taken over at carrying value.
2. The excess of the amount of the consideration over the value of the net assets (tangible and intangible) of the Transferor Company acquired by the Transferee Company should be recognised in the Transferee Company's financial statements as an adjustment to the reserves. If the amount of the consideration is lower than the value of the net assets acquired, the difference should be treated as capital reserve.

Accordingly, the accounting treatment for this scheme of merger has been given effect to as below in the financial statement.

Particulars	Amount (INR lakhs)
Net assets taken over pursuant to the Scheme	6,856.56
Less: Investment Cancellation	(6,852.99)
Adjustment in reserves pursuant to the Scheme	**3.57**
Break up of adjustment in reserves:	
Capital Reserve	3.57

Pursuant to the scheme, the Company has allotted 45887686 equity shares of INR 10 each to the shareholders of IFMR Holdings in lieu of the investment.

77 Disclosure of Specified Bank Notes ('SBN')

The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2019.

As per our report of even date attached

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place : Mumbai
Date : May 21, 2019

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

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Samir Amrit Shah
Director
DIN : 00912693

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's 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, 2019, 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, 2019, 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.

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.

Key Audit Matter	How the matter was addressed in our audit
Adoption of new accounting framework (Ind AS) – refer note 4 to the consolidated financial statements	
Effective April 1, 2018, the group adopted the Ind AS notified by the Ministry of Corporate Affairs with the transition date of April 1, 2017. The following are the major impact areas for the group upon transition: • **Classification and measurement of financial assets including assessment of the Business model and financial liabilities** • **Measurement of loan losses (expected credit losses)** • **Accounting for loan fees and borrowing costs** • **Accounting for employee stock options** • **Accounting for securitization and assignment** The migration to the new accounting framework (Ind AS) is a complicated process involving multiple decision points upon transition including regulatory matter related compliances. Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date. We identified transition date accounting as a key audit matter because of significant degree of management judgment and application on the areas noted above.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • **Assessing the design, implementation and operating effectiveness of key internal controls over management's evaluation of transition date choices and controls surrounding computation process.** • **We have also confirmed the approvals of Audit Committee on the key transition date choices and assumptions.** • **Understood the methodology implemented by management to give impact on the transition and assessed the accuracy of the computations.** • **Assessed areas of significant estimates and management judgment in line with principles under Ind AS.**

Key Audit Matter	How the matter was addressed in our audit
Impairment of loans and investments – refer notes 9 and 10 to the consolidated financial statements	
Significant estimate and judgment involved With the applicability of Ind AS 109 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 judgment in determining the quantum of loss based on a range of factors. The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following: • **Segmentation of loans and investments to the customer** • **Criteria selected to identify significant increase in credit risk** • **Increase in 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** • **Considering the probability weighted scenarios, the forward looking macro-economic factors** We identified impairment of loans and investments given to customers as key audit matter because the management judgement involved in estimates has significant impact, considering the size of loan portfolio relative to the balance sheet.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • **Evaluation of the appropriateness of the impairment principles based on the requirements of Ind AS 109.** • **Assessed the design and implementation and operating effectiveness in respect of computation of impairment allowance process.** • **As at the year end, 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. We have engaged our modelling specialist to test the model methodology and reasonableness of assumptions used.** • **Performed test of details, on a sample basis, on underlying data relating to segmentation, staging as at March 31, 2019, the key inputs for computation of ECL.**

Key Audit Matter	How the matter was addressed in our audit
Valuation of financial instruments – refer notes 9 and 10 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. 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.** • **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 whether the company has adequate internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities.

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 subsidiary entities included in the consolidated financial statement 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.

Other matter

The financial information on the date of transition pursuant to adoption of Ind AS by the Company, are based on the previously issued statutory consolidated financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2014 (as amended) audited by the predecessor auditor whose report for the year ended March 31, 2017 dated May 10, 2017 expressed an unmodified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Group on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of this matter.

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, 2019 taken on record by the Board of Directors of the Holding Company and the subsidiary Companies, none of the directors of the Group are disqualified as on March 31, 2019 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. Also, three other subsidiaries (IFMR FImpact Long Term Credit Fund, IFMR FImpact Medium Term Opportunities Fund and Northern Arc Money Market Alpha Trust Fund) not being Companies, 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.

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, 2019 on the consolidated financial position of the group. Refer Note 40 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, 9, 10, 14 and 20 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, 2019;

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, 2019.

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 Subsidiaries being private companies and alternative investment funds, the provisions of section 197 of the Act is not applicable.

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

Manoj Kumar Vijai
Partner
Place : Mumbai
Date : 21 May 2019

Annexure to the Independent Auditors' Report

To the Members of Northern Arc Capital Limited for the year ended March 31, 2019

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 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, 2019, we have audited the internal financial controls with reference to the 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, 2019, 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").

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 auditor's 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 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

Manoj Kumar Vijai
Partner
Membership No: 046882
Place : Mumbai
Date : May 21, 2019

NORTHERN ARC CAPITAL LIMITED

Consolidated Balance Sheet as at March 31, 2019

(All amounts are in Indian Rupees in lakhs)

Particulars	Note	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
ASSETS				
Financial assets				
Cash and cash equivalents	5	19,079.35	18,723.68	11,992.60
Bank balances other than cash and cash equivalents	6	5,233.88	1,341.53	1,044.92
Derivative financial instruments	7	-	4.04	-
Trade receivables	8	1,626.61	2,312.40	1,202.90
Loans	9	277,684.57	231,641.18	156,749.97
Investments	10	119,297.45	126,809.45	128,063.92
Other financial assets	11	883.69	661.56	355.69
		423,805.55	**381,493.84**	**299,410.00**
Non-financial assets				
Current tax assets (net)		1,523.78	583.91	312.59
Deferred tax assets (net)	34	629.95	610.49	-
Property, plant and equipment	12.1	68.40	35.50	31.61
Intangible assets under development	12.2	342.75	133.40	17.69
Intangible assets	12.3	290.99	359.80	337.86
Goodwill		174.63	174.63	174.63
Other non- financial assets	13	655.75	222.92	160.21
		3,686.25	**2,120.65**	**1,034.59**
TOTAL ASSETS		**427,491.80**	**383,614.49**	**300,444.59**
LIABILITIES AND EQUITY				
Financial liabilities				
Derivative financial instruments	14	10.65	-	21.07
Trade payables				
- Total outstanding dues of micro enterprises and small enterprises		-	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	15	924.41	886.63	1,191.62
Debt securities	16	113,323.12	60,300.00	80,525.00
Borrowings (Other than debt securities)	17	175,966.67	231,466.45	152,105.58
Subordinated liabilities	18	1,213.41	-	31.00
Other financial liabilities	19	5,189.76	3,453.55	5,763.11
		296,628.02	**296,106.63**	**239,637.38**
Non-financial liabilities				
Provisions	20	1,222.46	1,496.29	585.75
Current tax liabilities (net)		43.60	43.60	7.43
Deferred tax liabilities (net)	34	-	-	854.08
Other non-financial liabilities	21	594.25	488.31	10.36
		1,860.31	**2,028.20**	**1,457.62**
EQUITY				
Equity share capital	22	7,836.57	7,836.57	7,836.57
Other equity	23	108,916.78	60,392.36	47,080.10
Equity attributable to the owners of the company		**116,753.35**	**68,228.93**	**54,916.67**
Non-controlling interest	24	12,250.12	17,250.73	4,432.92
Total equity		**129,003.47**	**85,479.66**	**59,349.59**
Total liabilities and equity		**427,491.80**	**383,614.49**	**300,444.59**

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place : Mumbai
Date : May 21, 2019

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

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Profit and Loss for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

Particulars	Notes	Year ended March 31, 2019	Year ended March 31, 2018
Revenue from operations			
Interest income	25	51,071.83	40,399.17
Fees and commission income	26	6,036.75	5,951.83
Net gain on fair value changes	27	3,042.07	1,792.48
Net gain on derecognition of financial assets		4.72	462.32
Total revenue from operations		**60,155.37**	**48,605.80**
Other income	28	1,551.73	-
Total income		**61,707.10**	**48,605.80**
EXPENSES			
Finance costs	29	30,183.93	23,715.67
Impairment on financial instruments	30	1,486.62	4,201.57
Employee benefits expenses	31	7,208.46	5,278.17
Depreciation and amortisation expenses	32	294.58	169.47
Other expenses	33	5,051.16	3,816.76
Total expenses		**44,224.75**	**37,181.64**
Profit before tax		**17,482.35**	**11,424.16**
Tax expense	34		
Current tax		5,347.55	5,333.02
Minimum alternative tax (MAT)		-	53.05
Less: MAT Credit entitlement		(7.43)	(28.36)
Deferred tax charge/ (credit)		599.28	(1,498.17)
		5,939.40	**3,859.54**
Profit for the year	(A)	**11,542.95**	**7,564.62**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of the defined benefit asset/ (liability)		28.98	(37.59)
Income tax relating to items that will not be reclassified to profit or loss		(9.26)	12.77
		19.72	**(24.82)**
Items that will be reclassified subsequently to profit or loss			
Fair valuation of investment in debt instruments (net)		(1,720.58)	2,360.59
Income tax relating to items that will be reclassified to profit or loss		628.15	(74.75)
		(1,092.43)	**2,285.84**
Other comprehensive income for the year	(B)	**(1,072.71)**	**2,261.02**
Total comprehensive income	(A+B)	**10,470.24**	**9,825.64**
Profit for the year attributable to			
Owners of the company		9,918.57	6,536.28
Non-controlling Interest	24	1,624.38	1,028.34
Other comprehensive income for the year, net of tax			
Owners of the company		(1,132.03)	1,109.98
Non-controlling Interest	24	39.60	1,175.86
Total comprehensive income for the year, net of tax			
Owners of the company		8,786.54	7,646.26
Non-controlling Interest	24	1,663.98	2,204.20
Earnings per equity share (Face Value - INR 10/ Share)	35		
Basic (in rupees)		12.66	8.34
Diluted (in rupees)		10.91	7.68

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place : Mumbai
Date : May 21, 2019

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

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of cash flow for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

	Particulars	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
A	**Cash flow from operating activities**			
	Profit after tax		11,542.95	7,564.62
	Adjustments for:			
	Depreciation and amortisation expenses		294.58	169.47
	Write off of intangible assets under development		63.33	-
	Tax expense (including deferred tax)		5,939.40	3,859.54
	Impact of Mark to market impact on derivative instruments		14.69	(25.11)
	Change in fair valuation of financial assets designated as FVTPL		105.80	795.97
	Interest income on deposits with bank		(248.25)	(70.53)
	Gain on sale of investments in mutual funds		(224.70)	(272.06)
	Gain on sale of other investments		(576.89)	(245.44)
	Impairment on financial instruments (net)		(64.76)	4,201.57
	Premium on Preference shares		-	2.93
	Employee stock compensation plan		1,047.03	694.14
	Amortisation of discount on commercial papers		3,057.15	2,697.67
	Amortisation of ancillary costs relating to borrowings		599.67	424.29
	Finance costs		26,527.11	20,590.78
	Operating profit before working capital changes		**48,077.11**	**40,387.84**
	Changes in working capital and other changes:			
	Increase in other financial assets		(222.13)	(302.30)
	Decrease / (increase) in trade receivables		685.79	(1,109.50)
	Increase in loans		(45,978.63)	(79,092.78)
	Increase in other non-financial assets		(432.83)	(62.71)
	Increase in other bank balances		(3,749.79)	(334.84)
	Increase / (decrease) in trade payables		37.78	(304.99)
	Increase / (decrease) in other financial liabilities		1,073.23	(573.93)
	(Decrease) / increase in provisions		(244.85)	872.95
	Increase in other non-financial liabilities		105.94	477.95
	Cash used in operations		**(648.38)**	**(40,042.31)**
	Interest income received		105.98	107.43
	Income tax paid (net)		(6,279.07)	(5,621.22)
	Net cash flow used in operating activities	(A)	**(6,821.47)**	**(45,556.10)**
B	**Cash flows from investing activities**			
	Purchase of property, plant and equipment including intangibles and intangibles under development		(532.12)	(311.03)
	Purchase of mutual fund investments		(57,208.00)	(57,514.00)
	Sale of mutual fund investments		57,432.49	58,015.83
	Purchase of other investments		(57,781.22)	(122,057.51)
	Sale of other investments (including principal repayments)		64,043.94	124,892.27
	Change in the ownership interest in funds		(9,276.40)	4,327.92
	Net cash provided by investing activities	(B)	**(3,321.31)**	**7,353.48**
C	**Cash flow from financing activities**			
	Proceeds from issue of debt securities (net of repayments)		53,023.12	(20,225.00)
	Proceeds from borrowings (net of repayments)		(59,156.60)	76,238.91
	Proceeds from issue of preference share capital		1,213.41	-
	Redemption of Preference shares		-	(31.00)
	Premium/Dividend payment on preference shares including Dividend Distribution Tax		-	(2.93)
	Utilisation of the securities premium		(1,093.40)	-
	Proceeds from issue of convertible preference share capital including securities premium		39,999.99	4,993.11
	Capital Contributions		3,311.69	7,480.33
	Distributions made to Investors including Dividend Distribution Tax		(935.34)	(1,194.64)
	Finance cost paid		(25,864.13)	(22,326.41)
	Net cash generated from financing activities	(C)	**10,498.74**	**44,932.37**
	Net increase in cash and cash equivalents	(A+B+C)	**355.96**	**6,729.75**
	Cash and cash equivalents at the beginning of the year		18,722.35	11,992.60
	Cash and cash equivalents at the end of the year		**19,078.31**	**18,722.35**

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of cash flow for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

	Particulars	Note	As at March 31, 2019	As at March 31, 2018
	Notes to cash flow statement			
1	**Components of cash and cash equivalents:**	5		
	Cash on hand		-	-
	Balances with banks			
	- in current accounts		16,078.31	15,222.35
	- in deposit accounts free of lien		3,000.00	3,500.00
			19,078.31	**18,722.35**

