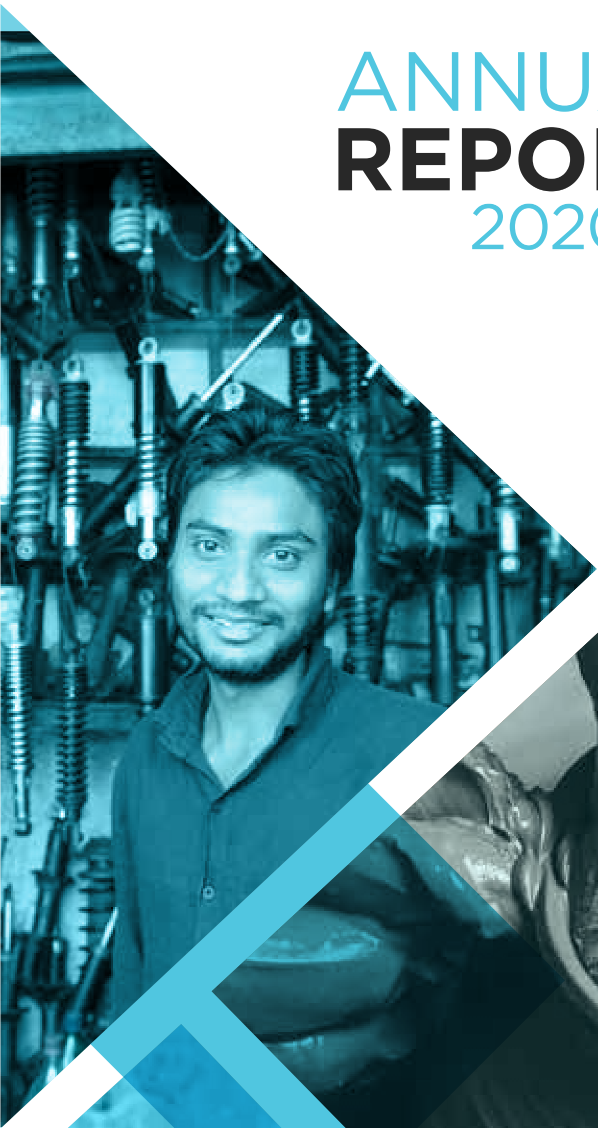
ANNUAL REPORT 2020-21



NORTHERN ARC

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

Catering to the diverse credit requirements of under-served households and businesses by providing efficient and reliable access to debt finance.

OUR

VALUES

RESOLUTE

We are unwavering in our commitments and stand by them.

EMPATHETIC

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

ETHICAL

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

INNOVATIVE

We push the frontiers of finance through knowledge and innovation.

RESPONSIVE

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

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> The importance of Northern Arc's mission of providing access to finance for the underbanked cannot be overstated in this environment.

P.S. Jayakumar
Non-Executive
Independent Chairman

MESSAGE FROM THE CHAIR

The past year has been amongst the most challenging in recent human history. Across the world, nations, governments and communities battled courageously against a crisis that cut across health, social and economic fronts. India has been amongst the worst affected countries in the world. Even as I write this letter, the pandemic is beginning to rear its head again in the form of Covid 2.0. We are beginning to witness a rise in infections forcing governments at various levels to adopt lockdowns of varying intensities. Unfortunately, as in past such instances, this catastrophe has affected the economically marginalized sections of society the most.

In this backdrop, the critical nature of Northern Arc's mission cannot be overstated. Enabling access to financial services to under-served small businesses and households, who form the backbone of the country's social and economic fabric, is of paramount importance. It is imperative to ensure that credit keeps flowing to those who most deserve and need it. The Company disbursed over INR 4,000 crore during the year, nearly a 50% increase over FY20. It partnered with several reputed global Development Finance Institutions including US DFC, FMO and CDC to ensure that there is sufficient liquidity for small & mid-sized financial institutions, mid-market corporates and retail borrowers.

An unexpected positive fallout of the events of the past year has been the industry's rapid transition towards digitalization. At Northern Arc, we had embarked on our technological journey much earlier. The new-age Nimbus system, which was pioneered as a key disruptor to the market ecosystem, has received unanimous customer acceptance and endorsement. It has catalyzed growth, streamlined processes, enabled seamless integrations with partners and introduced efficiencies at multiple levels.

The country's financial services ecosystem is witnessing an increasing trend of inter-dependency between banks, SFBs, NBFCs, fintechs and other institutions. Northern Arc is at a vantage position to capitalize on this trend due to its unique place in the credit ecosystem. We are leveraging our relationships and technology to forge and deepen partnerships, pioneer new business models, grow existing businesses, diversify into new segments, build granular exposure and optimize risk. We continue to explore both organic and inorganic partnerships to establish and build new competitive moats and achieve better risk adjusted returns.

We continue to progress across the value chain and have diversified into segments that are more granular in nature. To this end, we established Pragati, our MFI subsidiary to provide credit to under-served women, households and small entrepreneurs through a digital platform. In addition to real-time portfolio monitoring and credit modelling, we will make use of our data repositories and analytics capability to build predictive models on borrower behaviour and geo risk management. Data and data-driven decisioning will enable development of unique product offerings that will support business growth and risk management.

I wish to take this opportunity to thank my fellow Directors for their proactive guidance during these turbulent times. I also thank the management and team of Northern Arc for their passion in the purpose of the organization and wish them continued success as they attempt to scale new unconquered heights.

MESSAGE FROM THE
CEO

A large part of FY21 was spent in the shadows of Covid-19, as the pandemic swept across various parts of the country. It caused a tremendous impact on lives and livelihoods, as movement and economic restrictions were imposed at different levels. It brought about a lot of conservatism in the financial services sector as most lenders adopted a cautious stance in the early part of the year, to observe asset quality performance before sanctioning fresh lines.

The Northern Arc platform's role in the ecosystem has always been unique. Our breadth of partnerships across regions and sectors, data repositories, and our feet-on-the-street monitoring approach help us understand risk better and quicker. This helps us become an indispensable partner for many of our investors, especially during times of crisis. Many reputed global investors prefer to work with Northern Arc for this reason and this became evident during the year as we enabled multiple DFIs finance our sectors and partners.

While we were cautious, we commenced disbursements in a calibrated manner on a case-by-case basis. We were able to support our well governed partners across sectors with much needed liquidity both from our Balance Sheet as well as through other investors across categories. And we were able to do it much earlier than most lenders, at a time it was needed most. We disbursed over INR 2,500 crore to originator partners for on-lending to retail borrowers through a spectrum of credit and capital market products.

Our retail lending gained substantial traction during the year. We have established a total of 27 partnerships so far and disbursed over INR 1,100 crore through the year, nearly double of FY20. A large part of these disbursements happened in the latter half of the year based on our in-depth assessment of the asset quality trends in segments and geographies. Our technology based customized solutions have helped us serve unique customer requirements and benefit from superior risk-adjusted returns.

Our financing to mid market companies grew substantially during the period. It is a segment we are highly optimistic about, given the rapidly evolving start up ecosystem and the interest it has evinced from equity investors. By the end of the year, it contributed close to 10% of our total AUM. We executed our first syndication transaction in this space, and we believe that the synergies with the placements business will help us achieve traction.

In our endeavour to further diversify the book and enter new segments that will help us capitalize on our expertise, we have set up the Supply Chain Finance vertical and an MFI subsidiary. Both initiatives will be led by industry veterans who have joined us with decades of experience of building similar businesses before.

The fund management business has firmly established itself, providing a combination of credit and liquid products. The business closed at an AUM of nearly 1,600 crore from around 300 investors. The impact fund, targeting offshore investors primarily, has received anchor commitments from three reputed DFIs. The money market fund has found widespread acceptability from corporates, HNIs and family offices targeting liquid higher yield products.

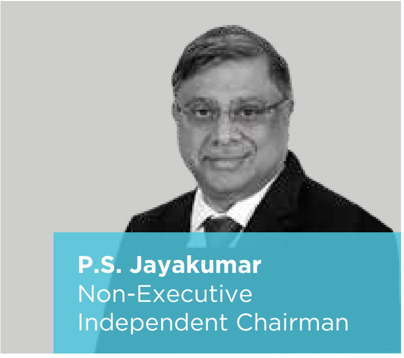
The past year has been challenging but was also full of learnings. The resilience of our sectors and partners was reinforced as they bounced back strongly from the crisis. We approach the coming year with high hopes and optimism, to conquer new frontiers and scale fresh peaks.

The Northern Arc platform's role in the ecosystem has always been unique. Our breadth of partnerships across regions and sectors, data repositories, and our feet-on-the-street monitoring approach help us understand risk better and quicker.

Dr. Kshama Fernandes
Managing Director &
Chief Executive Officer

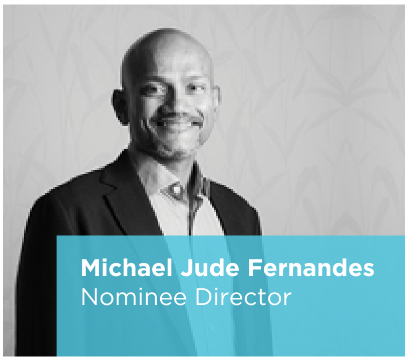
BOARD & KEY MANAGEMENT

BOARD



P.S. Jayakumar
Non-Executive
Independent Chairman

Dr. Kshama Fernandes
Managing Director and
Chief Executive Officer



Michael Jude Fernandes
Nominee Director

Samir Amrit Shah
Nominee Director

Vijay Nallan Chakravarthi
Nominee Director

Amit Mehta
Nominee Director

Anuradha Rao
Non-Executive
Independent Director

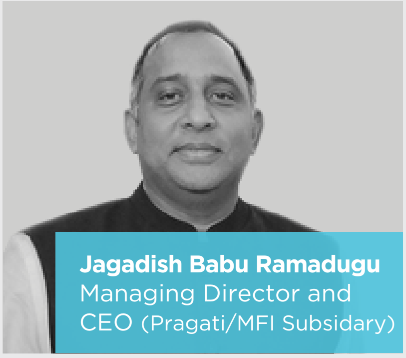
Ashutosh Arvind Pednekar
Non-Executive
Independent Director

KEY MANAGEMENT


Dr. Kshama Fernandes
Managing Director and
Chief Executive Officer


Bama Balakrishnan
Chief Operating Officer


Pardhasaradhi Rallabandi
Chief Risk Officer


Jagadish Babu Ramadugu
Managing Director and
CEO (Pragati/MFI Subsidary)


Saurabh Jaywant
Chief Legal Counsel


Srividhya Ramaswamy
Company Secretary


Kalyanasundaram Chandran
Chief Accounts &
Audit Officer


Salil G Nair
Chief Technology &
Information Officer


Umasree Parvathy
Chief People Officer


Ravi Vukkadala
CEO Investments

BUSINESS UPDATE

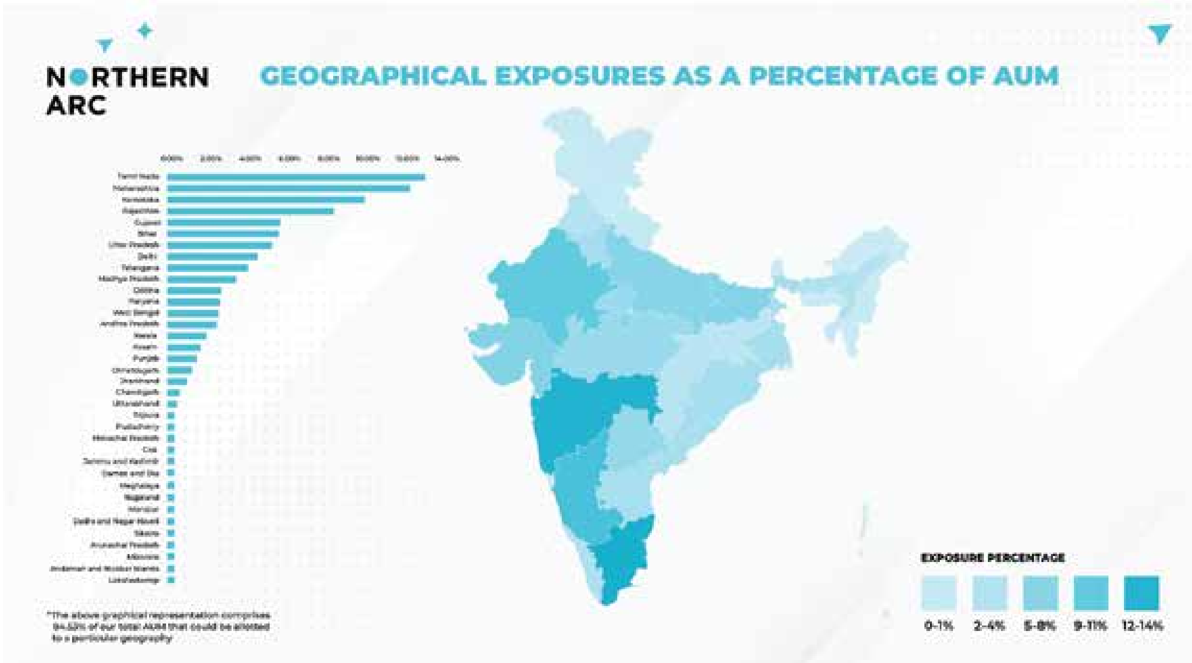
NORTHERN ARC CAPITAL

BUSINESS UPDATE FY21

Northern Arc is a platform in the financial services sector set up primarily with the mission of catering to the diverse credit requirements of under-served households and businesses by providing efficient and reliable access to debt finance.

Our diversified platform taps into a large network of financial institution partners, technology platforms and other entities that act as business correspondents to originate financial exposure as well as small businesses and individuals. While we lend to such originator partners which are in the nature of financial institutions for the purpose of on-lending by them, we also engage with certain originator partners who enable us to lend directly to retail borrowers. We also have an equally large network of investors across different investor classes who use our platform to access opportunities to invest in under-served sectors in India.

Since 2009, when we entered the financial inclusion space, we have enabled financing for originator partners who have impacted over 54 million lives across India, of which more than 42 million were women.

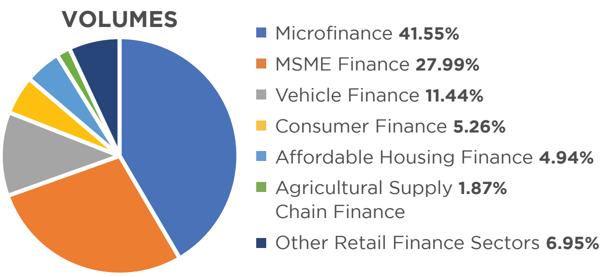


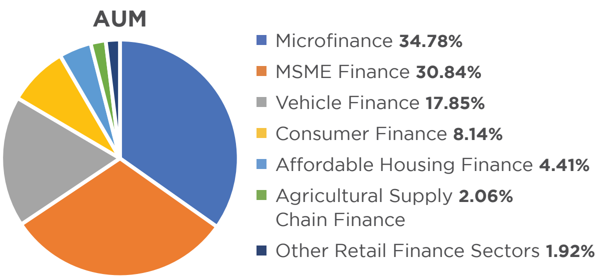
Since the inception of our platform, we have cumulatively raised over Rs. 950 billion in funds for our clients, executed over 900 structured finance transactions, obtained over Rs. 28 billion in investor commitments across nine high performing funds and gathered over 22 million data points on customer repayment behaviour.

Key Sector Updates

We focus on addressing a wide spectrum of credit requirements of under-served households and businesses through our sectoral approach. We operate in focussed sectors including microfinance, MSME finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance.

This sectoral diversification has helped us in mitigating the effects of slowing demand for credit in standalone sectors owing to cyclicality, events or regulatory changes affecting such sectors, and in maintaining the health of our portfolio, thereby resulting in lower volatility of risk, return and growth.

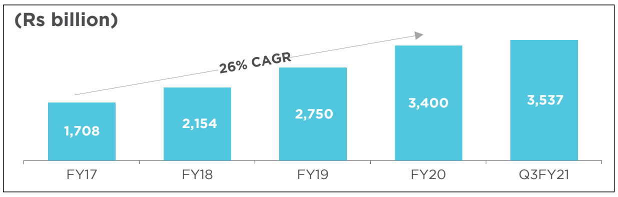




A. Microfinance:

Microfinance lending has played a significant role in furthering financial inclusion in India. Microfinance lending, as a business model, has existed in India for many decades, but has shown exponential growth only over the last decade, after the introduction of a strong regulatory framework in 2010. The industry's gross loan portfolio (GLP) increased at a CAGR of 26% since fiscal 2017 to reach approximately INR 3.4 trillion as of fiscal 2020 owing to increase in number of MFIs as well as customers and ticket size during this period.

GLP clocket 26% CAGR between fiscals 2017 and 2020



Note: Data incluses data for Banks lending through SHG and joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. The amounts are as at the end of fiscal year.

Source: MFIN, Company Reports, Industry, CRISIL Research

We commenced our operations in this sector in 2009. Under this sector, we work with originator partners which are MFIs and companies that act as business correspondents in the microfinance sector and provide microfinance loans to under-served individuals. Our underwriting guidelines for this sector focuses on joint liability group (JLG) format of lending, under which multiple borrowers (usually women) come together to form a group to borrow, and generally assume a joint liability to repay the instalments of other borrowers in the group, in the event of a default by any member in the group. We also intend to launch a dedicated microfinance business through our MFI Subsidiary that will disburse loans directly to microfinance borrowers.

In FY21, Microfinance contributed 41.55% of our volumes and as of March 31, 2021, was 34.78% of our AUM.

B. MSME:

The MSME sector contributes to the country's socio-economic development by providing huge employment opportunities in rural and backward areas, reducing regional imbalances, and assuring equitable distribution of national wealth and income. The segment currently contributes to 28% of the GDP, over 40% of exports and creates employment for about 110 million people in the country, thus supporting economic development and growth. However, out of the 63 million MSMEs in India, only 10% have access to formal sources of credit.

Under this sector, we lend to under-served businesses and work with originator partners who lend to MSMEs. We commenced our operations in this sector in 2011. Our originator partners operating in this sector adopt varied business models including such originator partners which rely on digital sourcing, underwriting and disbursement, and platform lenders financing MSME participants in their specialised marketplaces. The sector offers diverse opportunities to finance a range of underlying livelihoods and industries. Our credit and risk teams form a view on these underlying livelihoods and industries which serves as an input for portfolio selection for portfolio financing of originator partners, including developing Retail Lending Partnerships. Credit to end-borrowers may be structured as short-term financing – such as other supply chain finance or long-term loans, and may be secured with security in the form of immoveable property or hypothecation of assets or equipment.

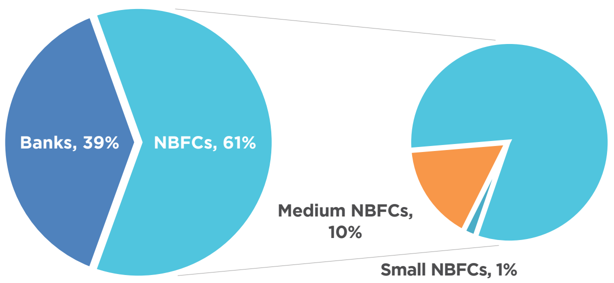
The MSME sector had a volume share of 27.99% in FY21 and contributed 30.84% to our AUM at the end of the year.

C. Vehicle Finance:
In this segment, we largely operate in the Commercial Vehicle and two wheeler segments.

Commercial vehicle loans consist of loans given to both new and used vehicle buyers for the purpose of purchasing an asset. NBFCs have a strong presence in the new CV market, and in the used CV market, NBFCs have a dominating market share. The customer profile consists of small road transport operators/small fleet operators, and drivers-turned-owned who are first-time buyers.

Two-wheeler loans will help in addressing the demand as we expect an increasing rural penetration due to deeper distribution network and improving incomes owing the various measures undertaken by the government. In urban areas, two-wheeler demand is expected to be added from multiple ownership and increase in demand from Tier 2 cities. NBFCs have a large market share of 57% in two wheeler financing; moreover, this market share has been increasing over the years.

NBFCs account for 61% of commercial vehicle financing (as of March 2020)



Note: Large NBFCs includes players having AUM more than Rs. 50 billion from CV Finance; Mid-sized NBFCs includes players having AUM between Rs. 10 billion to 50 billion from CV Finance; Small NBFCs includes players having AUM less than Rs. 10 billion from CV Finance

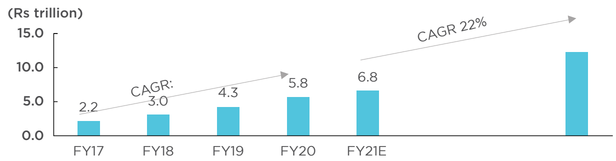
Source: Company reports, CRISIL Research

We have been operating in this sector since Fiscal 2013. Our operations under this sector include working with originator partners operating in this sector as well as lending to under-served individuals and businesses in need of vehicle finance. Our focus under this sector is on end-borrowers exploring financing for purchase of commercial vehicles used for commercial transportation of goods or passengers, and for purchase of two-wheelers. originator partners who finance used commercial vehicles include regional players who predominantly fund light weight commercial vehicles and commercial passenger cars with a lower share of heavy commercial vehicles in their portfolios. The loans to such end-borrowers are typically secured by a hypothecation of the vehicle which can be repossessed after following due process in the event of default.

The Vehicle Finance sector had a volume share of 11.44% in FY21 and contributed 17.85% to our AUM at the end of the year.

D. Consumer Finance:
Consumer Finance comprises of personal loans that are collateral-free loans extended based on the borrower's credit score, income, age, employment and social credentials. Over the past six years, they have become quite common and are being increasingly sought to fulfill customer needs and aspirations. In fiscal 2017 through fiscal 2020, the personal loan market has grown at a stupendous 38% CAGR to touch Rs. 5.8 trillion as of March 2020. With an expected increase in discretionary spending and economic growth, the personal loans market is expected to see stronger growth in fiscal 2022 and thereafter. Going forward, the personal loans outstanding is expected to grow at a strong 22% CAGR between FY21 and 2024.

Personal loan outstanding to reach Rs. 12 trillion in fiscal 2024



NBFCs account for 61% of commercial vehicle financing (as of March 2020)

We commenced our operations in the consumer finance sector in 2019. Currently, our operations in this sector include working with originator partners operating in this space as well as lending to new to credit and other under-served individuals who may be salaried or self-employed. Financing under this sector includes consumer durable loans, cash or personal loans, salary advance loans as well as the increasing popular segment of buy now pay later financing for products and services delivered through online and offline channels. The originator partners we work with in this sector are largely technology platforms who rely on digital sourcing, underwriting and customer management.

The Consumer Finance sector had a volume share of 5.26% in FY21 and contributed 8.14% to our AUM at the end of the year.

E. Affordable Housing Finance:
In India, the economically weaker sections and low-income group segments in housing are largely under-served. However, with increasing focus through governmental schemes and subsidies, there has been

a renewed thrust on organized supply of affordable housing through incentives for affordable housing projects. The low- and middle-income segment focused housing finance market clocked a healthy ~16% CAGR (growth in loan outstanding) over fiscals 2016-2020 on account of a rise in disposable income, healthy demand and a greater number of players entering the segment. As of March 2021, outstanding loans to this segment were at around INR 16.2 trillion.

We have been operating in this sector since 2013. In this sector, we work with originator partners, being housing finance companies, who lend to self-employed or salaried borrower segments for the purchase of residential property (primarily for self-occupation), home improvement and home extension. The loans to such borrower segments are typically secured either by way of deposit of title deeds or a registered mortgage of immoveable property.

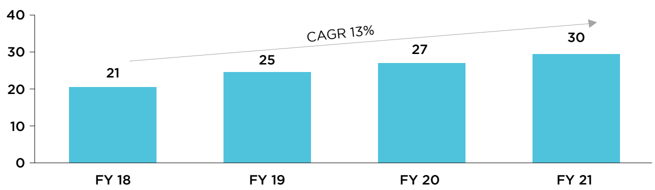
The Affordable Housing Finance sector had a volume share of 4.94% in FY21 and contributed 4.41% to our AUM at the end of the year.

F. Agricultural Supply Chain Finance:
Indian agriculture's transition to demand-driven value chains is still in its nascent stages, barring a few pockets where the shift has taken place primarily due to the transformation brought about by interventions spearheaded by enterprises. Going forward, farmers are expected to move towards demand-driven value chain, farmers and farmer producer organisations (FPO) are expected to get more share of the profits, which will eventually attract financial institutes to support with additional finance in coming years. We are likely to witness increase in finance penetration in across agriculture value chain due to increase in organised players and technology used..

We commenced our operations in this sector in 2016. Our Company works with originator partners that provide post-harvest services and financing in the agricultural and allied segments. This includes players who provide commodity warehousing services and warehouse receipt financing as well as players who finance agricultural and allied activities, often working through aggregators such as farmer produce organisations or dairy cooperatives. The loans are short term facilities for three to 12 months based on the cropping pattern, shelf life, harvest period, location and warehouse infrastructure.

The Agriculture Supply Chain sector had a volume share of 1.87% in FY21 and contributed 2.06% to our AUM at the end of the year.

Agriculture value chain finance by NBFCs



Source: CRISIL Research Estimates

OUR OFFERINGS

As a platform, we make available diversified offerings with the objective of expanding access to credit to under-served businesses and households. These offerings include financing, syndication and structuring, and fund management.

Financing – from our balance sheet, we (i) lend to and guarantee the borrowings of originator partners for retail on-lending by them, and invest in and/or credit enhance the portfolios sold down by them; (ii) lend to under-served households and businesses through our retail business; and (iii) lend to mid-market companies operating in preferred sectors. As part of our financing offering, we also plan to launch a dedicated rural finance business through our subsidiary, Pragati.

Syndication and structuring – we work with our Investor Partners to structure and syndicate financing through a variety of debt, credit-enhanced debt and portfolio financing products for our originator partners and mid-market companies. We also demonstrate skin-in-the-game in our syndication and structuring offerings, which provides comfort to our Investor Partners and which differentiates us from other debt arrangers in the market which do not assume skin-in-the-game.

Fund management – based on contributions received from Investor Partners, our subsidiary, Northern Arc Investment Managers Private Limited ("NAIM"), manages debt funds that invest in mid-market companies and our originator partners. As part of our skin-in-the-game approach, we make capital contributions to our funds, including contribution as sponsor of the funds.

FINANCING

Our Company extends financing from its balance sheet to three borrower segments namely, originator partners, under-served retail borrowers, and mid-market companies. The relationships built with originator partners and mid-market companies pursuant to our financing initiatives have allowed us to enable funding to them through other platform offerings such as syndication and structuring and fund management. For each of these segments, set out below is a summary of our financing initiatives.

Originator Partners:
Our financing initiatives are aimed at originator partners, which include NBFCs (including NBFC-MFIs), and HFCs that lend to under-served borrowers. The market share of NBFCs in overall systemic credit has increased from 16% in Fiscal 2015 to 20% in FY21, the reason for which is their ability to offer differentiated solutions to cater to the large unmet demand of various retail lending sectors. The aggregate size of NBFC loans in the sectors that we operate in is INR 12.7 trillion as of FY21, which is expected to witness strong growth in the next few years due to favourable demographics, increase in consumer spending and business activity. As of September 30, 2020, our originator partners reported a cumulative AUM of over INR 2.80 trillion and as of March 31, 2021, they had borrowers in 657 districts spread across 28 states and seven UTs of India. Our exposure to originator partners from financing initiatives accounted 79.79% of our total AUM for Fiscals 2021.

We finance originator partners in a variety of ways depending on their specific needs:

(i) lending to and investing in debt securities issued by originator partners primarily for the purpose of retail on-lending by them. Such products include loans, NCDs, market-linked debenture ("MLDs") and CPs.

(ii) providing guarantees for borrowings by originator partners; and

(iii) investing in retail portfolios originated by originator partners through portfolio financing transactions such as rated securitization and direct assignment, as well as providing credit enhancements in respect of such transactions to enable investment by Investor Partners. These transactions involve a sale of assets by the Originator Partner which allows them to avail liquidity.

Mid-market Companies

According to the report titled 'Financing India's MSMEs' by IFC issued in November 2018, the viable debt gap in the median enterprises sector is in excess of INR 25 trillion which can be addressed by financial institutions in the near term. Further, on account of robust and sustained equity support over the last decade from institutional investors, a large number of medium enterprises with sustainable business models and strong governance structures have emerged. However, their credit needs are largely under-served by banks and other NBFCs due to reasons such as: (i) size, (ii) vintage, and (iii) lack of collaterals.

We started financing of mid-market companies in 2016 and we are among the early lenders to them. We finance borrowers in this segment exclusively for their growth needs such as working capital purposes, capital expenditure, etc. Over the last five fiscal years, we have worked with companies across preferred sectors, such as food & agriculture, education, healthcare, clean energy, B2B services, logistics and IT/ITeS. The sector insights and know-how built through our work across specified sectors enables us to address the credit opportunities in the sector with efficiency, and also help our Investor Partners access them through our platform.

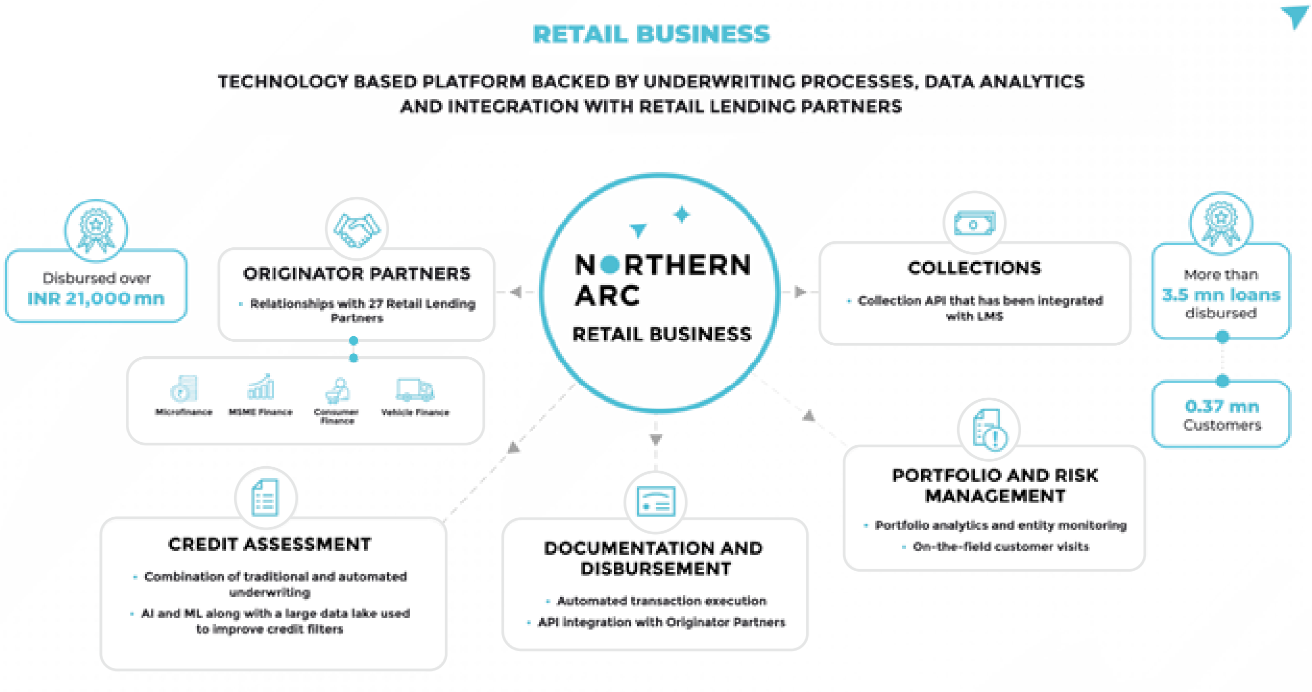
Set out below is a variety of ways in which we provide customised financing to mid-market companies depending on their specific needs and lifecycle stage:

(i) Lending to and investing in debt securities issued by mid-market companies to cater to their working capital, capital expenditure or other needs. The products include term loans, structured working capital lines, NCDs, etc., and

(ii) Investing in trade receivables through rated securitization.