Particulars	As at March 31, 2018	Cash Flows	Non Cash Changes	As at March 31, 2019
Borrowings	231,466.45	(59,156.60)	3,656.82	175,966.67
Debt Securities	60,300.00	53,023.12	-	113,323.12
Sub-ordinated liabilities	-	1,213.41	-	1,213.41

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place : Mumbai
Date : May 21, 2019

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

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

NORTHERN ARC CAPITAL LIMITED

Consolidated statement of changes in equity for the year ended March 31, 2019

(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 April 1, 2017	**7,836.57**
Changes in equity share capital during the year	**-**
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**
B. Other Equity	

Particulars	Other equity									Total attributable to owners of the Company	Total Non-controling Interest (NCI)	Total
	Compulsorily Convertible Preference Shares	Reserves and surplus						Other Comprehensive Income (OCI)				
		Statutory reserve	Capital redemption reserve	Securities premium	Capital Reserve	Employee stock option reserve	Retained earnings	Debt instruments through OCI	Remeasurements of defined benefit liability/assets			
Balance as at April 1, 2017	2,672.64	3,641.96	1,500.00	21,472.87	-	39.05	13,425.34	4,328.24	-	47,080.10	4,432.92	51,513.02
Change in equity for the year ended March 31, 2018												
Change in the ownership interest in subsidiaries/funds resulting in change of control	-	-	-	-	-	-	-	-	-	-	4,327.92	4,327.92
Shares issued during the year	823.74	-	-	-	-	-	-	-	-	823.74	-	823.74
Premium received on shares issued during the year	-	-	-	4,169.37	-	-	-	-	-	4,169.37	-	4,169.37
Contribution by NCI	-	-	-	-	-	-	-	-	-	-	7,480.33	7,480.33
Distribution to the NCI including Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	(1,194.64)	(1,194.64)
Profit for the year	-	-	-	-	-	-	6,536.28	-	-	6,536.28	1,028.34	7,564.62
Transfer to statutory reserve	-	1,548.31	-	-	-	-	(1,548.31)	-	-	-	-	-
Transfer to Capital Redemption reserve	-	-	9.00	-	-	-	(9.00)	-	-	-	-	-
Creation of capital reserve pursuant to scheme of arrangement (refer note 51)	-	-	-	-	3.57	-	-	-	-	3.57	-	3.57
Employee compensation expense during the year	-	-	-	-	-	694.14	-	-	-	694.14	-	694.14
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	(24.82)	(24.82)	-	(24.82)
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	(24.82)	-	24.82	-	-	-
Fair valuation of investment in debt instruments (net)	-	-	-	-	-	-	-	1,109.98	-	1,109.98	1,175.86	2,285.84
Balance as at March 31, 2018	**3,496.38**	**5,190.27**	**1,509.00**	**25,642.24**	**3.57**	**733.19**	**18,379.49**	**5,438.22**	**-**	**60,392.36**	**17,250.73**	**77,643.09**

NORTHERN ARC CAPITAL LIMITED

Notes to the Standalone financial statements for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

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 investment in debt 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**	**60,488.35**	**3.57**	**1,780.22**	**27,044.85**	**3,480.55**	**-**	**108,916.78**	**12,250.12**	**12,1166.90**

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

Manoj Kumar Vijai
Partner
Membership No. 046882

Place : Mumbai
Date : May 21, 2019

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

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer

R. Srividhya
Company Secretary

Place : Mumbai
Date : May 21, 2019

(All amounts are in Indian Rupees in lakhs)

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.

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, 2019	As at March 31, 2018	As at April 1, 2017
Northern Arc Capital Limited (NACL) ("Holding Company")	India	Parent Company	Not applicable	Not applicable	Not applicable
Northern Arc Investment Managers Private Limited (NAIM)	India	Wholly owned subsidiary	100%	100%	100%
Northern Arc Investment Adviser Services Private Limited (NAIA)	India	Wholly owned subsidiary	100%	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	2018-2019	2017-2018
IFMR FImpact Medium Term Opportunities Fund	2018-2019	2017-2018
Northern Arc Money Market Alpha Trust Fund	2018-2019	

Northern Arc Capital Limited, Northern Arc Investment Adviser Services Private Limited, Norther Arc Investment Managers Private Limited and the above mentioned AIFs are together referred to as "Group".

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 notified under Section 133 of Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

These consolidated financial statements upto and for the year ended March 31, 2018 were prepared in accordance with the Companies (Accounting Standards) Rules 2006, notified under Section 133 of the Act and other relevant provisions of the Act.

The Company has adopted Ind AS from April 1, 2018 with effective transition date of April 1, 2017 and accordingly these consolidated financial statements have been prepared in accordance with the recognition and measurement principles as laid down in Ind AS prescribed under Section 133 of the Act.

As these are the Company's first consolidated financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First-time adoption of Ind AS has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position and financial performance of the Company is provided in Note 4.

These consolidated financial statements were authorised for issue by the Company's Board of Directors on May 21, 2019.

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 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 Consolidated Balance Sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented separately.

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 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 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.

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 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 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 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.

2.5 Use of estimates and judgements (continued)

(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 asset**
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 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 Company'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 Company 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 Group. The Group 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.

(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 Company recognises revenue from contracts with customers based on a five step model as set out in Ind 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 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 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 instrument - 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) FVOCI

(iii) 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 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 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 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 Company has accounted for its investments in subsidiaries at cost.

(B) **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 value 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 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. The Company did not reclassify any of its financial assets or liabilities in the year ended March 31, 2019 and March 31, 2018.

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

Stage 3: For financial assets considered credit-impaired, the Company 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 Company relies on a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time.

i) **Consumer Spending**

ii) **Interest rates**

3.7 Write-offs
Financial assets are written off when the Company identified significant constraints in the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 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 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) **Transition to Ind AS**
On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognised as at April 1, 2017, measured as per the previous Generally Accepted Accounting Principles (GAAP), and use that carrying value as the deemed cost of such property, plant and equipment.

(iii) **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.

(iv) **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 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 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) **Transition to Ind AS**
On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

(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.

(iii) **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

(i) **Determining whether an arrangement contains a lease**
At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

(ii) **Lease payments**
Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

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 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 Company 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 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.

3.20 Standard Issued But Not Yet Effective

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective from April 1, 2019.

Ind AS 116 - Leases

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

The Company will adopt Ind AS 116, effective annual reporting period beginning April 1, 2019. The Company will apply the standard to its leases, prospectively, using the modified prospective method with the cumulative effect of initially applying the standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company will not restate comparative information, instead, the cumulative effect of initially applying this Standard will be recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an Company shall recognise the income tax consequences of dividends in the statement of profit or loss, other comprehensive income or equity according to where the Company originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the Company pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the Company has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the Company is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) Company has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 109 – Prepayment features with negative compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

Ind AS 19 – Plan amendment, curtailment or settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

4 Explanation of transition to Ind AS

As stated in Note 2.1, these are the Company's first consolidated financial statements prepared in accordance with Ind AS. For the year ended March 31, 2018, the Company had prepared its consolidated financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The accounting policies set out in Note 3 have been applied in preparing these consolidated financial statements for the year ended March 31, 2019 including the comparative information for the year ended March 31, 2018 and the opening consolidated Ind AS balance sheet on the date of transition i.e. April 1, 2017.

In preparing its Ind AS balance sheet as at April 1, 2017 and in presenting the comparative information for the year ended March 31, 2018, the Company has adjusted amounts reported previously in consolidated financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Company in restating its consolidated financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

Optional exemptions availed and mandatory exceptions

In preparing these consolidated financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

4.1 Optional exemptions availed

(i) **Property plant and equipment and intangible assets**

As per Ind AS 101 an entity may elect to:

(i) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date.

(ii) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:

- fair value;
- or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

The elections under (i) and (ii) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, Intangible Assets, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market).

(iii) use carrying values of property, plant and equipment and intangible assets as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment and intangible assets. The same election has been made in respect of intangible assets. The carrying values of property, plant and equipment as aforesaid are after making adjustments relating to decommissioning liabilities, if any.

(ii) **Investment in subsidiaries**

Ind AS 101 allows a first time adopter to use a deemed cost when measuring an investment in a subsidiary in the separate opening statement of financial position. This deemed cost can be determined using either fair value at the date of tranistion to Ind AS or a previous GAAP carrying amount at that date. A first time adopter is able to choose whether the to use the deemed cost exemption on an investment by investment basis for its subisidiary.

Accordingly the Company has elected to avail the exemption and use the previous GAAP carrying value as a deemed cost.

(iii) **Designation of previously recognised financial instruments**

Ind AS 101 permits an entity to designate particular equity investments (other than equity investments in subsidiaries) as at fair value through other comprehensive income (FVOCI) based on facts and circumstances at the date of transition to Ind AS (rather than at initial recognition).

The Company has opted to avail this exemption to designate equity investments (other than investment in subsidiary) as FVOCI on the date of transition.

4.2 Mandatory exceptions

(i) **Accounting Estimates**

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Fair valuation of financial instruments carried at FVTPL and FVOCI
- Impairment of financial assets based on the expected credit loss model
- Determination of discount value for financial instruments carried at amortised cost

(ii) **Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

(iii) **Derecognition of financial assets and liabilities**

As per Ind AS 101, an entity should apply the de-recognition requirements in Ind AS 109, Financial Instruments, prospectively for transactions occuring on or after the date of transition to Ind AS. However an entity may apply the de-recognition requirements retrospectively from a date chosen by it if the information needed to apply Ind AS 109 to financial assets and financial liabilities de-recogniesed as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the derecognition criteria for financial assets/ liabiltiies prospectively. Hence it has not recognised any financial assets/ financial liabilities previously de-recognised.

(iv) **Impairment of financial assets**

The Company being NBFC company is required to assess the impairment of financial assets based upon the new model i.e. ECL instead of rule based guidance (RBI Prudential Norms) as prevailed under previous GAAP.

Accordingly, the Company has applied the impairment requirement of Ind-AS 109 on all financial assets recognised as per Ind-AS 109 retrospectively except:

1. The Company has sought to approximate the credit risk on initial recognition by considering all reasonable and supportable information that is available without undue cost or effort.
2. The Company has determined whether the financial asset is having low credit risk, as specified in Ind-AS 109, and whether there is a significant increase in credit risk since initial recognition of financial assets by applying rebuttable presumption of 60 days past due.
3. If the Company is unable to determine whether there is a significant increase in credit risk since initial recognition of a financial asset, without involving undue cost or effort, the Company shall recognise a loss amount equal to life time expected losses at each reporting date till the financial asset is derecognised.

Accordingly, the Company has developed ECL model for testing of impairment of loans and advances.

(All amounts are in Indian Rupees in lakhs)

4.3 Reconciliation of equity

	As at date of transition April 1, 2017				As at March 31, 2018			
	Previous GAAP*	Adjustment on account of Fund consolidation	Adjustment on transition to Ind AS	Ind AS	Previous GAAP*	Adjustment on account of Fund consolidation	Adjustment on transition to Ind AS	Ind AS
ASSETS								
Financial assets								
Cash and cash equivalents	11,987.87	4.73	-	11,992.60	18,081.20	642.48	-	18,723.68
Bank balances other than cash and cash equivalents	1,044.92	-	-	1,044.92	1,341.53	-	-	1,341.53
Derivative financial instruments	-	-	-	-	4.04	-	-	4.04
Trade receivables	1,261.77	(31.47)	(27.40)	1,202.90	2,463.94	-	(151.54)	2,312.40
Loans	158,199.17	-	(1,449.20)	156,749.97	228,041.75	-	3,599.43	231,641.18
Investments	115,678.93	4,468.52	7,916.47	128,063.92	101,546.11	16,464.65	8,798.69	126,809.45
Other financial assets	365.95	-	(10.26)	355.69	577.37	(10.42)	94.61	661.56
	288,538.61	**4,441.78**	**6,429.61**	**299,410.00**	**352,055.94**	**17,096.71**	**12,341.19**	**381,493.84**
Non-financial assets								
Current tax assets (net)	312.59	-	-	312.59	583.91	-	-	583.91
Deferred tax assets (net)	1,221.79	-	(1,221.79)	-	2,275.09	-	(1,664.60)	610.49
Property, plant and equipment	31.61	-	-	31.61	35.50	-	-	35.50
Intangible assets	337.86	-	-	337.86	359.80	-	-	359.80
Intangible fixed assets under development	17.69	-	-	17.69	133.40	-	-	133.40
Goodwill on consilidation	174.63	-	-	174.63	174.63	-	-	174.63
Other non- financial assets	34.82	1.02	124.37	160.21	142.00	2.43	78.49	222.92
	2,130.99	**1.02**	**(1,097.42)**	**1,034.59**	**3,704.33**	**2.43**	**(1,586.11)**	**2,120.65**
Total asset	**290,669.60**	**4,442.80**	**5,332.19**	**300,444.59**	**355,760.27**	**17,099.14**	**10,755.08**	**383,614.49**

(All amounts are in Indian Rupees in lakhs)

4.3 Reconciliation of equity

	As at date of transition April 1, 2017				As at March 31, 2018			
	Previous GAAP*	Adjustment on account of Fund consolidation	Adjustment on transition to Ind AS	Ind AS	Previous GAAP*	Adjustment on account of Fund consolidation	Adjustment on transition to Ind AS	Ind AS
LIABILITIES AND EQUITY								
LIABILITIES								
Financial liabilities								
Derivative financial instruments	21.07	-	-	21.07	-	-	-	-
Trade payables	1,172.93	7.19	11.50	1,191.62	848.47	23.93	14.23	886.63
Debt securities	80,525.00	-	-	80,525.00	60,300.00	-	-	60,300.00
Borrowings (Other than debt secuities)	152,064.16	-	41.42	152,105.58	224,375.97	-	7,090.48	231,466.45
Sub-ordinated liabilities	-	-	31.00	31.00	-	-	-	-
Other financial liabilities	5,763.11	-	-	5,763.11	3,995.89	(132.12)	(410.22)	3,453.55
	239,546.27	**7.19**	**83.92**	**239,637.38**	**289,520.33**	**(108.19)**	**6,694.49**	**296,106.63**
Non-financial liabilities								
Provisions	789.20		(203.45)	585.75	1,798.49		(302.20)	1,496.29
Deferred tax liabilities (net)	-	-	854.08	854.08	-	-	-	-
Current tax liabilities (net)	7.43	-	-	7.43	43.60	-	-	43.60
Preference shares issued by Subsidaries outside the group	31.00	-	(31.00)	-	-	-	-	-
Other non-financial liabilities	7.04	3.32	-	10.36	355.76	132.55	-	488.31
	834.67	**3.32**	**619.63**	**1,457.62**	**2,197.85**	**132.55**	**(302.20)**	**2,028.20**
EQUITY								
Equity share capital	7,836.57	-	-	7,836.57	7,836.57	-	-	7,836.57
Other equity	42,452.09	(0.63)	4,628.64	47,080.10	56,205.52	(175.95)	4,362.79	60,392.36
Non Controling Interest	-	4,432.92	-	4,432.92	-	17,250.73	-	17,250.73
	50,288.66	**4,432.29**	**4,628.64**	**59,349.59**	**64,042.09**	**17,074.78**	**4,362.79**	**85,479.66**
Total liabilities and equity	**290,669.60**	**4,442.80**	**5,332.19**	**300,444.59**	**355,760.27**	**17,099.14**	**10,755.08**	**383,614.49**

*Previous year figures were regrouped, wherever necessary to conform to current year presentation.

(All amounts are in Indian Rupees in lakhs)

		April 1, 2017	March 31, 2018
Total equity (shareholder's funds) as per previous GAAP		**50,288.66**	**64,042.09**
Impact on recognition of processing fee on financial assets and financial liabilities under Effective Interest Rate method	*(i) and (ii)*	(1,147.79)	(1,897.81)
Impact on application of Expected Credit Loss method for impairment allowance on financial assets	*(iii)*	52.44	(1,019.31)
Fair value adjustment on investments	*(iv)*	1,131.18	955.12
Income adjustment on account of derecognition of loans (net)	*(v)*	114.73	168.98
Interest income from investments in preference shares of subsidiaries	*(vi)*	97.41	161.25
Fair valuation adjustment of financial assets through Other Comprehensive Income	*(iv)*	6,181.31	6,394.99
Recognition of non-convertible preference share capital as financial liability	*(vi)*	(31.00)	-
Impact on account of consolidation of funds in accordance with Ind AS 110 (Refer note 1)	*(viii)*	4,739.23	18,341.35
Others		(0.71)	(2.40)
Tax effects on above adjustments		(2,075.87)	(1,664.60)
Total adjustments		**9,060.93**	**21,437.57**
Total equity (shareholder's funds) as per Ind AS		**59,349.59**	**85,479.66**

4.4 Reconciliation of total comprehensive income for the year ended March 31, 2018

	Year ended March 31, 2018			
	Previous GAAP*	Adjustment on account of Fund consolidation	Adjustment on transition to Ind AS	Ind AS
Revenue from operations	47,502.37	226.73	876.70	48,605.80
Other income	-	-	-	-
Total income	**47,502.37**	**226.73**	**876.70**	**48,605.80**
Expenses				
Finance costs	22,964.55	-	751.12	23,715.67
Impairment on financial instruments/write-offs	2,904.58	225.24	1,071.75	4,201.57
Employee benefits expenses	4,823.42	-	454.75	5,278.17
Depreciation and amortisation expenses	169.47	-	-	169.47
Other expenses	3,682.49	120.19	14.08	3,816.76
Total expenses	**34,544.51**	**345.43**	**2,291.70**	**37,181.64**
Profit before income tax	**12,957.86**	**(118.70)**	**(1,415.00)**	**11,424.16**
Current tax	5,333.02	-	-	5,333.02
Minimum alternative tax (MAT) for the year	53.05	-	-	53.05
Less: MAT Credit entitlement	(28.36)	-	-	(28.36)
Deferred tax	(1,025.15)	-	(473.02)	(1,498.17)
Income tax expense	**4,332.56**	**-**	**(473.02)**	**3,859.54**
Profit for the year	**8,625.30**	**(118.70)**	**(941.98)**	**7,564.62**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax	-	-	(24.82)	(24.82)
Items that will be reclassified subsequently to profit or loss, net of tax	-	-	2,285.84	2,285.84
Total comprehensive income	**8,625.30**	**(118.70)**	**1,319.04**	**9,825.64**

(All amounts are in Indian Rupees in lakhs)

Particulars		March 31, 2018
Profit as per previous GAAP		**8,625.30**
Adjustments resulting in increase / (decrease) in profit after tax as reported under previous GAAP:		
Impact on recognition of processing fee on financial assets and financial liabilities under Effective Interest Rate method	(i) and (ii)	(750.02)
Impact on application of Expected Credit Loss method for impairment allowance on financial assets	(iii)	(1,071.75)
Fair value adjustment on investments	(iv)	812.15
Income adjustment on account of derecognition of loans (net)	(v)	54.25
Interest income from investments in preference shares of subsidiaries	(vi)	(2.93)
Employee stock compensation expense under fair valuation method	(vii)	(492.37)
Impact on account of consolidation of funds in accordance with Ind AS 110 (Refer note 1)	(viii)	(118.70)
Other adjustments		35.67
Tax impact on above adjustments		473.02
Net Profit after tax for the year under Ind AS		**7,564.62**
Other comprehensive income		
Fair valuation adjustment of financial assets through Other Comprehensive Income, net of taxes	(iv)	2,285.84
Remeasurement loss on defined benefit plan, net of taxes		(24.82)
Total Comprehensive Income for the year under Ind AS		**9,825.64**

**Previous year figures were regrouped, wherever necessary to conform to current year presentation.*

(i) **Loans at amortised cost**

Based on Ind AS 109, financial assets in the form of loans have been accounted at amortised cost using effective interest rate method and accordingly, processing fee have been recognised using the effective interest rate method and recorded under interest income in the statement of profit and loss. Under previous GAAP, processing fee were recognised on an upfront basis to the income statement and disclosed under Revenue from operations (as Income from other financial services).

The impact arising from the change is summarized as follows:

		Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit		
Processing fee income		(686.00)
Adjustment before income tax		**(686.00)**
Balance sheet	**April 1, 2017**	**March 31, 2018**
Increase in unamortised processing fee income*	1,106.37	1,792.37
Adjustment to retained earnings	**1,106.37**	**1,792.37**

**Consequent decrease in loans*

(ii) **Borrowings at amortised cost**

Based on Ind AS 109, financial liabilities in the form of borrowings have been accounted at amortised cost using effective interest rate method. Accordingly, upfront transaction costs have been included in the effective interest rate computations and disclosed as interest cost in the statement of profit and loss. Under previous GAAP, these costs were amortised on a straight line basis over the tenure of the loan and disclosed under finance costs (as amortisation of ancillary cost). The unamortised component were disclosed under Loans and advances under previous GAAP.

(All amounts are in Indian Rupees in lakhs)

The impact arising from the change is summarized as follows:

		Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit		
Finance costs		(64.02)
Adjustment before income tax		**(64.02)**
Balance sheet	**April 1, 2017**	**March 31, 2018**
Decrease in unamortised borrowings cost*	41.42	105.44
Adjustment to retained earnings	**41.42**	**105.44**

**Consequent decrease in borrowings*

(iii) **Loss allowance**

On transition to Ind AS, the Company has recognised impairment loss on loans measured at amortised cost based on the expected credit loss model as required by Ind AS 109. Consequently, loans measured at amortised cost have been reduced with a corresponding decrease/ increase in retained earnings on the date of transition and there has been an incremental provision for the year ended March 31, 2018. The provision for standard assets and provision for non-performing assets were disclosed as provisions in the previous GAAP. Under Ind AS, the expected credit loss has been disclosed as a deduction from loans.

		Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit		
Impairment loss allowance on loans		(1,071.75)
Adjustment before income tax		**(1,071.75)**
Balance sheet	April 1, 2017	March 31, 2018
(Decrease)/ Increase impairment loss allowance on loans #	(52.44)	1,019.31
Adjustment to retained earnings	**(52.44)**	**1,019.31**

**# shown as a reduction in loans*

(iv) **Fair valuation of investments**

In accordance with Ind AS, financial assets representing certain loans, investment in alternative investment funds, pass through certificates and debt instruments have been fair valued. The Company has designated loans, pass through certificates and debt instruments as fair value through other comprehensive income and investment in alternative investment funds as fair value through profit or loss, as permitted by Ind AS 109. Under the previous GAAP, such investments were carried at cost.

The impact arising from the change is summarized as follows:

		Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit		
Increase in fair valuation adjustment-Assets fair valued through Profit and Loss		812.15
Other Comprehensive Income ('OCI') - Increase / (decrease) in OCI		
Increase in fair valuation adjustment-Assets fair valued through OCI		2,360.59
Adjustment before income tax		**3,172.74**
Balance sheet	**April 1, 2017**	**March 31, 2018**
Increase in fair value of the financial assets designated as FVOCI	6,181.31	6,394.99
Increase in fair value of the financial assets designated as FVTPL	1,131.18	955.12
Adjustment to retained earnings	**7,312.49**	**7,350.11**

(All amounts are in Indian Rupees in lakhs)

(v) **De-recognition of securitised and assignment portfolio**

Under Ind AS, since the loan portfolio sold would not meet the derecognition criteria for securitisation transactions, the Company has reinstated the loan portfolio in the books and recognised a corresponding liability for the amounts received from the investors in the pass through certificates. The Company has recognised interest income at the actual rates on the underlying loans and also recognised interest expense for the rate payable to the investors. Further, the interest on fixed deposits has been recognized on an accrual basis.

The gain on sale or derecognition of assigned portfolio are recorded upfront in the statement of profit and loss as per Ind AS 109.

The impact arising from the change is summarized as follows:

		Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit		
Interest income		684.16
Finance costs		(684.16)
Adjustment before income tax		**-**
Balance sheet	April 1, 2017	March 31, 2018
Increase on account of de-recognition of loans	114.73	168.98
Adjustment to retained earnings	**114.73**	**168.98**

(vi) **Interest income on compulsory convertible preference shares**

Under IGAAP, the classification of financial statements was based on their legal form rather than economic substance. On transition to Ind AS, redeemable preference shares issued has been reclassified from equity to financial liability as per the requirements of Ind AS 32. Accordingly, the related dividend has been recognised as finance cost under Ind AS.

The impact arising from the change is summarized as follows:

		Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit		
Interest income		(2.93)
Adjustment before income tax		**(2.93)**

(vii) **Share based payments measurement**

The Company granted cash-settled share-based payments to certain employees. The Company accounted for these share-based payment arrangements by reference to their intrinsic value under previous GAAP. Under Ind AS, the related liability has been adjusted to reflect the fair value of the outstanding cash-settled shared-based payments.

The impact arising from the change is summarized as follows:

		Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit		
Employee benefits expenses		(492.37)
Balance sheet	**April 1, 2017**	**March 31, 2018**
Increase in Employee stock option reserve	0.95	493.32
Adjustment to retained earnings	**0.95**	**493.32**

(viii) **Impact on account of consolidation of funds in accordance with Ind AS 110**
Northern Arc Capital Limited ('NACL') has floated Alternate Investment Funds ('AIF'), wherein Northern Arc Invesment Managers Private Limited ('IM') and NACL has also invested. NACL evaluated the existence of Control on these AIFs in accordance with Ind AS 110 (Consolidated Financial Statements) and consolidated the following AIF in accordance with Ind AS 110. Refer note 1 for detailed group structure. Under previous GAAP, NACL has not consolidated these funds as they do not fall under the definition of subsidiary as per previous GAAP.

The impact arising from the change is summarized as follows:

		Year ended March 31, 2018
Statement of profit and loss - Increase / (decrease) in profit		
Total comprehensive income for the year		(118.70)
Balance sheet	**April 1, 2017**	**March 31, 2018**
Increase in equity including non-controlling interest	4,739.23	18,341.35
Adjustment to retained earnings	**4,739.23**	**18,341.35**

(ix) **Recognition of suspended interest income (net)**
Further, under previous GAAP the Company did not accrue interest income on contracts that were classified as non-performing assets in accordance with the RBI Regulations. Under Ind AS, the Company recognises interest income on stage 3 assets resulting in an increase in income of INR 7 lakhs for the year ended March 31, 2018 and provided for the same on account of uncertainty of its collections.

(x) **Remeasurement of post-employment benefit obligations**
Under the previous GAAP, actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability was forming part of the profit or loss for the year. However under Ind AS, such actuarial gains and losses are recognised in other comprehensive income. However, there is no material change on the total comprehensive income and total equity as at April 1, 2017 and March 31, 2018.

(xi) **Other comprehensive income**
Under Previous GAAP, there was no concept of OCI. Under Ind AS, fair valuation of certain loans, investments in pass through certificates and debt securities whose business model is "held to collect and sell" and re-measurement of defined benefit plan liability are recognised in OCI.

(xii) **Deferred tax**
IGAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the Balance Sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under IGAAP.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings, OCI or profit and loss respectively.

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
5. Cash and cash equivalents			
Balance with banks	*16,078.31*	15,222.35	11,992.60
Bank deposit with maturity of less than 3 months (free of lien)	*3,000.00*	3,500.00	-
Interest accrued	*1.04*	1.33	-
	19,079.35	**18,723.68**	**11,992.60**

Balances with banks earn interest at floating rates based on daily bank deposit rates. 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, 2019	As at March 31, 2018	As at April 1, 2017
6. Bank balances other than cash and cash equivalents			
Fixed deposit with bank	*1,195.54*	390.92	967.77
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments	*3,857.90*	913.02	-
Interest accrued	*180.44*	37.59	77.15
	5,233.88	**1,341.53**	**1,044.92**

Note:

6.1 The Company has received cash collateral amounting to Rs.1,195.54 lakhs (March 31, 2018 : Rs.390.92 Lakhs; April 1, 2017: Rs 962.08 lakhs) for the loans given.