Retail Borrowers

We serve our retail borrowers through a tech and data analytics-based lending platform. Backed by a strong understanding of retail lending processes and the performance of retail loans, we initiated our Retail Lending Partnerships in Fiscal 2016. We were one of the first NBFCs to implement such a model. We have been able to achieve seamless technology integration with our Retail Lending Partners, and in some cases, this integration spans across major business processes like sourcing, underwriting, disbursements, collections and customer servicing. The digital integration ensures a seamless flow of customer data at the time of customer onboarding, which is processed using automated credit decisioning for small ticket size loans and is supported by a team of credit managers for larger ticket sizes.



ALL FIGURES IN THE ABOVE DIAGRAM ARE AS OF 30TH JUNE, 2021

As of March 31, 2021, our platform had disbursed more than 2.50 million loans amounting to over INR 17,500 crore. During the last three Fiscals, our Company served over 0.28 million retail borrowers.

As of March 31, 2021, our financing offerings through this vertical comprises of microfinance loans, MSME finance loans, vehicle finance loans and consumer finance loans with ticket sizes ranging from INR 10,000 to INR 50 lakh.

The underwriting of these loans is heavily supported by our analytical models which are increasingly built using machine learning techniques. These underwriting models are recalibrated periodically by incorporating more variables and features as we disburse more loans and collect more data. In order to lend to this borrower segment, we partner with multiple categories of Retail Lending Partners (i.e. financial institutions, technology platforms such as fintechs, and business correspondents) who provide us with necessary support in various functions such as loan origination, execution of loan documents, collections, etc. Further, if the Retail Lending Partners is a financial institution, such Partner may also assume a percentage of the credit exposure to the retail borrowers along with our Company ("Co-lending Partnerships"). We provide loans using a straight through processing (STP) approach implemented in select Retail Lending Patnerships for consumer loans and microfinance loans. Under this approach, the entire process of customer origination through disbursement can be completed within one minute.

Through our technology platform Nimbus and integration with our Retail Lending Partners, we can lend to our customer 24X7 currently with more than 400,000 successful transactions done monthly. The platform is capable of handling more than one million loans monthly which allows us to pursue our growth plans.

Rural finance business

Our MFI Subsidiary was incorporated in FY21 with the aim of offering small ticket loans though an efficient, agile and scalable digital platform to under-served rural and semi-urban areas of the country. We intend to offer microfinance through both group-based and individual models of lending. Based on research and data analysis, we have identified ten states in India where we intend to commence microfinance operations in multiple phases. We will focus on income-generating micro loans and household loans with a particular focus on women borrowers with most loans falling in the ticket size range of INR 50,000 to INR 125,000.

The subsidiary will also aim to focus on small business loans between INR 125,000 and INR 5,00,000 based on field credit rating and technology-led underwriting platform mainly in the unsecured loan market and could also include co-origination, off-book and cross-sell models for these types of assets.

We propose to build a lending model for the MFI that will apply data to assess the creditworthiness and ability of a borrower to service loans. Pragati is developing a mobility-based technology stack with API which will be fully deployed on the cloud. In addition to real-time portfolio monitoring and credit modelling, we will make use of our existing data repositories and analytics capability to build predictive models on borrower behaviour and geographical risk management. Data and data-driven decisioning will enable development of unique product offerings that will support business growth and risk management.

SYNDICATION AND
STRUCTURING

We work with our large community of Investor Partners to structure and syndicate financing to clients, thus enabling the efficient flow of debt from providers to users. The clients under this offering currently include our originator partners and mid-market companies.

Since the inception of our platform business, we have worked with over 170 domestic and overseas investors across different investor classes such as public-sector, private-sector and foreign banks, NBFCs, domestic and international DFIs, mutual funds, insurance companies, family offices, HNIs, and offshore impact funds.

A deep dive into the Indian market in FY21

During the first half of FY21, India witnessed its first nationwide lockdown from 25th March 2020 until 31st May 2020. Except for permissible essential activity, the entire economy encountered a near-standstill situation across all spectrums and sectors, including financial services. To alleviate the economic stress induced by the pandemic on livelihoods, The Reserve Bank of India along with The Ministry of Finance, Government of India proposed liquidity measures through various schemes, primarily to encourage and support end borrowers in meeting their debt obligations though moratoriums on installments due between Mar20 to Aug20.

The decrease in the daily count of new infections led to a gradual increase in business momentum towards the end of Sep20; therefore, majority of the lending institutions were able to touch near pre-COVID19 collection and operational levels in by Dec20. During this time, public sector banks and institutions like NABARD, SIDBI and NHB played a major role in supporting NBFCs through initiatives like the Partial Credit Guarantee Scheme (PCG), Long-Term Repo Operations (TLTRO 1 & 2), Refinancing facilities and Special Liquidity Schemes.

Starting March 2021, business activity levels stagnated once again due to surge in cases with the second wave of COVID19 which lasted from March 2021 until June 2021. In terms of severity, this wave was more intense compared to the first wave. However, during this period, the country witnessed partial and selective lockdowns, thereby affecting business operations sporadically, but not completely. This means that most institutions, from their learnings from wave 1, were well equipped and prepared to strike a balance between continuing business operations and opting for preventive measures side by side. Therefore, business activity witnessed a much-expected decline, however, did not arrive at a standstill as during the March 2020 to May 2020 period.

Despite the above tougher-than-ever macro situation, the Investor Relations and Markets team at Northern Arc, played a pivotal role in market making and positioning Northern Arc as preferred choice for all its stakeholders.

FY21 witnessed a paradigm shift in the overall investment sentiment, due to the wavering liquidity position in the market and the on-going disruption on account of the macro industry situation. This year, we directed our primary focus towards working with selective investor partners across all investor classes, as compared to a generalist approach of widening our investor base. We also worked towards achieving horizontal diversification across investor partners by introducing newer products suitable to the market environment and investor preference (such as credit enhanced market linked debentures) as well as by promoting structures aligned with initiatives introduced by the government (such as lending under the TLTRO, PCGS, Atmanirbhar Bharat Packages, etc.)

We also assisted our investor partners with tighter monitoring of their investments. A regular information flow to investor partners through focused meetings, webinars, group sessions was highly always appreciated by them. Our risk and monitoring teams worked round the clock to ensure that we had a sound understanding of the ground-level operations as well as financial updates for every client, including asset-liability mismatches and static liquidity analysis as well as portfolio quality indicators. The idea was to help our investor partners re-build confidence in the sector by assisting them in identifying fundamentally stronger and well-governed clients and by posing as a one stop-shop for their future investments in the sector.

Since 2009, we have cumulatively raised over Rs. 650 billion for our clients from our Investor Partners pursuant to our syndication and structuring initiatives.

STRUCTURING NEW PRODUCTS

We have demonstrated a track record of more than a decade in offering customized products for various users of our platform. Our Company has pioneered the introduction of multiple innovative products such as the first securitization of microfinance loans, first pooled multi-originator securitization transactions (“MOSEC®”), persistent securitization (“PERSEC®”) involving securitization of vehicle loans with a replenishing structure. Embedded in our product designing capability is an understanding of the diverse credit requirements of our retail borrowers, originator partners, and mid-market companies, the sectors that they operate in, as also the risk and return expectations of our Investor Partners. Our knowledge in product designing and customization is further strengthened by Nimbus, which makes use of technology and our Company’s large data lake to offer curated opportunities to both originator partners and Investor Partners.

For our originator partners, we offer a wide variety of debt and credit-enhanced debt products aimed at access to efficient cost of funds. These include term and working capital loans, Principal Protected Market-Linked Debentures (“PP-MLD”), commercial paper, External Commercial Borrowings (“ECBs”), sub-debt products, guarantee-backed lending, SPiCE loans and SPiCE BOND®, pooled loan and bond issuance programmes, Non-Convertible Debentures and Credit Enhanced Non-Convertible Debentures (“CENCDs”) Credit Enhanced Market-Linked Debentures (“CEMLDs”) that are suited to their specific lifecycles, credit ratings, and their requirements on size, tenor, pricing, etc. We also offer portfolio financing products such as rated securitization, and direct assignment that help our clients avail liquidity through a sale of assets. Our Company has enabled small and medium originator partners to access securitization markets where large NBFCs are active participants.

Further, we selectively assume skin-in-the-game in some of these products to enhance their credit rating and enable our originator partners and other businesses to raise debt from investors. The skin-in-the-game could be in the form of guarantees for a stated amount, co-investment, and credit enhancement in the form of investment in subordinate tranches of an instrument or unfunded second-loss credit enhancement.

The overall securitization and direct assignment volumes in the market stood at INR 900 billion for FY21, of which our Company has enabled funding of INR 33.90 billion through securitization and direct assignment. Further, the overall market volumes for securitization and direct assignment in microfinance and MSME finance, being the sectors where a majority of our originator partners operate, stood at INR 144 billion for FY21, of which our share was INR 23.77 billion. Our Company has also ventured into securitization of relatively newer asset classes such as cash loans, consumer durables and trade receivables to cater to the funding needs of its existing and new originator partners.

FUND MANAGEMENT BUSINESS

Update on Funds

FY21 marked a watershed year in India, given the widespread and deep socioeconomic and humanitarian impact of the Covid-19 pandemic, which triggered multiple national and regional lockdowns, significantly affecting lives and livelihoods across the country. NAIM had announced first close in FY20 for two of its funds: Northern Arc India Impact Fund ("NAIIF") in February 2020, and Northern Arc Income Builder Fund – II (NAIBF) in March 2020. Given the uncertainties regarding the macroeconomic situation, likely impact on business, etc., investors suspended new AIF engagements for most of FY21, before gradually commencing discussions again from Q3FY21 onwards.

Throughout the pandemic, NAIM continued to actively engage with its existing and potential investors through a series of high-frequency investor updates via knowledge capsules, sector update calls as well as participation in industry webinars. As of March 2021, the Northern Arc Income Builder Fund – II, which is NAIM's second private wealth focused fund and a successor to the IFMR FImpact Income Builder Fund, had garnered investor commitments of INR 141.5 crore from 72 investors, and had recorded an AUM of INR 92.2 crore.

Northern Arc India Impact Fund, NAIM's first fund targeting to raise capital from offshore investors, had its first close in FY20, with leading investors from Europe and the United States coming in as anchor investors. After a pause in FY21 due to Covid-19, investor conversations have since resumed and the fund also successfully secured commitments from several leading domestic institutional investors during CY21. The fundraising timelines for NAIIF and NAIBF have been extended, in order to tap the revival interest in these funds.

Northern Arc Money Market Alpha Fund (NAMMAF), the first open-ended fund from the NAIM platform which was launched in FY19, continued to receive increasing participation from investors, reaching an AUM of INR 384.75 crore as of March 31, 2021. While the fund witnessed redemptions in the opening two months of FY21 – triggered by Covid-19 induced uncertainties as well as a general negative sentiment around credit funds – investor interest picked up significantly in subsequent months leading to the fund emerging to hold one the largest investment corpuses in NAIM's funds platform.

Fund exit: In March 2021, the IFMR FImpact Investment Fund - the very first fund from the NAIM platform - reached its maturity and closure. Launched in 2015, the fund raised INR 1,000 million in investor commitments from banks, insurance companies and HNIs, and had an investment portfolio comprising 13 microfinance companies. During its 6-year tenure, the fund witnessed some very volatile phases in India's financial history, including the Government's demonetization drive in November 2016; the GST rollout in July 2017, which caused a paradigm shift in how companies across India operated; the tightened liquidity conditions afflicting the financial services industry post the NBFC crisis in 2018-19; and the Covid-19 induced national lockdown in 2020, one of the most difficult socio-economic events in India's history. Despite these significant external headwinds, the fund maintained excellent portfolio quality and delivered consistent cashflow payouts to investors throughout its tenure, with no instances of shortfall or delay, delivering net returns (pre-tax, post all other expenses) of over 15% (in INR terms) to its investors upon maturity.

Technology and Automation

NAIM had been exploring migrating its fund-level data to a fund accounting tool, in order to improve operational efficiencies, avoiding human intervention and reducing timelines. This activity, which was initiated in the previous year has now been completed, and the tool has been made live during the year. Using the fund accounting tool entails several benefits for NAIM, such as standardised and consistent reporting of information, avoidance of human intervention and error, improved efficiency and quick turnaround times.

In line with its objective of improving the investor onboarding experience, NAIM has been exploring digitising the investor onboarding process, whereby investors desirous of subscribing to NAIM's funds will be sent pre-filled application forms which can be signed digitally using their DSC or Aadhar credentials. Activity is presently underway on this tool and the tool expected to go live in the coming months. Once completed, this will significantly improve the investor onboarding process by increasing investor convenience, avoiding corrections and over-writing, and reducing overall onboarding timelines.

During the previous year, NAIM had developed and rolled out an in-house bond issuance tracker tool (NBX), which helps track primary and market issuances and issuance-related information, yield/spread movement across rating categories, rating transitions of a target portfolio along with collating a variety of wider macro-level information on the debt markets. The NBX tool has been rolled out selectively and a wider roll-out has been planned

Ratings and external evaluation

During the year, CRISIL reaffirmed its ratings of AA-(SO) for the FMR FImpact Medium Term Opportunities Fund, and AA+ (SO) to Northern Arc India Impact Fund, based on a number of factors including the credit quality of the underlying investments, portfolio composition, structural features and credit support available to external investors. This is a very positive outcome for NAIM taking into consideration prevailing market conditions, and will assist during fundraising from new investors, especially from corporates, pension funds, and other such investors who may have credit rating requirements.

Awards and Recognition

During the year, NAIM was included in the ImpactAssets50, an annual showcase comprising fifty fund managers from across the globe who lead their respective fields in creating positive social impact, while generating financial returns for investors. This award is an important recognition of our work in the financial inclusion space and the seventh such recognition that NAIM has been accorded since inception.

Outlook

Since establishing our fund management business in FY2014, we have expanded the investor base in our funds to include all major classes of investors from India, such as development financial institutions, banks, insurance companies, corporate treasuries, family offices and HNIs.

In FY2020, we set up our first close-ended fund with an impact focus targeted at offshore investors, to expand and diversify our investor base beyond India. We aim to expand our fund management business by: (i) introducing new offerings targeted at specific classes of investors both in India and overseas; (ii) tapping a wider set of investor classes such as funds-of-funds, sovereign wealth funds, foundations, endowments and pension funds; and (iii) expanding our outreach and presence in offshore geographies such as Europe and North America where ESG and impact-oriented investments are established asset classes including through engagement of fund distributors.

Further, NAIM has applied for regulatory approvals for grant of registration as a portfolio manager. A portfolio management services ("PMS") product would complement our fund management business and would allow customization of portfolios to suit investor risk appetite and enable NAIM to reach a larger base of investors. In the first phase, NAIM intends to offer a bouquet of bonds and securitized debt instruments as part of its product.

TREASURY

Treasury management at Northern Arc involves debt capital raise, relationship management with lenders, credit rating agencies and various market participants, liquidity risk management by way of asset liability management, interest rate risk management, short term investments and asset sell down among others. Our Company has adopted an asset/liability management policy which requires us to monitor and manage interest rates and liquidity risks proactively from time to time. This has enabled us to maintain a positive ALM position with no cumulative negative mismatches in any of the time buckets as of March 31, 2021.

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

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

Northern Arc Capital achieved a balance sheet size of INR 5000 crore during the year. The company has accordingly started complying with LCR by maintaining adequate liquidity buffers in the form of cash, investments in T-Bills or callable fixed deposits with scheduled commercial banks. Such investments and deposits also reduce the negative carry. Currently, the company is compliant with LCR guidelines.

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

Liability management

FY21 began on a tough note owing to the Covid-19 pandemic. The pandemic and subsequent lockdown measures resulted in a challenging period for debt raise during the first quarter of the year. However due to prudent internal measures, efficient capital management, periodic sell down of assets and maintenance of adequate on balance sheet liquidity, the company was successfully able to navigate the liquidity challenges. During this period, the company at all points of time, maintained about 10 percent of the balance sheet as liquidity. Such liquidity has also helped the company in providing moratorium to its clients in line with RBI guidelines as a part of Covid-19 – Regulatory Package. The liquidity scenario subsequently began improving from the second quarter onwards with targeted schemes from RBI, SIDBI and Government of India such as Targeted Long-Term Repo Operations (TLTRO), Special Liquidity Support to MSMEs through NBFCs and Partial Credit Guarantee (PCG) scheme respectively.

Despite the uncertain and challenging times, Northern Arc Capital has raised INR 3000 crore in FY21 from 38 different lenders. This is the highest ever debt capital raise in a single financial year since the company's inception. The debt raise is underpinned by our robust and time-tested relationships with our lenders and investors, proactive liquidity management system and strong credit rating.

The company, over the years has taken active measures to broaden and diversify its funding profile. These measures have resulted in the company developing a strong offshore liability franchise comprising of development financial institutions and impact investors. During FY21, the company has raised USD 50 million from United States International Development Finance Corporation, USD 40 million from Asian Development Bank, USD 25 million from FMO, USD 10 million from Calvert Impact Capital and INR 100 crore from Blue Orchard. In addition, in a first of its kind of transaction for the company, Northern Arc raised INR 40 crore of term loan from Kotak Mahindra Bank which is partially guaranteed by Michael and Susan Dell Foundation and Rockefeller Foundation. Global development financial institutions would continue to be an important part of Northern Arc's overall liability profile, as the company's mission of enabling finance to low-income households is closely aligned with that of the mission of these lenders.

We continue to seek, cost-effective debt funding from a variety of sources and instruments. During FY21 the company has raised significant amount of funding through market linked debentures placed through private wealth institutions. In addition, the company has increasingly tapped into capital markets space by adding three new mutual fund lenders during the year. As of March 31, 2021, we had 45 lenders and investors, with 53.43% of the total borrowings from the banking system, 33.46% from impact funds and DFIs, 6.33% from other capital markets investors such as mutual funds, private wealth management firms and HNIs, and 6.79% from other lenders and investors. Our diversified base of lenders and investors provide us a strong base for increased funding.

Our credit rating is a key enabler for our diversified funding profile. Since 2015, our Company's commercial paper program has been assigned the highest possible rating of A1+. Our non-convertible debentures and long-term bank facilities have been rated A+. Further, our market-linked debentures, and subordinated debt program currently have a rating of A+. Also, a portion of our retail lending qualifies for categorisation as priority sector lending under RBI guidelines, enabling us to raise lower cost funding from banks.

In addition, the company has also raised liquidity by undertaking a periodic sell down of assets held on balance sheet (bonds, pass through certificates and investment in AIF units). Such sell downs, while generating liquidity, also help to improve price discovery, build visibility for our assets in the market and manage liquidity and capital efficiently.

The company's average cost of funds was 10.23 percent for FY21, a sizeable decline from the previous year driven by softening of interest rates as well as tapping into cheaper source of funds. The incremental cost of borrowing for the year was further lower at 9.84 percent. The company's lending rates are determined by a Floating Benchmark Linked Rate (FBLR) policy under which the company publishes its benchmark rates every month, thereby ensuring that the borrowing costs are suitably transmitted in lending rates.

All the aforementioned factors have resulted in company maintaining a healthy on-balance sheet liquidity. Further, prudent liquidity management has ensured that the company has positive cumulative mismatches in all the ALM maturity buckets as stipulated by RBI for the next five-year period.

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

RISK MANAGEMENT

Risk management is core to our business and over the years we have developed, fine-tuned and implemented a customized risk management system. Our risk management systems are customized for each sector that we operate in and are specific to each offering. This enables us to effectively build a diversified portfolio and manage general risks and specific risks that are unique. Building and retaining a team with expertise in sectors that we operate in, a strong and independent risk governance structure, well-documented risk management practices and effective implementation of such practices are the cornerstones of our risk management framework. This has helped us in effectively building a quality credit portfolio. Most of our credit risk management processes are enhanced through deep analytical models built on Nimbus. With additional data points and sources being added every year to Nimbus, the risk models continue getting robust.

An understanding of economics of businesses and sectors at the grassroot level combined with robust credit and risk underwriting has enabled our Company to diversify across sectors, geographies, borrower segments and products.

Our quantitative analysis is based on our data lake of 22 million granular loans, which includes: (a) loan pools we have evaluated and invested in since inception across more than 900 structured finance transactions, and (b) 2.58 million retail loans disbursed by us. Additionally, secondary data from external data sources such as credit bureaus and economic research portals is used for analysing pin code level borrower characteristics such as indebtedness, collection efficiencies, sector growth trends, among others.

Our risk management approach is aimed at actively identifying, monitoring and managing risks.

Risk Management Framework

Overall risk management is governed by an enterprise risk management framework ("ERM Framework") which covers nine types of principal risks faced by our Company. Our ERM Framework enables us to identify, monitor and manage various types of risks inherent in our business operations. We have a monthly process of reviewing exposures through exposure reports and a process of reviewing and approving counterparty limits across products based on the most recent quarterly information as well as our risk monitoring feedback including insights from our field visits. Our qualitative and quantitative risk insights also feed into the portfolio selection for securitization and direct assignment transactions. Managing the risks under the ERM Framework allows us to view our existing risks holistically, while improving our ability to identify and proactively manage new types of risks.

Credit Risk: Credit risk including credit concentration risk is the largest risk faced by the Company. This risk is controlled through: (i) our sector specific and general underwriting guidelines; (ii) a customized approach to credit risk assessment and underwriting of our exposures to originator partners which monitors the portfolios of loans originated by them; (iii) exposure limits set across counterparty, product, geography, sector and portfolio; (iv) regular credit monitoring, both onsite and off-site, of exposures; (v) portfolio monitoring and reporting; (vi) early alert process; and (vii) stress testing of exposures and portfolio.

Originator partners and mid-market companies are on-boarded after a comprehensive DD covering governance, management profile, liquidity, portfolio quality of the underlying assets and a detailed evaluation of management information systems. We also conduct field visits, to the extent possible to understand the customer profiles of the underlying business and for an exhaustive review of the processes followed. We also benchmark the client with peers to understand the relative position before taking a credit decision.

We have developed a comprehensive internal rating model in-house. The rating model is used to distinguish entities across sectors and various sizes. The rating model considers various aspects of the business, such as the sector in which the entity operates, capitalisation, liquidity, quality of management and other operational aspects such as strength of sourcing, credit and collections. All these factors are considered by scoring more than 80 parameters across various aspects of the business in arriving at the final score and a rating. This exercise is undertaken at the time of onboarding originator partners and mid-market companies and updated periodically. The rating is a summary view of the client and helps identify any deterioration early for timely corrective action.

We extend retail loans primarily through a partnership model including though co-lending. We on-board Retail Lending Partners who are responsible for loan originations, underwriting and collections. In addition, the partner's ability to integrate with our IT systems and meet reporting requirements are also considered prior to onboarding. We use internal analytical models, the intelligence gathered through monitoring visits and visibility gained from our institutional portfolio in choosing partners, products and geographies where such retail portfolio is built. Credit parameters applicable for each partnership is approved by us in all cases whereas we employ automated underwriting engines in most partnerships to enhance process efficiency. Retail Lending Partners can be in the form of a business-correspondent model or co-lending, and specific risks associated with each model are managed both at a partnership level and at a loan underwriting level.

We conduct periodic monitoring visits on all clients where we have a credit exposure. The monitoring visits involve a comprehensive coverage of the branches and other operational offices of the client on a sample basis including meeting with borrowers, review of credit files and collection processes. The monitoring visits also include meetings with the senior management of the clients for conducting a review of business strategy, financial position and management information systems. The scope and frequency of such visits are guided by a clearly defined risk-based framework. In FY21, we conducted 288 visits (including virtual meetings) that covered 164 entities.

We also conduct a quarterly desktop review of all credit exposures with detailed information on financial and operational performance of clients. This also includes a review of collateral provided to us against each exposure.

The underwriting and monitoring are also supported by data collected from counterparties both at portfolio level and underlying retail loans through securitization and direct assignment transactions invested in by us over the years. Access to such data to assess potential losses in portfolios or pools supported by models to estimate losses gives us ability to underwrite differently from traditional risk underwriters who do not have data analytics capabilities. In addition, we also obtain and analyse industry level data such as pin code reports to understand retail borrower level indebtedness, debt affordability and credit culture at periodic intervals. This also provides us insights into geography level analysis and feeds into our district risk assessment model.

More recently, we have been focussing on: (i) our ability to handle stressed exposures to maximize post default recoveries and not just pre-default early alerts to control risk; and (ii) underwrite retail risk to support our retail lending portfolio. We conduct quarterly assessments of control failures and material risks that we may be exposed to.

Liquidity risk: A broad framework for liquidity risk is laid down by the ALCO establishing parameters to measure and control liquidity risk. The liquidity profile is analysed on a static as well as on a dynamic basis. The ALM position is periodically reported to ALCO, Finance Committee and the RBI.

Interest rate risk: Interest risk is managed through a floating rate mechanism by linking the lending rate of interest to Floating Benchmark Lending Rates for various tenors, which are reviewed periodically by ALCO.

Operational risk: Strict measures are put in place towards formulating an effective operational risk management strategy which involves identification, assessment, control, and reporting of key operational risks. We have ensured proper segregation of functions, clear reporting structures, well-defined processes, operating manuals, staff training, verification of high value transactions and audit trails to control our operations to mitigate operational risks.

IT risk: Our Company has adopted a comprehensive IT Policy to address various IT risks including risks that may arise to our information and communication systems, hardware, networks, etc. Our Company also has a comprehensive Business Continuity Plan (BCP), effectiveness of which is gauged by proper testing mechanisms, and which ensures continuity of business in the unlikely event of business disruption. This was well tested last year with lockdowns and an extended work from home situation owing to the COVID-19 pandemic. In terms of our ERM Framework, we are also required to monitor key risk indicators and undertake incident reporting to better manage our IT risks.

Compliance risk: Compliance risk is the risk of legal or regulatory sanctions, penalties, material financial loss, or loss to reputation specifically due to failure to comply with laws, rules and standards. Know Your Customer (KYC) and Anti-Money Laundering (AML) policy is in place to prevent the Company from being used intentionally or unintentionally by criminal elements for money laundering. The risk management framework emphasises proper analysis and understanding of the underlying risks before undertaking any transactions and changing or implementing processes and systems. This enables a proper assessment of all risks and ensures that the transactions and processes conform to the risk appetite and regulatory requirements.

Other risks including reputational risk, conduct risk and strategic risk are handled by the management through active monitoring and timely response.

Risk Management through Nimbus: Our in-house technology system, Nimbus, is a key tool in our risk management process. Extensively utilising internal and external databases, the platform generates descriptive risk analytics and models. Nimbus also has built-in early warning systems enabling us to take a proactive approach towards managing and mitigating risks. Through Nimbus, our teams can access diligence reports and near-real time intelligence on the portfolio at all times. Set out below are details of how Nimbus assists with risk management in each of our business offerings.

(i) Financing:

(a) Financing to originator partners and Mid-market companies: Nimbus provides a comprehensive and in-built rating model developed through our understanding of the various sectors we operate in. It integrates with third-party risk datasets to develop quantitative risk scorecards overlaying them with field observations. It is also used to conduct event-based analysis and provides industry-level insights encompassing peer benchmarking, sector benchmarking and product benchmarking. Our underwriting process is backed by advanced data analytics and continuous credit monitoring, ensuring most operational risks are mitigated. Nimbus helps track customer behaviour and understand market trends which can be further analysed to provide detailed insights to our investors and partners.

(b) Financing to Retail borrowers: Nimbus provides a comprehensive view of each borrower through real-time data gathering techniques. It is used to develop enhanced risk scorecards which enable ongoing decision-making and portfolio monitoring. A machine learning based underwriting models built based on over 22 million data points is currently being tested to provide steady recalibration of credit filters in our credit underwriting models.

(ii) Syndication and Structuring

Nimbus helps us to create efficient and accurate models for portfolio selection, product structuring and cashflow modelling for effective decision-making. Its ability to conduct active portfolio monitoring at a granular level, enhances our risk management capabilities. It has advanced and dynamic portfolio models with predictive loss estimation models built using a repository of structured finance transactions.

(iii) Fund management business:

Nimbus provides comprehensive coverage of the debt capital markets in India by tracking a variety of parameters including deal-level data for primary and secondary issuances, historical yield/spread movements across corporate debt products and rating categories, and macro data indicators such as MCLR, repo-rates, etc. Nimbus facilitates better decision making by providing access to latest market information and serves as an efficient tool for portfolio creation and performance benchmarking.

TECHNOLOGY

We consider technology as being of key importance to our Company. At the core of our IT initiatives is Nimbus, our proprietary technology system which was built in-house.

We plan to build on the capabilities of Nimbus to integrate seamlessly with our originator partners, Investor Partners and borrowers, enable transaction execution with efficiency, deliver a superior customer experience and offer business and risk insights in a context-sensitive manner, among others. As our clients and investors make greater use of Nimbus, the increasing number of transactions on the platform can provide larger datasets as inputs for our analytics algorithms which can further improve the quality of opportunities and insights that we can offer.

Set out below are some of the benefits offered by Nimbus to our originator partners and Investor Partners along with key metrics.

Originator Partners

- provides access to a wide investor base;
- provides curated opportunities for raising debt;
- enables digital execution of a wide range of debt transactions such as loans, capital markets and structured debt transactions such as issuance of NCDs, rated securitization, direct assignment, pooled loan issuance (“PLI”), pooled bond issuance (“PBI”); and
- enables execution of capital markets transactions with the same interface used by other parties like trustees, rating agencies and legal advisors.

As of March 31, 2021, our originator partners have raised more than INR 20,000 crore in funding through 796 financing and syndication and structuring transactions executed through Nimbus.

In addition to the above, Nimbus also provides the following benefits to our Retail Lending Partners:

- provides ‘Plug and play’ capability that enables integration with platforms of Retail Lending Partners and other third parties;
- assists in interactions based on: (i) nature of the Retail Lending Partner (such as a Fintech or a financial institution); (ii) products offered (such as microfinance loans, MSME finance loans, vehicle finance loans and consumer finance loans); and (iii) loan management processes, underwriting framework and workflow processes of each Retail Lending Partner; and
- provides capabilities for real-time loan disbursement and credit approvals.

As of March 31, 2021, Nimbus has enabled disbursements of over 2.50 million retail loans involving an aggregate sum of over INR 17,500 million, in partnership with our Retail Lending Partners.

Investor Partners

- provides curated opportunities for investments;
- enables digital execution of a wide range of transactions such as loans, capital markets and structured finance transactions such as issuance of NCDs, rated securitization, direct assignment, PLI and PBI;
- provides post-investment portfolio insights;
- provides investor partners with insights from macro and transaction-level data in relation to the primary and secondary bond markets

In FY21, on the Nimbus system we on-boarded 36 originator partners and 21 mid-market companies, and conducted risk monitoring on 148 originator partners. Further, we conducted transactions involving value of 87.41% of the aggregate value of financing and syndication and structuring transactions in FY21 on Nimbus.

We have hosted our data centre on Microsoft Azure and created a virtual IT infrastructure to host new applications. Our IT infrastructure is built on a robust architecture consisting of a primary data centre and a disaster recovery centre that links all our offices. We use a combination of customized, off-the-shelf, and tailored software developed in-house.

We have made, and intend to continue making, investments in our technology system, Nimbus. Our continued focus on the effective use of technology is aimed at further improving the customer experience and streamlining processes leading to cost efficiencies and productivity. For instance, we may explore greater deployment of machine learning techniques to enhance our data analytics capabilities, enable Investor Partners to choose granular transaction-level terms to customise syndication and structuring transactions as per their requirements, deploying Nimbus for new products and new offerings including for our proposed offering in relation to MSME supply chain financing.

IN THE NEWS

IN THE NEWS

Govt measures will play a huge role in helping MFIs tide over Covid crisis: Northern Arc CEO

NARAYANAN V
Chennai, June 1

The Covid-19 pandemic-induced lockdown has severely affected the loan disbursement and recovery process of microfinance institutions (MFIs), which rely predominantly on cash settlements, field visits, and group meetings with micro borrowers. While the industry has emerged unscathed from several micro- and macro-level crises in the past, the uncertain end of the pandemic is posing a bigger challenge to the industry.