6.2 The Company has given fixed deposits as credit enhancement for securitisation transactions entered by it, amounting to Rs 3,857.90 lakhs (March 31, 2018 : Rs.913.02 Lakhs; April 1, 2017: Nil).

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
7. Derivative financial instruments			
Currency derivatives			
Currency swaps	-	4.04	-
	-	**4.04**	**-**
8. Trade receivables			
Receivables - considered good, unsecured	1,728.95	2,463.94	1,230.30
Less: Impairment loss allowance	(102.34)	(151.54)	(27.40)
	1,626.61	**2,312.40**	**1,202.90**
Receivables which have significant increase in credit risk, unsecured	-	-	-
Less: Impairment loss allowance	-	-	-
	1,626.61	**2,312.40**	**1,202.90**
Of the above, trade receivables from related parties	-	-	-

NORTHERN ARC CAPITAL LIMITED

Notes to the consolidated financial statements for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

9 Loans

	As at March 31, 2019			As at March 31, 2018			As at April 1, 2017		
	At Amortised cost	At Fair Value through Other Comprehensive Income	Total	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	240,513.49	39,865.04	280,378.53	200,175.92	33,665.70	233,841.62	107,372.53	50,421.61	157,794.14
Less : Impairment loss allowance	(2,693.96)	-	(2,693.96)	(2,200.44)	-	(2,200.44)	(1,044.17)	-	(1,044.17)
Total	**237,819.53**	**39,865.04**	**277,684.57**	**197,975.48**	**33,665.70**	**231,641.18**	**106,328.36**	**50,421.61**	**156,749.97**
B. Based on Security									
(i) Secured by tangible assets *	209,735.42	38,711.02	248,446.44	169,407.64	30,652.71	200,060.35	84,922.03	38,708.74	123,630.77
(ii) Unsecured	30,778.07	1,154.02	31,932.09	30,768.28	3,012.99	33,781.27	22,450.50	11,712.87	34,163.37
Total Gross Loans	**240,513.49**	**39,865.04**	**280,378.53**	**200,175.92**	**33,665.70**	**233,841.62**	**107,372.53**	**50,421.61**	**157,794.14**
Less: Impairment loss allowance	(2,693.96)	-	(2,693.96)	(2,200.44)	-	(2,200.44)	(1,044.17)	-	(1,044.17)
Total Net Loans	**237,819.53**	**39,865.04**	**277,684.57**	**197,975.48**	**33,665.70**	**231,641.18**	**106,328.36**	**50,421.61**	**156,749.97**
C. Based on region									
(I) Loans in India									
(i) Public Sector	-	-	-	-	-	-	-	-	-
(ii) Private Sector	240,513.49	39,865.04	280,378.53	200,175.92	33,665.70	233,841.62	107,372.53	50,421.61	157,794.14
Total Gross Loans	**240,513.49**	**39,865.04**	**280,378.53**	**200,175.92**	**33,665.70**	**233,841.62**	**107,372.53**	**50,421.61**	**157,794.14**
Less: Impairment loss allowance	(2,693.96)	-	(2,693.96)	(2,200.44)	-	(2,200.44)	(1,044.17)	-	(1,044.17)
Total (I)-Net loans	**237,819.53**	**39,865.04**	**277,684.57**	**197,975.48**	**33,665.70**	**231,641.18**	**106,328.36**	**50,421.61**	**56,749.97**
(II) Loans outside India									
Loans outside India	-	-	-	-	-	-	-	-	-
Total (I) and (II)	**237,819.53**	**39,865.04**	**277,684.57**	**197,975.48**	**33,665.70**	**231,641.18**	**106,328.36**	**50,421.61**	**156,749.97**

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

(All amounts are in Indian Rupees in lakhs)

10 Investments

	As at March 31, 2019				
	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total
Investment in debentures (quoted)					
Non-convertible redeemable debentures	-	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	-	25,731.57	-	-	25,731.57
Investment in Other approved securities					
Alternative Investment Funds(unquoted)	-	-	20,476.28	-	20,476.28
Investment in Mutual Funds(quoted)	-	-	229.56	-	229.56
Other investments (Unquoted)					
Share warrants	-	-	1.14	-	1.14
Total Gross investments (A)	**-**	**99,667.75**	**20,706.98**	**-**	**120,374.73**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	-	99,667.75	20,706.98	-	120,374.73
Total Gross investments	**-**	**99,667.75**	**20,706.98**	**-**	**120,374.73**
Less: Impairment loss allowance for Investments in India (B)	-	(1,077.28)	-	-	(1,077.28)
Less: Write off on financial instruments	-	-	-	-	-
Total Net Investments (A + B)	**-**	**98,590.47**	**20,706.98**	**-**	**119,297.45**

(All amounts are in Indian Rupees in lakhs)

10 Investments

	As at March 31, 2018				
	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total
Investment in debentures (quoted)					
Non-convertible redeemable debentures	-	81,070.09	-	-	81,070.09
Investment in Commercial papers (quoted)					
Commercial papers	-	-	-	-	-
Investment in pass-through certificates (unquoted)					
Investment in pass-through certificates	-	35,382.02	-	-	35,382.02
Investment in Other approved securities					
Alternative Investment Funds(unquoted)	-	-	12,383.81	-	12,383.81
Investment in Mutual Funds(quoted)	-	-	229.77	-	229.77
Other investments (Unquoted)					
Share warrants	-	-	0.23	-	0.23
Total Gross investments (A)	**-**	**116,452.11**	**12,613.81**	**-**	**129,065.92**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	-	116,452.11	12,613.81	-	129,065.92
Total Gross investments	**-**	**116,452.11**	**12,613.81**	**-**	**129,065.92**
Less: Impairment loss allowance for Investments in India (B)	-	(2,256.47)	-	-	(2,256.47)
Less: Write off on financial instruments	-	-	-	-	-
Total Net Investments (A + B)	**-**	**114,195.64**	**12,613.81**	**-**	**126,809.45**

(All amounts are in Indian Rupees in lakhs)

10 Investments

	As at April 1, 2017				
	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total
Investment in debentures (quoted)					
Non-convertible redeemable debentures	-	71,232.59	-	-	71,232.59
Investment in Commercial papers (quoted)					
Commercial papers	2,800.00	-	-	-	2,800.00
Investment in pass-through certificates (unquoted)					
Investment in pass-through certificates	-	42,728.26	-	-	42,728.26
Investment in Other approved securities					
Alternative Investment Funds(unquoted)	-	-	11,400.94	-	11,400.94
Investment in Mutual Funds(quoted)	-	-	-	-	-
Other investments (Unquoted)					
Share warrants	-	-	-	-	-
Total Gross investments (A)	**2,800.00**	**113,960.85**	**11,400.94**	**-**	**128,161.79**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	2,800.00	113,960.85	11,400.94	-	128,161.79
Total Gross investments	**2,800.00**	**113,960.85**	**11,400.94**	**-**	**128,161.79**
Less: Impairment loss allowance for Investments in India (B)	(97.87)	-	-	-	(97.87)
Less: Write off on financial instruments	-	-	-	-	-
Total Net Investments (A + B)	**2,702.13**	**113,960.85**	**11,400.94**	**-**	**128,063.92**

10.1 The Company does not have any investment in commercial papers at at March 31, 2019 and March 31, 2018.
Commercial papers at amortised cost have stated interest rates of 10.8% to 10.9% as at April 1, 2017 and matures within one year.

10.2 Preference shares at amortised cost have stated coupon rates of 8% (2017-2018: 8%; 2016-2017: 8%) and mature in September 2019.

10.3 Pass through certificates at FVOCI have stated interest rates of 10.10% to 17.20% (2017-2018: 10.30% to 17.40%; 2016-2017: 10.70% to 19.30%) and mature in one to two years.

10.4 Corporate debt securities at FVOCI have stated interest rates of 9.70% to 15.50% (2017-2018: 10.20% to 14.50%; 2016-2017: 9.20% to 14.50%) and mature in three to seven years.

10.5 Alternate Investment Funds at FVTPL have stated interest rates of 110.10% to 20.00% (2017-2018: 10.30% to 20.20%; 2016-2017: 12.10% to 19.50%) and mature in one to eight years.

10.6 Share Warrants at FVTPL and are eligible for conversion into shares as per the terms of agreement.

10.7 The Company's exposure to credit and currency risks, loss allowances related to investments are disclosed in note 13.

(All amounts are in Indian Rupees in lakhs)

11 Other financial assets

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Unsecured, considered good			
Security deposits	219.04	174.99	164.91
Advances to employees	26.05	24.49	9.88
Excess Interest spread receivable	14.63	168.98	114.73
Other receivables	535.01	102.02	38.91
Advances to subsidiaries	9.17	2.94	-
	803.90	**473.42**	**328.43**
Unbilled revenue	80.55	189.35	27.75
Less: Impairment loss allowance	(0.76)	(1.21)	(0.49)
	79.79	**188.14**	**27.26**
	883.69	**661.56**	**355.69**

12.1 Property, plant and equipment

	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Cost or deemed cost Balance at April 1, 2017 (deemed cost)	**0.29**	**1.73**	**12.15**	**12.53**	**0.19**	**4.72**	**31.61**
Additions	-	0.41	43.42	10.16	-	-	53.99
Disposals	-	-	1.09	-	-	-	1.09
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	-	-	2.73	-	-	-	2.73
As at March 31, 2019	**0.29**	**2.52**	**159.34**	**41.19**	**0.19**	**4.72**	**208.25**
Accumulated depreciation							
Depreciation for the year	0.16	1.36	28.98	17.89	0.12	1.57	50.08
On disposals	-	-	1.07	-	-	-	1.07
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
On disposals	-	-	1.96	-	-	-	1.96
As at March 31, 2019	**0.23**	**2.02**	**101.21**	**33.60**	**0.17**	**2.62**	**139.85**
Net block							
As at April 1, 2017	**0.29**	**1.73**	**12.15**	**12.53**	**0.19**	**4.72**	**31.61**
As at March 31, 2018	**0.13**	**0.78**	**26.57**	**4.80**	**0.07**	**3.15**	**35.50**
As at March 31, 2019	**0.06**	**0.50**	**58.13**	**7.59**	**0.02**	**2.10**	**68.40**

(All amounts are in Indian Rupees in lakhs)

12.2 Intangible assets under development

	Software	Total
Balance at April 1, 2017 (deemed cost)	17.69	17.69
Add: Additions	154.02	154.02
Less: Capitalized during the year	(38.31)	(38.31)
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**

12.3 Intangible assets

	Software	Total
Cost or deemed cost **Balance at April 1, 2017 (deemed cost)**	**337.86**	**337.86**
Additions	141.33	141.33
Disposals	-	-
As at March 31, 2018	**479.19**	**479.19**
Additions	132.97	132.97
Disposals	-	-
As at March 31, 2019	**612.16**	**612.16**
Accumulated amortisation		
Amortisation for the year	119.39	119.39
On disposals	-	-
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**
Net block		
As at April 1, 2017	**337.86**	**337.86**
As at March 31, 2018	**359.80**	**359.80**
As at March 31, 2019	**290.99**	**290.99**

(All amounts are in Indian Rupees in lakhs)

13 Other non- financial assets

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Prepaid expense	*298.00*	150.58	52.91
Balances with government authorities	*12.50*	5.51	2.46
Advances to vendors	*345.25*	66.83	104.84
	655.75	**222.92**	**160.21**

14 Derivative financial instruments

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Currency derivatives			
Currency swaps	10.65	-	21.07
	10.65	**-**	**21.07**

15 Trade payables

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Trade payables			
- dues to micro enterprises and small enterprises (refer note 42)	-	-	-
- dues to creditors other than micro enterprises and small enterprises	924.41	886.63	1,191.62
	924.41	**886.63**	**1,191.62**

(All amounts are in Indian Rupees in lakhs)

16 Debt securities

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Measured at amortised cost:			
Secured, redeemable non-convertible debentures:			
11.10% Redeemable non-convertible debentures of INR 1,000,000 each	-	-	12,500.00
9.80% Redeemable non-convertible debentures of INR 1,000,000 each	5,000.00	-	-
9.88% Redeemable non-convertible debentures of INR 1,000,000 each	3,500.00	-	-
9.69% Redeemable non-convertible debentures of INR 1,000,000 each	7,500.00	7,500.00	-
10.90% Redeemable non-convertible debentures of INR 1,000,000 each	7,500.00	7,500.00	7,500.00
9.60% Redeemable non-convertible debentures of INR 1,000,000 each	10,000.00	10,000.00	10,000.00
9.88% Redeemable non-convertible debentures of INR 1,000,000 each	10,000.00	10,000.00	-
11.15% Redeemable non-convertible debentures of INR 1,000,000 each	-	-	15,000.00
10.10% Redeemable non-convertible debentures of INR 1,000,000 each	-	-	10,000.00
9.45% Redeemable non-convertible debentures of INR 1,000,000 each	9,916.94	-	-
9.60% Redeemable non-convertible debentures of INR 1,000,000 each	9,906.18	-	-
	63,323.12	**35,000.00**	**55,000.00**
Unsecured, redeemable non-convertible debentures:			
14.50% redeemable non-convertible debentures of INR 50,000 each	-	300.00	525.00
10.15% Redeemable non-convertible debentures of INR 1,000,000 each	25,000.00	-	-
10.43% redeemable non-convertible debentures of INR 1,000,000 each	25,000.00	25,000.00	25,000.00
	50,000.00	**25,300.00**	**25,525.00**
Total redeemable non-convertible debentures	**113,323.12**	**60,300.00**	**80,525.00**
Debt securities in India	113,323.12	60,300.00	80,525.00
Debt securities outside India	-	-	-
Total redeemable non-convertible debentures	**113,323.12**	**60,300.00**	**80,525.00**

(All amounts are in Indian Rupees in lakhs)