In an interaction with BusinessLine, Northern Arc Capital MD and CEO, Kshama Fernandes, an expert in the MFI space, shares her views on the impact of the pandemic on the microfinance industry, its effect on loan recovery, and measures taken by the industry players to tide over the crisis. Excerpts:

THE BL INTERVIEW

> Entities that have sound corporate governance, conservative practices and are comfortable on capital and liquidity, will emerge stronger from the crisis
>
> KSHAMA FERNANDES
> MD and CEO, Northern Arc Capital

How has the Covid-19 pandemic, and the resultant lockdown, impacted the industry?
While it is too early to attempt a holistic analysis of the impact (things will become clearer post the completion of the moratorium period), there are many distinct trends that are emerging. While field operations are not back to normal yet, despite the ongoing moratorium, collections are being witnessed by many entities at their branches as borrowers want to avoid paying excessive interest.

MFIs continue to be in touch with their clients through calls and messages, continuously educating them about the moratorium and the benefits/pitfalls associated with it.

Collections in rural areas are better than metros as the pandemic and lockdown have had a bigger impact on major cities. Customers who are involved in businesses that supply essential commodities are expected to see lower defaults.

In what way is the current challenge different from the previous ones?
The pandemic and the lockdown are wide ranging, impacting every aspect of the economy and have extended over a reasonably large duration. There has been a double-whammy of demand erosion and impact on production and services.

Small- and mid-sized microfinance companies seem to have been worst hit by the pandemic. Your views.
Most small and mid-sized MFIs have developed abilities in terms of geographic reach and customer service, which have enabled them to carve a niche for themselves. Entities that have sound corporate governance, conservative practices and are comfortable on capital and liquidity, will emerge stronger from the crisis. Northern Arc is working with many such entities to raise debt capital for them through innovative product structuring and a skin-in-the-game approach.

The industry has shown a phenomenal recovery rate and PAR levels after every crisis. Will the current crisis affect this?
It is true that historically the MFI sector has bounced back very sharply after macroeconomic shocks such as demonetisation. We believe that once the economy reopens, there will be a steady recovery, based on the credit culture built through the Joint Liability Group (JLG) model and strongly supported by credit bureau reporting.

How long do you think it will take for the industry to recover?
It will depend on the spread/containment of the pandemic and the length of the lockdown.

Credit flow to MFIs seems to be a challenge. Do you think the risk aversion of banks and NBFCs are affecting the flow?
Even before the onset of Covid-19, most banks had large exposures to NBFCs. Therefore, while incremental balance sheet exposure was becoming difficult, most banks supported NBFCs through the purchase of portfolio sell-downs.

The regulatory support provided by the RBI through the TLTRO 2.0 scheme, the ₹30,000-crore liquidity support package, and the Partial Credit Guarantee programme, and as well as refinancing support being provided by domestic DFIs such as the SIDBI and NABARD have played a huge role in helping MFIs tide over this crisis.

Northern Arc Cap raises $25-m debt from FMO

OUR BUREAU
Chennai, April 9

Northern Arc Capital, a Chennai-based non-banking finance company (NBFC), has raised $25 million in debt from Dutch impact investor, FMO. The fund-raising comes close on the heels of $10-million debt raised by the company last month from US-based Calvert Impact Capital.

Besides Calvert Impact, Northern Arc has attracted debt financing from an array of global Development Finance Institutions (DFIs) and impact investors over the last 12 months, including US International Development Finance Corporation (DFC) and Asian Development Bank (ADB).

Key beneficiaries
Microfinance borrowers in both urban and rural areas will be the key beneficiaries of FMO's investment, said the debt financing platform in a press release. "A sizable part of the fund deployment will be towards MFIs whose loans are primarily targeted at women. The loans will play an important role in providing credit to the under-banked households and small businesses, who have been worst hit due to the crisis," it added. Commenting on the deal, Bama Balakrishnan, COO of Northern Arc, said: "Northern Arc and FMO are natural partners in furthering the cause of financial inclusion in India. With a shared philosophy of catering to borrowers hard hit by Covid-19 pandemic, the facility from FMO is timely and would specifically be used for lending to women, micro-entrepreneurs and SMEs."

As of March 31, 2021, Northern Arc has enabled significant debt financing of around ₹95,000 crore for its clients across microfinance, small business finance, affordable housing finance, vehicle finance, agriculture finance, consumer finance, fintech and mid-market corporates. Over 140 investors, including banks, asset managers, insurance companies, DFIs and private wealth, have invested in transactions structured and arranged by Northern Arc Capital.

ADB grants $40 m loan to Northern Arc Capital

FE BUREAU
Chennai, December 21

THE ASIAN DEVELOPMENT Bank (ADB) has signed a $40-million loan (in rupee equivalent) to Northern Arc Capital (NACL) to support the livelihoods of microfinance borrowers and micro, small, and medium-sized enterprises (MSMEs) in India.

The loan is being disbursed to NACL as part of ADB's ongoing Covid-19 response. NACL will on-lend the loan proceeds and provide guarantees to financial institutions and individual borrowers. NACL will also on-lend to affordable housing finance companies.

"The pandemic has had a deep impact on the country's informal economy, especially on microfinance borrowers and MSMEs. NACL's unique business model of working with the most impacted segment of MSMEs and financial institutions makes them an ideal partner," said ADB's private sector operations department director Christine Engstrom.

Bama Balakrishnan, NACL chief operating officer, said, "NACL and ADB have a long-standing association and our mission is to serve the under-banked, especially during this time of crisis. This transaction is significant as it will enable us to support small and mid-sized NBFCs across microfinance, small business loans and affordable housing finance, which are facing difficulties in attracting debt funding from investors. The funding will help us design new debt product solutions for clients."

FINANCIAL EXPRESS READ TO LEAD Tue, 22 December 2020 https://epaper.financia

Northern Arc raises $10m in ECB financing from Calvert Impact

FE BUREAU
Chennai, March 11

NORTHERN ARC CAPITAL, formerly known as IFMR Capital Finance, a non-banking finance company (NBFC) that provides access to debt for under-banked individuals and businesses, announced that it has raised $10-million debt from US-based Calvert Impact Capital, one of the world's leading impact investors via external commercial borrowing (ECB).

This is Calvert Impact Capital's largest debt investment in India so far. Northern Arc will deploy the funds towards on-lending to financial institutions as well as lending directly to retail customers and to mid-market corporates.

Underbanked customers, including low-income households and small businesses, to whom credit has dried up over the last few months due to the pandemic, will be a key beneficiary of the proceeds.

These borrowers will be served both directly by Northern Arc as well as through on-lending to partner institutions. Similarly, high-quality NBFCs, early-stage businesses, and small and medium enterprises (SMEs) that have strong business models but are facing liquidity crunch will also benefit from this financing.

... moting gender equity, a cause that is strongly endorsed by both organisations..."

Calvert Impact Capital invests to create a more sustainable and equitable world. Their portfolio is crafted to serve sectors, geographies and populations that are often overlooked or underserved by traditional capital markets. The latest investment in Northern Arc is well-aligned with Calvert Impact Capital's focus on increasing the flow of private capital to create positive social and environmental impact.

Daniel Ford, investment officer, Calvert Impact Capital, said: "Northern Arc has been instrumental to strengthening Indian debt capital markets to the benefit of organisations serving underbanked populations. Today more than ever, these companies and their clients benefit from

Northern Arc raises ₹40-crore debt from KMB

FE BUREAU
Chennai, April 19

Bama Balakrishnan

FINANCIAL EXPRESS

Northern Arc arranges ₹220-cr debt for Asirvad from German fund

FE BUREAU
Chennai, September 14

DEBT FINANCIER NORTHERN Arc Capital on Monday announced that it has arranged an external commercial borrowing worth nearly ₹220 crore (25 million euro) for Asirvad Microfinance, an institution backed by Manappuram Finance.

The ECB was subscribed by Germany-based social impact fund, Invest in Visions GmbH. Invest in Visions was advised on the transaction by investment manager Agents for Impact GmbH.

Funds will be disbursed to Asirvad in three stages of which euro 5 million has already been disbursed. It will be utilised by Asirvad to address the liquidity shortage faced by women borrowers from lower-income households.

In the last five months, Northern Arc facilitated a total of ₹500 crore of loans for Asirvad from a wide range of investors.

Bama Balakrishnan, COO of Northern Arc Capital, said: "Some of the largest financial institutions in the country benefit from our product structuring expertise and wide investor network. We have been working extensively with Asirvad during the crisis and this deal is the cherry on the cake, providing longer-term reputational and access benefits apart from longer-term liquidity."

Asirvad till date has disbursed over ₹20,000 crore to over 1.5 crore customers from low-income segments of India.

FINANCIAL EXPRESS Tue, https:

UK's CDC Group Invests ₹320 cr in 6 Indian MFIs

Northern Arc gets $50-m debt financing from DFC

Northern Arc syndicates ₹88-cr debt for Fusion Microfin from Germany

FE BUREAU
Chennai, May 17

NORTHERN ARC CAPITAL, the Chennai-based digital debt platform, has executed an ECB transaction worth euro 10 million (around ₹88 crore) for Fusion Microfinance from Bank IM Bistum Essen (BIB), a German cooperative bank. This is BIB's first-ever debt funding in India.

The funding will help Delhi-based Fusion Microfinance further financial inclusion in rural India and play a critical role in alleviating the economic and social impact of the Covid-19 pandemic's second wave.

Markus Christ, senior investment officer (Asia) at BIB, said, "We are extremely delighted to have partnered in our first transaction in India with Fusion Microfinance with the support of Northern Arc Capital. We believe that especially in these turbulent times, it is more important than ever to show a strong commitment and support to the under-privileged women entrepreneurs active in the rural areas of the country. With these funds provided, we look forward to contributing to women with economic opportunities to transform the quality of their lives."

Devesh Sachdev, MD & CEO of Fusion Microfinance, said, "... This will enable us to extend further support to our women clients who are facing extremely difficult challenges due to the ongoing pandemic."

Bama Balakrishnan, COO, Northern Arc, said, "Northern Arc is excited to have played an important role in this landmark transaction. This was the first ECB borrowing for Fusion and the first debt transaction for BIB in India.

"It is a typical example of our work, showcasing our capabilities of introducing new investors to our sectors and enabling funding for our partners through new products."

FINANCIAL EXPRESS Tue, 18 May 2021 https://epaper.finan

Northern Arc to boost direct lending business

NARAYANAN V
Chennai, November 25

Northern Arc Capital, a non-banking finance company (NBFC) that provides access to debt for under-banked individuals and enterprises in India, plans to strengthen its direct lending business to focus on small business loans (SBL), consumer loans, micro finance and mid-market lending to emerging enterprises.

"Over the last six months, we had a sizeable disbursement on this (direct lending) book. In fact, on a cumulative basis, we have close to five lakh loans that have been disbursed through this platform, of which we have done close to three lakh loans in the last few quarters. So, there has been a reasonable amount of traction in Q2," Bama Balakrishnan, COO, Northern Arc, told BusinessLine.

Northern Arc creates a platform to connect millions of borrowers to mainstream debt investors through a combination of capital, products and partnerships. It has structured several innovative products in the Indian market, including Multi-Originator Securitisation (MosecTM), covered bond, and pooled loan/bond issuance.

Bama Balakrishnan, COO

Direct lending

Under direct lending, Northern Arc has two segments: (1) Retail, which includes small business loan (SBL), consumer and personal loan, and microfinance; (2) Mid-market, under which it provides structured credit lines for working capital needs and term loans for capital expenditure.

"Put together, the direct lending business contributes close to 20 per cent of the overall AUM, which has grown significantly over the last three years," Balakrishnan said, adding, "while the retail portion accounts for 10-12 per cent of the AUM, 7-8 per cent comes from the mid-market segment."

The NBFC expects its direct lending business to account for more than 25 per cent of its total AUM over the next two years.

Partner institutions

In partnership with over 30 lending institutions, Northern Arc has disbursements over ₹1,300 crore under direct lending. Some of its partners include Lendingkart, Capital Float and Udaan for small business loans, and ZestMoney, Early Salary and Kreditbee for consumer and personal loans.

"Our average ticket size in case of microfinance loans is ₹30,000 and for consumer and personal loans it is ₹25,000-30,000," Balakrishnan said, adding, "Although we provide small business loans up to ₹20 lakh, a large portion of our loans under this category is under ₹5 lakh."

Under the Mid-market, Northern Arc offers structured credit lines for working capital and term loans for capital expenditure focused on emerging businesses across sectors like healthcare, logistics, food and agriculture, clean energy, education, IT/ITeS, and B2B services with an average ticket size of ₹10-12 crore.

Retail disbursement

Balakrishnan said that the current AUM of the Mid-market is about ₹200 crore, and the segment is expected to stay at 7-8 per cent of the overall AUM. The retail AUM, currently around ₹350 crore, is expected to scale up to over ₹500 crore over the next two to three quarters.

"We are certainly hoping to scale up disbursement on the retail piece where we hope to see some growth over the numbers that we had last year and to build the AUM to at least another 15-20 per cent in terms of growth, provided the risk metrics hold and credit off-take takes place," she added.

Northern Arc structures and executes Nabsamruddhi Finance's first PLI investment

BOARD'S REPORT

Dear Shareholders,

Your directors have pleasure in presenting this annual report along with the audited financial statements of the Company for the year ended March 31, 2021.

FINANCIAL HIGHLIGHTS

(INR in Lakhs)

Particulars	Standalone		Consolidated	
	Year ended 31-Mar-21	Year ended 31-Mar-20	Year ended 31-Mar-21	Year ended 31-Mar-20
Total income	**65,420.19**	**60,064.90**	**68,528.44**	**63,445.33**
Finance costs	32,296.76	30,920.50	32,296.76	30,920.50
Net interest income	33,123.43	29,144.40	36,231.68	32,524.83
Operating expenses	11,213.70	11,885.87	12,017.29	13,854.01
Depreciation	673.83	671.62	674.10	672.97
Pre-provision profit	21,235.90	16,586.91	23,540.29	17,997.85
Impairment and write-offs	13,602.68	3,523.08	13,540.96	3,548.66
Profit before tax	**7,633.22**	**13,063.83**	**9,999.33**	**14,449.19**
Tax expense	2,028.23	4,101.90	2,340.10	4,155.84
Profit for the period	**5,604.99**	**8,961.93**	**7,659.23**	**10,293.35**
Other comprehensive income/(loss)	622.07	322.10	320.15	234.87
Total comprehensive income	**6,227.06**	**9,284.03**	**7,979.38**	**10,528.22**
Total comprehensive income to Owners	**6,227.06**	**9,284.03**	**7,180.06**	**9,540.92**
Opening balance of retained earnings	31,701.21	25,650.90	31,795.65	27,044.85
Profit transferred to reserve	5,614.25	9,002.70	6,787.59	8,425.19
Transfer to Capital Redemption Reserve		-1,160.00		-1,882.00
Transfer to Statutory Reserve	-1,120.99	-1,792.39	-1,120.99	-1,792.39
Closing balance of retained earnings	**36,194.47**	**31,701.21**	**37,462.25**	**31,795.65**

During the year ended March 31, 2021, on a consolidated basis, your company generated total income of INR 685.28 crores, a growth of 8.01% over the earlier year. Net Interest Income was INR 362.32 crores, representing year-on-year increase of 11.40 % and Pre-provision profit increased 30.80% year-on-year to INR 235.40 crore. Impairment and write-off increased significantly during the year, resulting in a profit after tax declining 25.59% year-on-year to INR 76.59 crores.

DIVIDEND

Due to the need for deploying the funds back into the business for the growth of your Company, your directors have not proposed any dividend on equity shares for the year under review.

TRANSFER TO RESERVES

During FY21, your Company has transferred an amount of INR 11.21 crores to reserves in accordance with the requirements of s. 45-IC(1) of the Reserve Bank of India Act, 1934. The Company has also transferred a sum of INR Nil crores into the Capital Redemption Reserve towards redemption of redeemable preference shares.

CREDIT RATING

The Credit ratings of the company as on March 31, 2021, are summarised below:

Instrument	Rating Agency	Rated Amount (INR crore)	Rating and rating action
Long-term Fund-based Limits	ICRA	2500	ICRA A+/Negative
Non-Convertible Debentures	ICRA	1175	ICRA A+/Negative
	India Ratings	800	IND A+/Stable
Market linked debentures	ICRA	20	PP-MLD[ICRA]A+(Negative)
	India Ratings	300	IND PP-MLD A+emr / Stable
Subordinated Debt	ICRA	40	ICRA A+/Negative
Commercial Paper	ICRA	300	ICRA A1+
	CARE	500	CARE A1+

CAPITAL ADEQUACY

The company's capital adequacy ratio as of March 31, 2021 was 28.70% as against 33.67% as at March 31, 2020. The minimum capital adequacy ratio prescribed by Reserve Bank of India is 15%.

SHARE CAPITAL

During the financial year, your company had issued 4,43,647 equity shares under the Employees Stock Option Schemes of the Company.

Consequent to the aforesaid allotments of equity shares, the total paid up capital of the Company as on March 31, 2021, was INR 170,56,79,580 comprising of 8,79,21,550 equity shares of INR 10 each and 4,13,23,204 compulsorily convertible preference shares of INR 20 each.

The shareholding pattern of the Company as of March 31, 2021, on a fully diluted basis was as follows:

Name of shareholder	No. of shares	% of holding
Leapfrog Financial Inclusion India (II) Limited	29952665	23.18%
Dvara Trust	12878682	9.96%
Accion Africa Asia Investment Company	7699529	5.96%
Eight Roads Investments Mauritius (II) Limited	13610748	10.53%
IIFL Special Opportunities Fund	6721940	5.20%
IIFL Special Opportunities Fund - Series 2	4986680	3.86%
IIFL Special Opportunities Fund - Series 3	2193541	1.70%
IIFL Special Opportunities Fund - Series 4	7538980	5.83%
IIFL Special Opportunities Fund - Series 5	6185901	4.79%
IIFL Special Opportunities Fund - Series 6	253781	0.20%
IIFL Special Opportunities Fund - Series 7	6125875	4.74%
Kshama Fernandes	1	0.00%
Bama Balakrishnan	1	0.00%
C Kalyanasundaram	1	0.00%
Sumitomo Mitsui Banking Corporation	7004364	5.42%
Northern Arc Employee Welfare Trust	507130	0.39%
Augusta Investments Pte II Ltd.	23584935	18.25%
Total	**129244754**	**100.00%**

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors

The composition of the Board of Directors of the Company is in accordance with the provisions of section 149 of the Companies Act, 2013 with an appropriate combination of Non-Executive Directors and Independent Directors.

During the year under review Ms. Susan Thomas (DIN: 00472794) resigned from the Board with effect from October 10, 2020. Mr. Leo Puri (DIN: 01764813) and Mr. Rajiv Lochan (DIN: 05309534) also resigned from the Board with effect from October 31, 2020. The Board places on record its appreciation of the valuable services rendered by the aforesaid directors during their tenure with the Company.

Mr. Ashutosh Pednekar (DIN: 00026049) and Mr. P S Jayakumar (DIN: 01173236) were appointed as Independent Directors of the Company with effect from September 14, 2020, and October 15, 2020, respectively for a period of three consecutive years. Mr. P S Jayakumar also assumed office as Non-Executive Independent Chairman with effect from November 01, 2020. Dr. Kshama Fernandes was reappointed as Managing Director with effect from April 01, 2020, for a period of three consecutive years.

In the opinion of the Board the independent directors appointed during the year are having integrity, expertise and experience (including the proficiency as per the requirements of section 150(1) of the Companies Act, 2013).

Key Managerial Personnel

Dr. Kshama Fernandes, Managing Director and Chief Executive Officer, Ms. Bama Balakrishnan, Chief Operating Officer and Ms. R Srividhya, Company Secretary of the Company have been designated as the Key Managerial Personnel of the Company (KMP) pursuant to the provisions of Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Following were the changes in Key Managerial Personnel during the financial year ended on March 31, 2021. Ms. Bama Balakrishnan was redesignated as Chief Operating Officer of the Company and Ms. Nandita Ganapathy was designated as Chief Financial Officer of the Company with effect from July 06, 2020. Ms. Nandita Ganapathy had resigned with effect from January 27, 2021.

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 Companies Act, 2013 and there has been no change in the circumstances which may affect their status as independent director during the year.

Pecuniary Transactions with non-executive directors

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

State of the Company's affairs

The COVID-19 pandemic that had commenced its spread in the fourth quarter of FY20, raged on through FY21 taking a huge toll on public health, human life and the economy globally. After a strict lockdown across India extending through most of the first quarter of FY21, the gradual opening up of the economy coincided with a steady rise in cases until around the middle of the financial year when the crisis appeared to have peaked. The steady decline in infections in the subsequent months, coupled with the launch of a large-scale immunisation drive by the Government of India in January 2021 gave hope that there would be a sustained improvement in the public health situation and consequently in economic activity, but there was a sudden reversal in March leading to a rapid rise in infections which heralded a second wave that has already crossed the first peak and injected fresh uncertainty regarding the economic outlook for FY22.

For the NBFC sector, the initial part of the financial year was characterised by a wait-and-watch approach. The Reserve Bank of India announced a three-month moratorium on loan repayments by borrowers that was subsequently extended until August 2020. While this gave businesses and individuals the room to recover without affecting their credit histories, there was concern that these measures would make it difficult to judge the true quality of the exposures and in turn of the underlying asset quality of NBFCs. As NBFCs' collections were affected by the moratorium, RBI announced targeted liquidity schemes and refinance programmes to provide liquidity support and prevent any ALM crisis. Although these schemes were initially beset with a polarisation towards the higher rating categories (banks initially lent only to AAA/AA rated borrowers) and delays, liquidity did ultimately flow across the sector, restoring a sense of stability. However, given all the uncertainty and lack of visibility on the underlying asset quality, practically the entire sector preferred retaining liquidity overgrowth for the first half of the financial year, with the confidence to increase credit exposure returning only in in the second half of FY21.

For the year as a whole, your Company achieved business volume (including disbursements from own balance sheet) of INR 13,054 crore as against INR 15,011 crore for the earlier year. The freezing of economic activity for a significant part of the year due to the COVID-19 pandemic has resulted in a year-on-year decline in business volume.

As at the end of FY21, your Company's loan book (including investments) stood at INR 5,015.27 crore, reflecting growth of 25.6% for the year; the entire growth in book has been generated in the latter half of the year as the environment necessitated an extremely conservative stance in the first half. The Company continues to hold higher cash and bank balances as compared to earlier years as greater liquidity provides the ability to tide over any dislocations in the market and opportunistically deploy funds profitably.

During the year under review, we added 47 NBFC Originator and Mid-Market Corporate clients, taking the count to 289. The Direct Origination business, the mainstay of our strategy to increase the granularity of the book, has crossed two significant milestones during the year – disbursement for the year crossed the INR 1,000 crore mark and the total number of loan accounts crossed 2 million. The business has added 10 new partnerships, all of which are based on seamless integration of technology, taking the number of such partnerships to 27.

Over the years, your Company has consciously nurtured a risk culture that emphasises rigour and thoroughness, while allowing the business the space to operate with a favourable risk-reward balance. This is enabled by your Company's accumulated knowledge and experience in sectors that it operates in, strong relationships with Originators and Investors, granular risk monitoring at the ground level, well developed analytics and modelling techniques and a robust early alert process. While on the one hand, our credit selection is backed by extensive data and very strong models, we have a conservative approach to making provisions for probable losses on the book. Accordingly, we have continued to maintain additional provisions for the impact of COVID-19; this overlay stood at ~INR 9.70 crore as at the end of FY21. Our risk management team has been entrusted with actively monitoring risks in the loan portfolio, liquidity profile and asset liability profile, which it continues to undertake unstintingly.

Your Company continues to rapidly build out its digital infrastructure under the aegis of the Nimbus platform. During the year, the functionalities available to internal users as well as our partners has been expanded substantially. In what we believe is a first in the industry, we are now able to provide loans to financial institutions in an entirely paperless fashion, including digital loan documentation, digital stamping and e-signing. Nimbus is a key pillar of the Company's strategy and a source of competitive strength and differentiation.

In summary, your Company has delivered consistent performance in the face of extraordinary external conditions. We believe that our strong balance sheet, deep expertise in the sectors that we operate in, solid relationships with clients and investors, robust processes that have been honed over a decade and the unique talent pool that we have nurtured, will stand us in good stead going forward.

Subsidiaries

Your Company has four (4) subsidiary companies, i.e., Northern Arc Investment Managers Private Limited; Northern Arc Investment Adviser Services Private Limited, Northern Arc Foundation (a company incorporated under section 8 of the Act) and Pragati Finserv Private Limited. The details of subsidiaries are as follows:

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

NAIM continued its track record of achieving healthy growth in its funds management business, closing FY21 with cumulative investor commitments of INR 2,840 crore across all its funds, vs. INR 2,146 crore as of end-FY20, registering a 32% growth. NAIM brought on board 82 new investors during the year, comprising corporates, family offices and HNIs, taking the total capital drawn down to INR 2,111 crore at end-FY21. A total of INR 1,687 crore was deployed across sectors during the year, while the cumulative distributions made to investors stood at INR 641 crore, as at the end of the year.

The Northern Arc India Impact Fund ("NAIIF") – the eighth fund from the NAIM platform and the first offshore fund to be launched by NAIM successfully achieved its first close milestone before the onset of the COVID-19 pandemic. Fund-raising and deployment were suspended during the first half of FY21 and resumed in H2FY21 with final close expected during FY22. In March 2020, NAIM fully exited the IFMR FImpact Investment Fund (NAIM's first AIF, launched in March 2015), recording the second complete maturity and exit from its investment platform. The fund delivered healthy returns of over 15% to the senior investor class against target returns of 13%. It may be recollected that in FY20, NAIM had exited the IFMR FImpact Medium Term Microfinance Fund, exceeding the return guidance by over 150 bps. Despite experiencing multiple external events over their tenure including demonetization (November 2016), the implementation of GST (July 2017), an extended tight liquidity scenario (September 2018 onwards) and the COVID-19 pandemic induced lockdown (March 2020 onwards), both funds maintained excellent portfolio quality and delivered consistent cashflow pay-outs to investors throughout their tenure, with no instances of shortfall or delay. In an environment of uncertainty and widespread deterioration of credit quality, these successful exits are a testament to NAIM's fund management and underwriting capabilities.

Northern Arc Money Market Alpha Fund continued to be a competent alternative for investors to park their short term funds (1-3 months) with a target returns of 9-10%. The fund achieved a peak AUM of INR 387 crore in March 2021. The fund has received investments of INR 526 crore from 34 investors and has successfully redeemed investor capital of around INR 266 crore during the year under review.

NAIM continued to focus on its three investor segments – domestic institutional, domestic private wealth and offshore investors – by offering innovative products across various tenors and addressing diverse investment objectives. On the operations front, the emphasis has been on setting up Standard Operating Procedures (SOPs) with contingency plans. In the light of COVID-19 lockdown, the Business Continuity Process was tested and implemented successfully. Data migration to a new fund accounting system has been completed for all closed-ended funds.

In FY20, leveraging its fund structuring expertise and understanding of analytical evaluation, NAIM had obtained from CRISIL a rating of AA+ (SO) for the Northern Arc India Impact Fund at 10% first-loss protection, bettering the AA- (SO) rating earlier received for the IFMR FImpact Medium Term Opportunities Fund ("Fund 5") which had a similar structure. These ratings were reaffirmed during the year, on account on asset quality and recoveries made during the year.

Following the receipt of the 'Best Investment Management NBFC of the Year' at the India NBFC Excellence Awards 2019 in August 2019, NAIM received another recognition in February 2021, by being included in ImpactAssets50, an annual showcase featuring fifty fund managers from across the world, who lead their respective fields in creating positive social impact, while generating financial returns for investors. Along with the earlier awards conferred on NAIM for excellence and innovation in the fund management domain at domestic and international forums, these recognitions are a testimony of the deep underwriting expertise, innovative approach towards investment management and thought leadership in that NAIM brings about in its target sectors. The recognitions reinforce our belief that NAIM is a unique debt AIF platform delivering superior risk-adjusted returns to investors while creating positive social impact.

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

NAIA was established to provide high quality advice and products in asset classes that impact the financially excluded. During FY21, the Company continued to offer transaction advisory services given the limited growth opportunities resulting from the dislocations from the COVID-19 pandemic.

iii. **Northern Arc Foundation:**

At Northern Arc, our goal is to contribute to the well-being of the communities and society we cater to and on which we depend. At the same time, we also aim to align our company's social and environmental activities with its business purpose and values. This we believe will enhance our reputation and contribute to business results. Through our CSR programs, we are aiming to fulfill our true potential, and expect to spend across various community development programs across the sectors, communities, and geographies, where we create an impact. Northern Arc Foundation ("Foundation") acts as the CSR arm for Northern Arc Capital and focuses on skill building, employment development and education.

The following activities were undertaken:

Capacity building at field level and managerial level:

The rural employment drive was muted during the year, due to the pandemic and the consequent lockdown. We expect to resume this initiative, once the situation eases.

The Foundation, however continued its online training with field officers across MFIs and enhance their conceptual knowledge about finance and financial products. As at the end of the Financial Year, we have provided training across 9 MFIs impacting over 4,400 Field Officers. The curriculum for training is reviewed by the Northern Arc Group in line with recent changes in regulatory framework and sound market practices and customer protection norms.

Our initiatives in collaboration with Dvara Research Foundation:

The Financial Inclusion Survey:

The Foundation is supporting an ambitious financial inclusion survey which will not only determine the level of financial inclusion but also try to understand the impact of financial inclusion on wellbeing of households. Financial Inclusion surveys have tended to focus on the inputs, measuring how many people have access to finance, but not on the outcomes and usage.

The survey is designed to be a multi-year, comprehensive one, which will become a benchmark for measuring effect of financial inclusion on households, especially the usage and impact on financial well-being of households.

Some of the other key research initiatives in partnership with Dvara Research Foundation and their details are provided below:

a) **Household Finance Research Initiative**

This project aims at developing a comprehensive analytical framework for understanding customer financial wellbeing. The research was presented as a series of two blogposts by Dvara Research. The blog presented the theoretical underpinnings of household finance literature and provided an overview of academic studies that analysed financial market participation and asset allocation of households in developed countries.

The research team has also been developing a comprehensive analytical framework for understanding customer financial wellbeing and reviewing literature on financial wellbeing of Indian households to create an Evidence Gap Map (EGM) to detect the gaps in research in this subject. To further encourage research in India on these subjects, the team is also developing a data repository which is aimed at providing researchers and institutions with access to a variety of data.

The team has also been undertaking research on understanding and measuring over-indebtedness among households. Dvara Research organized a workshop on Suitability in Micro-credit and presented findings on over-indebtedness, to MFI practitioners and also engaged with them to think about alternative methods of income and debt assessment for microcredit borrowers and other ways to assess customers with varying repayment capacity.

Future of Finance Initiative (FFI):

The FFI's research questions are focused on three themes (1) the increased disintermediation in finance, and its implications (2) the growth public infrastructure for finance in India, including Aadhaar, Indiastack and many other proposed structures and (3) the enhanced use of consumer data and advances analytics in retail finance. In considering these questions, the FFI seeks to understand the benefits and risks for low-income consumers as well as the regulatory gaps that arise as a consequence.

We provide the key highlights and specific outcomes of the projects over the last three years:

Funding year	Funded project	Key Outputs and Dissemination
2018-19	a) Multi-year household finance research	The following were completed: - Created the Dvara Research Data Repository and built research partnerships for sharing the datasets with multiple academic institutions, policy think-tanks and individual researchers. - Developed the Financial Well-being Evidence Gap Map to assimilate evidence on customer financial well-being and detect gaps in research. - Conducted workshops on Suitability in Microcredit and published proceedings from the conference. - Developed practical guidelines for assessing credit suitability at point-of-sale for microcredit which were presented at the IFI Summit in Dec 2018. - Created a research brief on flexibility in Microfinance Loan Contracts and disseminated during workshop on suitability on microfinance. - Participated and disseminated the learnings from household finance workshop at Lund University, Sweden. - Updated existing paper on Analysis of Household Balance Sheets, based on feedback from presentation at IGIDR Household Finance Workshop and submitted to a peer-reviewed journal.
2019-20	a) Multi-year household finance research	- Ran the Dvara Research Fellowship program. For this year, it has been in collaboration with Rajasthan Shram Sarathi Association. - Conducted the Dvara Research Blog Competition 2019 to attract students to undertake research and writing on topics of household finance in India.
2020-21	Financial inclusion survey	- Completed working paper on Household Finance in India: Approaches and Challenges. - Announced a call for research proposals on key themes in Household Finance in India in collaboration with NACL, Robert Bosch Centre for Data Science and Artificial Intelligence (RBCDSAI) at IIT-Madras and Omidyar Network.

Learning and education:

In furtherance of its education objective, the Foundation has partnered with the Doorstep School and Swadha Foundation. The Doorstep School focuses on providing free education to children in their pre-nursery stage through their Balwadi program across various slum areas in Mumbai that benefits more than 1,000 children on an annual basis. Swadha Foundation is a renowned NGO from Bangalore, that provides free education to bright, economically backward children and helps them complete their college education and also sharpens their skills that strengthens their chances of employment.

Over Financial Year 2021-22, the Foundation will focus on conducting a large financial inclusion survey in partnership with the Finance Research Group and the Dvara Research Foundation that is expected to provide deep insights in the financial inclusion space across sectors and geographies in the country. The Dvara Research team is working on the measurement framework and is expected to commence field survey shortly.

The CSR Committee of the Board of Northern Arc Capital has also encouraged the Foundation to make an impact for its clients that have been disadvantaged due to the economic fallouts of Covid-19.

During the pandemic, we continued to support our education initiatives and continued to work on the financial inclusion survey.

The key focus, during the last Financial Year, however, was the upgradation of government schools that were in dire need of funds and upkeep. What started as a small initiative consequent to the floods in Chennai has now become an impactful area for improving the lives of under-privileged children. We have identified eight schools that need immediate attention with respect to building of classrooms, toilets and safety measures for children. CSR funds towards this project were used for:

a) Construction/ renovation of classrooms, toilets, cleaning, weathering work, etc.

b) Providing tables, chairs, uniforms, green boards, stationery, etc.

c) Providing computers, laptops, printers, TVs, mike sets, amplifiers, projectors etc. for facilitating smart classes

The CSR focus areas for the upcoming financial year are as follows:

a) Commencement of the field survey on financial inclusion

b) Impacting through education initiatives through our implementing agencies

c) Direct impact in education through renovation, rebuilding of infrastructure of deserving government schools

d) Driving impactful support for the eradication of Covid-19 from India

iv. Pragati Finserv Private Limited:

Pragati Finserv was incorporated on February 25, 2021 as a private limited company under the Companies Act, 2013 with a registration number U65990TG2021PTC148992. Its registered office is located at 8-2-624/A/1, 4th Floor, Meena Bazaar Towers, Road No. 10, Avenue 4, Banjara Hills, Hyderabad. Pragati will shortly apply for undertaking the Microfinance business license with the Reserve Bank of India (RBI).

Future Outlook

The dislocations from the COVID-19 pandemic have extracted a huge human and economic toll globally in FY21. The Indian economy is projected to experience its first ever contraction in real terms since independence. On the brighter side, there has been timely intervention from the Government in the form of relief packages, safety nets for the vulnerable and fiscal expansion to stimulate the economy, and from the Reserve Bank of India in the form of targeted liquidity support and calibration of macro-prudential regulation to ensure systemic stability. The combination of these factors has ensured that there is a visible pathway for the economy to return to its growth trajectory. It goes without saying that timely and sufficient delivery of finance to the real sector is a key requirement to ensure restoration of growth and NBFCs are a vital component of the financial system, and particularly crucial to last-mile delivery to the underbanked segment. In the near-term, the trajectory of the pandemic may lead to some variations in the pace of recovery, but the medium- to long-term outlook for the NBFC sector remains attractive as before. Northern Arc's depth of experience across all sectors that it operates in – microfinance, two-wheeler finance, vehicle finance, MSME finance, agri supply chain finance, affordable housing finance, gold finance and consumer finance – enables it to capitalise on growth opportunities across all segments of the underbanked space as the economy returns to its growth path.

FIXED DEPOSITS

The Company being non-deposit taking Non-Banking Financial Company - Investment and Credit Company (NBFC-ICC), has not accepted any deposits during the year under review. Further, the Company had also passed a resolution to the effect that the company has neither accepted public deposit nor would accept any public deposit during the year under review, as per the requirements of Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Our mission is to create sustainable impact with a returns-focused approach. We have focused on building a consistently profitable business with a strong focus on environment, social and governance ("ESG") considerations. While Social and Governance dimensions have been a strong area of focus since inception, we have also been committed to contribute to climate action.

By way of our areas of operation and focus business sectors, we have endeavoured to work with businesses that display strong social and governance models while ensuring environmental sustainability. This has helped us adhere to several ESG parameters and further our contribution to the Sustainable Development Goals ("SDGs"). Our underwriting guidelines incorporate a responsible financing framework across governance, customers, employees and environment. We have also specifically committed to abide by Leapfrog's Responsible Investor Code including to minimize adverse impact on the environment and communities that we serve and our employees.

While the ESG principles are ingrained in our everyday actions, to further strengthen our vision and focus on ESG, we are committed to instituting certain formal structures and practices and taking more concrete actions over the coming 3 years. These include:

- Constitution of a separate ESG committee of the Board which will formulate an organization wide 3-year strategy and roadmap with priorities, targets and planned activities While we have identified our material ESG issues based on the Sustainability Accounting Standards Board (SASB) and other international frameworks which have been central to our current sustainability initiatives, we intend to undertake a comprehensive materiality assessment through external stakeholder engagement and understand their expectations and accordingly to revisit our initiatives with stretch goals and targets.
- Publishing our ESG and impact report for the financial year 2021-22.
- We intend to institute a structured approach to measuring and tracking emissions intensity per employee (Scope 1 and Scope 2) and undertake planned initiatives for reduction in our carbon footprint and waste generation.
- Renewed focus on climate risks associated with lending practices and growth of green financing products and services

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 [•] crore (previous year: INR 0.63 crore) under the heads listed below:

(INR in Lakhs)

Head of Expense	March 31, 2021	March 31, 2020
Travel	0.00	15.66
Subscription	0.56	0.75
Consultancy charges	133.28	46.67
Advertisement and publishing	4.51	0.00
Loan processing fees	241.05	0.00
Total	**379.40**	**63.08**

MEETING OF INDEPENDENT DIRECTORS

In terms of Para VII of the Code for Independent Directors, your Company conducted a meeting of its independent directors on March 25, 2021, without the presence of non-independent directors and members of the management. The Directors, inter alia, discussed the following:

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

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

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

STATUTORY AUDITORS AND AUDITORS REPORT

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

The requirement to place the matter relating to appointment of auditors for ratification by members at every annual general meeting 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 annual general meeting.

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS IN SECURITIES

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

POLICY ON APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY OF THE COMPANY

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

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

BOARD MEETINGS

During FY21, seven meetings of the Board of Directors were held on the following dates:

May 20, 2020, June 26, 2020, August 20, 2020, October 28, 2020, November 09, 2020, December 29, 2020, February 05, 2021.

COMMITTEES OF BOARD OF DIRECTORS

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

Audit Committee

Pursuant to provisions of Section 177(8) of the Companies Act, 2013, the composition of Audit Committee of the Company as on March 31, 2021, is as follows:

Name	Category
Mr. Ashutosh Pednekar	Independent Director, Chairman of the Committee
Mr. P S Jayakumar	Independent Director
Ms. Anuradha Rao	Independent Director
Mr. Vijay Nallan Chakravarthi	Nominee Director
Mr. Amit Mehta	Nominee Director

Consequent to the resignation of Ms. Susan Thomas, Mr. Leo Puri and Mr. Rajiv Lochan from the Board of Directors, and the appointment of Mr. Ashutosh Pednekar and Mr. P S Jayakumar as an Independent Directors of the Company, the Audit Committee was reconstituted by the Board of Directors with effect from October 28, 2020.

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

Nomination and Remuneration Committee

The Composition of Nomination and Remuneration Committee of the Company as on March 31, 2021, is as follows:

Name	Category
Ms. Anuradha Rao	Independent Director, Chairperson of the Committee
Mr. P S Jayakumar	Independent Director
Mr. Samir Shah	Nominee Director
Mr. Rajesh Dugar	Nominee Director

Consequent to the resignation of Ms. Susan Thomas, Mr. Leo Puri and Mr. Rajiv Lochan from the Board of Directors, and the appointment of Mr. Ashutosh Pednekar and Mr. P S Jayakumar as an Independent Directors of the Company the Audit Committee was reconstituted by the Board of Directors with effect from October 28, 2020.

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, 2021 and the Balance Sheet and Cash Flow Statement as at that date ("financial statements") and confirm that:

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

b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

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

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

e) the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and

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

BOARD EVALUATION

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

Evaluation criteria for independent directors and non-executive directors:

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

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

The Company has in place a Policy for prevention of Sexual Harassment, in line with the requirements of the "Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013." Internal Complaints Committee (ICC) has been set up to redress complaints, as and when received, regarding sexual harassment and all employees are covered under this Policy.

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

There were no referrals received by the Committee, during the FY21.

EXTRACT OF ANNUAL RETURN

The extract of annual return (Form MGT 9) forms part of this report as **Annexure 1**.

SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors has appointed M/s. M Damodaran & Associates LLP, a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company for FY21. 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 Damodaran & Associates LLP, Company Secretaries in their Secretarial Audit Report on the secretarial and other related records of the Company for the FY21.

EMPLOYEE STOCK OPTION SCHEME

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

INFORMATION ON MATERIAL CHANGES AND COMMITMENTS

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

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATION IN FUTURE

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status operations of your Company in future.

RELATED PARTY TRANSACTIONS

The Company has adopted a policy on related party transactions for the purpose of identification, monitoring and approving of such transactions.

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

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

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

COMPANIES WHICH HAVE BECOME OR CEASED TO BE SUBSIDIARIES, JOINT VENTURES, OR ASSOCIATES OF THE COMPANY DURING THE YEAR.

During the year, Pragati Finserv Private Limited (CIN: U65990TG2021PTC148992) was incorporated as a subsidiary of the Company. No entity was ceased to be a subsidiary, joint venture or associate company of the Company during the financial year ended on March 31, 2021.

RISK MANAGEMENT POLICY

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

ADEQUACY OF INTERNAL FINANCIAL CONTROL WITH REFERENCE TO THE FINANCIAL STATEMENTS

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

REQUIREMENTS UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Disclosure to be made under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

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

Sr. No.	Name of Directors (Executive Director)	Director's Remuneration (in INR)	Employees' Median Remuneration (in INR)	Ratio
1.	Dr. Kshama Fernandes, Managing Director and CEO	30,465,384	1,558,176	1:19.5

Percentage increase in remuneration of each director, Chief Executive Officer, Chief Operating 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	0%
Ms. Bama Balakrishnan, Chief Operating Officer	0%
Ms. Nandita Ganapathi, Chief Financial Officer*	0%
Ms. R. Srividhya, Company Secretary	0%

*from July 06, 2020 to January 27, 2021

- Percentage increase in the median remuneration of employees in the financial year: 3.3%
- Number of permanent employees on the rolls of the company: 207 (as of 31st March 2021)
- Average percentage increase in the salaries of employees other than the KMP in FY21: 0%* and percentage increase in key managerial remuneration: 0%
- 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 remuneration paid are as per the remuneration policy of the Company.

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

PARTICULARS OF EMPLOYEES UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

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

VIGIL MECHANISM AND WHISTLE BLOWER POLICY

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

SECRETARIAL STANDARDS COMPLIANCES

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

ACKNOWLEDGEMENT

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

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

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

P S Jayakumar
Non-Executive Independent Chairman
DIN: 01173236

Kshama Fernandes
Managing Director & CEO
DIN: 02539429

Date: May 06, 2021
Place: Chennai

ANNEXURE 1

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2021

[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: March 09, 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,

(vi) Contact Details: R. Srividhya, Company Secretary, srividhya.r@northernarc.com

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

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

(ix) Debenture Trustee: Catalyst Trusteeship Limited, GDA House, First Floor, Plot No. 85 S. No.94 & 95, Bhusari Colony (Right), Kothrud, Pune – 411038

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 –

S. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Northern Arc Investment Adviser Services Private Ltd (formerly IFMR Investment Adviser Services Private Limited), IITM Research Park, 10th Floor, No.1, Kanagam Village, Taramani, Chennai – 600 113	U74900TN2012PTC087839	Subsidiary Company	100%	2(87)
2	Northern Arc Investment Managers Private Limited (formerly IFMR Investment Managers Private Limited), IITM Research Park, 10th Floor, No.1, Kanagam Village, Taramani, Chennai – 600 113	U74120TN2014PTC095064	Subsidiary Company	100%	2(87)
3	Northern Arc Foundation	U80904TN2019NPL127426	Subsidiary Company	100%	2(87)
4	Pragati Finserv Private Limited	U65990TG2021PTC148992.	Subsidiary Company	99.99%	2(87)

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

i) Category-wise Shareholding – (On Fully diluted basis, excluding unvested ESOP Pool)

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

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)	
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	34006698	0	34006698	26.40%	34006698	0	34006698	26.31%	-0.09%
ii. Foreign Company	81852241	0	81852241	63.55%	81852241	0	81852241	63.33%	-0.22%
Sub-total (B)(1):-	**115858939**	**0**	**115858939**	**89.95%**	**115858939**	**0**	**115858939**	**89.64%**	**-0.31%**
2. Non-Institutions									
a) Bodies Corp.	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	3	0	3	0	3	0	3	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	0	0	0	0	0	0	0	0	0
c) Others	63483	0	63483	0.05%	507130	0	507130	0.004	0.34
i. Dvara Trust	12878682	0	12878682	9.99%	12878682	0	12878682	9.96%	-0.03
Sub-total (B)(2):-	**12942168**	**0**	**12942168**	**10.05%**	**13385815**	**0**	**13385815**	**10.05**	**0.00**
Total Public Shareholding(B)= (B)(1)+ (B)(2)	**128801107**	**0**	**128801107**	**100.00%**	**129244754**	**0**	**129244754**	**100.00%**	**-**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**128801107**	**0**	**128801107**	**100.00%**	**129244754**	**0**	**129244754**	**100.00%**	**-**

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during 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	
	--	NIL	–	NIL	NIL	NIL	NIL	–

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

Sl. No.	For each of the top ten shareholders	Shareholding		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	–	–	–	–	–

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

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company#
1	**Leapfrog Financial Inclusion India (II) Limited**				
	At the beginning of the year	2,99,52,665	22.09%	2,99,52,665	21.60%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	2,99,52,665	22.09%	2,99,52,665	21.60%
2	**Augusta Investments Pte II Ltd**				
	At the beginning of the year	23,584,935	17.39%	23,584,935	17.01%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	23,584,935	17.39%	23,584,935	17.01%
3	**Dvara Trust**				
	At the beginning of the year	12878682	9.50%	12878682	9.29%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	12878682	9.50%	12878682	9.29%
4	**Accion Africa Asia Investment Company**				
	At the beginning of the year	76,99,529	5.68%	76,99,529	5.55%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	76,99,529	5.68%	76,99,529	5.55%
5	**Sumitomo Mitsui Banking Corporation**				
	At the beginning of the year	70,04,364	5.17%	70,04,364	5.05%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	70,04,364	5.17%	70,04,364	5.05%
6	**IIFL Special Opportunities Fund**				
	At the beginning of the year	67,21,940	4.96%	67,21,940	4.85%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	67,21,940	4.96%	67,21,940	4.85%

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company#
7	**IIFL Special Opportunities Fund – Series 7**				
	At the beginning of the year	61,25,875	4.52%	61,25,875	4.42%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	61,25,875	4.52%	61,25,875	4.42%
8	**Eight Roads Investments Mauritius (II) Limited**				
	At the beginning of the year	13610748	10.04%	13610748	9.82%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	13610748	10.04%	13610748	9.82%
9	**IIFL Special Opportunities Fund – Series 4**				
	At the beginning of the year	7538980	5.56%	5423564	5.44 %
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	7538980	5.56%	7538980	5.44%
10	**IIFL Special Opportunities Fund – Series 5**				
	At the beginning of the year	6185901	4.56%	6185901	4.46%
	Date wise Increase / Decrease in shareholding during the year specifying the reasons for increase/ decrease*	No change in shareholding during the year			
	At the End of the year	6185901	4.56%	6185901	4.46%

*On fully diluted basis excluding unvested ESOP pool

#Change in percentage holding is due to the allotments made under ESOP Scheme during the year

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No	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*	1	Negligible	1	Negligible
2.	Ms. Bama Balakrishnan, Chief Operating Officer*	1	Negligible	1	Negligible

*The shares subscribed by the respective KMPs in accordance with the Employees Stock Option Scheme are held by Northern Arc Employee Welfare Trust, in accordance with the provisions of the said Scheme.

VI. INDEBTEDNESS

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

Particulars	Secured Loans and debentures excluding deposits (INR lakh)	Unsecured Loans and debentures (INR lakh)	Deposits (INR lakh)	Total Indebtedness (INR lakh)
Indebtedness at the beginning of the financial year.				
i) Principal Amount	2,56,598.75	34,242.59	1,269.09	2,92,110.43
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	1,162.48	104.28	89.96	1,356.72
Total (i+ii+iii)	**2,57,761.23**	**34,346.87**	**1,359.05**	**2,93,467.15**
Change in Indebtedness during the financial year				
· Addition	3,64,579.94	–	432.31	3,65,012.25
· Reduction	2,50,651.30	27,574.42	539.47	2,78,765.19
Net Change	**1,13,928.64**	**-27,574.42**	**-107.16**	**86,247.06**

Particulars	Secured Loans and debentures excluding deposits (INR lakh)	Unsecured Loans and debentures (INR lakh)	Deposits (INR lakh)	Total Indebtedness (INR lakh)
Indebtedness at the end of the financial year				
i) Principal Amount	3,68,619.27	6,765.25	1,129.13	3,76,513.65
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	3,070.60	7.20	122.76	3,200.56
Total (i+ii+iii)	**3,71,689.87**	**6,772.45**	**1,251.89**	**3,79,714.21**

VII. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Dr. Kshama Fernandes Managing Director	Total Amount (In INR)
1.	Gross salary	14,790,730	14,790,730
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	14,790,730	14,790,730
	(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.	Stock option*	15,674,654	15,674,654
3.	Sweat Equity	–	–
4.	Commission		
	– as % of profits		
	– others	–	–
5.	Others	–	–
	Total A	**30,465,384**	**30,465,384**

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

B. Remuneration to other Directors: -

The Non-Executive Independent Directors are paid sitting fees. During the year under review, the total amount of sitting fee paid to the Non-Executive Independent Directors was 47.50 Lakhs.

Sl. No.	Name of Director	Total Sitting fee (In INR)
1	Ms. Susan Thomas	5,50,000
2	Mr. Rajiv Lochan	9,00,000
3	Mr. Leo Puri	9,00,000
4	Ms. Anuradha Rao	9,50,000
5	Mr. P S Jayakumar	8,00,000
6	Mr. Ashutosh Pednekar	6,50,000
	Total	**47,50,000**

Name of Director	Amount of commission paid (In INR)
Mr. Leo Puri	32,50,000
P S Jayakumar	13,75,000

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount (In INR)
		Ms. Bama Balakrishnan (Chief Operating Officer)	Ms. Nandita Ganapathi (Chief Financial Officer)	Ms. Srividhya R (Company Secretary)	
1.	Gross salary	11,901,550	12,548,973	3,411,448	27,861,971
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	11,901,550	12,548,973	3,411,448	27,861,971
	(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.	Stock option	13,570,740	7,753,400	-	21,324,140
3.	Sweat Equity	-		-	-
4.	Commission				
	- as % of profits				
	- others	-		-	-
5.	Others	-		-	-
	Total A	**25,472,290**	**20,302,373**	**3,411,448**	**79,651,495**

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	Section 55(2)	Refer Note 1	Refer Note 1	Nil	Nil
B. Directors					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Section 55(2)	Refer Note 1	Refer Note 1	RD	Nil
C. Other officers in default					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Section 55(2)	Refer Note 1	Refer Note 1	Nil	Nil

Note 1: Section 55(2) of the Companies Act, 2013, inter alia provides that, if the preference shares are redeemed out of the profits of the Company, there shall out of such profits be transferred a sum equal to nominal amount of preference shares to be redeemed to a reserve to be called as Capital Redemption Reserve. The Company had issued 1,50,00,000 non-convertible redeemable preference shares of INR 10 each on December 29, 2015, which were due for redemption within 18 months from the date of allotment. The Board of directors of the Company decided to opt for early redemption of preference shares at their meeting held on December 15, 2016 and preference shares were redeemed on December 29, 2016. The same was also noted in the notes to accounts for the financial statement for the financial year 2016-17. However, the Company had not transferred the required amount to Capital Redemption Reserve though sufficient balance was available under the heads of account which were available for distribution of dividend. This deviation from the requirements of Section 55(2) of the Companies Act, 2013 was compounded with Regional Director, Southern Region, Ministry of Corporate Affairs and the compounding fee (INR 1 Lakhs for Company and INR 50,000 each for the officers) as per the order no. CA 38/Sec 441/RD (SR)/2020-21, issued by Regional Director, Ministry of Corporate Affairs were paid by the Company and its officers.

P S Jayakumar
Non-Executive Independent Chairman
DIN: 01173236

Kshama Fernandes
Managing Director & Chief Executive Officer
DIN: 02539429

Place: Chennai
Date: May 06, 2021

ANNEXURE 2

Form No. MR-3

Secretarial Audit Report for the Financial Year ended 31.03.2021

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

To,
The Members,
NORTHERN ARC CAPITAL LIMITED
(CIN: U65910TN1989PLC017021)
No. 1, Kanagam Village,
10th Floor, IITM Research Park,
Taramani, Chennai – 600113.

I, M. Damodaran, Managing Partner of M Damodaran & Associates LLP, Practicing Company Secretaries, Chennai have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. NORTHERN ARC CAPITAL LIMITED** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of **M/s. NORTHERN ARC CAPITAL LIMITED'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, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on **31.03.2021** 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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by **M/s. NORTHERN ARC CAPITAL LIMITED** ("the Company") for the financial year ended on **31.03.2021** according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

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

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

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

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

   (a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   (b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

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

   (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;

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

(vi) Reserve Bank of India Act, 1934 and RBI Directions and Guidelines as applicable to the Systemically Important non-deposit taking Non-Banking Financial Company.

I have also examined compliance with the applicable Regulations and standards of the following:

i. Listing Agreements entered into by the Company with the BSE Limited (BSE) & National Stock Exchange of India Limited (NSE) as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and

ii. Secretarial Standards (SS-1) for Board Meeting and Secretarial Standards (SS-2) for General Meeting issued by the Institute of Company Secretaries of India.

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

NIL

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. 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.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

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

I further report that during the audit period the company has;

a) issued Redeemable Non-Convertible Debentures on various dates on private placement basis.

b) redeemed the Redeemable Non-Convertible Debentures on various dates.

c) passed a Special Resolution under section 42, 71 and all other applicable provisions of the Companies Act, 2013 at the Annual General Meeting held on 26th August, 2020 for issue of secured/unsecured non-convertible debentures in one or more tranches up to a maximum amount not exceeding Rs. 5,000 Cr. (Rupees Five Thousand Crore) during a period of one year.

d) passed a Special Resolution under section 180(1)(c) of the Companies Act, 2013 at the Annual General Meeting held on 26th August, 2020 to increase the Borrowing limit of the Company up to Rs. 12,000 Cr (Rupees Twelve Thousand Crore Only).

e) passed a Special Resolution under section 180(1)(a) of the Companies Act, 2013 at the Annual General Meeting held on 26th August, 2020 to create security on the assets of the Company up to Rs. 12,000 Cr (Rupees Twelve Thousand Crore Only).

f) passed an Ordinary Resolution under section 196, 197 and 203 of the Companies Act, 2013 at the Annual General Meeting held on 26th August, 2020 for re-appointment of Dr. Kshama Fernandes as Managing Director, for a term of 3 years from 01st April 2020 to 31st March 2023.

g) passed an Ordinary Resolution under section 149 and 152 of the Companies Act, 2013 at the Annual General Meeting held on 26th August, 2020 for appointment of Mr. P S Jayakumar to act as Independent Director of the Company for a period of 3 consecutive years from 15th October 2020 to 14th October 2023.

h) passed an Ordinary Resolution under section 149 and 152 of the Companies Act, 2013 at the Extra-ordinary General Meeting held on 18th January, 2021 for appointment of Mr. Ashutosh Arvind Pednekar to act as Independent Director of the Company for a period of 3 consecutive years from 14th September 2020 to 13th September 2023.

i) passed a Special Resolution under section 42, 55 and 62 of the Companies Act, 2013 at the Extra-ordinary General Meeting held on 18th January, 2021 to issue 0.01% Compulsorily Convertible Preference Shares up to 7,14,286 (Seven Lakhs Fourteen Thousand Two Hundred and Eighty Six Only) on a private placement basis.

j) passed a Special Resolution under section 5 & 14 of the Companies Act, 2013, at the Extra-ordinary General Meeting held on 18th January, 2021 for alteration of Articles of Association of the Company.

k) passed a Special Resolution at the Extra-ordinary General Meeting held on 18th January, 2021 to approve the amendments made in Northern Arc Employee Stock Option Plan 2016.

l) passed a Special Resolution under section 62 of the Companies Act, 2013 at the Extra-ordinary General Meeting held on 18th January, 2021 to approve the Northern Arc Capital Limited Employees Stock Option 2020 – Scheme IV.

m) passed a Special Resolution under section 5 & 14 of the Companies Act, 2013 at the Extra-ordinary General Meeting held on 26 February, 2021 for alteration of Articles of Association of the Company.

For **M Damodaran & Associates LLP**

M. Damodaran
Managing Partner
Membership No.: 5837
COP. No.: 5081
ICSI UDIN No.: F005837C000278791

Place: Chennai
Date: 11.05.2021

Annexure - 1 to Secretarial Audit Report of even date

To
The Members,
NORTHERN ARC CAPITAL LIMITED,
(CIN: U65910TN1989PLC017021)
No. 1, Kanagam Village,
10th Floor, IITM Research Park,
Taramani, Chennai – 600113.

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

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I 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 on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, I 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. My 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.
7. I have conducted online verification & examination of records, as facilitated by the Company, due to Covid 19 and subsequent lockdown situation for the purpose of issuing this Report.

For **M Damodaran & Associates LLP**

M. Damodaran
Managing Partner
Membership No.: 5837
COP. No.: 5081
ICSI UDIN: F005837C000278791

Place: Chennai
Date: 11.05.2021

ANNEXURE 3

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

	Scheme 1*	Scheme 2*	Scheme 3*
(a) Options granted	721371	6197500	1657524
(b) Options vested	397371	1921500	525814
(c) Options exercised	281097	215033	11000
(d) The total number of shares arising as a result of exercise of option	–	–	–
(e) Options lapsed	324000	2684000	509741
(f) The exercise price	INR 10	INR 110 and INR 121	INR 181 and INR 188
(g) Variation of terms of options	–	–	–
(h) Money realized by exercise of options	INR 2810970	INR 24368630	INR 1991000
(i) Total number of options in force			
(j) Employee wise details of options granted to:			
(i) key managerial personnel; (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year. (iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	i. 256371 No's ii. None iii. None	i. 930000 No's ii. None iii. None	i. 246746 No's ii. None iii. None

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

P S Jayakumar
Non-Executive Independent Chairman
DIN: 01173236

Kshama Fernandes
Managing Director & CEO
DIN: 02539429

Date: May 06, 2021
Place: Chennai

ANNEXURE 4

Form No. AOC-2

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

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

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

Name of the related party and nature of relationship	Nature of transaction	Duration, Salient terms of the contracts or arrangements or transactions including the value, if any	Date of approval by Board, if any.
Neogrowth Credit Private Limited (Company with common director)	Credit facilities provided in ordinary course of business and fee income for other financial services	As per the terms of the credit facility	Not Applicable
Dvara Kshetriya Grameen Financial Services Private Limited (Company with common director)	Credit facilities provided in ordinary course of business and fee income for other financial services	As per the terms of the credit facility	Not Applicable

P S Jayakumar
Non-Executive Independent Chairman
DIN: 01173236

Kshama Fernandes
Managing Director & Chief Executive Officer
DIN: 02539429

Place: Chennai
Date: May 06, 2021

ANNEXURE 5

ANNUAL REPORT ON CSR ACTIVITIES

1. Brief outline on CSR Policy of the Company

The company's CSR policy is in line with the mission of ensuring access to financial services to every individual and enterprise. Following the pandemic in the year 2020-21, there were areas that were impacted in an unprecedented manner, some of the impact may be irreversible in terms of social and economic impact. During the FY21, the company contributed towards education, the sector that was impacted most through the pandemic, as many under-privileged and marginalised children and older students lost their access to education in ways that will never be the same for them:

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

b) Doorstep school project for the benefit of underprivileged children

c) Project for providing higher education facilities for deserving economically disadvantaged children through Swadha Foundation

d) Creating an impact across eight government schools in and around Chennai

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

2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Ashutosh Pednekar	Independent Director	1	1
2	Mr. Michael Fernandes	Nominee Director	1	1
3	Dr. Kshama Fernandes	Managing Director & CEO	1	1

3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company: https://www.northernarc.com/governance.

4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report): Not Applicable.

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: Not Applicable.

6. Average net profit of the company as per section 135(5): INR 1,23,68,75,667

7. (a) Two percent of average net profit of the company as per section 135(5): INR 2,47,37,513

(b) Surplus arising out of the CSR projects or programs or activities of the previous financial years: INR 40,00,000 (unspent amount carried forward from previous year)

(c) Amount required to be set off for the financial year, if any: NIL

(d) Total CSR obligation for the financial year (7a+7b-7c): INR 2,87,37,513

8. (a) CSR amount spent or unspent for the financial year: NIL

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
2,87,37,513	NIL	-	-	-	-

(b) Details of CSR amount spent against ongoing projects for the financial year: NIL

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
S No	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project.		Project Duration	Amount Allocated For the Project (Rs)	Amount Spent in the current financial year (in Rs)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	Dist.						Name	CSR Regn number.
-	-	-	-	-	-	-	-	-	-	-	-	-

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
S No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount spent for the project (in Rs.).	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State	Dist			Name	CSR registration number
1	Conducting of Employment Linked Skilling Program and BFSI Skilling Program for the benefit of public at large	Item (ii) – Skill development	Yes	Tamilnadu	Chennai	50,00,000	50,00,000	Northern Arc Foundation	-
2	Doorstep school project for the benefit of underprivileged children	Item (ii) – Promotion of education	No			25,00,000	25,00,000	Northern Arc Foundation	-
3	Swadha Foundation project for providing higher education facilities for deserving economically disadvantaged children	Item (ii) – Promotion of education	Yes	Tamilnadu	Chennai	15,00,000	15,00,000	Northern Arc Foundation	-
4	Providing amenities and upgrading facilities in government schools in and around Chennai	Item (ii) – Promotion of education	Yes	Tamilnadu	Chennai	1,10,00,000	1,10,00,000	Northern Arc Foundation	-
5	Sponsoring the education of a woman student at Krea University	Item (ii) – Promotion of education	Yes	Tamilnadu	Chennai	35,00,000	35,00,000	Northern Arc Foundation	-
6	Providing education to marginalised children affected due to the pandemic through Hand in Hand Foundation	Item (ii) – Promotion of education	Yes	Tamilnadu	Chennai	10,00,000	10,00,000	Northern Arc Foundation	-
7	Engaging with IFC's Financial Advisory Group for assisting Northern Arc in building a gender sensitive framework	Item (iii) - Promoting gender equality and empowerment of women	Yes (Pan India)	Pan India	Pan India	42,50,000	42,50,000	Northern Arc Foundation	-

(d) Amount spent in Administrative Overheads: NIL

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e):

(g) Excess amount for set off, if any: Not Applicable

Sl No.	Particulars	Amount (in Rs)
(i)	Two percent of average net profit of the company as per section 135(5)	-
(ii)	Total amount spent for the Financial Year	-
(iii)	Excess amount spent for the financial year [(ii)-(i)]	-
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	-

9. (a) Details of Unspent CSR amount for the preceding three financial years:

S No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years (in Rs.)
				Name of the Fund	Amount (in Rs).	Date of transfer.	
1	2017-18	21,50,387	-	NA	NA	NA	NA
2	2018-19	1,16,31,443	-	NA	NA	NA	NA
3	2019-20	40,00,000	40,00,000	NA	NA	NA	NA
	Total						

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):NIL

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
S No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in Rs.)	Amount spent on the project in the reporting Financial Year (in Rs)	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed /Ongoing.
1	-	-	-	-	-	-	-	-
	Total							

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

(asset-wise details).