Note 16 A : Details regarding terms of issuance of debt securities

Particulars	Gross Balance as at March 31, 2019	Terms of Redemption	Interest rate	Security
Secured, redeemable non-convertible debentures:				
500 units (March 31, 2018: Nil units) of 9.80% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on September 27, 2019	5,000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal to be repaid on maturity Tenure of security: 381 days Redemption date: September 27, 2019	9.80%	The Debentures shall be secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
350 units (March 31, 2018: Nil units) of 9.88% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on April 3, 2019	3,500.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 1 year Redemption date: April 3 ,2019	9.88%	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, 2018: 750 units) of 9.69% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on May 2, 2019	7,500.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal to be repaid on maturity Tenure of security: 400 days Redemption date: May 2,2019	9.69%	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, 2018: 750 units) of 10.90% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 24, 2019	7,500.00	Coupon payment frequency: Annual Principal repayment frequency: Entire principal to be repaid on maturity Tenure of security: 3 years Redemption date: June 24, 2019	10.90%	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, 2018: 1,000 units) of 9.60% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 27, 2019	10,000.00	Coupon payment frequency: Monthly Principal repayment frequency::Entire principal to be repaid on maturity Tenure of security: 3 years Redemption date: Decemebr 27,2019	9.60%	Secured with loan receivables and investments, with a security cover of 1.05x over the outstanding Non-Convertible Debentures
1,000 units (March 31, 2018: 1,000 units) of 9.88% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 27, 2020	10,000.00	Coupon payment frequency: Quarterly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 2 years Redemption date: March 27, 2020	9.88%	Secured with loan receivables and investments, with a security cover of 1.05x over the outstanding Non-Convertible Debentures
1,000 units (March 31, 2018: Nil 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: 3.5 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, 2018: Nil 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 repaid on maturity 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, 2018: 2,500 units) of 10.43% redeemable non-convertible debentures of INR 1,000,000 each, maturing on August 2, 2019	25,000.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3 years Redemption date: August 2,2019	10.43%	NA
2,500 units (March 31, 2018: Nil 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

(All amounts are in Indian Rupees in lakhs)

17 Borrowings (Other than debt securities)

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Measured at amortised cost:			
Secured			
Term Loans			
- from banks	91,792.85	123,457.44	86,840.14
- from others	31,924.06	25,289.34	7,360.80
Loans repayable on demand from banks			
- working capital loan from banks	17,500.00	16,500.00	9,209.00
- cash credit from banks	20,696.74	19,013.82	16,464.34
	161,913.65	**184,260.60**	**119,874.28**
Unsecured			
Term Loans			
- from banks	1,500.00	1,500.00	-
- from others	3,669.43	4,888.09	11.48
Others			
- Commercial paper	10,000.00	42,500.00	33,500.00
- Less: unamortised discount on commercial paper	(549.89)	(1,225.11)	(942.28)
- Commercial paper (net)	9,450.11	41,274.89	32,557.72
	14,619.54	**47,662.98**	**32,569.20**
Total borrowings (Other than debt securities)	**176,533.19**	**231,923.58**	**152,443.48**
Borrowings in India	176,533.19	231,923.58	152,443.48
Borrowings outside India	-	-	-
Total borrowings (Other than debt securities)	**176,533.19**	**231,923.58**	**152,443.48**
Less: Unamortised borrowing costs	(566.52)	(457.13)	(337.90)
	175,966.67	**231,466.45**	**152,105.58**

Note : The Company has not defaulted in the repayment of principal and interest

Note 17 A : Details regarding terms of borrowings (from banks)

Particulars	Gross Balance as at March 31, 2019	Terms of Redemption	Interest rate	Security
Term Loan 1	2,801.85	Repayments terms: 8 Equal quarterly instalments (Repayment is made in USD equivalents of the repayment amount as per the repayment schedule in the cross currency swap deal confirmation) Tenor of Security : 2 years Redemption date: December 30, 2019	8.90%	Exclusive charge over the standard assets of the company created out of the Commercial Term Loan Facility granted by Axis Bank Term Loan with security cover of l.20x on the outstanding facility at all time.
Term Loan 2	1,250.00	Repayments terms: In 8 equal quarterly instalments 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: September 26, 2019	8.90%	First exclusive charge over specifically identified loan receivables and investments of the Borrower, sufficient to provide a security cover of 1 .20x on the outstanding facility at all time.
Term Loan 3	1,666.67	Repayments terms: 6 Half Yearly instalments Tenor of Security : 3 Years Redemption date: November 30, 2019	10.00%	First exclusive charge (floating) over loan receivables and investments of the company to provide a security cover of 1.20 times of the facility outstanding at all times.
Term Loan 4	749.86	Repayments terms: Facility to be repaid in 8 equal quarterly instalment after a moratorium of six months Tenor of Security : 30 months Redemption date: December 26, 2019	10.10%	Exclusive charge over the standard assets of the company created out of the Commercial Term Loan Facility granted by Abu Dhabi Commercial Bank with security cover of l .15x on the outstanding facility at all time.
Term Loan 5	5,550.00	Repayments terms: Repayment of 15 crores followed by 10 equal quarterly instalments Tenor of Security : 3 Years Redemption date: December 31, 2019	10.20%	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 6	1,666.67	Repayments terms: Repayable in 36 months by 12 equal quarterly instalments Tenor of Security : 3 Years Redemption date: March 24, 2020	9.15%	Hypothecation of Specific loan assets to the value of 125% of the loan amount.
Term Loan 7	1,993.43	Repayments terms: 10 Quarterly instalments after the first 6 months . Tenor of Security : 2.75 Years Redemption date: March 28, 2020	9.80%	The Security for DPN Loan of Rs.50.00 crore shall be H Exclusive Hypothecation charge on the specific receivable& (excluding capital market receivables and· investments) of the Company both present and future with minimum security coverage of 110% at any point of time "instead of" First Ranking pari pasu charge on receivables (excluding capital market receivables and investments)
Term Loan 8	714.29	Repayments terms: Repayment 14 Quarterly repayments commencing (nine) months from the date of disbursement Tenor of Security : 48 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 .

(All amounts are in Indian Rupees in lakhs)

Note 17 A : Details regarding terms of borrowings (from banks) (continued)

Particulars	Gross Balance as at March 31, 2019	Terms of Redemption	Interest rate	Security
Term Loan 9	1,041.67	Repayments terms: Repayable in 36 months by 12 equal quarterly instalments 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 10	5,833.33	Repayments terms: Monthly instalments 6 months from the date of 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 1.11 times of our loan at any point of time during currency of the facility.
Term Loan 11	3,125.00	Repayments terms: In 8 equal quarterly instalments 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%	First exclusive charge over specifically identified loan receivables and investments of the Borrower, sufficient to provide a security cover of 1 .20x on the outstanding facility at all time.
Term Loan 12	1,437.50	Repayments terms: 48 Equal monthly instalments 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 13	2,500.00	Repayments terms: 10 equal quarterly instalments Tenor of Security : 3 Years Redemption date: June 28, 2022	9.45%	First exclusive charge (floating) over loan receivables and investments of the company to provide a security cover of 1.20 times of the facility outstanding at all times.
Term Loan 14	3,125.00	Repayments terms: Repayment in equated 8 quarterly instalments 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 1.10 times
Term Loan 15	750.00	Repayments terms: 12 Quarterly Instalments 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 16	2,750.00	Repayments terms: 36 months by 12 equal quarterly instalments 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.

Note 17 A : Details regarding terms of borrowings (from banks) (continued)

Particulars	Gross Balance as at March 31, 2019	Terms of Redemption	Interest rate	Security
Term Loan 17	250.00	Repayments terms: 36 months by 12 equal quarterly instalments 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 18	1,478.34	Repayments terms: Repayment of INR. 2,50,00,000 per quarter. 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 1.10 times.
Term Loan 19	1,575.00	Repayments terms: Facility to be repaid in 8 equal quarterly instalment 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 from ADCB with asset classification as "standard" and with a security cover of 1.15x at all time during the tenor of the term loan.
Term Loan 20	2,500.00	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 21	2,500.00	Repayments terms: 8 equal quarterly instalments 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 1.15 times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 22	6,333.33	Repayments terms: 36 Bi-monthly instalments Tenor of Security : 3 Years Redemption date: March 20, 2021	9.25%	Exclusive charge over book debt/receivables providing security cover of 1.1x.
Term Loan 23	1,600.00	Repayments terms: 10 equal instalments 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 1.15 times of our Loan outstanding at any point of time during currency of the facility.
Term Loan 24	1,600.00	Repayments terms: 10 equal instalments 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 1.15 times of our Loan outstanding at any point of time during currency of the facility.

(All amounts are in Indian Rupees in lakhs)

Note 17 A : Details regarding terms of borrowings (from banks) (continued)

Particulars	Gross Balance as at March 31, 2019	Terms of Redemption	Interest rate	Security
Term Loan 25	1,875.00	Repayments terms: 12 equal quarterly instalments 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 1.15 at all times)
Term Loan 26	9,090.91	Repayments terms: 10 quarterly instalments of Rs.2,50,00,000 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 1.25 times on the outstanding facility at all times.
Term Loan 27	4,583.33	Repayments terms: 12 Equal quarterly instalments 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 28	9,160.00	Repayments terms: Repayment in 36 equal monthly instalments 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 1. 10 times on the outstanding facility at all times.
Term Loan 29	2,291.67	Repayments terms: Equated 36 month instalments 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 1.20 times
Term Loan 30	2,500.00	Repayments terms: 12 equal quarterly instalments Tenor of Security: 3 Years Redemption date: January 9, 2022	10.95%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 31	7,500.00	Repayments terms: Repayment in 3 equal instalments 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 1.1x.
Term Loan 32	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

(All amounts are in Indian Rupees in lakhs)

Note 17 B : Details regarding terms of borrowings (from others)

Particulars	Gross Balance as at March 31, 2019	Terms of Redemption	Interest rate	Security
Term Loan 1	1,454.55	Repayment Terms: Quarterly instalments Tenor: 3 years Redemption Date: February 7, 2020	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 1.20x
Term Loan 2	2,617.56	Repayment Terms: Repayment to be made in 8 quarterly instalments Tenor: 2 Years Redemption Date: March 19, 2020	9.50%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.10 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 3	1,617.11	Repayment Terms: Repayment to be made in 8 quarterly instalments Tenor: 2 Years Redemption Date: April 13, 2020	9.50%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.10 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 4	1,472.67	Repayment Terms: 36 Monthly instalments Tenor: 3 Years Redemption Date: November 22, 2020	9.30%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.18 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 5	1,280.66	Repayment Terms: Repayable in 36 equal monthly instalments, 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 1.10 x of the principal at any point of time during the currency of the facility.
Term Loan 6	2,320.14	Repayment Terms: 36 Monthly instalments Tenor: 3 Years Redemption Date: Decemebr 17, 2021	12.00%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.18 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 7	3,666.67	Repayment Terms: 36 equal monthly instalments 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 1.20x
Term Loan 8	7,500.00	Repayment Terms: Repayment in 12 equal quarterly instalments Tenor: 3 Years Redemption Date: March 31, 2022	11.90%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.10 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 9	2,500.00	Repayment Terms: Entire amount is repaid on maturity Tenor: 5.50 Years Redemption Date: June 27, 2023	10.25%	NA

(All amounts are in Indian Rupees in lakhs)

18 Subordinated liabilities

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Measured at amortised cost:			
Preference shares other than those that qualify as equity:			
Non-convertible preference shares	1,213.41	-	31.00
	1,213.41	**-**	**31.00**
Subordinated liabilities in India	1,213.41	-	31.00
Subordinated liabilities outside India	-	-	-
	1,213.41	**-**	**31.00**

19 Other financial liabilities

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Collateral deposits from customers	1,029.13	390.95	929.60
Interest accrued on collateral deposits from customers	26.85	38.70	78.65
Employee benefits payable	1,881.29	1,550.32	682.43
Remittances payable - derecognised assets	203.31	-	638.68
Interest accrued but not due on debt securities	1,612.90	861.97	2,522.83
Interest accrued but not due on borrowings other than debt securities	388.20	476.15	550.92
Other liabilities	48.08	135.46	360.00
	5,189.76	**3,453.55**	**5,763.11**

20 Provisions

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Provision for employee benefits:			
- Gratuity (refer note 43)	362.91	286.41	159.26
- Compensated absences	198.80	101.56	83.45
Provision for others:			
- Impairment loss allowance for guarantees	402.97	521.68	172.90
- Impairment loss allowance for undrawn loans	257.78	586.64	170.14
	1,222.46	**1,496.29**	**585.75**

21 Other non- financial liabilities

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Statutory dues payable	467.03	442.67	10.36
Discount to be amortised on CP/CD investment	66.23	-	-
Deferred interest	60.99	45.64	-
	594.25	**488.31**	**10.36**

(All amounts are in Indian Rupees in lakhs)

22 Share capital

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Authorised			
125,000,000 (March 31, 2018: 165,000,000 ; April 1, 2017 : 165,000,000) equity shares of INR 10 each	12,500.00	16,500.00	16,500.00
60,100,000 (March 31, 2018: 17,500,000; April 1, 2017 : 17,500,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	12,020.00	3,500.00	3,500.00
19,800,000 (March 31, 2018: 20,000,000; April 1, 2017 : 20,000,000) 9% Cumulative non convertible compulsorily redeemable preference shares of INR 100 each *	1,980.00	2,000.00	2,000.00
	26,500.00	**22,000.00**	**22,000.00**
Issued, subscribed and paid up			
78,365,776 (March 31, 2018: 78,365,673; April 1, 2017 : 78,365,673) equity shares of INR 10 each	7,836.57	7,836.57	7,836.57
	7,836.57	**7,836.57**	**7,836.57**

** 1,160,000 (March 31, 2018: Nil; April 1, 2017: 31,000) redeemable preference shares of INR 100 each have been classified as a financial liability. (Refer note 18)*

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

	March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Equity shares						
At the commencement of the year	78,365,673	7,836.57	78,365,673	7,836.57	78,365,473	7,836.55
Add: Shares issued during the year	103	-	-	-	200	0.02
At the end of the year	**78,365,776**	**7,836.57**	**78,365,673**	**7,836.57**	**78,365,673**	**7,836.57**
0.0001% Compulsorily convertible preference shares						
At the commencement of the year	17,481,889	3,496.38	13,363,175	2,672.64	-	-
Add: Shares issued during the year	20,302,407	4,060.48	4,118,714	823.74	13,363,175	2672.64
At the end of the year	**37,784,296**	**7,556.86**	**17,481,889**	**3,496.38**	**13,363,175**	**2,672.64**
Redeemable preference shares						
At the commencement of the year	-	-	-	-	-	-
Add: Shares issued during the year	11,600,000	1,160.00	-	-	-	-
At the end of the year	**11,600,000**	**1,160.00**	**-**	**-**	**-**	**-**

Note:
During the year, pursuant to amended share subscription and shareholders agreement, the Company has issued:
1. 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.