(a) Date of creation or acquisition of the capital asset(s): Nil

(b) Amount of CSR spent for creation or acquisition of capital asset: Nil

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc: Nil

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Nil

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): Not Applicable

Kshama Fernandes
Managing Director & Chief Executive Officer
DIN: 02539429

Ashutosh Pednekar
Chairman of CSR Committee
DIN: 00026049

Place: Chennai
Date: May 06, 2021

STANDALONE

FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Northern Arc Capital Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Northern Arc Capital Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2021, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

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

Basis for Opinion

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

Emphasis of Matter

As more fully described in Note 79 to the standalone financial statements, the extent to which the ongoing COVID-19 pandemic will have impact on the Company's financial performance including the Company's estimates of impairment and fair valuation of financial instruments are dependent on the future developments, the severity and duration of the pandemic, that are highly uncertain. The Company has considered the aforesaid context of the pandemic to develop the estimates and assumptions in determining the impairment of financial instruments. The impact assessment of COVID-19 is a continuing process. The Company will continue to monitor any material changes to the future economic conditions.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Description of Key Audit Matter:

Key Audit Matter	How the matter was addressed in our audit
Impairment loss allowance – refer notes 3.6, 3.7, 7, 8, 17, 26 and 79 to the standalone financial statements	
The Company has recognized impairment loss allowance of INR 15,031.48 lakhs as at 31 March 2021 and has recognized an expense for INR 13,602.68 lakhs (including write offs) in its statement of profit and loss. Under Ind AS 109 - Financial Instruments, credit loss assessment is based on expected credit loss (ECL) model. The Company's impairment allowance is derived from estimates including the historical default, loss ratios etc. Management exercises judgement in determining the quantum of loss based on a range of factors. Further, in relation to ongoing COVID-19 pandemic, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the economy. The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following: • Segmentation of loans given to the customer	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Performed process walkthroughs to identify the controls used in the impairment allowance processes. • Assessed the design and implementation of controls in respect of the Company's impairment allowance process such as the timely recognition of impairment loss, the completeness and accuracy of reports used in the impairment allowance process and management review processes over the calculation of impairment allowance. • Obtained understanding of management's revised processes, compliance with the RBI circulars pertaining to impairment loss allowance, systems and controls implemented in relation to impairment allowance process, specifically in view of providing moratorium as per board approved policy read with RBI COVID-19 regulatory package including management rationale for determination of criteria of significant increase in credit risk.

Key Audit Matter	How the matter was addressed in our audit
• Criteria selected to identify significant increase in credit risk, specifically in respect of moratorium benefit given to select borrowers, as per the Company's board approved policy, read with the RBI COVID 19 regulatory package • Increased level of data inputs for capturing the historical data to calculate the Probability of Default ('PDs') and Loss Given Default ("LGD") and the completeness and accuracy of that data	• Evaluated whether the methodology applied by the Company is compliant with the requirements of the relevant accounting standards and confirmed that the calculations are performed in accordance with the approved methodology, including checking mathematical accuracy of the workings. • Tested the periods considered for capturing underlying data as base to PD and LGD calculations are in line with Company's recent experience of past observed periods.
• Use of management overlays, considering the probability weighted scenarios, credit risk of customers, the forward looking macro-economic factors, economic environment and the timing of cash flows, impact of the pandemic on the Company's customers and their ability to repay dues and application of regulatory package announced by the Reserve Bank of India on asset classification and provisioning. The underlying forecasts and assumptions used in the estimates of impairment loss allowance are subject to uncertainties which are often outside the control of the Company. Given the size of loan and investment portfolio relative to the balance sheet and the impact of impairment loss allowance on the financial statements, we have considered this as a key audit matter.	• Tested the accuracy of the key inputs used in the calculation and independently evaluated the reasonableness of the assumptions made. • Challenged completeness and validity of impairment allowance including the management overlays, particularly in response to the pandemic with assistance of our financial risk modelling experts by critically evaluating the risks that have been addressed by management. We also tested management's workings supporting the overlay quantum. • Performed test of details, on a sample basis, on underlying data relating to segmentation, management overlays, staging as at 31 March 2021, the key inputs for computation of ECL. • Assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment loss allowance in the financial statements are appropriate and sufficient.
Valuation of financial instruments – refer notes 3.8, 7, 8, 23 and 79 to the standalone financial statements	
Certain Financial instruments are carried at fair values based on the Company's assessment of business model. The effect of fair value adjustments may impact either the profit or loss or other comprehensive income. The valuation of these Financial instruments is based on a combination of market data, and valuation models which often require significant management judgement including management overlay for ongoing COVID–19 impact. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Obtained and confirmed the approvals of Audit Committee on the methodology and key assumptions used for the valuation of financial instruments. • Assessed the appropriateness of the valuation methodology and challenging the valuation model by testing the key inputs including the Management overlay for COVID-19 considered for fair value computation. • Performed test of details, on a sample basis, on re-computation of the fair value and the key inputs used in the fair values to ensure accuracy and relevance of data.

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

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

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Management's and Board of Directors' Responsibility for the Standalone Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

    f) 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 2021 on its financial position in its standalone financial statements - Refer Note 37 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, 8, 12 and 17 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 2021.

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

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

S Sethuraman
Partner
Membership No. 203491
UDIN: 21203491AAAACV7845

Place: Chennai
Date: 6 May 2021

Annexure A to the Independent Auditors' Report to the Members of Northern Arc Capital Limited for the year ended 31 March 2021

(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 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. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

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

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

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

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

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

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

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

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

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

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

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2021 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 any dispute except for the following dues:

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

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

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

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

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

(xii) In our opinion and 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 not made any private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(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 during the year. 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.: 101248 W/W-100022

S Sethuraman
Partner
Membership No. 203491
UDIN: 21203491AAAACV7845

Place: Chennai
Date: 6 May 2021

Annexure B to the Independent Auditors' report on the standalone financial statements of Northern Arc Capital Limited for the period ended 31 March 2021

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 2A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Northern Arc Capital Limited ("the Company") as of 31 March 2021 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 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI").

Emphasis of Matter

As described in Emphasis of Matter paragraph of our report on the standalone financial statements, the extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter.

Management's Responsibility for Internal Financial Controls

The Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the standalone 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 Standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone 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.: 101248 W/W-100022

S Sethuraman
Partner
Membership No. 203491
UDIN: 21203491AAAACV7845

Place: Chennai
Date: 6 May 2021

NORTHERN ARC CAPITAL LIMITED

Standalone Balance Sheet as at March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	4	38,790.21	32,485.12
Bank balances other than cash and cash equivalents	5	6,837.98	7,720.21
Trade receivables	6	1,558.79	821.57
Loans	7	376,215.08	294,597.06
Investments	8	125,312.01	104,828.13
Other financial assets	9	851.27	1,173.42
		549,565.34	**441,625.51**
Non-financial assets			
Current tax assets (net)		3,502.11	3,662.18
Deferred tax assets (net)	30	2,061.88	360.35
Property, plant and equipment	10.1	104.85	178.19
Right of use asset	10.2	985.44	1,324.14
Intangible assets under development	10.3	54.02	94.94
Intangible assets	10.4	972.77	831.54
Other non-financial assets	11	172.83	244.11
		7,853.90	**6,695.45**
Total assets		**557,419.24**	**448,320.96**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Derivative financial instruments	12	898.51	-
Trade payables	13		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,648.35	793.17
Debt securities	14	163,956.78	86,020.70
Borrowings (Other than debt securities)	15	229,247.09	206,087.40
Other financial liabilities	16	3,648.97	4,683.04
		399,399.70	**297,584.31**
Non-financial liabilities			
Provisions	17	1,724.05	1,327.09
Other non-financial liabilities	18	409.47	127.68
		2,133.52	**1,454.77**
EQUITY			
Equity Share capital	19	8,792.15	8,747.79
Other Equity	20	147,093.87	140,534.09
		155,886.02	**149,281.88**
Total liabilities and equity		**557,419.24**	**448,320.96**
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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P S Jayakumar
Chairman
DIN: 01173236

Kshama Fernandes
Managing Director
and Chief Executive Officer
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

NORTHERN ARC CAPITAL LIMITED

Standalone Statement of Profit and Loss for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars		Note	Year ended March 31, 2021	Year ended March 31, 2020
Revenue from operations				
Interest Income		21	55,578.63	52,986.97
Fees and Commission Income		22	5,228.91	5,060.12
Net gain on fair value changes		23	4,321.02	1,341.94
Net gain on derecognition of financial instruments			-	489.38
Total revenue from operations			**65,128.56**	**59,878.41**
Other income		24	291.63	186.49
Total income			**65,420.19**	**60,064.90**
Expenses				
Finance costs		25	32,296.76	30,920.50
Fees and commission expense			2,852.19	2,289.11
Impairment on financial instruments		26	13,602.68	3,523.08
Employee benefits expenses		27	5,679.95	6,047.37
Depreciation and amortisation		28	673.83	671.62
Other expenses		29	2,681.56	3,549.39
Total expenses			**57,786.97**	**47,001.07**
Profit before tax			**7,633.22**	**13,063.83**
Tax expense		30		
Current tax			3,939.00	3,370.00
Deferred tax (benefit) / charge			(1,910.77)	731.90
Total Tax expense			**2,028.23**	**4,101.90**
Profit for the year	**(A)**		**5,604.99**	**8,961.93**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit asset/ (liability)			12.38	54.48
Income tax relating to items that will not be reclassified to profit or loss			(3.12)	(13.71)
			9.26	**40.77**
Items that will be reclassified to profit or loss				
Fair valuation of financial instruments (net)			818.93	(224.94)
Income tax relating to items that will be reclassified to profit or loss			(206.12)	506.27
			612.81	**281.33**
Other comprehensive income for the year	**(B)**		**622.07**	**322.10**
Total comprehensive income for the year	**(A+B)**		**6,227.06**	**9,284.03**
Earnings per equity share (Face Value - INR 10/ Share)		31		
Basic (in rupees)			6.40	10.67
Diluted (in rupees)			4.48	7.55
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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P S Jayakumar
Chairman
DIN: 01173236

Kshama Fernandes
Managing Director
and Chief Executive Officer
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

NORTHERN ARC CAPITAL LIMITED

Standalone Statement of Cash Flows for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Particulars	Note	Year ended March 31, 2021	Year ended March 31, 2020
A	**Cash flow from operating activities**			
	Profit after tax		5,604.99	8,961.93
	Adjustments for:			
	Depreciation and amortisation		673.83	671.62
	Write off of intangible assets under development		-	55.80
	Tax expense (including deferred tax)		2,237.47	3,609.34
	Mark-to-market loss on derivative contracts		898.51	-
	Interest income on loans, fixed deposits and investments		(55,578.63)	(52,986.97)
	Unrealised gain on alternative investment funds designated at fair value through profit or loss		(546.08)	(88.80)
	Gain on mutual funds investments designated at fair value through profit or loss		(347.02)	(390.11)
	Profit on sale of investments		(107.09)	(12.79)
	Impairment on financial instruments (net)		13,602.68	3,523.08
	Employee share based payment expenses		245.71	596.26
	Amortisation of discount on commercial papers		187.69	721.97
	Amortisation of ancillary costs relating to borrowings		1,509.38	1,099.76
	Finance costs		30,599.69	29,098.77
	Lease rental concession received		(35.20)	-
	Gain on account of termination of lease		(3.45)	-
	Operating profit before working capital changes		**(1,057.51)**	**(5,140.14)**
	Changes in working capital and other changes:			
	Decrease / (Increase) in other financial assets		239.46	(184.63)
	(Increase) / Decrease in trade receivables		(692.98)	798.07
	Increase in loans		(92,951.27)	(17,963.69)
	Decrease in other non financial assets		71.28	169.09
	Decrease / (Increase) in other bank balances		1,205.01	(2,376.76)
	Increase / (Decrease) in trade payables, other liabilities and provisions		466.82	(153.23)
	Cash used in operations		**(92,719.19)**	**(24,851.29)**
	Interest income received on loans, fixed deposits and investments		53,853.38	51,338.90
	Finance cost paid		(30,000.36)	(29,833.11)
	Income tax paid (net)		(3,778.93)	(5,666.81)
	Net cash flow generated used in operating activities (A)		**(72,645.10)**	**(9,012.31)**
B	**Cash flows from investing activities**			
	Purchase of fixed assets		(380.74)	(1,079.75)
	Purchase of mutual fund investments		(59,602.21)	(77,000.00)
	Proceeds from sale of investments in Mutual fund		59,949.23	77,390.11
	Purchase of other investments		(91,703.47)	(57,138.14)
	Proceeds from sale of other investments		72,320.49	57,717.20
	Net cash generated used ininvesting activities (B)		**(19,416.70)**	**(110.58)**

NORTHERN ARC CAPITAL LIMITED

Standalone Statement of Cash Flows for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Particulars	Note	Year ended March 31, 2021	Year ended March 31, 2020
C	**Cash flow from financing activities**			
	Proceeds from issue of debt securities		147,608.19	44,283.70
	Repayment of debt securities		(69,859.80)	(83,371.10)
	Proceeds from borrowings		118,656.54	205,461.50
	Repayment of borrowings		(97,904.50)	(166,603.50)
	Payment of lease liabilities		(347.61)	(291.28)
	Repayments of non convertible preference shares		-	(1,213.41)
	Utilisation of the securities premium		-	(436.99)
	Proceeds from issue of convertible preference share capital including securities premium		-	18,500.00
	Proceeds from issue of equity share capital including securities premium		214.07	6,993.57
	Net cash generated from financing activities (C)		**98,366.89**	**23,322.49**
	Net increase in cash and cash equivalents (A+B+C)		**6,305.09**	**14,199.60**
	Cash and cash equivalents at the beginning of the year		32,485.12	18,285.52
	Cash and cash equivalents at the end of the year		**38,790.21**	**32,485.12**

		Note	As at March 31, 2021	As at March 31, 2020
	Notes to cash flow statement			
1	**Components of cash and cash equivalents:**	4		
	Balances with banks			
	- in current accounts		32,155.52	28,482.40
	- in deposit accounts		6,634.69	4,002.72
			38,790.21	**32,485.12**
2	The above cashflow statement has been prepared under the "indirect method" as set out in the Ind AS-7 on statement of cashflows specified under section 133 of the Companies Act, 2013.			
	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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P S Jayakumar
Chairman
DIN: 01173236

Kshama Fernandes
Managing Director
and Chief Executive Officer
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

NORTHERN ARC CAPITAL LIMITED

Standalone Statement of Changes in Equity for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

A. Equity Share Capital

Equity Share capital of INR 10 each Issued, Subscribed and Fully Paid	
Balance as at March 31, 2019	**7,836.57**
Changes in equity share capital during the year	911.22
Balance as at March 31, 2020	**8,747.79**
Changes in equity share capital during the year	44.36
Balance as at March 31, 2021	**8,792.15**

B. Other Equity

	Compulsorily Convertible Preference Shares (CCPS)	Other equity									Total Other Equity attributable to Equity Holders of the Company
		Reserves and surplus						Other Comprehensive Income (OCI)			
		Statutory Reserve	Capital Redemption Reserve	Capital Reserve	Securities Premium Account	Employee Stock Options Outstanding Account	Retained Earnings	Financial Instruments through OCI	Cash Flow Hedge Reserve	Remeasurements of Defined Benefit Obligations	
Balance as at March 31, 2019	**7,556.86**	**6,977.38**	**1,500.00**	**3.57**	**60,488.35**	**1,715.22**	**25,650.90**	**2,991.04**	**-**	**-**	**106,883.32**
Change in equity for the year ended March 31, 2020											
Shares issued during the year	1,877.98	-	-	-	-	-	-	-	-	-	1,877.98
CCPS converted into equity	(1,170.20)	-	-	-	-	-	-	-	-	-	(1,170.20)
Premium received on shares issued during the year	-	-	-	-	23,289.47	-	-	-	-	-	23,289.47
Utilisation of the share premium	-	-	-	-	(436.99)	-	-	-	-	-	(436.99)
Profit for the year	-	-	-	-	-	-	8,961.93	-	-	-	8,961.93
Transfer to statutory reserve	-	1,792.39	-	-	-	-	(1,792.39)	-	-	-	-
Transfer to capital redemption reserve	-	-	1,160.00	-	-	-	(1,160.00)	-	-	-	-
Employee stock compensation expense	-	-	-	-	-	806.48	-	-	-	-	806.48
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	-	40.77	40.77
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	40.77	-	-	(40.77)	-
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	281.33	-	-	281.33
Balance as at March 31, 2020	**8,264.64**	**8,769.77**	**2,660.00**	**3.57**	**83,340.83**	**2,521.70**	**31,701.21**	**3,272.37**	**-**	**-**	**140,534.09**

Standalone Statement of Changes in Equity for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

B. Other Equity (Continued)

	Compulsorily Convertible Preference Shares (CCPS)	Other equity									Total Other Equity attributable to Equity Holders of the Company
		Reserves and surplus						Other Comprehensive Income (OCI)			
		Statutory Reserve	Capital Redemption Reserve	Capital Reserve	Securities Premium Account	Employee Stock Options Outstanding Account	Retained Earnings	Financial Instruments through OCI	Cash Flow Hedge Reserve	Remeasurements of Defined Benefit Obligations	
Change in equity for the year ended March 31, 2021											
Premium received on shares issued during the year	-	-	-	-	556.61	(386.91)	-	-	-	-	169.70
Utilisation of the share premium	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	5,604.99	-	-	-	5,604.99
Transfer to statutory reserve	-	1,120.99	-	-	-	-	(1,120.99)	-	-	-	-
Employee stock compensation expense	-	-	-	-	-	163.02	-	-	-	-	163.02
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	-	9.26	9.26
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	9.26	-	-	(9.26)	-
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	995.03	(382.22)	-	612.81
Balance as at March 31, 2021	**8,264.64**	**9,890.76**	**2,660.00**	**3.57**	**83,897.44**	**2,297.81**	**36,194.47**	**4,267.40**	**(382.22)**	**-**	**147,093.87**

Significant accounting policies (Refer note 2 and 3)

The notes referred to above form an integral part of standalone financial statements

As per our report of even date attached

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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

for and on behalf of the board of directors of
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Chairman
DIN: 01173236

Kshama Fernandes
Managing Director
and Chief Executive Officer
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

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 a revised Certificate of Registration from the RBI dated March 8, 2018 for name change.

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

2 Basis of preparation

2.1 Statement of compliance

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

These standalone financial statements were authorised for issue by the Company's Board of Directors on May 6, 2021.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

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

2.2 Presentation of financial statements

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

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

2.3 Functional and presentation currency

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

2.4 Basis of measurement

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

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

2.5 Use of estimates and judgements

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

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

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

2.5 Use of estimates and judgements (continued)

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

i) **Business model assessment**

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

ii) **Fair value of financial instruments**

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

iii) **Effective Interest Rate ('EIR') method**

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

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

iv) **Impairment of financial assets**

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

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

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

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

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

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

v) **Provisions and other contingent liabilities**

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

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

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

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

vi) **Other assumptions and estimation uncertainities**

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

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

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

c) Recognition of deferred taxes;

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

3 Significant accounting policies

3.1 Revenue Recognition

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

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

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

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

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

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

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

A. Recognition of interest income on loans

Under Ind AS 109, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. 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 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 the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

B. Interest income on deposits

Interest income on deposits is recognised on a time proportionate basis.

C. Fees and commission income

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

D. 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

E. Other income

All items of other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

3.2 Financial instruments - initial recognition

A. Date of recognition

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

B. Initial measurement of financial instruments

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

C. Measurement categories of financial assets and liabilities

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

i) Amortised cost

ii) Fair value through other comprehensive income ('FVOCI')

iii) Fair value through profit and loss ('FVTPL')

3.3 Financial assets and liabilities

A. Financial assets

Business model assessment

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

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

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

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

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

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

Sole Payments of Principal and Interest (SPPI) test

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

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

Accordingly, financial assets are measured as follows:

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

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

ii) **Financial assets at fair value through other comprehensive income (FVOCI)**

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

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

A financial asset which is not classified in any of the above categories is measured at FVTPL. Subsequent changes in fair value are recognised in the statement of profit and loss.

The Company records investments in Alternative investment funds (AIF), mutual funds and Treasury Bills 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 valued through profit or loss, are adjusted to the fair value on initial recognition.

ii) **Subsequent measurement**

Financial liabilities are carried at amortized cost using the Effective Interest Rate Method.

3.4 Reclassification of financial assets and liabilities

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

3.5 Derecognition of financial assets and liabilities

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

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

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

i) **Financial Assets**

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

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

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

ii) **Financial Liability**

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

3.6 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

B. Calculation of ECLs

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

PD:

Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD:

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

LGD:

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

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

The mechanics of the ECL method are summarised below:

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

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

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

C. Financial Assets measured at FVOCI

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

D. Forward looking information

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

3.7 Write-offs

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

3.8 Determination of fair value

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

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

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

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

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

3.9 Foreign currency transactions

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

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

3.10 Property, plant and equipment

i. **Recognition and measurement**

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

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

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

ii. **Subsequent expenditure**

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

iii. **Depreciation**

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

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

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

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

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

3.11 Intangible assets

i. **Intangible assets**

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

ii. **Subsequent expenditure**

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

iii. **Internally generated: Research and development**

Expenditure on research activities is recognised in profit or loss as incurred

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

iv. **Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight line 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.

3.13 Provisions

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.

3.14 Leases

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

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

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

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

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

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

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

3.15 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.

3.16 Borrowing cost

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

3.17 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.

3.18 Segment reporting- Identification of segments:

An operating segment is a component of the Company that engages in business activities from which it may 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.

3.19 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.

3.20 Cash flow statement

Cash flows are reported using the indirect method, whereby profit after 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.

3.21 Derivative financial instruments

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

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

Hedge accounting policy

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

Cash Flow Hedges

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

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

3.22 Recent pronouncements

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. These are primarily disclosure related amendments and the Company is in the process of evaluating the potential implications, if any, upon adoption.

4 Cash and cash equivalents

	As at March 31, 2021	As at March 31, 2020
Balance with banks in current accounts	32,155.52	28,482.40
Bank deposits with maturity of less than 3 months	6,634.69	4,002.72
	38,790.21	**32,485.12**

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.

5 Bank balances other than cash and cash equivalents

	As at March 31, 2021	As at March 31, 2020
Fixed deposits with bank	4,418.62	5,468.58
Fixed deposits with bank to the extent held as margin money	2,419.36	2,251.63
	6,837.98	**7,720.21**

Note:

5.1 Fixed deposit with bank includes deposits amounting to INR 1,148.85 lakhs (March 31, 2020 : INR 1,408.63 lakhs) representing amount received from customers as cash collateral for the loans provided by the Company.

5.2 Fixed deposits amounting to INR 2,419.36 lakhs (March 31, 2020 : INR 2,251.63 lakhs) have been provided as credit enhancement for securitisation transactions.

6 Trade receivables

	As at March 31, 2021	As at March 31, 2020
Unsecured		
Low risk	1,576.39	709.10
Significant increase in credit risk	0.79	84.24
Credit impaired	9.03	99.89
	1,586.21	**893.23**
Less: Impairment loss allowance	(27.42)	(71.66)
Total	**1,558.79**	**821.57**

Notes to the Standalone Financial Statements for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

7 Loans

	Particulars	As at March 31, 2021			As at March 31, 2020		
		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	281,364.57	102,275.31	383,639.88	226,307.73	73,160.07	299,467.80
	Less : Impairment loss allowance	(7,424.80)	-	(7,424.80)	(4,870.74)	-	(4,870.74)
	Total	**273,939.77**	**102,275.31**	**376,215.08**	**221,436.99**	**73,160.07**	**294,597.06**
B.	**Based on Security**						
	(i) Secured by tangible assets*	245,975.42	67,346.94	313,322.36	186,931.28	67,142.06	254,073.34
	(ii) Unsecured	35,389.15	34,928.37	70,317.52	39,376.45	6,018.01	45,394.46
	Total Gross Loans	**281,364.57**	**102,275.31**	**383,639.88**	**226,307.73**	**73,160.07**	**299,467.80**
	Less:Impairment loss allowance	(7,424.80)	-	(7,424.80)	(4,870.74)	-	(4,870.74)
	Total Net Loans	273,939.77	102,275.31	376,215.08	221,436.99	73,160.07	294,597.06
C.	**Based on region**						
	(I) Loans in India						
	(i) Public Sector	-	-	-	-	-	-
	(ii) Private Sector	281,364.57	102,275.31	383,639.88	226,307.73	73,160.07	299,467.80
	Total gross loans	281,364.57	102,275.31	383,639.88	226,307.73	73,160.07	299,467.80
	Less: Impairment loss allowance	(7,424.80)	-	(7,424.80)	(4,870.74)	-	(4,870.74)
	Total (I)-Net loans	**273,939.77**	**102,275.31**	**376,215.08**	**221,436.99**	**73,160.07**	**294,597.06**
	(II) Loans outside India						
	Loans outside India	-	-	-	-	-	-
	Total (I) and (II)	**273,939.77**	**102,275.31**	**376,215.08**	**221,436.99**	**73,160.07**	**294,597.06**

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

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

		As at March 31, 2021	As at March 31, 2020
	Total loans to related parties (refer note 41)	2,138.40	2,170.14
	Less: Loss allowance on loans to related parties	(44.91)	(40.87)
	Net loans to related parties	**2,093.49**	**2,129.27**

NORTHERN ARC CAPITAL LIMITED

Notes to the Standalone Financial Statements for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

8 Investments

Particulars	As at March 31, 2021					As at March 31, 2020				
	At Amortised cost	At Fair Value through Other Comprehensive Income	At Fair Value through Profit and loss	At Cost	Total	At Amortised cost	At Fair Value through Other Comprehensive Income	At Fair Value through Profit and loss	At Cost	Total
Investment in debentures (quoted)										
Non-convertible redeemable debentures	-	68,825.12	-	-	68,825.12	-	54,067.27	-	-	54,067.27
Investment in pass-through certificates (unquoted)										
Investment in pass-through certificates	-	15,897.01	-	-	15,897.01	-	22,481.44	-	-	22,481.44
Investment in other approved securities (unquoted)										
Alternative investment funds	-	-	30,062.43	-	30,062.43	-	-	28,453.27	-	28,453.27
Investment in government securities	-	-	14,911.03	-	14,911.03	-	-	-	-	-
Investments in subsidiaries, at cost (Unquoted)										
Equity shares of subsidiaries										
Northern arc investment adviser services private limited	-	-	-	127.80	127.80	-	-	-	127.80	127.80
Northern arc investment managers private limited	-	-	-	361.00	361.00	-	-	-	361.00	361.00
Northern arc foundation	-	-	-	1.00	1.00	-	-	-	1.00	1.00
Other investments (Unquoted)										
Share warrants	-	-	1.62	-	1.62	-	-	1.62	-	1.62
Sub total	**-**	**84,722.13**	**44,975.08**	**489.80**	**130,187.01**	**-**	**76,548.71**	**28,454.89**	**489.80**	**105,493.40**
Less: Impairment loss allowance for Investments in India	-	(4,875.00)	-	-	(4,875.00)	-	(665.27)	-	-	(665.27)
Total Investments	**-**	**79,847.13**	**44,975.08**	**489.80**	**125,312.01**	**-**	**75,883.44**	**28,454.89**	**489.80**	**104,828.13**
(i) Investments outside India	-	-	-	-	-	-	-	-	-	-
(ii) Investments in India	-	79,847.13	44,975.08	489.80	125,312.01		75,883.44	28,454.89	489.80	104,828.13
Total Investments	**-**	**79,847.13**	**44,975.08**	**489.80**	**125,312.01**	**-**	**75,883.44**	**28,454.89**	**489.80**	**104,828.13**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

9 Other financial assets

	As at March 31, 2021	As at March 31, 2020
Security deposits	251.53	263.58
Advances to employees	97.27	10.89
Other receivables	43.96	221.44
Advances to subsidiaries	431.48	469.28
Excess Interest spread on derecognition of financial instruments	31.42	212.62
Less: Impairment loss allowance	(4.39)	(4.39)
	851.27	**1,173.42**

10.1 Property plant and equipment

	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Cost							
As at March 31, 2019	**0.29**	**2.52**	**149.23**	**40.39**	**0.19**	**4.72**	**197.34**
Additions	-	-	36.64	100.20	-	122.53	259.37
Disposals/Discarded	-	-	2.46	-	-	-	2.46
As at March 31, 2020	**0.29**	**2.52**	**183.41**	**140.59**	**0.19**	**127.25**	**454.25**
Additions	-	-	51.98	-	-	-	51.98
Disposals/Discarded	-	-	-	-	-	-	
As at March 31, 2021	**0.29**	**2.52**	**235.39**	**140.59**	**0.19**	**127.25**	**506.23**
Accumulated depreciation							
As at March 31, 2019	**0.23**	**2.02**	**91.90**	**32.81**	**0.17**	**2.62**	**129.75**
Depreciation for the year	0.02	0.33	81.20	50.15	0.01	16.32	148.03
On disposals/Discarded	-	-	1.72	-	-	-	1.72
As at March 31, 2020	**0.25**	**2.35**	**171.38**	**82.96**	**0.18**	**18.94**	**276.06**
Depreciation for the year	-	0.11	33.64	55.47	-	36.10	125.32
On disposals/Discarded	-	-	-	-	-	-	-
As at March 31, 2021	**0.25**	**2.46**	**205.02**	**138.43**	**0.18**	**55.04**	**401.38**
Net carrying value							
As at March 31, 2020	**0.04**	**0.17**	**12.04**	**57.63**	**0.01**	**108.31**	**178.19**
As at March 31, 2021	**0.04**	**0.06**	**30.38**	**2.16**	**0.01**	**72.21**	**104.85**

10.2 Right of use asset

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

	Office Premises-Buildings	Total
Gross Block Value		
As at April 01, 2019	988.97	988.97
Additions	623.28	623.28
Disposals	-	-
As at April 01, 2020	**1,612.25**	**1,612.25**
Additions	-	-
Disposals	44.07	44.07
As at March 31, 2021	**1,568.18**	**1,568.18**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Office Premises-Buildings	Total
Accumulated depreciation		
As at April 01, 2019	–	–
Additions	288.11	288.11
Disposals	–	–
As at April 01, 2020	**288.11**	**288.11**
Additions	320.07	320.07
Disposals	25.44	25.44
As at March 31, 2021	582.74	582.74
Net carrying value		
As at March 31, 2020	**1,324.14**	**1,324.14**
As at March 31, 2021	**985.44**	**985.44**

10.3 Intangible assets under development

	Software	Total
As at March 31, 2019	342.75	342.75
Add: Additions	547.95	547.95
Less: Capitalised during the year	(739.96)	(739.96)
Less: Written off during the year	(55.80)	(55.80)
As at March 31, 2020	**94.94**	**94.94**
Add: Additions	328.76	328.76
Less: Capitalised during the year	(369.68)	(369.68)
As at March 31, 2021	**54.02**	**54.02**