2. 20,302,407 0.0001% Compulsorily convertible preference shares (March 31, 2018: Nil; April 1, 2017: Nil) of INR 20 each to IIFL Special Opportunities Fund Series 1 to 7; Nil 0.0001% Compulsorily convertible preference shares (March 31, 2018: 3,711,952; April 1, 2017: 7,918,937) of INR 20 each to FIL Capital Investments (Mauritius) (II) Limited; Nil 0.0001% Compulsorily convertible preference shares (March 31, 2018: 406,762; April 1, 2017: 5,444,238) shares of INR 20 each to Standard Chartered Bank (Singapore Branch) and 100 equity shares (March 31, 2018 : Nil; April 1, 2017 : Nil) of INR 10 each to IIFL Special Opportunities Fund Series 1 to 7.

Also during the year, the Company has increased its authorised share capital and has reclassified 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.

(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) Shares held by holding/ ultimate holding company and /or their subsidiaries / associates:

	March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
Equity shares:						
IFMR Holdings Private Limited (including nominee shareholders) (Holding Company till February 26, 2019)	NA	NA	45,887,686	58.56%	45,887,686	58.56%

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

	March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
Equity shares:						
IFMR Holdings Private Limited and its nominees	-	-	45,887,686	58.56%	45,887,686	58.56%
Leapfrog Financial Inclusion India Holdings Limited	37,469,937	47.81%	26,860,220	34.28%	26,860,220	34.28%
Dvara Trust	16,685,402	21.29%	-	-	-	-
Accion Africa Asia Investment Company	14,430,553	18.41%	-	-	-	-
Also refer note 51 to the Scheme of Amalgamation						
0.0001% Compulsorily convertible preference shares:						
FIL Capital Investments Mauritius (II) Limited	11,630,889	30.78%	11,630,889	66.53%	7,918,937	59.26%
Standard Chartered Bank (Singapore Branch)	5,851,000	15.49%	5,851,000	33.47%	5,444,238	40.74%
IIFL Special Opportunities Fund	4,006,813	10.60%	-	-	-	-
IIFL Special Opportunities Fund – Series 2	2,972,534	7.87%	-	-	-	-
IIFL Special Opportunities Fund – Series 4	4,493,946	11.89%	-	-	-	-
IIFL Special Opportunities Fund – Series 5	3,687,384	9.76%	-	-	-	-
IIFL Special Opportunities Fund – Series 7	3,651,601	9.66%	-	-	-	-
Redeemable preference shares:						
RamKumaar Bharat Singh	602,100	5.19%	-	-	-	-

(All amounts are in Indian Rupees in lakhs)

23 Other equity

	As at March 31, 2019	As at March 31, 2018
a) Securities premium account		
At the commencement of the year	25,642.24	21,472.87
Add: Premium received on shares issued during the year	35,939.51	4,169.37
Less: Utilised during the year for writing off share issue expenses	(1,093.40)	-
At the end of the year	**60,488.35**	**25,642.24**
b) Statutory reserve		
At the commencement of the year	5,190.27	3,641.96
Add : Transfer from retained earnings	1,787.11	1,548.31
At the end of the year	**6,977.38**	**5,190.27**
c) Employee stock options outstanding account		
At the commencement of the year	733.19	39.05
Add: Employee compensation expense during the year	1,047.03	694.14
At the end of the year	**1,780.22**	**733.19**
The Company has established various equity-settled share based payment plans for certain categories of employees of the Company. Refer note 44 for further details of these plans.		
d) Retained earnings		
At the commencement of the year	18,379.49	13,425.34
Add: Profit for the year	9,918.57	6,536.28
Add: Transfer from other comprehensive income	19.72	(24.82)
Less: Transfer to statutory reserve	(1,787.11)	(1,548.31)
Less: Transfer to capital redemption reserve	(76.00)	(9.00)
Change in the ownership interest in subsidiaries/ funds resulting in change of control	590.18	-
Distribution to the owners/ NCI including Dividend Distribution Tax	-	-
At the end of the year	**27,044.85**	**18,379.49**
e) Capital Redemption Reserve		
At the commencement of the year	1,509.00	1,500.00
Add: Transfer to CRR	76.00	9.00
At the end of the year	**1,585.00**	**1,509.00**
f) Capital Reserve		
At the commencement of the year	3.57	-
Add: Pursuant to the Scheme of arrangement (refer note 51)	-	3.57
At the end of the year	**3.57**	**3.57**
g) Other comprehensive income		
Opening balance	5,438.22	4,328.24
Remeasurements of net defined benefit asset/ (liability) (refer note (vii) below)	(19.72)	(24.82)
Less: Transfer to Retained earnings	19.72	24.82
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)	(1,132.03)	1,109.98
Closing balance	**3,480.55**	**5,438.22**
Total (a+b+c+d+e+f+g)	**101,359.92**	**56,895.98**

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 Group 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.

NORTHERN ARC CAPITAL LIMITED

Notes to the consolidated financial statements for the year ended March 31, 2019

(All amounts are in Indian Rupees in lakhs)

24 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, 2019								
Parent								
Northern Arc Capital Limited	88.93%	114,719.89	77.41%	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	0.69%	79.40	-0.03%	0.27	0.76%	79.67
Northern Arc Investment Managers Private Limited	1.62%	2,092.71	4.32%	498.75	-0.96%	10.30	4.86%	509.05
IFMR FImpact Long Term Credit Fund	8.81%	11,364.92	9.18%	1,060.14	-0.85%	9.07	10.21%	1,069.21
IFMR FImpact Medium Term opportunities Fund	0.00%	-	4.11%	474.01	0.00%	-	4.53%	474.01
Northern Arc Money Market Alpha Fund	2.17%	2,793.79	0.21%	23.92	-2.64%	28.34	0.50%	52.26
Non-controlling interests in all subsidiaries	**9.50%**	**12,250.12**	**14.07%**	**1,624.38**	**-3.68%**	**39.60**	**15.89%**	**1,663.98**
Eliminations	-11.20%	(14,443.24)	-9.98%	(1,153.20)	0.00%	-	-11.02%	(1,153.20)
As at March 31, 2019	**100.00%**	**129,003.47**	**100.01%**	**11,542.95**	**100.00%**	**(1,072.71)**	**99.99%**	**10,470.24**

(All amounts are in Indian Rupees in lakhs)

24 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, 2018								
Parent								
Northern Arc Capital Limited	78.45%	67,056.01	90.49%	6,845.37	5.24%	118.57	70.88%	6,963.94
Domestic Subsidiaries - (parent's share)								
Northern Arc Investment Adviser Services Private Limited	0.17%	145.61	3.00%	227.11	-0.01%	(0.17)	2.31%	226.94
Northern Arc Investment Managers Private Limited	1.78%	1,518.17	8.08%	611.33	-0.18%	(4.05)	6.18%	607.28
IFMR FImpact Long Term Credit Fund	8.83%	7,551.73	7.35%	556.03	18.21%	411.76	9.85%	967.79
IFMR FImpact Medium Term opportunities Fund	7.06%	6,037.50	4.32%	326.94	24.73%	559.05	9.02%	885.99
Non-controlling interests in all subsidiaries	**20.18%**	**17,250.73**	**13.59%**	**1,028.34**	**52.01%**	**1,175.86**	**22.43%**	**2,204.20**
Eliminations	-16.48%	(14,080.09)	-26.83%	(2,030.50)	0.00%	-	-11.02%	(2,030.50)
As at March 31, 2018	**100.00%**	**85,479.66**	**100.00%**	**7,564.62**	**100.00%**	**2,261.02**	**100.00%**	**9,825.64**

(All amounts are in Indian Rupees in lakhs)

25 Interest income

	Year ended March 31, 2019				Year ended March 31, 2018			
	On financial assets measured at			Total	On financial assets measured at			Total
	FVOCI	Amortised cost	FVTPL		FVOCI	Amortised cost	FVTPL	
Interest on loans	4,643.58	34,021.49	-	38,665.07	3,512.56	24,237.48	-	27,750.04
Interest from investments:								
- Pass through certificates	3,300.77	-	-	3,300.77	4,053.14	-	-	4,053.14
- Commercial paper	-	80.37	-	80.37	-	182.51	-	182.51
- Non-convertible debentures	8,777.37	-	-	8,777.37	8,342.95	-	-	8,342.95
Interest on deposits with banks	-	248.25	-	248.25	-	70.53	-	70.53
	16,721.72	**34,350.11**	**-**	**51,071.83**	**15,908.65**	**24,490.52**	**-**	**40,399.17**

26 Fees and commission income

	Year ended March 31, 2019	Year ended March 31, 2018
Income from guarantee facility	783.64	623.17
Income from other financial services		
- Professional fee	4,078.51	3,955.88
- Management fee	1,010.84	774.27
- Arranger fee for guarantee facility	130.50	558.38
Others	33.26	40.13
	6,036.75	**5,951.83**

27 Net gain on fair value changes

	Year ended March 31, 2019	Year ended March 31, 2018
Net gain on financial instruments at fair value through profit or loss		
On Alternative investment funds	1,863.08	1,026.54
On trading portfolio		
-Mutual fund investments	224.70	272.06
-Alternate investment funds	377.40	248.44
Profit on sale of investments	576.89	245.44
	3,042.07	**1,792.48**
Fair value changes:		
-Realised	2,936.27	996.51
-Unrealised	105.80	795.97
	3,042.07	**1,792.48**

(All amounts are in Indian Rupees in lakhs)

28 Other income

	Year ended March 31, 2019	Year ended March 31, 2018
Impairment reversal on financial instruments	1,551.38	-
Interest Income from Income tax refund	0.24	-
Provision no longer required written back	0.11	-
	1,551.73	**-**

29 Finance costs

	Year ended March 31, 2019	Year ended March 31, 2018
Finance costs on financial liabilities measured at amortised cost		
Interest on deposits	26.27	49.95
Interest on borrowings		
- term loans from banks	14,583.09	12,676.14
- cash credits and overdraft	859.71	1,135.40
- securitised portfolio	1,840.16	684.17
Interest on debt securities	9,164.47	6,045.12
Interest on sub-ordinated liabilities	53.41	-
Amortisation of discount on commercial papers	3,057.15	2,697.67
Premium/Dividend expenditure on preference shares issued	-	2.93
Amortisation of ancillary costs relating to borrowings	599.67	424.29
	30,183.93	**23,715.67**

30 Impairment on financial instruments

	Year ended March 31, 2019	Year ended March 31, 2018
Impairment loss allowance on financial instruments including write off	1,486.62	4,201.57
	1,486.62	**4,201.57**

31 Employee benefits expense

	Year ended March 31, 2019	Year ended March 31, 2018
Salaries, wages and bonus	5,517.08	4,228.85
Contribution to provident fund	225.74	163.84
Stock based compensation expense	1,047.02	694.15
Expenses related to post-employment defined benefit plans (refer note 43)	110.11	50.38
Staff welfare expenses	308.51	140.95
	7,208.46	**5,278.17**

32 Depreciation and amortisation expense

	Year ended March 31, 2019	Year ended March 31, 2018
Depreciation of property, plant and equipment	92.80	50.08
Amortisation of intangible assets	201.78	119.39
	294.58	**169.47**

(All amounts are in Indian Rupees in lakhs)

33 Other expenses

	Year ended March 31, 2019	Year ended March 31, 2018
Rent	541.46	626.86
Rates and taxes	164.28	26.14
Travelling and conveyance	734.60	488.86
Legal and professional charges	2,567.51	1,950.97
Distribution fee expense	188.57	21.27
Auditors' remuneration (refer note 33.1 below)	71.08	45.81
Directors' sitting fees	29.72	13.92
Repairs and maintenance - others	225.94	100.91
Communication expenses	96.38	57.48
Printing and stationery	17.53	14.48
Subscription charges	88.16	60.47
Advertisement and business promotion	44.29	192.05
Corporate social responsibility expenditure (refer note 33.2 below)	82.27	152.50
Bank charges	43.89	16.99
Miscellaneous expenses	155.48	48.05
	5,051.16	**3,816.76**

33.1 Payments to auditor (excluding service tax / goods and services tax)

	Year ended March 31, 2019	Year ended March 31, 2018
Statutory audit	53.21	35.98
Tax audit	3.50	2.00
Other services	12.50	6.50
Reimbursement of expenses	1.87	1.33
	71.08	**45.81**

33.2 Corporate social responsibility ("CSR") expenditure

	Year ended March 31, 2019	Year ended March 31, 2018
(a) Amount required to be spent by the Group during the year	141.40	152.50
(b) Amount spent during the year (in cash) :		
(i) Construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above	82.27	152.50

(All amounts are in Indian Rupees in lakhs)

34 Income tax

A. The components of income tax expense for the years ended 31 March 2019 and 2018 are:

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Current tax	5,347.55	5,333.02
Minimum alternative tax (MAT)	-	53.05
Less: MAT Credit entitlement	(7.43)	(28.36)
Deferred tax charge/ (Credit)	599.28	(1,498.17)
Tax expense (i)+(ii)	**5,939.40**	**3,859.54**

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, 2019 and 2018 is, as follows:

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Profit before tax	17,482.35	11,424.16
Less/(Add): Exempted profit	(2,028.14)	118.68
Profit before tax attributable to equity holders	15,454.21	11,542.84
Applicable tax rate	34.94%	34.61%
Computed expected tax expense	**5,400.32**	**3,994.75**
Effect of difference in tax expenditure due to differential tax rates applicable for subsidiaries*	(52.17)	(78.46)
Permanent differences	591.25	(56.75)
Tax expenses recognised in the statement of profit and loss	**5,939.40**	**3,859.54**
Effective tax rate	38.43%	33.44%

**Tax rates applicable for subsidiaries are as follows*

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Northern Arc Investment Managers Private Limited	29.12%	27.55%
Northern Arc Investment Adviser Services Private Limited	27.82%	20.39%

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	(67.25)	25.95	-	-	(41.30)
Impact of fair value of assets	(2,418.13)	2,448.51	-	-	30.38
Impairment on financial assets	2,466.72	(2,552.88)	628.15	-	541.99
Provision for employee benefits	299.21	(324.09)	(9.26)	-	(34.14)
Unamortised component of processing fee	397.27	(320.41)	-	-	76.86
Premium accrued on preference shares	(46.86)	69.02	-	-	22.16
Others	(48.83)	54.62	-	-	5.79
Minimum alternative tax	28.36	7.43	-	(7.58)	28.21
Total	**610.49**	**(591.85)**	**618.89**	**(7.58)**	**629.95**

(All amounts are in Indian Rupees in lakhs)

34 Income tax (continued)

C. Deferred tax (continued)

Particulars	As at April 1, 2017	Statement of profit and loss	Other comprehensive income	MAT utilization	As at March 31, 2018
Component of Deferred tax asset / (liability)					
Deferred tax asset / (liability) in relation to:					
Property plant and equipment	(57.42)	(9.83)	-	-	(67.25)
Impact of fair value of assets	(2,362.26)	18.88	(74.75)	-	(2,418.13)
Impairment on financial assets	1,175.18	1,291.54	-	-	2,466.72
Provision for employee benefits	205.79	80.65	12.77	-	299.21
Unamortised component of processing fee	251.96	145.31	-	-	397.27
Premium accrued on preference shares	(31.47)	(15.39)	-	-	(46.86)
Others	(35.86)	(12.97)	-	-	(48.83)
Minimum alternative tax	-	28.36	-	-	28.36
Total	**(854.08)**	**1,526.55**	**(61.98)**	**-**	**610.49**

35 Earnings per share ('EPS')

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Earnings		
Net profit attributable to equity shareholders for calculation of basic EPS	9,918.57	6,536.28
Net profit attributable to equity shareholders for calculation of diluted EPS	10,699.75	7,164.91
Shares		
Equity shares at the beginning of the period	78,365,673	78,365,673
Shares issued during the period	103	-
Total number of equity shares outstanding at the end of the period	**78,365,776**	**78,365,673**
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	78,365,776	78,365,673
Options granted	1,840,923	690,411
Compulsory convertible preference shares	17,871,250	14,209,486
Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	**98,077,949**	**93,265,570**
Face value per share	10.00	10.00
Earnings per share		
Basic	12.66	8.34
Diluted	10.91	7.68

(All amounts are in Indian Rupees in lakhs)

36. 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 2019			As at March 31, 2018			As at April 1, 2017		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Assets									
Cash and cash equivalents	19,079.35	-	19,079.35	18,723.68	-	18,723.68	11,992.60	-	11,992.60
Bank balances other than cash and cash equivalents	5,233.88	-	5,233.88	1,341.53	-	1,341.53	1,044.92	-	1,044.92
Derivative financial instruments	-	-	-	4.04	-	4.04	-	-	-
Trade receivables	1,626.61	-	1,626.61	2,301.98	10.42	2,312.40	1,202.90	-	1,202.90
Loans	139,378.82	138,305.75	277,684.57	116,513.42	115,127.76	231,641.18	81,804.42	74,945.55	156,749.97
Investments	29,097.81	90,199.64	119,297.45	44,367.54	82,441.91	126,809.45	36,882.90	91,181.02	128,063.92
Other financial assets	883.69	-	883.69	660.06	1.50	661.56	354.19	1.50	355.69
Current tax assets (net)	-	1,523.78	1,523.78	-	583.91	583.91	-	312.59	312.59
Deferred tax assets (net)	-	629.95	629.95	-	610.49	610.49	-	-	-
Property, plant and equipment	-	68.40	68.40	-	35.50	35.50	-	31.61	31.61
Intangible assets under development	-	342.75	342.75	-	133.40	133.40	-	17.69	17.69
Intangible assets	-	290.99	290.99	-	359.80	359.80	-	337.86	337.86
Goodwill	-	174.63	174.63	-	174.63	174.63	-	174.63	174.63
Other non- financial assets	655.75	-	655.75	222.92	-	222.92	160.21	-	160.21
Total Assets	**195,955.91**	**231,535.89**	**427,491.80**	**184,135.17**	**199,479.32**	**383,614.49**	**133,442.14**	**167,002.45**	**300,444.59**

NORTHERN ARC CAPITAL LIMITED
Notes to the consolidated financial statements for the year ended March 31, 2019
(All amounts are in Indian Rupees in lakhs)

36. Maturity Analysis of assets and liabilities (Continued)

Particulars	As at 31 March 2019			As at March 31, 2018			As at April 1, 2017		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Liabilities									
Derivative financial instruments	10.65	-	10.65	-	-	-	21.07	-	21.07
Trade payables									
-total outstanding dues of micro and small enterprises	-	-	-	-	-	-	-	-	-
-total outstanding dues of creditors other than micro and small enterprises	924.41	-	924.41	886.63	-	886.63	1,191.62	-	1,191.62
Debt securities	68,500.00	44,823.12	113,323.12	300.00	60,000.00	60,300.00	63,248.62	17,276.38	80,525.00
Borrowings (Other than debt secuities)	112,953.15	63,013.52	175,966.67	160,793.54	70,672.91	231,466.45	61,236.48	90,869.10	152,105.58
Subordinated liabilities	1,213.41	-	1,213.41	-	-	-	-	31.00	31.00
Other financial liabilities	5,189.76	-	5,189.76	3,453.55	-	3,453.55	5,734.80	28.31	5,763.11
Provisions	81.28	1,141.18	1,222.46	24.23	1,472.06	1,496.29	23.96	561.79	585.75
Current tax liabilities (net)	-	43.60	43.60	-	43.60	43.60	-	7.43	7.43
Deferred tax liabilities (net)	-	-	-	-	-	-	-	854.08	854.08
Other non-financial liabilities	594.25	-	594.25	488.31	-	488.31	10.35	0.01	10.36
Total Liabilities	**189,466.91**	**109,021.42**	**298,488.33**	**165,946.26**	**132,188.57**	**298,134.83**	**131,466.90**	**109,628.10**	**241,095.00**
Net			**129,003.47**			**85,479.66**			**59,349.59**

Change in Liabilities arising from financing activities

Particulars	As at April 1, 2018	Cash flows	Change in fair values	Exchange difference	Others*	As at March 31, 2019
Debt Securities	60,300.00	53,023.12	-	-	-	113,323.12
Borrowings (other than debt securities)	231,466.45	(59,156.60)	-	-	3,656.82	175,966.67
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)

37 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, 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

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2018 were as follows:

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Loans	-	33,665.70	-	-	33,665.70	33,665.70
Investments						
- Pass through securities	-	35,382.02	-	-	35,382.02	35,382.02
- Non convertible debentures	-	81,070.09	-	-	81,070.09	81,070.09
- Alternate Investment Funds	12,383.81	-	-	-	12,383.81	12,383.81
- Share warrants	0.23	-	-	-	0.23	0.23
- Mutual funds	229.77	-	229.77	-	-	229.77

Reconciliation of level 3 fair value measurement is as follows

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Financial assets measured at FVOCI		
Balance at the beginning of the year	6,463.59	4,328.24
Total gains measured through OCI for additions made during the year	(1,762.51)	2,135.35
Balance at the end of the year	**4,701.09**	**6,463.59**
Financial assets measured at FVTPL		
Fair value adjustment	**105.80**	**795.97**

Sensitivity analysis - Increase/ decrease of 100 basis points

Particulars	As at March 31, 2019		As at March 31, 2018	
	Increase	Decrease	Increase	Decrease
Loans	**398.65**	**(398.65)**	**336.66**	**(336.66)**
Investments				
- Pass through securities	257.32	(257.32)	353.82	(353.82)
- Non convertible debentures	922.37	(922.37)	888.31	(888.31)
- Alternate Investment Funds	204.76	(204.76)	123.84	(123.84)
- Mutual funds	1.28	(1.28)	0.25	(0.25)
- Share warrants	0.01	(0.01)	0.00	(0.00)

(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, 2019 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	19,079.35	-	-	-	-
Bank balances other than cash and cash equivalents	5,233.88	-	-	-	-
Trade receivables	1,626.61	-	-	-	-
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	924.41	-	-	-	-
Debt securities	113,323.12	-	-	-	-
Borrowings (Other than debt securities)	175,966.67	-	-	-	-
Subordinated liabilities	1,213.41	-	-	-	-
Other financial liabilities	5,189.76	-	-	-	-

The carrying value and fair value of financial instruments by categories as of March 31, 2018 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	18,723.68	-	-	-	-
Bank balances other than cash and cash equivalents	1,341.53	-	-	-	-
Derivative financial instruments	4.04	-	-	-	-
Trade receivables	2,312.40				
Loans	200,175.92	-	-	-	-
Other financial assets	661.56	-	-	-	-
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	886.63	-	-	-	-
Debt securities	60,300.00	-	-	-	-
Borrowings (Other than debt securities)	231,466.45	-	-	-	-
Other financial liabilities	3,453.55	-	-	-	-

(All amounts are in Indian Rupees in lakhs)

A. Fair value measurement (Continued)

The carrying value and fair value of financial instruments by categories as of April 1, 2017 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	11,992.60	-	-	-	-
Bank balances other than cash and cash equivalents	1,044.92	-	-	-	-
Derivative financial instruments	-	-	-	-	-
Trade receivables	1,202.90				
Loans	107,372.53	-	-	-	-
Investments	2,800.00	-	-	-	-
Other financial assets	355.69				
Financial liabilities not measured at fair value:					
Derivative financial instruments	21.07	-	-	-	-
Trade payables					
- total outstanding dues of micro and small enterprises	-	-	-	-	-
- total outstanding dues of creditors other than micro and small enterprises	1,191.62	-	-	-	-
Debt securities	80,525.00	-	-	-	-
Borrowings (Other than debt securities)	152,105.58	-	-	-	-
Other financial liabilities	5,763.11				

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.

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.

(All amounts are in Indian Rupees in lakhs)

The Group's adjusted net debt to equity ratio is as follows:

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Total liabilities	298,488.33	298,134.83	241,095.00
Less: cash and cash equivalents	(19,079.35)	(18,723.68)	(11,992.60)
Adjusted net debt	**279,408.98**	**279,411.15**	**229,102.40**
Total equity	129,003.47	85,479.66	59,349.59
Adjusted net debt to equity ratio	**2.17**	**3.27**	**3.86**

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, 2019	As at March 31, 2018
Tier I Capital	110,427.50	61,798.18
Tier II Capital	5,048.38	4,941.56
Total Capital	**115,475.88**	**66,739.74**
Risk weighted assets	426,941.56	401,668.46
Tier I Capital Ratio (%)	25.87%	15.39%
Tier II Capital Ratio (%)	1.18%	1.23%

Tier 1 capital consists of shareholders' equity and retained earnings. Tier 2 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 1 and Tier 2 has been reported on the basis of Ind AS financial information.

* The above computations are as per Ind AS. RBI related accounting implications on account of Ind AS adoption are not considered in the above computations, as RBI is yet to provide guidance on Ind AS implications in Capital Risk Adequacy Ratio (CRAR) computations.

38 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 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 receivables from customers loans and investments.

The carrying amounts of financial assets represent the maximum credit risk exposure.

A) ***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, 2019	As at March 31, 2018	As at April 1, 2017
Term loans	280,378.53	233,841.62	157,794.14
Less : Impairment loss allowance	(2,693.96)	(2,200.44)	(1,044.17)
	277,684.57	**231,641.18**	**156,749.97**

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. Company has staged the assets based on the days 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

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.

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 (15%), downside (15%) and base (70%). 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 four 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.

(All amounts are in Indian Rupees in lakhs)

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, 2019	As at March 31, 2018	As at April 1, 2017
Stage 1	12 month provision	2,344.99	2,121.14	932.09
Stage 2	Life time provision	98.97	-	-
Stage 3	Life time provision	250.00	79.30	112.08
Amount of expected credit loss provided		**2,693.96**	**2,200.44**	**1,044.17**

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	2,200.44	1,044.17
Addition during the year	514.45	1,156.27
Reversal during the year	-	(179.65)
Write offs during the year	-	-
Transfer to OCI	(20.93)	179.65
Closing provision of ECL	**2,693.96**	**2,200.44**

Analysis of changes in the gross carrying amount of loans:

Particulars	As at March 31, 2019				As at March 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	232,777.63	349.49	714.50	233,841.62	157,398.05	243.02	153.07	157,794.14
New assets originated *	167,538.71	124.97	314.54	167,978.22	155,247.01	106.47	561.43	155,914.91
Asset derecognised or repaid	(121,361.81)	-	-	(121,361.81)	(79,867.43)	-	-	(79,867.43)
Transfer from stage 1	-	-	-	-	-	-	-	-
Transfer from stage 2	-	-	-	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	-	-	(79.50)	(79.50)	-	-	-	-
As at the end 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 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 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 periodically assesses the credit rating information.

The total provision under expected credit loss model is INR 1,077.28 Lakhs (March 31, 2018 and April 1, 2017: INR 2,256.47 lakhs and INR 97.87 Lakhs).

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.

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.

Capital adequacy ratio of the parent Company (which is a registered NBFC) as on March 31, 2019 is 27.05% against regulatory norms of 15%. Tier I capital is 25.87% as against requirement of 10%. Tier II capital is 1.18% which may increase from time to time depending on the requirement and also as a source of structural liquidity to strengthen asset liability maturity pattern.