10.4 Intangible assets

	Softwares	Total
Cost		
As at March 31, 2019	**612.16**	**612.16**
Additions	776.05	776.05
Disposals	–	–
As at March 31, 2020	**1,388.21**	**1,388.21**
Additions	369.68	369.68
Disposals	–	–
As at March 31, 2021	**1,757.89**	**1,757.89**
As at March 31, 2019	**321.17**	**321.17**
Amortisation for the year	235.50	235.50
On disposals	–	–
As at March 31, 2020	**556.67**	**556.67**
Amortisation for the year	228.45	228.45
On disposals	–	–
As at March 31, 2021	**785.12**	**785.12**
Net carrying value		
As at March 31, 2020	**831.54**	**831.54**
As at March 31, 2021	**972.77**	**972.77**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		As at March 31, 2021	As at March 31, 2020
11	**Other non- financial assets**		
	Prepaid expenses	172.83	170.68
	Advances to vendors	-	73.43
		172.83	**244.11**
12	**Derivative financial instruments**		
	Currency derivatives		
	Cross currency interest rate swaps	898.51	-
		898.51	**-**
13	**Trade payables**		
	- Total outstanding dues to micro enterprises and small enterprises (refer note 39)	-	-
	- Total outstanding dues to creditors other than micro enterprises and small enterprises	1,648.35	793.17
		1,648.35	**793.17**
14	**Debt securities**		
	Measured at amortised cost:		
	Secured, redeemable non-convertible debentures:	146,442.78	57,110.16
		146,442.78	**57,110.16**
	Unsecured, redeemable non-convertible debentures:	2,772.44	27,454.75
		2,772.44	**27,454.75**
	Others		
	Commercial paper	14,741.56	1,455.79
	Total debt securities	**163,956.78**	**86,020.70**
	Debt securities in India	163,956.78	86,020.70
	Debt securities outside India	-	-
	Total debt securities	**163,956.78**	**86,020.70**

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

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Secured, redeemable non-convertible debentures:				
750 units (March 31, 2020: Nil units) of 11.338% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 28, 2024	7,500.00	Coupon payment frequency: Annual Principal repayment frequency: Entire principal to be repaid in 4 equal instalments at the end of 24 months, 36 Months, 42 months and 48 months Tenure of security: 4 years Redemption date: March 28, 2024	11.34%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1,000 units (March 31, 2020: 1000 units) of 9.45% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 11, 2022	10,000.00	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3.50 years Redemption date: June 11, 2022	9.45%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1,000 units (March 31, 2020: 1000 units) of 9.60% Redeemable non-convertible debentures of INR 857,143 each, maturing on December 20, 2023	8,571.43	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal to be repaid in 7 equal semi annual instalments after a moratorium of eighteen months Tenure of security: 5 years Redemption date: December 20, 2023	9.60%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
7500 units (March 31, 2020: nil units) of 10.2% Redeemable, Market linked non-convertible debentures of INR 10,000 each, maturing on April 29, 2022	750.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.75 years Redemption date: April 29, 2022	10.20%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on January 17, 2022	5,000.00	Coupon payment frequency: semi annual Principal repayment frequency: on maturity Tenure of security: 1.5 years Redemption date: January 17, 2022	9.50%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: nil units) of 11.25% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 26, 2023	5,000.00	Coupon payment frequency: annually Principal repayment frequency: on maturity Tenure of security: 3 years Redemption date: June 26, 2023	11.25%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: nil units) of 10.40% Redeemable non-convertible debentures of INR 833,333 each, maturing on July 13, 2023	4,166.67	Coupon payment frequency: quarterly Principal repayment frequency: 12 equal quarterly instalment Tenure of security: 3 years Redemption date: July 13, 2023	10.40%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 8, 2022	5,000.00	Coupon payment frequency: semi annual Principal repayment frequency: Maturity Tenure of security: 1.5 years Redemption date: March 8, 2022	9.50%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1500 units (March 31, 2020: nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 14, 2022	15,000.00	Coupon payment frequency: semi annual Principal repayment frequency: Maturity Tenure of security: 1.5 years Redemption date: March 8, 2022	9.50%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1000 units (March 31, 2020: nil units) of 10.45% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on September 30, 2022	10,000.00	Coupon payment frequency: semi annual Principal repayment frequency: maturity Tenure of security: 2 years Redemption date: September 30, 2022	10.45%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1500 units (March 31, 2020: nil units) of 9.15% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on May 13, 2022	15,000.00	Coupon payment frequency: semi annual Principal repayment frequency: 4 equal quarterly instalments Tenure of security: 1.5 years Redemption date: May 13, 2022	9.15%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
2949 units (March 31, 2020: nil units) of 9.966% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 18, 2025	29,490.00	Coupon payment frequency: semi annual Principal repayment frequency: 7 equal half-yearly instalments Tenure of security: 5 years Redemption date: December 18, 2025	9.97%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
12500 units (March 31, 2020: nil units) of 10.00% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on March 11, 2022	1,250.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.25 years Redemption date: March 11, 2022	10.00%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
12500 units (March 31, 2020: nil units) of 10.00% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on June 11, 2022	1,250.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.5 years Redemption date: June 11, 2022	10.00%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
23200 units (March 31, 2020: nil units) of 9.05% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on January 21, 2023	2,320.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: January 20, 2023	9.05%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
696 units (March 31, 2020: nil units) of 8.95% Redeemable, market linked non-convertible debentures of INR 500,000 each, maturing on February 25, 2023	3,480.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: February 24, 2023	8.95%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
294 units (March 31, 2020: nil units) of 8.90% Redeemable, market linked non-convertible debentures of INR 500,000 each, maturing on February 24, 2023	1,470.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: February 24, 2023	8.90%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
150 units (March 31, 2020: nil units) of 9.30% Redeemable, market linked non-convertible debentures of INR 1,000,000 each, maturing on September 17, 2022	1,500.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 18 Months Redemption date: September 16, 2022	9.30%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1800 units (March 31, 2020: nil units) of 9.85% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 23, 2026	18,000.00	Coupon payment frequency: semi annually Principal repayment frequency: on maturity Tenure of security: 5 Years Redemption date: March 23, 2026	9.85%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
Unsecured, redeemable non-convertible debentures:				
28,000,000 units (March 31, 2020: 30,000,000 units) of 11.6% Redeemable non-convertible debentures of INR 10 each, maturing on Sep 25, 2023	2,800.00	Coupon payment frequency: Monthly Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 4 years Redemption date: September 25, 2023	11.60%	NA
Unsecured, Commercial Paper:				
200 units of 7.99% commercial paper of INR 500,000 each, maturing on Aug 9, 2021	1,000.00	Tenure of instrument: 181 days Redemption date: August 9, 2021	7.99%	NA
200 units of 7.75% commercial paper of INR 500,000 each, maturing on Jun 9, 2021	1,000.00	Tenure of instrument: 120 days Redemption date:June 9, 2021	7.75%	NA
400 units of 7.50% commercial paper of INR 500,000 each, maturing on May 15, 2021	2,000.00	Tenure of instrument: 91 days Redemption date:May 15, 2021	7.50%	NA
200 units of 7.50% commercial paper of INR 500,000 each, maturing on May 15, 2021	1,000.00	Tenure of instrument: 73 days Redemption date:May 15, 2021	7.50%	NA
500 units of 7.70% commercial paper of INR 500,000 each, maturing on May 31, 2021	2,500.00	Tenure of instrument: 73 days Redemption date:May 31, 2021	7.70%	NA

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
500 units of 8.25% commercial paper of INR 500,000 each, maturing on Sep 20, 2021	2,500.00	Tenure of instrument: 180 days Redemption date:September 20, 2021	8.25%	NA
500 units of 7.7% commercial paper of INR 500,000 each, maturing on May 31, 2021	2,500.00	Tenure of instrument: 62 days Redemption date:May 31, 2021	7.70%	NA
500 units of 7.7% commercial paper of INR 500,000 each, maturing on May 31, 2021	2,500.00	Tenure of instrument: 61 days Redemption date:May 31, 2021	7.70%	NA

Note: The balances are net of accrued interest and gross of unamortised processing fees

		As at March 31, 2021	As at March 31, 2020
15	**Borrowings (Other than debt securities)**		
	Measured at amortised cost:		
	Secured		
	Term loans		
	- from banks	120,205.40	142,890.07
	- from others	66,295.79	25,832.62
	Loans repayable on demand		
	- working capital loan from banks	28,272.00	22,357.00
	- Cash credit from banks	10,485.11	9,675.67
		225,258.30	**200,755.36**
	Unsecured		
	Term loans		
	- from banks	1,495.35	1,493.59
	- from others	2,493.44	3,838.45
		3,988.79	**5,332.04**
	Total borrowings (Other than debt securities)	**229,247.09**	**206,087.40**
	Borrowings in India	185,277.11	206,087.40
	Borrowings outside India	43,969.98	-
	Total borrowings (Other than debt securities)	**229,247.09**	**206,087.40**

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

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

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Unsecured borrowing from banks				
Term Loan 1	1,500.00	Repayments terms: Entire amount repaid on the redemption date Tenor of loan : 66 Months Redemption date: June 28,2023	10.25%	NA
Secured borrowing from banks				
Term Loan 2	5,000.00	Repayments terms: Repayment in 3 equal instalments at end of 24 months, 30 months and 36 months Tenor of loan : 3 Years Redemption date: January 21, 2022	11.00%	Exclusive charge over book debt/ receivables providing security cover of 1.1x.
Term Loan 3	480.00	Repayments terms: Repayment in 36 equal monthly instalments with 12 month moratorium from the date of disbursement. Tenor of loan : 4 Years Redemption date: December 29, 2021	9.05%	Floating and exclusive charge over the assets , sufficient to provide a security cover 1. 10 times on the outstanding facility at all times.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 4	625.00	Repayments terms: Equated 36 month instalments with no moratorium Tenor of loan : 3 Years Redemption date: December 31, 2021	9.30%	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 5	1,666.67	Repayments terms:12 Equal quarterly instalments Tenor of loan : 3 Years Redemption date: October 23, 2021	10.55%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 6	833.33	Repayments terms: 12 equal quarterly instalments Tenor of loan : 3 Years Redemption date: January 9,2022	10.40%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 7	11,666.67	Repayments terms:30 monthly instalments Tenor of loan : 3 Years Redemption date: May 16, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 8	1,818.18	Repayments terms:11 quarterly instalments Tenor of loan : 3.3 Years Redemption date: March 27, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 9	500.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: September 24, 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 10	480.00	Repayments terms:10 quarterly instalments Tenor of loan : 3 Years Redemption date: September 21, 2022	11.30%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 11	5,000.00	Repayments terms:12 quarterly instalments Tenor of loan : 2.3 Years Redemption date: March 31, 2023	10.40%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 12	1,125.00	Repayments terms:8 quarterly instalments Tenor of loan : 2 Years Redemption date: December 31, 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 13	1,750.00	Repayments terms:36 monthly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	9.20%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 14	1,750.00	Repayments terms:36 monthly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 15	6,363.91	Repayments terms:11 quarterly installments Tenor of Security : 2.84 Years Redemption date: December 31, 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 16	566.67	Repayments terms:35 monthly instalments Tenor of loan : 3.3 Years Redemption date: January 5, 2023	11.75%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 17	937.50	Repayments terms:8 quarterly instalments Tenor of loan : 2 Years Redemption date: November 30, 2021	11.25%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 18	2,500.00	Repayments terms:12 quarterly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	10.20%	First and Exclusive charge on the standard receivables with a security cover of 133%.
Term Loan 19	1,000.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: March 31, 2022	11.50%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 20	1,666.67	Repayments terms:6 quarterly installments Tenor of Security : 1.5 Years Redemption date: August 28, 2021	10.60%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 21	3,749.00	Repayments terms:12 quarterly instalments Tenor of loan : 3 Years Redemption date: April 5, 2023	10.75%	First and Exclusive charge on the standard receivables with a security cover of 110%.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 22	2,916.67	Repayments terms:48 monthly instalments Tenor of loan : 4 Years Redemption date: March 31, 2024	10.80%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 23	2,906.97	Repayments terms:48 monthly instalments Tenor of loan : 4 Years Redemption date: March 31, 2024	10.50%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 24	1,992.68	Repayments terms:10 quarterly instalments Tenor of loan : 3 Years Redemption date: February 2, 2023	11.25%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 25	500.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: March 6, 2022	11.25%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 26	6,363.91	Repayments terms:11 quarterly installments Tenor of Security : 2.84 Years Redemption date: December 31, 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 27	2,916.67	Repayments terms:12 Monthly instalments Tenor of loan : 1 Years Redemption date: October 3, 2021	9.30%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 28	500.00	Repayments terms:4 Monthly instalments Tenor of loan : 5 months Redemption date: April 10, 2021	6.32%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 29	5,000.00	Repayments terms:9 Monthly instalments Tenor of loan : 1 Years Redemption date: December 31, 2021	9.20%	First and Exclusive charge over the loan receivables with a security cover of 125%.
Term Loan 30	3,500.00	Repayments terms:12 Quarterly instalments Tenor of loan : 3.25 Years Redemption date: April 30, 2024	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 31	20,000.00	Repayments terms:11 Quarterly instalments Tenor of loan : 2.8 Years Redemption date: December 31, 2023	8.70%	First and Exclusive charge over the loan receivables with a security cover of 125%.
Term Loan 32	1,437.50	Repayments terms: 24 monthly instalments Tenor of loan : 2 Years Redemption date: February 28, 2023	9.10%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 33	10,000.00	Repayments terms: 6 quarterly instalments Tenor of loan : 1.5 Years Redemption date: September 29, 2022	8.80%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 34	2,000.00	Repayments terms: 2 Half Yearly instalments Tenor of loan : 1 Years Redemption date: March 31, 2022	9.00%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 35	5,000.00	Repayments terms: 18 Monthly instalments Tenor of loan : 2 Years Redemption date: February 28, 2023	8.95%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 36	3,000.00	Repayments terms: 10 quarterly instalments Tenor of loan : 33 months Redemption date: October 9, 2023	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 37	4,000.00	Repayments terms: 36 monthly instalments Tenor of loan : 3 years Redemption date: March 31, 2024	8.60%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 38	1,500.00	Repayments terms: Repayment on Maturity Tenor of loan : 30 days Redemption date: May 3, 2021	10.00%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 39	5,000.00	Repayments terms: Repayment on Maturity Tenor of loan : 180 days Redemption date: May 21, 2021 & June 9,2021	9.70%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 40	3,000.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: March 26, 2022	9.90%	First and Exclusive charge over the loan receivables with a security cover of 110%.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 41	2,490.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: December 28, 2021	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 42	4,000.00	Repayments terms: Repayment on Maturity Tenor of loan : 90 days Redemption date: June 21, 2021	8.80%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 43	5,000.00	Repayments terms: Repayment on Maturity Tenor of loan : 6 months Redemption date: September 25, 2021	9.25%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 44	3,300.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: December 4, 2021	6.30%	Exclusive charge over book debt/ receivables providing security cover of 1.33x.
Term Loan 45	1,500.00	Repayments terms: Repayment on Maturity Tenor of loan : 3 months Redemption date: June 25, 2021	8.30%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 46	1,500.00	Repayments terms: Repayment on Maturity Tenor of loan : 3 months Redemption date: June 29, 2021	9.10%	First and Exclusive charge over the loan receivables with a security cover of 120%.

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

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Unsecured borrowing from others				
Term Loan 1	2,500.00	Repayment Terms: Entire amount is repaid on maturity Tenor: 5.50 Years Redemption Date: June 27, 2023	10.25%	NA
Secured borrowing from others				
Term Loan 2	1,000.00	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 3	282.81	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 4	82.79	Repayment Terms: 36 Monthly instalments Tenor:3 Years Redemption Date: April 22, 2021	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	1,166.50	Repayment Terms: 36 Monthly installments Tenor: 3 Years Redemption Date:May 17,2022	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 6	2,083.33	Repayment Terms: Repayment in 12 equal quarterly instalments Tenor: 3 Years Redemption Date: July 1, 2022	11.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal at any point of time during currency of the facility.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 7	183.52	Repayment Terms: Repayment in 24 monthly instalments Tenor: 2 Years Redemption Date: July 1, 2021	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 8	1,156.51	Repayment Terms: Repayment in 11 equal quarterly installments Tenor: 2.8 Years Redemption Date:November 30,2022	11.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 9	325.64	Repayment Terms: Repayment in 24 monthly instalments Tenor: 2 Years Redemption Date: September 27, 2021	11.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 10	1,818.20	Repayment Terms: Repayment in 36 monthly installments Tenor: 3 Years Redemption Date:February 22,2023	12.25%	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 11	445.36	Repayment Terms: Repayment in 24 equal monthly instalments Tenor: 2 Years Redemption Date: January 1, 2022	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 12	555.55	Repayment Terms: Repayment in 18 equal monthly instalments Tenor: 1.5 Years Redemption Date: July 15, 2021	10.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.15 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 13	1,500.00	Repayment Terms: Repayment in 12 equal quarterly installments Tenor: 3 Years Redemption Date:June 1, 2023	11.40%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 14	599.94	Repayment Terms: Repayment in 11 equal quarterly installments Tenor: 3 Years Redemption Date:May 31, 2023	11.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 15	3,333.33	Repayment Terms: Repayment in 36 equal monthly instalments Tenor: 3 Years Redemption Date: September 21, 2023	9.25%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal and interest at any point of time during currency of the facility.
Term Loan 16	3,827.86	Repayment Terms: Repayment in 24 equal monthly instalments Tenor: 2 Years Redemption Date: September 22, 2022	9.35%	Exclusive hypothecation charge over loan 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, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 17 (Borrowings outside India)	18,452.68	Repayment Terms: Repayment in 6 equal half-yearly instalments Tenor: 5 Years Redemption Date: November 17, 2025	9.35%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.25 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 18 (Borrowings outside India)	18,108.75	Repayment Terms: Repayment in 6 equal half-yearly instalments Tenor: 4.8 Years Redemption Date: November 15, 2025	9.50%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.25 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 19 (Borrowings outside India)	7,303.00	Repayment Terms: Repayment in 6 equal half yearly instalments Tenor: 5 Years Redemption Date: March 4, 2026	9.78%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 20	4,000.00	Repayment Terms: Repayment in 36 equal monthly instalments Tenor: 3 Years Redemption Date: March 30, 2024	9.25%	Exclusive hypothecation charge over loan 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.

Note: The balances are net of accrued interest and gross of unamortised processing fees

		As at March 31, 2021	As at March 31, 2020
16	**Other financial liabilities**		
	Collateral deposits from customers	1,251.89	1,170.01
	Lease liabilities	1,127.38	1,408.13
	Employee benefits payable	868.05	736.24
	Remittances payable - derecognised financial instruments	321.73	1,210.88
	Other liabilities	77.23	155.09
	Unpaid dividend on non convertible preference shares	2.69	2.69
		3,648.97	**4,683.04**
17	**Provisions**		
	Provision for employee benefits:		
	Gratuity (refer note 40)	450.68	401.24
	Compensated absences	254.13	229.66
	Provision for others:		
	Impairment loss allowance for guarantees	759.70	576.53
	Impairment loss allowance for undrawn loans	259.54	119.66
		1,724.05	**1,327.09**
18	**Other non- financial liabilities**		
	Statutory dues payable	409.47	127.68
		409.47	**127.68**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		As at March 31, 2021	As at March 31, 2020
19	**Share capital**		
	Authorised		
	125,000,000 (March 31, 2020: 125,000,000) equity shares of INR 10 each	12,500.00	12,500.00
	60,100,000 (March 31, 2020: 60,100,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	12,020.00	12,020.00
	19,800,000 (March 31, 2020: 19,800,000) 9.85% Cumulative non convertible compulsorily redeemable preference shares of INR 10 each	1,980.00	1,980.00
		26,500.00	**26,500.00**
	Issued, subscribed and paid up		
	Equity shares		
	87,921,550 (March 31, 2020: 87,477,903) equity shares of INR 10 each	8,792.15	8,747.79
		8,792.15	**8,747.79**
	Compulsorily convertible preference shares		
	41,323,204 (March 31,2020 : 41,323,204, March 31,2019 : 37,784,296) preference share of INR 20 each	8,264.64	8,264.64
		8,264.64	**8,264.64**

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

		As at March 31, 2021		As at March 31, 2020	
		No. of shares	Amount	No. of shares	Amount
	Equity shares				
	At the commencement of the year	87,477,903	8,747.79	78,365,776	7,836.57
	Add: Shares issued during the year	443,647	44.36	3,261,127	326.12
	Add: Shares converted into equity	-	-	5,851,000	585.10
	At the end of the year	**87,921,550**	**8,792.15**	**87,477,903**	**8,747.79**
	0.0001% Compulsorily convertible preference shares				
	At the commencement of the year	41,323,204	8,264.64	37,784,296	7,556.86
	Add: Shares issued during the year	-	-	9,389,908	1,877.98
	Less: Shares converted into equity	-	-	(5,851,000)	(1,170.20)
	At the end of the year	**41,323,204**	**8,264.64**	**41,323,204**	**8,264.64**
	Redeemable preference shares				
	At the commencement of the year	-	-	1,160,000	1,160.00
	Less: Shares Redeemed during the year	-	-	(1,160,000)	(1,160.00)
	At the end of the year	**-**	**-**	**-**	**-**

Note:

During the year ended March 31, 2020, pursuant to amended share subscription and shareholders agreement, the Company has issued:

1. Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020: 6,133,793) of INR 20 each to IIFL Special opportunities fund, IIFL Special opportunities fund Series 2 to 7; Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020:2,230,797) shares of INR 20 each to Standard Chartered Bank (Singapore Branch); Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020:1,025,318) shares of INR 20 each to Augusta Investments II Pte. Ltd and Nil equity shares (March 31, 2019 : 3,197,644) of INR 10 each to Sumitomo Mitsui Banking Corporation.
2. During the year Nil 0.0001% compulsorily convertible preference shares (March 31, 2020: 5,851,000) were converted into equity share capital.
3. During the year, the Company has issued 443,647 (March 31, 2020 : 63,483) equity shares which were allotted to employees who exercised their options under ESOP scheme.
4. During the year, the Company has issued Nil (March 31, 2020 - Nil, March 31, 2019: 3) equity shares of INR 10 each to Kshama Fernandes, Managing Director, Bama Balakrishnan, Chief Financial Officer (until June 30, 2020) and C Kalyanasundaram, Senior Director and Head, Finance and Operations.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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

i) Equity shares

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

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii) 0.0001% Compulsorily convertible preference shares:

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

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

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

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

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

	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% held	No. of shares	% held
Equity shares:				
Leapfrog Financial Inclusion India (II) Limited	29,952,665	34.07%	29,952,665	34.24%
Dvara Trust	12,878,682	14.65%	12,878,682	14.72%
Accion Africa Asia Investment Company	7,699,529	8.76%	7,699,529	8.80%
Augusta Investments Pte II Ltd	20,328,820	23.12%	20,328,820	23.24%
Sumitomo Mitsui Banking Corporation	7,004,364	7.97%	7,004,364	8.01%
0.0001% Compulsorily convertible preference shares:				
Eight Roads Investments Mauritius (II) Limited	11,630,889	28.15%	11,630,889	28.15%
Augusta Investments II Pte. Ltd.	3,256,115	7.88%	3,256,115	7.88%
IIFL Special Opportunities Fund	4,161,142	10.07%	4,161,142	10.07%
IIFL Special Opportunities Fund - Series 2	4,371,781	10.58%	4,371,781	10.58%
IIFL Special Opportunities Fund - Series 4	6,609,362	15.99%	6,609,362	15.99%
IIFL Special Opportunities Fund - Series 5	5,423,128	13.12%	5,423,128	13.12%
IIFL Special Opportunities Fund - Series 7	3,693,947	8.94%	3,693,947	8.94%

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		As at March 31, 2021	As at March 31, 2020
20	**Other equity**		
a)	**Securities premium account**		
	At the commencement of the year	83,340.83	60,488.35
	Add: Premium received on shares issued during the year	556.61	23,289.47
	Less: Utilised during the year for writing off share issue expenses	-	(436.99)
	At the end of the year	**83,897.44**	**83,340.83**
b)	**Statutory reserve**		
	At the commencement of the year	8,769.77	6,977.38
	Add : Transfer from retained earnings	1,120.99	1,792.39
	At the end of the year	**9,890.76**	**8,769.77**
c)	**Employee stock options outstanding account**		
	At the commencement of the year	2,521.70	1,715.22
	Add: Employee compensation expense during the year	163.02	806.48
	Less: Transfer to securities premium on allotment of shares	(386.91)	-
	At the end of the year	**2,297.81**	**2,521.70**

The Company has established various equity-settled share based payment plans for certain categories of employees of the Company. Refer note 40 for further details of these plans.

		As at March 31, 2021	As at March 31, 2020
d)	**Retained earnings**		
	At the commencement of the year	31,701.21	25,650.90
	Add: Profit for the year	5,604.99	8,961.93
	Add: Transfer from other comprehensive income	9.26	40.77
	Less: Transfer to statutory reserve	(1,120.99)	(1,792.39)
	Add: Transfer to Capital Redemption Reserve	-	(1,160.00)
	At the end of the year	**36,194.47**	**31,701.21**
e)	**Capital reserve**		
	At the commencement of the year	3.57	3.57
	At the end of the year	**3.57**	**3.57**
f)	**Capital redemption reserve**		
	At the commencement of the year	2,660.00	1,500.00
	Add: Additions for the year	-	1,160.00
	At the end of the year	**2,660.00**	**2,660.00**
g)	**Other comprehensive income**		
	At the commencement of the year	3,272.37	2,991.04
	Remeasurements of defined benefit asset/ (liability) (refer note (vii) (b) below)	9.26	40.77
	Less: Transfer to retained earnings	(9.26)	(40.77)
	Add : Fair valuation of financial instruments (refer note (vii) (a) below)	995.03	281.33
	Less : Cash flow hedge reserve (refer note (vii) (c) below)	(382.22)	-
	At the end of the year	**3,885.18**	**3,272.37**
	Total (a+b+c+d+e+f+g)	**138,829.23**	**132,269.45**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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 account

The Company has established various equity settled share based payment plans for certain categories of employees of the Company.

(iii) Statutory reserve

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) Retained earnings

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

(v) Capital reserve

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

(vi) Capital redemption reserve

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

(vii) Other comprehensive income

a) The Company has elected to recognise changes in the fair value of loans and investments in other comprehensive income. These changes are accumulated within other equity - Financial Instruments through OCI.

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.

c) The Company has applied hedge accounting for designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity as cash flow hedge reserve.

		Year ended March 31, 2021				Year ended March 31, 2020			
		On financial assets measured at			Total	On financial assets measured at			Total
		FVOCI	Amortised cost	FVTPL		FVOCI	Amortised cost	FVTPL	
21	**Interest income**								
	Interest on loans	10,547.63	36,021.79	–	46,569.42	4,643.58	38,840.06	–	43,483.64
	Interest from investments:								
	- Pass through certificates	2,769.82	–	–	2,769.82	2,951.58	–	–	2,951.58
	- Non-convertible debentures	5,440.02	–	–	5,440.02	6,015.01	–	–	6,015.01
	Interest on deposits with banks	–	799.37	–	799.37	–	536.74	–	536.74
		18,757.47	**36,821.16**	**-**	**55,578.63**	**13,610.17**	**39,376.80**	**-**	**52,986.97**

		Year ended March 31, 2021	Year ended March 31, 2020
22	**Fees and commission income**		
	Income from guarantee facility	770.99	932.59
	Income from other financial services		
	- Professional fee	4,019.62	3,796.30
	- Arranger fee for guarantee facility	438.30	331.23
		5,228.91	**5,060.12**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		Year ended March 31, 2021	Year ended March 31, 2020
23	**Net gain on fair value changes**		
	Net gain on financial instruments at fair value through profit or loss		
	On alternative investment funds	3,866.91	939.04
	On mutual fund investments	347.02	390.11
	Profit on sale of investments in non-convertible debentures and pass-through certificates	107.09	12.79
		4,321.02	**1,341.94**
	Fair value changes:		
	- Realised	3,774.94	1,253.14
	- Unrealised	546.08	88.80
		4,321.02	**1,341.94**
24	**Other income**		
	Interest income from investments in preference shares of subsidiaries	-	28.66
	Income from other than financing activities	241.16	157.83
	Interest income from income tax refund	50.47	-
		291.63	**186.49**
25	**Finance costs**		
	Finance costs on financial liabilities measured at amortised cost		
	Interest on deposits	52.77	89.81
	Interest on borrowings		
	- Term loans from banks and others	17,901.48	17,438.71
	- Cash credits and overdraft	337.78	882.85
	- Securitised portfolio	41.41	812.69
	Interest on debt securities	12,142.12	9,675.91
	Interest on sub-ordinated liabilities	-	72.45
	Interest on lease liability	124.13	126.35
	Amortisation of discount on commercial papers	187.69	721.97
	Other borrowing costs	1,509.38	1,099.76
		32,296.76	**30,920.50**
	Note: Other than financial liabilities measured at amortized cost, there are no other financial liabilities measured at FVTPL.		
26	**Impairment on financial instruments**		
	Write off on financial instruments		
	Loans	5,909.97	1,044.54
	Investments	600.49	1,174.67
	Less: Recovery	(228.40)	(137.30)
	Impairment loss allowance on financial instruments (refer note 79)		
	Loans	3,134.24	2,330.75
	Investments	3,907.55	(902.24)
	Others	278.83	12.66
		13,602.68	**3,523.08**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		Year ended March 31, 2021	Year ended March 31, 2020
27	**Employee benefits**		
	Salaries, wages and bonus	4,908.79	4,782.76
	Contribution to provident fund	263.50	264.00
	Employee share based payment expenses	245.71	596.26
	Expenses related to post-employment defined benefit plans (refer note 40)	112.49	112.47
	Staff welfare expenses	149.46	291.88
		5,679.95	**6,047.37**
28	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment	125.31	148.02
	Depreciation on right of use asset (refer note 10.2)	320.07	288.11
	Amortisation of intangible assets	228.45	235.49
		673.83	**671.62**
29	**Other expenses**		
	Rent	321.28	536.52
	Rates and taxes	7.12	9.59
	Travelling and conveyance	40.74	647.57
	Legal and professional charges	1,304.63	1,214.92
	Auditors' remuneration (refer note 29.1 below)	86.01	67.34
	Directors' sitting fees	98.08	54.50
	Repairs and maintenance	254.33	288.04
	Communication expenses	72.63	78.45
	Printing and stationery	7.22	24.43
	Subscription charges	93.34	84.36
	Advertisement and business promotion	47.79	63.04
	Corporate social responsibility expenditure (refer note 29.2 below)	247.38	334.66
	Bank charges	86.05	32.56
	Miscellaneous expenses	14.97	113.41
		2,681.56	**3,549.39**
29.1	**Payments to auditor (excluding goods and services tax)**		
	Statutory audit	55.00	51.00
	Tax audit	2.50	2.50
	Other services	26.00	12.50
	Reimbursement of expenses	2.51	1.34
		86.01	**67.34**
29.2	**Corporate social responsibility ("CSR") expenditure**		
	(a) Gross amount required to be spent by the Company during the year	247.38	221.27
	(b) Amount approved by the Board to be spent during the year	247.38	221.27
	(c) Amount spent during the year (in cash) :		
	(i) Construction/ acquisition of any asset	-	-
	(ii) On purposes other than (i) above	291.95	334.66
	(d) Contributions to Northern Arc Foundation (wholly owned subsidiary of the Company incorporated under section 8 of Companies Act, 2013)	291.95	334.66

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	As at March 31, 2021	As at March 31, 2020
(e) Carry forward balances of CSR pre-spent		
Opening balance of pre-spent / (shortfalls)	-	(107.28)
Amount required to be spent during the year	(247.38)	(221.27)
Amount spent during the year	291.95	334.66
Amount of pre-spent adjusted against spending requirement	44.57	6.11