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 year	Over 3 year to 5 year	Over 5 year
As at March 31, 2019								
Borrowings	29,812.50	2,237.96	18,772.95	23,042.48	29,087.26	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	-	-	-
As at March 31, 2018								
Borrowings	33,130.72	7,479.83	14,467.76	30,211.90	33,088.24	59,384.89	2,555.56	4,000.00
Debt securities	5,000.00	20,000.00	1,500.00	2,650.00	13,650.00	60,000.00	-	-
Subordinated liabilities	-	-	-	-	-	-	-	-
As at April 1, 2017								
Borrowings	18,305.42	2,550.59	10,048.94	10,530.95	21,899.63	55,436.39	1,210.31	-
Debt securities	22,500.00	10,000.00	2,500.00	112.50	26,112.50	42,800.00	10,000.00	-
Subordinated liabilities	-	-	-	-	-	31.00	-	-

(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, while optimising the return.

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

Particulars	As at March 31, 2019		As at March 31, 2018	
	Increase	Decrease	Increase	Decrease
Bank deposits	48.04	(48.04)	9.68	(9.68)
Loans	12.10	(12.10)	-	-
Borrowings	(16.60)	16.60	(10.86)	10.86

(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.

39 Commitments

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	420.00	97.33	11.85
Undrawn committed sanctions to borrowers	43,208.48	67,557.31	16,350.00

40 Contingent liabilities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Claims against the Company not acknowledged as debt			
- Service tax related matters	-	-	8.54
- Income tax related matters	253.51	595.25	595.25
Guarantees outstanding	23,525.68	21,915.40	9,287.54

41 Derivatives

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
i. Outstanding derivatives: (notional principal amount in INR)			
- For hedging (currency & interest rate derivatives)	10.65	4.04	21.07
ii. Marked to market positions	2,801.85	6,562.50	10,709.00

42 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, 2019 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, 2019	As at March 31, 2018	As at April 1, 2017
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.	-	-	-

43 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 225.74 lakhs (March 31, 2018: INR 163.84 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.

(All amounts are in Indian Rupees in lakhs)

Details of actuarial valuation of gratuity pursuant to the Ind AS 19

Particulars	As at March 31, 2019	As at March 31, 2018
A. Change in present value of obligations		
Present value of obligations at the beginning of the year	285.59	159.26
Current service cost	88.69	39.03
Interest cost	21.42	9.40
Past service cost	-	92.92
Benefits settled	(3.81)	(51.79)
Actuarial loss	(28.98)	37.59
Present value of obligations at the end of the year	**362.91**	**286.41**
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	3.81	-
Benefits settled	(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	362.91	286.41
Fair value of plan assets	-	-
Net liability recognised in balance sheet	**362.91**	**286.41**
The liability in respect of the gratuity plan comprises of the following non-current and current portions:		
Current	44.86	13.42
Non-current	318.05	272.99
	362.91	**286.41**
E. Expense recognised in statement of profit and loss and other comprehensive income		
Current service cost	88.69	39.03
Interest on obligation	21.42	9.40
Past service cost	-	1.95
Expected return on plan assets	-	-
Net actuarial loss recognised in the year	(28.98)	37.59
Total included in 'employee benefits'	**81.13**	**87.97**

(All amounts are in Indian Rupees in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
F. Assumptions at balance sheet date		
Discount rate	6.82% to 7.70%	7.55% to 7.70%
Salary escalation	10% to 12%	10% to 12%
Mortality rate	Indian Assured Lives (2012 -14)	Indian Assured Lives (2006 -08)
Attrition rate	1% to 30%	1% to 12%

Note:
(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.

Particulars	As at March 31, 2019		As at March 31, 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	342.52	385.63	262.77	311.96
Future salary growth (1% movement)	385.96	341.76	311.78	262.40

H) **Five year Information**

Particulars	March 31, 2019	March 31, 2018	April 1, 2017	March 31, 2016	March 31, 2015
Present Value of obligations	362.91	286.41	159.26	109.44	88.53
Fair value of plan assets	-	-	-	-	-
(Surplus)/ deficit in the plan	-	-	-	-	-
Experience adjustments arising on plan liabilities - (gain) / loss	(28.98)	37.59	27.85	1.78	15.32
Experience adjustments arising on plan assets - (gain) / loss	-	-	-	-	-

44 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.

44.1 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.
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.
The options were issued in four batches. The first and second batch will be exercised at INR 110, third and fourth batch will be exercised at INR 121.
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.
The options were issued in two batches. The first and second batch will be exercised at INR 181.
The options are vested over a period of 3 years in 30:30:40 proportion.

(All amounts are in Indian Rupees in lakhs)

44.2 Options outstanding under Scheme 1, Scheme 2 and Scheme 3

Particulars	As at March 31, 2019			As at March 31, 2018		
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	4,502,500	843,122	421,371	4,197,500	NA
Exercise price in INR	10	110 to 121	181	10	110 to 121	NA
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years	1 to 4 years	1 to 5 years	NA
Option Price	113.65	31.85 to 117.74	73.55	113.65	31.85 to 39.28	NA
Vesting condition	Time and performance based vesting					

44.3 Reconciliation of outstanding options

The details of options granted under the above schemes are as follows.

Particulars	Number of options	
	As at March 31, 2019	As at March 31, 2018
Outstanding at beginning of year	4,618,871	721,371
Less: Forfeited during the year	113,307	300,000
Less: Exercised during the year	8,000	-
Add: Granted during the year	1,259,429	4,197,500
Outstanding as at end of year	**5,756,993**	**4,618,871**
Vested and exercisable as at end of year	**1,001,165**	**460,371**

45 Related party disclosures (also refer note 51)

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 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

45 Related party disclosures (Continued)

A. Transactions during the Year:

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Dvara Trust		
Reimbursement of expenses	362.13	352.46
IFMR Holdings Private Limited		
Reimbursement of income	-	10.50
Purchase of ERP	52.28	51.79
Dvara Kshetriya Gramin Financial Services Private Limited		
Interest income	335.11	230.04
Fee received	205.55	248.86
Loan given	6,000.00	2,500.00
Loan repaid	2,801.07	3,654.28
Guarantees	1,500.00	2,500.00
Dvara Research Foundation		
Corporate social responsibility expenditure	50.00	66.17
Ms. Kshama Fernandes		
Remuneration and other benefits *	248.71	207.46
Employee stock option (lakhs units)	0.96	5.10
Ms. Bama Balakrishnan		
Remuneration and other benefits *	190.55	197.72
Employee stock option (lakhs units)	0.52	4.00
Chaitanya Pande		
Professional Fee	18.00	-
Mr. Ravi Vukkadala		
Remuneration and other benefits *	134.86	58.70
Employee stock option (lakhs units)	0.35	1.50
Mr. Kalyanasundaram C		
Remuneration and other benefits *	-	-
Employee stock option (lakhs units)	-	-

*Amount attributable to post employment benefits have not been disclosed as the same cannot be identified distinctly in the actuarial valuation.

45 Related party disclosures (Continued)

B. Balances as at year end:

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Dvara Trust			
Trade payable	40.74	42.60	5.31
IFMR Holdings Private Limited			
Trade payable	-	-	5.44
Dvara Kshetriya Gramin Financial Services Private Limited			
Loans	-	368.85	1,523.13
Interest accrued but not due on fixed deposits	-	-	0.33
Interest accrued but not due on loan	-	2.93	7.76
Fee income accrued	-	51.63	80.92
Guarantees	-	498.80	348.01
Ms. Kshama Fernandes			
Security Deposit	2.00	2.00	2.00
Employee stock option (lakhs units)	7.63	6.66	6.66
Ms. Bama Balakrishnan			
Employee stock option (lakhs units)	5.52	5.00	5.00
Mr. Ravi Vukkadala			
Employee stock option (lakhs units)	1.85	1.50	-
Mr. Kalyanasundaram C			
Employee stock option (lakhs units)	1.44	-	-

46 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, 2019		For the year ended March 31, 2018	
	Purchases	Redemption #	Purchases	Redemption #
IFMR FImpact Investment Fund	-	-	147.00	-
IFMR FImpact MT Microfinance Fund	-	105.27	-	58.14
IFMR FImpact Long Term Multi Asset Fund	-	-	-	45.26
IFMR FImpact Long Term Credit Fund	3,500.00	138.32	4,882.40	-
IFMR FImpact Medium Term Opportunities Fund	2,063.90	829.62	4,976.34	-
IFMR FImpact Income Builder Fund	631.25	-	1,390.00	-
Northern Arc Money Market Alpha Trust Fund	2,866.63	100.00	-	-

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, 2019	Year ended March 31, 2018
IFMR FImpact Investment Fund	425.11	424.20
IFMR FImpact MT Microfinance Fund	365.13	367.33
IFMR FImpact Long Term Multi Asset Fund	1,408.39	1,414.26
IFMR FImpact Long Term Credit Fund	1,192.99	786.80
IFMR FImpact Medium Term Opportunities Fund	1,089.04	541.81
IFMR FImpact Income Builder Fund	239.18	20.47
Northern Arc Money Market Alpha Trust Fund	42.92	-

46. The details of the investments held by the group in the Alternative Investment Funds managed by the Company's wholly owned subsidiary

Outstanding balances (Investment)

Fund	As at March 31, 2019		As at March 31, 2018	
	Units	Cost	Units	Cost
IFMR FImpact Investment Fund	1,929.03	1,929.03	1,929.03	1,929.03
IFMR FImpact MT Microfinance Fund	2,495.40	2,508.76	2,600.66	2,614.03
IFMR FImpact Long Term Multi Asset Fund	4,707.50	4,707.50	4,707.50	4,707.50
IFMR FImpact Long Term Credit Fund	10,744.08	10,744.08	7,382.00	7,382.40
IFMR FImpact Medium Term Opportunities Fund	6,710.62	6,710.62	5,476.00	5,476.34
IFMR FImpact Income Builder Fund	1,975.97	2,021.25	1,390.40	1,390.00
Northern Arc Money Market Alpha Trust Fund	2,766,639.36	2,766.63	-	-

47 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.

(All amounts are in Indian Rupees in lakhs)

		Year ended March 31, 2019	Year ended March 31, 2018
	Segment Revenue		
	Financing activity	56,204.97	46,822.56
	Investment advisory services	164.28	298.31
	Investment management services	1,912.62	1,537.27
	Portfolio Management Services	3,756.26	2,543.52
	Total	**62,038.13**	**51,201.66**
	Less : Inter segment revenue	(1,882.76)	(2,595.86)
	Revenue from operations	**60,155.37**	**48,605.80**
	Segment Results (Profit before other income)		
	Financing activity	13,029.30	10,433.72
	Investment advisory services	100.16	251.65
	Investment management services	772.28	857.91
	Portfolio Management Services	2,028.88	(119.12)
	Total	**15,930.62**	**11,424.16**
	Add : Other income	1,551.73	-
	Profit before tax	**17,482.35**	**11,424.16**
	Segment Assets		
	Financing activity	395,290.20	347,589.95
	Investment advisory services	329.72	308.37
	Investment management services	4,478.90	3,849.64
	Portfolio management Services	27,218.35	31,691.90
	Unallocated	174.63	174.63
	Total	**427,491.80**	**383,614.49**
	Segment Liabilities		
	Financing activity	295,188.18	294,788.66
	Investment advisory services	104.44	162.76
	Investment management services	2,386.19	2,331.47
	Portfolio Management Services	809.52	851.94
	Total	**298,488.33**	**298,134.83**
	Capital Employed (Segment assets - Segment liabilities)	**129,003.47**	**85,479.66**

48 Operating leases

The Company has cancellable operating lease agreements for office space, which can be terminated by either parties after giving the notice. For the year ended March 31, 2019, an amount of INR 541.46 lakhs (March 31, 2018: INR 626.86 lakhs) was recorded as expenses towards lease rentals in the statement of profit and loss.

49 Disclosure under clause 28 of the Listing Agreement for Debt Securities

S.No.	Particulars	Year ended March 31, 2019	Year ended March 31, 2018
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	-	368.85

50 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.

51 Scheme of arrangement

During the previous year, the Holding Company vide its board meeting dated December 18, 2017 had approved the Scheme of Arrangement (Demerger) & Amalgamation between the Company, IFMR Holdings Private Limited ('IFMR Holdings'), Dvara Investments Private Limited and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013.

Pursuant to the approval of the scheme by Hon'ble National Company Law Tribunal on February 26, 2019 (with appointment date of March 31, 2017)

- The aggregator business of IFMR Holdings Private Limited and the entire investments relating to the Company held by of IFMR Holdings Private Limited to be transferred to Dvara Investments Private Limited
- Amalgamation of Dvara Investments Private Limited into the Company

The salient features of the Scheme of merger were as follows:

1. The Company shall account for all the assets and liabilities taken over at carrying value.
2. The excess of the amount of the consideration over the value of the net assets (tangible and intangible) of the Transferor Company acquired by the Transferee Company should be recognised in the Transferee Company's financial statements as an adjustment to the reserves. If the amount of the consideration is lower than the value of the net assets acquired, the difference should be treated as capital reserve.

Accordingly, the accounting treatment for this scheme of merger has been given effect to as below in the consolidated financial statements.

	Particulars	Amount (INR lakhs)
	Net assets taken over pursuant to the Scheme	6,856.56
	Less: Investment Cancellation	(6,852.99)
	Adjustment in reserves pursuant to the Scheme	**3.57**
	Break up of adjustment in reserves:	
	Capital Reserve	3.57

Pursuant to the scheme, the Holding Company has allotted 45,887,686 equity shares of INR 10 each to the shareholders of IFMR Holdings in lieu of the investment.

52 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, 2019.

As per our report of even date attached
for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner
Membership No. 046882

Place : Mumbai
Date : May 21, 2019

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

Leo Puri
Chairman
DIN : 01764813

Kshama Fernandes
Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Financial Officer
Place : Mumbai
Date : May 21, 2019

R. Srividhya
Company Secretary

NOTES

NOTES

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