30 Income tax

A. The components of income tax expense for the years ended 31 March 2021 and 2020 are:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current tax	3,939.00	3,370.00
Deferred tax (benefit) / charge	(1,910.77)	731.90
Tax expense	**2,028.23**	**4,101.90**

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 2021 and 2020 is as follows:-

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Profit before tax	7,633.22	13,063.83
Applicable tax rate	25.17%	25.17%
Computed expected tax expense	**1,921.28**	**3,288.17**
Change in tax rate	-	657.61
Permanent differences	106.95	156.12
Tax expenses recognised in the statement of profit and loss	**2,028.23**	**4,101.90**
Effective tax rate	26.57%	31.40%

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, 2020	Statement of profit and loss	Other comprehensive income	As at March 31, 2021
Component of Deferred tax asset / (liability)				
Deferred tax asset / (liability) in relation to:				
Property plant and equipment	(8.50)	(9.12)	-	(17.62)
Impact of fair value of assets	(1,276.92)	(1.49)	954.84	(323.57)
Impairment on financial assets	1,587.74	1,499.21	(1,160.98)	1,925.97
Provision for employee benefits	158.78	21.70	(3.10)	177.38
Unamortised component of processing fee	(48.87)	356.50	-	307.63
Others	(51.88)	43.97	-	(7.91)
Total	**360.35**	**1,910.77**	**(209.24)**	**2,061.88**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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

	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
31	**Earnings per share ('EPS')**		
	Earnings		
	Net profit attributable to equity shareholders for calculation of basic EPS	5,604.99	8,961.93
	Net profit attributable to equity shareholders for calculation of diluted EPS	5,850.70	9,558.19
	Shares		
	Equity shares at the beginning of the period	87,477,903	78,365,776
	Shares issued during the period	443,647	9,112,127
	Total number of equity shares outstanding at the end of the period	**87,921,550**	**87,477,903**
	Weighted average number of equity shares outstanding during the year for calculation of basic EPS	87,619,183	83,977,665
	Options granted	1,779,135	1,830,336
	Compulsory convertible preference shares	41,323,204	40,868,385
	Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	130,721,522	126,676,387
	Face value per share	10.00	10.00
	Earning per share		
	Basic	6.40	10.67
	Diluted	4.48	7.55

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

32 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Derivatives have been classified to mature and/ or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Assets						
Cash and cash equivalents	38,790.21	-	38,790.21	32,485.12	-	32,485.12
Bank balances other than cash and cash equivalents	6,837.98	-	6,837.98	7,720.21	-	7,720.21
Trade receivables	1,558.79	-	1,558.79	821.57	-	821.57
Loans	247,233.41	128,981.67	376,215.08	113,430.76	181,166.30	294,597.06
Investments	36,516.96	88,795.05	125,312.01	27,092.66	77,735.47	104,828.13
Other financial assets	851.27	-	851.27	1,173.42	-	1,173.42
Current tax assets (net)	-	3,502.11	3,502.11	-	3,662.18	3,662.18
Deferred tax assets (net)	-	2,061.88	2,061.88	-	360.35	360.35
Property, plant and equipment	-	104.85	104.85	-	178.19	178.19
Intangible assets under development	-	54.02	54.02	-	94.94	94.94
Intangible assets	-	972.77	972.77	-	831.54	831.54
Right of use asset		985.44	985.44		1,324.14	1,324.14
Other non- financial assets	172.83	-	172.83	244.11	-	244.11
Total Assets	**331,961.45**	**225,457.79**	**557,419.24**	**182,967.85**	**265,353.11**	**448,320.96**
Liabilities						
Derivative financial instruments	898.51	-	898.51	-	-	-
Trade payables			-			-
- total outstanding dues of micro and small enterprises	-	-	-	-	-	-
- total outstanding dues of creditors other than micro and small enterprises	1,648.35	-	1,648.35	793.17	-	793.17
Debt securities	62,498.81	101,457.97	163,956.78	27,428.57	58,592.13	86,020.70
Borrowings (Other than debt securities)	126,289.44	102,957.65	229,247.09	104,176.60	101,910.80	206,087.40
Other financial liabilities	2,789.02	859.95	3,648.97	3,553.89	1,129.15	4,683.04
Provisions	102.11	1,621.94	1,724.05	89.31	1,237.78	1,327.09
Other non-financial liabilities	409.47	-	409.47	127.68	-	127.68
Total Liabilities	**194,635.71**	**206,897.51**	**401,533.22**	**136,169.22**	**162,869.86**	**299,039.08**
Total equity			**155,886.02**			**149,281.88**

32A Change in Liabilities arising from financing activities

Particulars	As at April 1, 2020	Cash flows	Exchange difference	Others*	New Leases	As at March 31, 2021
Debt Securities	86,020.70	77,748.39	-	187.69	-	163,956.78
Borrowings (other than debt securities)	206,087.40	20,752.04	6.75	2,400.90	-	229,247.09
Lease Liabilities	1,408.13	(347.61)	-	66.86	-	1,127.38

Particulars	As at April 1, 2019	Cash flows	Exchange difference	Others*	New Leases	As at March 31, 2020
Debt Securities	124,386.13	(39,087.40)	-	721.97	-	86,020.70
Borrowings (other than debt securities)	166,885.56	38,858.00	-	343.84	-	206,087.40
Sub-ordinated Liabilities	1,213.41	(1,213.41)	-	-	-	-
Lease Liabilities	-	(291.28)	-	-	1,699.41	1,408.13

*Others includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees, decrease in lease liability on account of termination.

33 Leases

The disclosures as required under Ind AS 116 are as follows;

(i) Measurement of Lease Liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liability recognised	1,127.38	1,408.13

The Company has considered weighted average rate of borrowings for discounting.

The Company has entered into leasing arrangements for premises. ROU has been included after the line 'Property, Plant and Equipment' and Lease liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

(ii) Amounts recognised in the Balance sheet

Particulars	As at 31 March 2021	As at 31 March 2020
a) Right-of-use assets (net)	985.44	1,324.14
b) Lease liabilities		
Current	365.23	395.57
Non-current	762.15	1,012.56
Total Lease liabilities	**1,127.38**	**1,408.13**
c) Additions to the Right-of-use assets	-	623.28

(iii) Amounts recognised in the Statement of Profit and Loss

Particulars	As at 31 March 2021	As at 31 March 2020
a) Depreciation charge for right-of-use assets	320.07	288.11
b) Interest expense (included in finance cost)	124.13	126.35
c) Expense relating to short-term leases	321.28	536.52

Note:

On 24th July 2020, the MCA issued a notification as the Companies (Ind AS) Amendment Rules, 2020, which has come into force as on the data of publication. These amendments provide relief for lessees in the accounting for rent concessions granted as direct consequences of COVID-19. The Company have received the rent concession for 2 leases during the period June 2020 to September 2020 amounting to INR 35.20 lakhs (disclosed under "other income").

(iv) Cash Flows

Particulars	As at 31 March 2021	As at 31 March 2020
The total cash outflow of leases	347.61	291.28

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

(v) Maturity analysis of undiscounted lease liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Not later than one year	365.23	395.57
Later than one year and not later than five years	933.44	1,271.94
Later than five years	52.33	89.27

34 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, 2021 were as follows (Also refer note 79)

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Financial assets:						
Loans	–	102,275.31	–	–	102,275.31	102,275.31
Investments						
- Pass-through certificates	–	15,897.01	–	–	15,897.01	15,897.01
- Non convertible debentures	–	68,825.12	–	–	68,825.12	68,825.12
- Investment in Government securities	14,911.03	–	14,911.03	–	–	14,911.03
- Alternative Investment Funds	30,062.43	–	–	–	30,062.43	30,062.43
- Share warrants	1.62	–	–	–	1.62	1.62
Financial liabilities:						
Derivative financial instruments	–	898.51	–	–	898.51	898.51

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2020 were as follows

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Financial assets:						
Loans	–	73,160.07	–	–	73,160.07	73,160.07
Investments						
- Pass-through certificates	–	22,481.44	–	–	22,481.44	22,481.44
- Non convertible debentures	–	54,067.27	–	–	54,067.27	54,067.27
- Alternative Investment Funds	28,453.27	–	–	–	28,453.27	28,453.27
- Share warrants	1.62	–	–	–	1.62	1.62

Reconciliation of level 3 fair value measurement is as follows

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Financial assets measured at FVOCI		
Balance at the beginning of the year	3,272.37	2,991.04
Total gains measured through OCI for additions made during the year	995.03	281.33
Balance at the end of the year	**4,267.40**	**3,272.37**
Financial assets measured at FVTPL		
Fair value adjustment	546.08	88.80

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Sensitivity analysis - Increase/ decrease of 100 basis points

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Financial assets:				
Loans	1,022.75	(1,022.75)	731.60	(731.60)
Investments				
- Pass through securities	158.97	(158.97)	224.81	(224.81)
- Non convertible debentures	688.25	(688.25)	540.67	(540.67)
- Investment in Government securities	149.11	(149.11)	-	-
- Alternative Investment Funds	300.62	(300.62)	284.53	(284.53)
- Share warrants	0.02	(0.02)	0.02	(0.02)
Financial liabilities:				
Derivative financial instruments	(8.99)	8.99	-	-

The carrying value and fair value of other financial instruments by categories as of March 31, 2021 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	38,790.21				-
Bank balances other than cash and cash equivalents	6,837.98				-
Trade receivables	1,558.79				-
Loans	281,364.57				-
Investments	489.80				
Other financial assets	851.27				-
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	1,648.35				-
Debt securities	163,956.78				-
Borrowings (Other than debt securities)	229,247.09				-
Other financial liabilities	3,648.97				-

The carrying value and fair value of financial instruments by categories as of March 31, 2020 were as follows:

Particulars	Carrying Value	Level 1	Level 2	Level 3	Total
	Amortised cost				
Financial assets not measured at fair value:					
Cash and cash equivalents	32,485.12				-
Bank balances other than cash and cash equivalents	7,720.21				-
Trade receivables	821.57				-
Loans	226,307.73				-
Investments	489.80				
Other financial assets	1,173.42				-

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Carrying Value Amortised cost	Level 1	Level 2	Level 3	Total
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	793.17				-
Debt securities	86,020.70				-
Borrowings (Other than debt securities)	206,087.40				-
Other financial liabilities	4,683.04				-

Note:
For all of the financial assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair values.

B Measurement of fair values

Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the financial statements. These fair values were calculated for disclosure purposes only.

Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and cash equivalents, balances other than cash and cash equivalents, trade receivables, other financial assets, trade payables and other financial liabilities without a specific maturity.

Borrowings

The debt securities, borrowings and subordinated liabilities are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Loans

The Loans are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Transfers between levels I and II

There has been no transfer in between level I and level II.

C Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The Company's adjusted net debt to equity ratio is as follows:

Particulars	As at 31 March 2021	As at 31 March 2020
Total financial liabilities	399,399.70	297,584.31
Less: cash and cash equivalents	(38,790.21)	(32,485.12)
Adjusted net debt	360,609.49	265,099.19
Total equity	155,886.02	149,281.88
Adjusted net debt to equity ratio	2.31	1.78

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.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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. Also refer note 46.

35 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 loans and advances, investments and cash and cash equivalents that derive directly from its operations.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's board of directors has an overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Risk Management Committee and Asset Liability Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and investments (also refer note 79). The carrying amounts of financial assets represent the maximum credit risk exposure.

A. Loans

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry.

The Company's exposure to credit risk for loans by type of counterparty is as follows. All these exposures are with in India.

Particulars	Carrying Amount	
	As at March 31, 2021	As at March 31, 2020
Term loans	383,639.88	299,467.80
Less : Impairment loss allowance	(7,424.80)	(4,870.74)
	376,215.08	294,597.06

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due and the type of risk exposures. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments.

Staging:

As per the provision of Ind AS 109 general approach all financial instruments are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with the initial recognition, then an instrument is transferred to stage 2. If there is objective evidence of impairment, then the asset is credit impaired and transferred to stage 3.

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

For financial assets in stage 1, the impairment calculated based on defaults that are possible in next twelve months, whereas for financial instrument in stage 2 and stage 3 the ECL calculation considers default event for the lifespan of the instrument.

As per Ind AS 109, Company assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. Company has staged the assets based on the Day past dues criteria and other market factors which significantly impacts the portfolio.

Days past dues status	Stage	Provisions
Current	Stage 1	12 Months Provision
1-30 Days	Stage 1	12 Months Provision
31-90 Days	Stage 2	Lifetime Provision
90+ Days	Stage 3	Lifetime Provision

Also refer note 79

Grouping

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

- Loans
- Guarantees to pooled issuances
- Other guarantees
- Undrawn exposure
- Second loss credit enhancement
- Investments in pass through securities
- Investments in non convertible debentures

Expected credit loss ("ECL"):

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

a. Marginal Probability of default ("MPD")

b. Loss given default ("LGD")

c. Exposure at default ("EAD")

d. Discount factor ("D")

Marginal probability of default:

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 PD, Pluto Tash Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Company has worked out on PD based on the last four years historical data.

Marginal probability:

The PDs derived from the ARIMA model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

Conditional marginal probability:

As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.

The probability of default was calculated for 3 scenarios: upside, downside and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

LGD

LGD is an estimate of the loss from a transaction given that a default occurs. Under Ind AS 109, lifetime LGD's are defined as a collection of LGD's estimates applicable to different future periods. Various approaches are available to compute the LGD. The Company has considered the workout LGD approach by considering historical losses and recoveries. The following steps are performed to calculate the LGD:

1) Analysis of historical credit impaired accounts at cohort level.

2) The computation consists of five components, which are:

   a) Outstanding balance (POS)

   b) Recovery amount (discounted yearly) by initial contractual rate.

   c) Expected recovery amount (for incomplete recoveries), discounted to reporting date using initial contractual rate.

   d) Collateral (security) amount

The formula for the computation is as below:

% Recovery rate = (discounted recovery amount + security amount + discounted estimated recovery) / (total POS)

% LGD = 1 – recovery rate

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

In addition, the Group has also considered an LGD of 65% as recommended by the Foundation Internal Ratings Based (FIRB) approach under Basel II guidelines issued by RBI.

EAD:

As per Ind AS 109, EAD is estimation of the extent to which the financial entity may be exposed to counterparty in the event of default and at the time of counterparty's default. The Company has modelled EAD based on the contractual and behavioural cash flows till the lifetime of the loans considering the expected prepayments.

The Company has considered expected cash flows , undrawn exposures and SLCE for all the loans at DPD bucket level for each of the risk segments, which was used for computation of ECL. Moreover, the EAD comprised of principal component, accrued interest and also the future interest for the outstanding exposure. So discounting was done for computation of expected credit loss.

Discounting:

As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

ECL computation:

Conditional ECL at DPD pool level was computed with the following method:

Conditional ECL for year (yt) = EAD (yt) * conditional PD (yt) * LGD (yt) * discount factor (yt)

The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the stage is summarised below:

Particulars	Provisions	As at March 31, 2021	As at March 31, 2020
Stage 1	12 month provision	4,232.54	3,251.68
Stage 2	Life time provision	989.83	940.35
Stage 3	Life time provision	2,202.43	678.71
Amount of expected credit loss provided for		**7,424.80**	**4,870.74**

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Company's view of economic conditions over the expected lives of the loan receivables. Movement in provision of expected credit loss has been provided in below note.

Particulars	As at March 31, 2021	As at March 31, 2020
ECL allowance - opening balance	**4,870.74**	**2,713.16**
Addition during the year	8,464.03	3,202.12
Reversal during the year	-	-
Write offs during the year	(5,909.97)	(1,044.54)
Closing provision of ECL	**7,424.80**	**4,870.74**

Analysis of changes in the gross carrying amount of loans:

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**267,844.99**	**30,387.86**	**1,234.95**	**299,467.80**	**280,094.54**	**474.46**	**949.54**	**281,518.54**
New assets originated *	215,814.91	757.66	69.11	216,651.19	197,763.79	13,811.44	-	211,575.23
Asset derecognised or repaid	(126,559.63)	-	-	(126,559.63)	(192,571.92)	-	(9.51)	(192,581.43)
Transfer from stage 1	(6,943.53)	4,289.43	2,654.10	-	(17,441.41)	16,101.95	1,339.46	-
Transfer from stage 2	7,837.24	(8,571.60)	734.36	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	(4,967.58)	(145.62)	(796.77)	(5,909.97)	-	-	(1,044.54)	(1,044.54)
As at the end of the year	**353,026.40**	**26,717.73**	**3,895.75**	**383,639.88**	**267,844.99**	**30,387.86**	**1,234.95**	**299,467.80**

* New assets originated are those assets which have originated during the year.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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 assesses the credit rating information.

Analysis of changes in the gross carrying amount of investments:

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**92,564.71**	**12,263.08**	**665.61**	**105,493.40**	**103,671.65**	**0.00**	**2,331.11**	**106,002.76**
New assets originated *	38,249.28	–	–	38,249.28	57,138.14	2,360.09	–	59,498.23
Asset derecognised or repaid	(4,568.59)	(8,360.10)	(26.49)	(12,955.18)	(58,342.09)	–	(490.83)	(58,832.92)
Transfer from stage 1	(7,604.27)	104.27	7,500.00	–	(9,902.99)	9,902.99	–	–
Transfer from stage 2	3,109.21	(3,358.21)	249.00	–	–	–	–	–
Transfer from stage 3	–	–	–	–	–	–	–	–
Write offs	–	–	(600.49)	(600.49)	–	–	(1,174.67)	(1,174.67)
As at the end of the year	**121,750.34**	**649.04**	**7,787.63**	**130,187.01**	**92,564.71**	**12,263.08**	**665.61**	**105,493.40**

C. Cash and cash equivalent and Bank deposits

Credit risk on cash and cash equivalent and bank deposits is limited as the Company generally invests in term deposits with banks

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due.

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. Also refer note 49.

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and foreign currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Bank Deposits	134.73	(134.73)	117.23	(117.23)
Loans	2,852.06	(2,852.06)	2,346.94	(2,346.94)
Borrowings	(1,294.64)	1,294.64	(1,778.71)	1,778.71

(iv) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Company arises majorly on account of foreign currency borrowings. The Company manages this foreign currency risk by entering into cross currency interest rate swaps. When a derivative is entered into for the purpose of being as hedge, the Company negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Company's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Company holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

		As at March 31, 2021	As at March 31, 2020
36	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	520.50	438.00
	Undrawn committed sanctions to borrowers	24,948.47	11,020.07
37	**Contingent liabilities**		
	Claims against the Company not acknowledged as debt		
	- Income tax related matters	428.53	428.53
	Guarantees outstanding	27,141.74	25,928.31
38	**Derivatives**		
	Outstanding derivatives:		
	- for hedging (currency & interest rate derivatives)	898.51	-

39 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

Under Micro, Small and Medium Enterprise Development Act, 2006 ('MSMED') which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the year to such enterprise is NIL.

	Particulars	As at March 31, 2021	As at March 31, 2020
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;	-	-

	Particulars	As at March 31, 2021	As at March 31, 2020
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.	-	-

40 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 263.50 lakhs (March 31, 2020: INR 264.00 lakhs).

Defined benefit plans

The Company's gratuity benefit scheme is a defined plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past services and the fair value of any plan assets are deducted. The Calculation of the Company's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

Details of actuarial valuation of gratuity pursuant to the Ind AS 19

	Particulars	March 31, 2021	March 31, 2020
A.	**Change in present value of obligations**		
	Present value of obligations at the beginning of the year	401.24	358.33
	Current service cost	88.81	87.67
	Interest cost	23.68	24.80
	Past service cost	-	-
	Benefits settled	(50.67)	(15.09)
	Actuarial loss	(12.38)	(54.48)
	Present value of obligations at the end of the year	**450.68**	**401.24**
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	50.67	15.09
	Benefits settled	(50.67)	(15.09)
	Fair value of plan assets at the end of the year	**-**	**-**
C.	**Actual Return on plan assets**		
	Expected return on plan assets	-	-
	Actuarial gains/ (loss) on plan assets	-	-
	Actual return on plan assets	**-**	**-**
D.	**Reconciliation of present value of the obligation and the fair value of the plan assets**		
	Change in projected benefit obligation		
	Present value of obligations at the end of the year	450.68	401.24
	Fair value of plan assets	-	-
	Net liability recognised in balance sheet	**450.68**	**401.24**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Particulars	March 31, 2021	March 31, 2020
	The liability in respect of the gratuity plan comprises of the following non-current and current portions:		
	Current	62.50	49.70
	Non-current	388.18	351.54
		450.68	**401.24**
E.	**Expense recognised in statement of profit and loss and other comprehensive income**		
	Current service cost	88.81	87.67
	Interest on obligation	23.68	24.80
	Past service cost	–	–
	Expected return on plan assets	–	–
	Net actuarial loss recognised in the year	(12.38)	(54.48)
	Total included in statement of profit and loss and other comprehensive income	**100.11**	**57.99**
F.	**Assumptions at balance sheet date**		
	Discount rate	6.21%	6.30%
	Salary escalation	8.00%	8.00%
	Mortality rate	Indian Assured Lives (2012 -14)	Indian Assured Lives (2012 -14)
	Attrition rate	16.00%	15.00%

Notes:

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

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the balance sheet date for the estimated term of the obligation.

G. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Year ended March 31, 2021		Year ended March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	426.58	477.46	378.08	427.13
Future salary growth (1% movement)	478.72	424.95	428.22	376.63

H. Five year Information

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Present Value of obligations	450.68	401.24	358.33	273.35	155.52
Fair value of plan assets	–	–	–	–	–
(Surplus)/ deficit in the plan	–	–	–	–	–
Experience adjustments arising on plan liabilities - (gain)/ loss	(12.38)	(54.48)	(14.07)	31.67	30.05
Experience adjustments arising on plan assets - (gain)/ loss	–	–	–	–	–

41 Employee stock option plan (ESOP)

Employee Stock Option Plan 2016 (ESOP) has been approved by the Board at its meeting held on October 7, 2016 and by the members in the Extra Ordinary General Meeting held on October 7, 2016.

41.1 Northern Arc Capital Employee Stock Option Plan 2016 – ("Scheme 1") formerly IFMR Capital Employee Stock Option Plan 2016 – ("Scheme 1")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

The options were issued on March 01, 2017 and will be exercised at INR 10. The options are vested over a period of 4 years in 40:20:20:20 proportion

Northern Arc Capital Employee Stock Option Plan 2016 – ("Scheme 2") formerly IFMR Capital Employee Stock Option Plan 2016 – ("Plan" or "ESOP") ("Scheme 2")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued in six batches. The first and second batch will be exercised at INR 110, third, fourth and fifth batch will be exercised at INR 121 and sixth batch will be exercised at INR 188. The options are vested equally over a period of 5 years.

Northern Arc Capital Employee Stock Option Plan 2016 – "Scheme– III" ("Scheme 3")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued in two batches. The first batch will be exercised at INR 181 and second batch will be exercised at INR 188. The options are vested over a period of 3 years in 30:30:40 proportion

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

Particulars	As at March 31, 2021			As at March 31, 2020		
Plan	Scheme 1	Scheme 2	Scheme 3	Scheme 1	Scheme 2	Scheme 3
Grant date	Various	Various	Various	Various	Various	Various
Number of options	397,371	3,489,500	1,147,783	411,371	4,027,500	1,449,712
Exercise price in INR	10	110 to 188	181 to 188	10	110 to 188	181 to 188
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years	1 to 4 years	1 to 5 years	1 to 3 years
Option Price	113.65	31.85 to 117.74	65.57 to 73.55	113.65	31.85 to 117.74	65.57 to 73.55
Weighted average exercise price in INR	10.00	122.05	184.00	10.00	120.50	184.00
Weighted average remaining contractual life (in years)	–	1.71	0.71	1.00	2.56	1.71
Vesting condition	Time based vesting					

41.3 Reconciliation of outstanding options

The details of options granted under the above schemes are as follows:

Particulars	Number of options	
	As at March 31, 2021	As at March 31, 2020
Outstanding at beginning of year	5,888,583	5,557,083
Add: Granted during the year	125,000	1,525,545
Less: Forfeited during the year	535,282	1,194,045
Less: Exercised during the year	443,647	–
Outstanding as at end of year	**5,034,654**	**5,888,583**
Vested and exercisable as at end of year	**2,023,486**	**2,026,651**

41.4 Fair value methodology

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company are as follows:

	As at March 31, 2021	As at March 31, 2020
Dividend yield	0%	0%
Historical Volatility Estimate	22.05%	22.05%
Risk free interest rate	7.24%	7.24%
Expected life of the option (in years)	4.00	4.00

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

42 Related party disclosures

Related party relationships and transactions:

Nature of Relationship	Name of Related Party
(i) Wholly owned subsidiaries	Northern Arc Investment Adviser Services Private Limited
	Northern Arc Investment Managers Private Limited
	Northern Arc Foundation
(iii) Key Managerial Personnel (KMP)	Ms. Kshama Fernandes, Chief Executive Officer and Managing Director
	Ms. Bama Balakrishnan, Chief Financial Officer (upto June 30, 2020)
	Ms. Nandita Ganapathy, Chief Financial Officer (from July 1, 2020 to January 25, 2021)
	Mr. Leo Puri, Independent Director (upto October 30, 2020)
	Mr. P S Jayakumar, Independent Director (from October 15, 2020)

Also refer note 43

A. Transactions during the Year :

	Year ended March 31, 2021	Year ended March 31, 2020
Northern Arc Investment Adviser Services Private Limited		
Fee income	-	32.15
Reimbursement of income	-	0.97
Sale of fixed assets	-	0.73
ESOP issued	-	89.74
Transfer of Security deposit	1.00	-
Northern Arc Foundation		
Contribution to CSR	291.95	197.68
Investment in equity	-	1.00
Ms. Kshama Fernandes		
Remuneration and other benefits *	155.67	240.75
Employee stock option (in units)	-	0.49
Ms. Bama Balakrishnan		
Remuneration and other benefits *	39.32	189.20
Employee stock option (in units)	-	0.38
Ms. Nandita Ganapathy		
Remuneration and other benefits including post employment benefits	82.70	-
Mr. Leo Puri		
Professional Fee	32.50	15.00
Mr. P S Jayakumar		
Professional Fee	13.75	-
Northern Arc Investment Managers Private Limited		
Reimbursement of expenses	138.69	154.84
Reimbursement of income	141.49	65.15
Fee income	-	86.70
Interest income	294.93	232.57
Loans given	604.26	1,933.45
Loans repaid	636.00	904.00
Redemption of preference share capital	-	722.00
Premium on preference shares received	-	231.04
Premium on preference shares Income	-	28.66
ESOP issued	-	151.32
Transfer of fixed asset	0.07	-
Transfer of Security deposit	2.00	-

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

B. Balances as at year end:

	As at March 31, 2021	As at March 31, 2020
Northern Arc Investment Adviser Services Private Limited		
Equity share capital	127.80	127.80
ESOP Receivable	24.36	89.74
Advances	31.38	87.02
Northern Arc Investment Managers Private Limited		
Equity share capital	361.00	361.00
ESOP Receivable	134.00	151.32
Loans	2,138.40	2,170.14
Advances	238.38	140.20
Northern Arc Foundation		
Investment in Equity	1.00	1.00
Ms. Kshama Fernandes		
Employee stock option (in units)	8.11	8.11
Ms. Bama Balakrishnan		
Employee stock option (in units)	5.89	5.89

43 The details of the investments held by the Company in the Alternative Investment Funds managed by the Company's wholly owned subsidiary

Fund	March 31, 2021		March 31, 2020	
	Purchases	Redemption	Purchases	Redemption
IFMR Fimpact Investment Fund	-	1,431.53	-	-
IFMR Fimpact Medium Term Microfinance Fund	-	-	-	1,558.76
IFMR Fimpact Long Term Multi Asset Fund	-	-	1,034.03	-
IFMR Fimpact Medium Term Opportunities Fund	-	-	-	631.51
IFMR Fimpact Income Builder Fund Fund	-	-	1,079.00	577.21
Northern Arc Money Market Alpha Trust Fund	3,672.62	1,400.00	132.84	400.00
Northern Arc Income Builder (Series II) Fund	85.00	-	401.00	-

Fund	Income earned	
	Year ended March 31, 2021	Year ended March 31, 2020
IFMR Fimpact Investment Fund	227.67	244.52
IFMR Fimpact Medium Term Microfinance Fund	-	126.00
IFMR Fimpact Long Term Multi Asset Fund	703.25	(1,412.45)
IFMR Fimpact Long Term Credit Fund	1,310.96	1,321.85
IFMR Fimpact Medium Term Opportunities Fund	731.59	331.81
IFMR Fimpact Income Builder Fund Fund	48.91	34.60
Northern Arc Money Market Alpha Trust Fund	265.53	204.22
Northern Arc Income Builder (Series II) Fund	32.91	(0.31)

Outstanding balances (Investment) at Cost

Fund	March 31, 2021		March 31, 2020	
	Units	Cost (INR in lakhs)	Units	Cost (INR in lakhs)
IFMR Fimpact Investment Fund	-	-	1,431.53	1,431.53
IFMR Fimpact Long Term Multi Asset Fund	5,491.53	5,491.53	5,491.53	5,491.53
IFMR Fimpact Long Term Credit Fund	10,244.08	10,244.08	10,244.08	10,244.08
IFMR Fimpact Medium Term Opportunities Fund	5,579.11	5,579.11	5,579.11	5,579.11
IFMR Fimpact Income Builder Fund Fund	1,829.63	2,023.04	1,829.63	2,023.04
Northern Arc Money Market Alpha Trust Fund	4,429,362.45	4,429.36	2,156,738.22	2,156.74
Northern Arc Income Builder (Series II) Fund	479.27	486.00	401.00	401.00

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

44 Impact of hedging activities

a) Disclosure of effects of hedge accounting on financial position:

As at March 31, 2021								
Type of hedge risks	Nominal Value		Carrying amount of hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Change in the value of hedged item as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Cross currency interest rate swaps	-	43,969.98	-	898.51	March 4, 2026; November 15, 2025	898.51	(898.51)	Borrowings (Other than debt securities)

As at March 31, 2020								
Type of hedge risks	Nominal Value		Carrying amount of hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Change in the value of hedged item as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Cross currency interest rate swaps	-	-	-	-	-	-	-	-

b) Disclosure of effects of hedge accounting on financial performance:

For the year ended March 31, 2021				
Type of hedge	Change in value of the hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge				
Cross currency interest rate swaps	898.51	-	390.00	Finance costs

For the year ended March 31, 2020				
Type of hedge	Change in value of the hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge				
Cross currency interest rate swaps	-	-	-	-

45 Segment reporting

Operating segments

The Company's operations predominantly relate to arranging or facilitating or providing finance either in the form of loans or investments or guarantees. The information relating to this operating segment is reviewed regularly by the Company's Board of Directors (Chief Operating Decision Maker) to make decisions about resources to be allocated and to assess its performance. The CODM considers the entire business of the Company on a holistic basis to make operating decisions and thus there are no segregated operating segments. The CODM of the Company reviews the operating results of the Company as a whole and therefore not more than one reportable segment is required to be disclosed by the Company as envisaged by Ind AS 108 Operating Segments.

The Company does not have any separate geographic segment other than India. As such there are no separate reportable segments as per IND AS 108 Operating Segments.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

46 Balance sheet disclosure as required under Master Direction - Non-banking Financial Company -Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

The disclosures in note from 45A to 70 are made pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 (as amended), to the extent applicable to the Company.

45A Gold loan portfolio

The Company has not provided loan against gold during the year ended March 31, 2021 and March 31, 2020.

47 Capital adequacy ratio

The Company's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines, is as follows:

Particulars	Year Ended March 31, 2021	Year Ended March 31, 2020
Tier I Capital	146,757.34	141,341.03
Tier II Capital	6,749.89	5,884.56
Total Capital	**153,507.24**	**147,225.59**
Total Risk Assets	531,274.72	444,036.91
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	27.62%	31.83%
Tier II Capital as a percentage of Total Risk Assets (%)	1.27%	1.33%
Total Capital (%)	**28.89%**	**33.16%**

48 Investments

Particulars	As at March 31, 2021	As at March 31, 2020
Value of investment		
Gross value of investments		
- In India	130,187.01	105,493.40
- Outside India	-	-
Provisions for investments		
- In India	4,875.00	665.27
- Outside India	-	-
Net value investments		
- In India	125,312.01	104,828.13
- Outside India	-	-
Movement of provisions held towards investments		
Opening balance	665.27	1,075.78
Add: Provisions made during the year	4,875.00	-
Less: Write off/ write back/ reversal of provision during the year	(665.27)	(410.51)
Closing balance	**4,875.00**	**665.27**

49 Derivatives

a) Forward Rate Agreement (FRA) / Interest Rate Swap (IRS)

S No	Particulars	March 31, 2021	March 31, 2020
i)	The notional principal of swap agreements	43,969.98	-
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreement	-	-
iii)	Collateral required by the Company upon entering into swaps	-	-
iv)	Concentration of credit risk arising from the swaps	NA	-
v)	The fair value of the swap book (Asset / (Liability))	(898.51)	-

b) Exchange Traded Interest Rate (IR) Derivatives

The Company has not entered into any exchange traded derivative.

c) Disclosures on Risk Exposure in Derivatives

Qualitative Disclosures

i) The Company undertakes the derivatives transaction to prudently hedge the risk in context of a particular borrowing and to maintain fixed and floating borrowing mix. The Company does not indulge into any derivative trading transactions. The Company reviews, the proposed transaction and outline any considerations associated with the transaction, including identification of the benefits and potential risks (worst case scenarios); an independent analysis of potential savings from the proposed transaction. The Company evaluates all the risks inherent in the transaction viz., counter party risk, Market Risk, Operational Risk, basis risk etc.

ii) Credit risk is controlled by restricting the counterparties that the Company deals with, to those who either have banking relationship with the Company or are internationally renowned or can provide sufficient information. Market/Price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled. Normally transaction entered for hedging, will run over the life of the underlying instrument, irrespective of profit or loss. Liquidity risk is controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.

iii) The respective functions of trading, confirmation and settlement should be performed by different personnel. The front office and back-office role is well defined and segregated. All the derivatives transactions are quarterly monitored and reviewed. All the derivative transactions have to be reported to the board of directors on every quarterly board meetings including their financial positions.

Quantitative Disclosures

S No	Particulars	March 31, 2021		March 31, 2020	
		Currency Derivatives*	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
i)	Derivatives (Notional Principal Amount) - For hedging	43,969.98	-	-	-
ii)	Marked to Market Positions (a) Asset [+] Estimated gain (b) Liability [-] Estimated loss	(898.51)	-	-	-
iii)	Credit exposure	43,969.98	-	-	-
iv)	Unhedged exposures	-	-	-	-

* Cross currency interest rate swap

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

50 Asset Liability Management

Maturity Pattern of certain items of Assets and Liabilities:

Particulars	1 day to 30/31 days (1 Month)	Over 1 month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from banks and others	16,050.76	9,313.78	20,824.10	30,587.52	49,513.28	73,709.21	29,533.79	-	229,532.44
	(12,405.15)	(2,180.02)	(19,856.27)	(21,022.66)	(48,712.50)	(94,448.06)	(7,046.36)	-	(205,671.02)
Market Borrowings	416.67	10,500.00	2,428.57	7,666.67	41,486.90	72,397.86	27,651.42	-	162,548.09
	(7,575.00)	(6,425.00)	-	(1,500.00)	(11,928.57)	(48,964.29)	(9,607.14)	-	(86,000.00)
Assets									
Advances	26,190.50	23,284.93	25,681.73	69,293.89	102,782.36	129,868.58	4,820.12	-	381,922.11
	(9,174.13)	(5,057.47)	(4,716.43)	(21,136.17)	(73,346.56)	(161,479.78)	(23,136.21)	(27.44)	(298,074.20)
Investments	3,509.83	1,801.35	16,638.32	5,567.66	8,999.80	57,095.06	11,652.43	19,542.87	124,807.32
	(7,472.01)	(897.31)	(1,027.98)	(6,078.03)	(11,617.34)	(34,744.48)	(21,097.84)	(17,698.00)	(100,632.98)

Note:

- Numbers in brackets represent previous year balances.
- The balances are gross of impairment loss allowance, accrued interest, unamortised borrowing costs and fair valuation gain/loss
- Estimated expected cashflows considering the moratorium / restructuring given to customers and availed from lenders. Also refer note 77 and 79.

51 Disclosure of frauds reported during the year ended March 31, 2021

The frauds detected and reported for the year amounted to INR 7,456 Lakhs (March 31, 2020: Nil)

52 Exposure to Real estate sector

Particulars	As at March 31, 2021	As at March 31, 2020
A. Direct Exposure		
i. Residential Mortgages (refer note below)	20,240.73	18,464.95
(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)	804.98	2,689.70
b) Commercial Real Estate	–	-

Note:

Represents Loans, investment in pass through certificates and Non convertible debentures extended to housing finance companies.

53 Exposure to capital market

Particulars	As at March 31, 2021	As at March 31, 2020
(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 ;	1,299.22	100.00
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers ;	–	–
(vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources ;	–	–
(vii) Bridge loans to companies against expected equity flows / issues ;	–	–
(viii) All exposures to Venture capital funds (both registered and unregistered)	–	–

54 Disclosures relating to Securitisation

54.1 Details of assignment transactions undertaken

Particulars	As at March 31, 2021	As at March 31, 2020
Number of Accounts	–	3
Aggregate value of account sold	–	15,294.83
Aggregate consideration	–	15,294.83
Additional consideration realised in respect of accounts transferred in earlier years	–	–
Aggregate gain/(loss) over net book value	–	–

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

54.2 Details of securitisation transactions undertaken

Particulars	As at March 31, 2021	As at March 31, 2020
No of SPVs sponsored by the NBFC for securitisation transactions	-	1.00
Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	-	5,224.54
Total amount of exposures retained by the NBFC to comply with MRR		
a) Off-balance sheet exposures		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
* First loss	-	-
* Others - over collateral	-	626.94
Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitisations		
* First loss	-	-
* Others - corporate guarantee	-	156.74
ii) Exposure to third party securitisations		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
* First loss - cash collateral	-	-
* Others	-	-
ii) Exposure to third party securitisations		
* First loss	-	-
* Others	-	-

55 Details of non- performing financial assets purchases / sold

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

56 Details of financing of Parent Company products

Not applicable

57 Details of Single Borrower Limits (SBL)/ Group Borrower Limits (GBL) exceeded

The Company has not exceeded the single borrower limit as set by Reserve Bank of India for the year ended March 31, 2021 and March 31, 2020.

58 Advances against Intangible Securities

The Company has not given any loans against intangible securities

59 Registration/ licence/ authorisation obtained from other financial sector regulators :

Registration / Licence	Authority issuing the registration / license	Registration / Licence reference
Certificate of Registration	Reserve Bank of India	B-07-00430 dated March 8, 2018 (Original certificate dated August 8, 2013)

60 Penalties imposed by RBI and other regulators

No penalties have been imposed by RBI and Other Regulators during the financial year 2020-21. (FY 2019-20 - Nil)

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

61 Ratings

The Credit Analysis & Research Limited (CARE), India Ratings & Research and ICRA Limited (ICRA) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Particulars	Rating agency	As at March 31, 2021	As at March 31, 2020
Bank facilities	ICRA	A+	A+
Non-convertible debentures - long term	ICRA	A+	A+
Non-convertible debentures - long term	IND	A+	NA
Non-convertible debentures - short term	CARE	NA	A1+
Subordinated debt	ICRA	A+	A+
Cumulative non-convertible compulsorily redeemable preference shares	ICRA	NA	A
Market linked debentures	ICRA	PP-MLD A+	NA
Market linked debentures	IND	PP-MLD A+	NA
Commercial paper	CARE	A1+	NA
Commercial paper	ICRA	A1+	A1+

62 Provisions and contingencies (Break up of 'provisions and contingencies' shown under the head expenditure)

	As at March 31, 2021	As at March 31, 2020
Loss allowance on financial assets (Impairment on financial instruments)	13,602.68	3,523.08
Provision made towards current income taxes	3,939.00	3,370.00

63 Draw down from reserves

The Company has not made any drawdown from existing reserves.

64 Concentration of advances

	As at March 31, 2021	As at March 31, 2020
Total advances to twenty largest borrowers	125,026.62	98,319.74
Percentage of advances to twenty largest borrowers to total advances	32.59%	33.37%

65 Concentration of exposures

	As at March 31, 2021	As at March 31, 2020
Total exposure to twenty largest borrowers	191,570.28	153,478.91
Percentage of exposures to twenty largest borrowers to total exposure	32.74%	35.02%

66 Concentration of NPA Contracts*

	As at March 31, 2021	As at March 31, 2020
Total exposure to top four NPA accounts	8,376.05	1,168.94

* represents stage 3 contracts (net of write offs). Also refer note 79

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

	As at March 31, 2021	As at March 31, 2020
Agriculture & allied activities	0.00%	0.00%
MSME	0.00%	0.00%
Corporate borrowers	2.29%	0.40%
Services	0.00%	0.00%
Unsecured personal loans	6.27%	0.00%
Auto loans	44.48%	0.00%
Other loans	2.06%	0.59%

The above Sector-wise NPA and advances are based on the data available with the Company which has been relied upon by the auditors. NPA contracts represents the Stage 3 contracts (net of write offs). Also refer note 79.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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

		As at March 31, 2021	As at March 31, 2020
(a)	**Net NPAs to net advances (%)**	0.89%	0.15%
	(Net of provision for NPAs)		
(b)	**Movement of gross NPAs**		
	Opening balance	2,000.45	3,381.52
	Additions during the year	9,727.33	–
	Reductions during the year	–	(1,381.07)
	Closing balance	**11,727.78**	**2,000.45**
(c)	**Movement of net NPAs**		
	Opening balance	590.69	177.92
	Additions during the year	3,891.89	412.77
	Reductions during the year	–	–
	Closing balance	**4,482.58**	**590.69**
(d)	**Movement of provisions for NPAs (excluding contingent provisions against standard assets)**		
	Opening balance	1,409.76	3,203.60
	Additions during the year	5,835.44	–
	Reductions during the year	–	(1,793.84)
	Closing balance	**7,245.20**	**1,409.76**

Note : NPA represents financial instrument classified as stage 3 (net of write offs) and the NPA Provision represents the Loss allowance on Stage 3 assets. Also refer note 79.

67A Movement of provisions held towards guarantees

	As at March 31, 2021	As at March 31, 2020
Opening balance	696.19	660.74
Add: Provisions made during the year	323.05	35.45
Less: Write off/ write back/ reversal of provision during the year	–	–
Closing balance	**1,019.24**	**696.19**

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

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

There are no overseas asset owned by the Company

70 Off-balance sheet SPVs sponsored

There are no SPVs which are required to be consolidated as per accounting norms.

71 Customer complaints

	As at March 31, 2021	As at March 31, 2020
No. of complaints pending at the beginning of the year	–	–
No. of complaints received during the year	282	–
No. of complaints redressed during the year	282	–
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.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

72 Disclosure pursuant to Reserve Bank of India Circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 pertaining to Asset Classification and Provisioning in terms of COVID19 Regulatory Package

Particulars	As at March 31, 2021	As at March 31, 2020
Respective amounts in SMA/overdue categories, where the moratorium/ deferment was extended	3,318.44	871.92
Respective amount where asset classification benefits is extended	NIL**	871.92
General provision made***	-	-
General provision adjusted during the period against slippages and the residual provisions	-	-

*The Outstanding as on March 31, 2021 and March 31, 2020 on account of all cases in SMA/overdue categories, where the moratorium was extended by the Company upto August 31, 2020

**There are NIL accounts where asset classification benefit is extended till March 31, 2021. Post the moratorium period, the movement of ageing has been at actuals.

*** The Company has made adequate provision for impairment loss allowance (as per ECL model) for the year ended March 31, 2021. Also refer note 79.

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

Particulars	As at March 31, 2021	As at March 31, 2020
Loans and advances in the nature of loans to subsidiaries	2,138.40	2,170.14
Loans and advances in the nature of loans to associates	-	-
Loans and advances in the nature of loans where there is -		
(i) no repayment schedule or repayment beyond seven years	-	-
(ii) no interest or interest below section 186 of Companies Act, 2013	-	-
Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-

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

The Debentures are secured by way of an exclusive hypothecation of loans, investment in pass through certificates and investment in debentures.

75 Disclosure pursuant to Reserve Bank of India notification DOR (NBFC).CC.PD.No.109 /22.10.106/2019- 20 dated March 13, 2020 pertaining to Asset Classification as per RBI Norms

As at March 31, 2021

Asset Classification as per RBI norms	Asset Classification as per IND AS 109	Gross Carrying amount as per IND AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5) =(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	364,500.43	5,069.68	359,430.76	1,458.00	3,611.67
	Stage 2	13,429.88	995.52	12,434.36	53.72	941.80
Subtotal for Standard		**377,930.31**	**6,065.20**	**371,865.12**	**1,511.72**	**4,553.47**
Non Performing Assets (NPA)						
Substandard	Stage 3	3,969.67	2,202.43	1,767.24	992.42	1,210.01
Doubtful - upto 1 year	Stage 3	-	-	-	-	-
1 - 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		**3,969.67**	**2,202.43**	**1,767.24**	**992.42**	**1,210.01**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Asset Classification as per RBI norms	Asset Classification as per IND AS 109	Gross Carrying amount as per IND AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5) =(3)-(4)	(6)	(7) = (4)-(6)
Other items such as guarantees, loan commitment etc., which are in the scope of Ind AS 109 but not covered under Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	120,570.22	1,435.85	119,134.37	-	152.26
	Stage 2	1,326.24	172.31	1,153.93	-	155.18
	Stage 3	7,925.17	5,151.36	2,773.81	-	-
Subtotal		**129,821.63**	**6,759.52**	**123,062.11**	**-**	**307.44**
Total	**Stage 1**	**485,070.65**	**6,505.53**	**478,565.13**	**1,458.00**	**3,763.93**
	Stage 2	**14,756.12**	**1,167.83**	**13,588.29**	**53.72**	**1,096.98**
	Stage 3	**11,894.84**	**7,353.79**	**4,541.05**	**992.42**	**-**
		511,721.61	**15,027.15**	**496,694.47**	**2,504.14**	**4,860.91**

As at March 31, 2020

Asset Classification as per RBI norms	Asset Classification as per IND AS 109	Gross Carrying amount as per IND AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5) =(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	281,878.10	3,509.21	278,368.89	1,180.16	2,329.05
	Stage 2	30,978.06	945.41	30,032.66	37.58	907.82
Subtotal for Standard		**312,856.16**	**4,454.62**	**308,401.54**	**1,217.74**	**3,236.87**
Non Performing Assets (NPA)						
Substandard	Stage 3	–	–	–	–	–
Doubtful - upto 1 year	Stage 3	1,234.95	678.71	556.24	615.34	63.38
1 - 3 years	Stage 3	–	–	–	–	–
More than 3 years	Stage 3	–	–	–	–	–
Loss	Stage 3	–	–	–	–	–
Subtotal for NPA		**1,234.95**	**678.71**	**556.24**	**615.34**	**63.38**
Other items such as guarantees, loan commitment etc., which are in the scope of Ind AS 109 but not covered under Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	84,081.89	903.94	83,177.95	–	903.94
	Stage 2	15,349.80	938.15	14,411.66	–	938.15
	Stage 3	765.50	731.05	34.45	–	731.05
Subtotal		**100,197.19**	**2,573.13**	**97,624.06**	**–**	**2,573.13**
Total	**Stage 1**	**365,959.99**	**4,413.15**	**361,546.84**	**1,180.16**	**3,232.99**
	Stage 2	**46,327.87**	**1,883.55**	**44,444.31**	**37.58**	**1,845.97**
	Stage 3	**2,000.45**	**1,409.76**	**590.69**	**615.34**	**794.42**
		414,288.31	**7,706.47**	**406,581.84**	**1,833.08**	**5,873.38**

In terms of the requirement as per RBI notifications no. RBI/2019-20/170 DOR (NBFC).CC. PD No. 109/22.10.106/2019-20 dated March 13, 2020 on implementation of Indian accounting standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income recognition, Asset Classification and Provisioning (IRACP) Norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the Company exceeds the total provision required under IRACP (including standard asset provisioning) as at March 31, 2021 and accordingly, no amount is required to be transferred to impairment reserve. Also refer note 79.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

76 Schedule to the Balance Sheet of a non deposit taking Non-Banking Financial Company (Pursuant to paragraph 19 of Master Direction - Non-Banking Financial Company –Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016):

S. N.	Particulars	As at March 31, 2021		As at March 31, 2020	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	Liabilities side:				
1	**Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:**				
	(a) Debentures				
	- Secured (net of unamortised borrowing cost)	146,442.78	-	57,110.16	-
	- Unsecured (net of unamortised borrowing cost)	2,772.44	-	27,454.75	-
	(other than falling within the meaning of public deposits)				
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans (net of unamortised borrowing cost)	190,489.98	-	174,054.74	-
	(d) Inter-Corporate Loans and Borrowings	-	-	-	-
	(e) Commercial Paper	14,741.56	-	1,455.79	-
	(f) Public Deposits	-	-	-	-
	(g) Other Loans (net of unamortised borrowing cost)	38,757.11	-	32,032.66	-
	(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	-	-	-	-

	Particulars	As at March 31, 2021	As at March 31, 2020
	Assets side:		
3	**Break-up of Loans and Advances * including Bills Receivables [other than those included in (4) below]:**		
	(a) Secured	313,322.36	254,073.34
	(b) Unsecured	70,317.52	45,394.46
	(Excludes loss allowance and includes unamortised fee)		
4	**Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities**		
	(i) Lease Assets including Lease Rentals Accrued and Due:		
	a) Financial Lease	-	-
	b) Operating Lease	-	-
	(ii) Stock on Hire including Hire Charges under Sundry Debtors:		
	a) Assets on Hire	-	-
	b) Repossessed Assets	-	-

	Particulars	As at March 31, 2021	As at March 31, 2020
	(iii) Other Loans counting towards AFC Activities		
	a) Loans where Assets have been Repossessed	-	-
	b) Loans other than (a) above	-	-
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	12,719.77	11,398.10
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	14,911.03	-
	v. Others		
	a) commercial paper	-	-
	II. Unquoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) pass through certificates	8,886.17	13,471.72
	b) units of alternative investment fund	-	3,588.27
	Long Term Investments:		
	I. Quoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	56,105.35	42,669.17
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	
	II. Unquoted:		
	i. Shares		
	a) Equity	489.80	489.80
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others		
	a) pass through certificates	7,010.84	9,009.72
	b) units of alternative investment fund	30,062.43	24,865.00
	c) share warrants	1.62	1.62

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

6 Borrower Group-wise Classification of Assets Financed as in (3) and (4) above:

Category	As at March 31, 2021 (Net of provision for NPA)		As at March 31, 2020 (Net of provision for NPA)	
	Secured	Unsecured	Secured	Unsecured
1. Related parties				
(a) Subsidiaries	-	2,138.40	-	2,170.14
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	313,322.36	68,179.12	254,073.34	43,224.32
	313,322.36	**70,317.52**	**254,073.34**	**45,394.46**

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, 2021	Book Value as on March 31, 2021 (Net of provisions)	Market Value / Break up Value or Fair Value or Net Asset Value as on March 31, 2020	Book Value as on March 31, 2020 (Net of provisions)
1. Related Parties				
(a) Subsidiaries	489.80	489.80	489.80	489.80
(b) Companies in the same Group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	129,697.21	124,822.21	105,003.60	104,338.33
	130,187.01	**125,312.01**	**105,493.40**	**104,828.13**

8 Other Information (Also refer note 79)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Related Parties	Other than Related Parties	Related Parties	Other than Related Parties
(i) Gross Non-Performing Assets	-	11,727.78	-	2,000.45
(ii) Net Non-Performing Assets	-	4,482.58	-	590.69
(iii) Assets Acquired in Satisfaction of Debt	-	-	-	-

Note : NPA contracts represents the Stage 3 contracts (net of write offs). Also this excludes the impact of the fair value changes on the financial assets. Also refer note 79.

NORTHERN ARC CAPITAL LIMITED

Notes to the Standalone Financial Statements for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

77 Disclosure Pursuant to paragraph 8 of Master Direction - Non-Banking Financial Company –Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016:

Type of Restructuring		Other than CDR and SME Debt Restructuring*					Total				
Asset Classification details		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
Restructured assets as on April 01, 2020	No.of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-
Fresh restructuring during the year	No.of borrowers	1,596	6	-	-	1,602	1,596	6	-	-	1,602
	Amount Outstanding	2,058.66	230.78	-	-	2,289.44	2,058.66	230.78	-	-	2,289.44
	Provision there on	312.37	26.42	-	-	338.78	312.37	26.42	-	-	338.78
Upgradations to restructured standard category during the year	No.of borrowers	5	-	-	-	5	5	-	-	-	5
	Amount Outstanding	22.26	-	-	-	22.26	22.26	-	-	-	22.26
	Provision there on	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the financial year and hence need not be shown as restructured standard advances at the beginning of the next financial year	No.of borrowers	-	-	-	-	-	-	-	-	-	-
		-	-	-			0	0	0	0	
		-	-	-			0	0	0	0	
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		-	-	-			-	-	-	-	
		-	-	-			-	-	-	-	
	Provision there on	-	-	-	-	-	-	-	-	-	-
		-	-	-			-	-	-	-	
		-	-	-			-	-	-	-	
		-	-	-			-	-	-	-	
Downgradation of restructured accounts during the year	No.of borrowers	-	199	-	-	199	-	199	-	-	199
	Amount Outstanding	-	28.62	-	-	28.62	-	28.62	-	-	28.62
	Provision there on	-	-	-	-	-	-	-	-	-	-
Write off restructured accounts during the year	No.of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
Restructured accounts as on March 31, 2021	No.of borrowers	853	200			1,053	853	200	-	-	1,053
	Amount Outstanding	1,850.35	221.09			2,071.44	1,850.35	221.09	-	-	2,071.44
	Provision there on	433.33	125.51			558.84	433.33	125.51	-	-	558.84

*One time Restructuring under notification no RBI/2020-21/16 DOR No BP BC/3/21.04 048/2020-21 dated August 6, 2021

77A Pursuant to the RBI circular RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 as a part of the resolution framework for COVID 19 related stress, eligible loans have been granted resolution in form of restructuring and the disclosure is as follows:

Type of borrower	Number of accounts where resolution plan has been implemented under this window	Exposure to accounts mentioned at (A) before implementation of the plan	Of (B), aggregate amount of debt that was converted into other securities	Additional funding sanctioned, if any, including between invocation of the plan and implementation	Increase in provisions on account of the implementation of the resolution plan
	(A)	(B)	(C)	(D)	(E)
Personal Loans	1,325.00	220.11	-	-	1.52
Corporate persons	2.00	1,081.78	-	-	149.08
Of which, MSMEs	-	-	-	-	-
Others	100.00	961.94	-	-	69.38
Total	**1,427.00**	**2,263.83**	**-**	**-**	**219.98**

The Company, being NBFC, has complied with Ind-AS and its Expected Credit Loss policy duly approved by the Board for the purpose of provision on such restructured accounts.

78 Disclosure pursuant to Reserve Bank of India Circular DOR.NBFC (PD) CC. No.102/03.10.001 /2019-20 dated November 4, 2019 pertaining to Liquidity Risk Management Framework for Non-Banking Financial Companies.

As per the Guidelines on Liquidity Risk Management Framework for NBFCs issued by RBI vide notification no. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20, NBFCs are required to maintain Liquidity Coverage Ratio (LCR) from December 1, 2020. Under the said guidelines, all non-deposit taking NBFCs with asset size of INR 5,000 crore and above but less than INR 10,000 crore are required to maintains a minimum LCR of 30%.

The total assets of the Company has crossed INR 5,000 crores from March 1, 2021. Accordingly, for the year ended March 31, 2021, the Company has presented the LCR related disclosures for the month of March 2021 only i.e. the period for which the guideline became applicable to the Company.

The Company has implemented the guidelines on Liquidity Risk Management Framework prescribed by the Reserve Bank of India requiring maintenance of Liquidity Coverage Ratio (LCR), which aim to ensure that an NBFC maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. Compliance with LCR is monitored by Asset Liability Management Committee (ALCO) of the Company.

Qualitative information:

Main drivers to the LCR numbers:

All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation.

Composition of HQLA:

The HQLA maintained by the Company comprises Government securities (including Treasury bills) and cash balance maintained in current account. The details are given below.

- For March 2021, the HQLA of INR 39,118 lakhs comprised of INR 34,243 lakh in cash and INR 4,875 lakh in callable fixed deposits with scheduled commercial banks.

Concentration of funding sources:

The company maintains diversified sources of funding comprising short/long term loans from banks, NCDs, and sub-ordinated, ECBs and CPs. The funding pattern is reviewed regularly by the management

Derivative exposures and potential collateral calls:

As on March 31, 2021, the company has fully hedged interest and principal outflows on the foreign currency ECBs. Hence, derivative exposures are considered NIL.

Currency mismatch in LCR:

There is NIL mismatch to be reported in LCR as on March 31, 2021 since foreign currency ECBs are fully hedged for the corresponding interest and principal components. For the month of March 2021, the Company has assessed the impact to be immaterial.

Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile

Nil

Quantitative Disclosure on Liquidity Coverage Ratio (LCR) for year ended 31 March 2021 is given below:

	Particulars	for the Month ended March 31, 2021	
		Total unweighted value (average)	Total weighted value (average)
High Quality Liquid Assets			
1	****Total High Quality Liquid Assets (HQLA)**	**39,118.00**	**39,118.00**
Cash Outflows			
2	Deposits (for deposit taking companies)	-	-
3	Unsecured wholesale funding	227.00	261.05
4	Secured wholesale funding	23,838.00	27,413.70
5	Additional requirements, of which	-	-
	(i) Outflows related to derivative exposures and other collateral requirements	-	-
	(ii) Outflows related to loss of funding on debt products	-	-
	(iii) Credit and liquidity facilities	22,030.00	25,334.50
6	Other contractual funding obligations	-	-
7	Other contingent funding obligations	85,687.00	98,540.05
8	**Total Cash Outflows**	**131,782.00**	**151,549.30**
Cash Inflows			
9	Secured lending	-	-
10	Inflows from fully performing exposures	28,677.00	21,507.75
11	Other cash inflows	32,300.00	24,225.00
12	**Total Cash Inflows**	**60,977.00**	**45,732.75**
		Total Adjusted Value	**Total Adjusted Value**
13	Total HQLA	39,118.00	39,118.00
14	Total Net Cash Outflows	70,805.00	105,816.55
15	Liquidity Coverage Ratio (%)	55.25%	36.97%

The above LCR disclosures are based on the data available with the Company which has been relied upon by the auditors.

79 Impact of COVID-19

The impact of COVID-19 on the economy continues to be uncertain and the extent to which the ongoing COVID-19 pandemic will impact the Company's financial performance including the Company's estimates of impairment and fair valuation of financial instruments, are dependent on such future developments, the severity and duration of the pandemic, that are highly uncertain.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated March 27, 2020, April 17, 2020 and May 23, 2020 relating to 'COVID-19 –Regulatory Package', the Company has granted moratorium on payment of installments falling due between March 1, 2020 and August 31, 2020 on a case to case basis to eligible borrowers. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109 - Financial Instruments. In the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria. Accordingly, in respect of accounts where moratorium benefit have been granted, the staging of those accounts as at March 31, 2021 is based on the days past due status considering the benefit of moratorium period in accordance with the Reserve Bank of India Covid-19 Regulatory Package.

The Company has used estimation of potential stress on probability of default and exposure at default in the aforesaid context of the pandemic to develop the estimates and assumptions to assess the impairment of financial instruments. During the year, the Company has recognized impairment of financial instruments aggregating to INR 13,602.68 lakhs (including write offs). The impact assessment of COVID-19 is a continuing process. Given its uncertainty in nature and duration, this may have corresponding impact in the financial position and performance of the Company. The Company will continue to monitor any material changes to the future economic conditions.

80 The· Government of India, Ministry of Finance. vide its notification dated October 23, 2020, had announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts ("the Scheme"), as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium was availed or not. The Company had implemented the Scheme and credited to the accounts of or remitted amounts to the eligible borrowers as per the Scheme.

81 RBI circular dated April 7, 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020. Further, the circular stated that the methodology for calculation of the amount to be refunded/ adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by all lending instutions and also advised all lending institutions to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ended March 31, 2021. Based on the guidance provided by IBA vide letter dated April 19, 2021 and the Company has made an assessment on the impact of the said circular and reversed interest income amounting to INR 165 lakhs in the standalone financial statements of the Company.

82 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, 2021.

83 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with the current period presentation.

As per our report of even date attached

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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P S Jayakumar
Chairman
DIN: 01173236

Kshama Fernandes
Managing Director
and Chief Executive Officer
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

CONSOLIDATED
FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Northern Arc Capital Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Northern Arc Capital Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2021, 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, 2021, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of matter

As more fully described in Note 49 to the consolidated financial statements, the extent to which the ongoing COVID-19 pandemic will have impact on the Group's financial performance including the Group's estimates of impairment and fair valuation of financial instruments are dependent on the future developments, the severity and duration of the pandemic, that are highly uncertain.

The Group has considered the aforesaid context of the pandemic to develop the estimates and assumptions in determining the impairment of financial instruments. The impact assessment of COVID-19 is a continuing process. The Group will continue to monitor any material changes to the future economic conditions.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in our audit
Impairment loss allowance – refer notes 3.6, 3.7, 7, 8, 17, 27 and 49 to the consolidated financial statements	
The Group has recognized impairment loss allowance of INR 15,218.94 lakhs as at 31 March 2021 and has recognized an expense for INR 13,540.96 lakhs (including write offs) in its statement of profit and loss. Under Ind AS 109 - Financial Instruments, credit loss assessment is based on expected credit loss (ECL) model. The Group's impairment allowance is derived from estimates including the historical default, loss ratios etc. Management exercises judgement in determining the quantum of loss based on a range of factors. Further, in relation to ongoing COVID-19 pandemic, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the economy. The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following: • Segmentation of loans given to the customer • Criteria selected to identify significant increase in credit risk, specifically in respect of moratorium benefit given to select borrowers, as per the Holding Company's board approved policy, read with the RBI COVID 19 regulatory package	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Performed process walkthroughs to identify the controls used in the impairment allowance processes. • Assessed the design and implementation of controls in respect of the Holding Company's impairment allowance process such as the timely recognition of impairment loss, the completeness and accuracy of reports used in the impairment allowance process and management review processes over the calculation of impairment allowance. • Obtained understanding of management's revised processes, compliance with the RBI circulars pertaining to impairment loss allowance, systems and controls implemented in relation to impairment allowance process, specifically in view of providing moratorium as per Holding Company's board approved policy read with RBI COVID-19 regulatory package including management rationale for determination of criteria of significant increase in credit risk. • 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.

Key Audit Matter	How the matter was addressed in our audit
• Increased level of data inputs for capturing the historical data to calculate the Probability of Default ('PDs') and Loss Given Default ("LGD") and the completeness and accuracy of that data • Use of management overlays, considering the probability weighted scenarios, credit risk of customers, the forward looking macro-economic factors, economic environment and the timing of cash flows, impact of the pandemic on the Holding Company's customers and their ability to repay dues and application of regulatory package announced by the Reserve Bank of India on asset classification and provisioning. The underlying forecasts and assumptions used in the estimates of impairment loss allowance are subject to uncertainties which are often outside the control of the Group. Given the size of loan and investment portfolio relative to the balance sheet and the impact of impairment loss allowance on the financial statements, we have considered this as a key audit matter.	• Tested the periods considered for capturing underlying data as base to PD and LGD calculations are in line with Group's recent experience of past observed periods. • Tested the accuracy of the key inputs used in the calculation and independently evaluated the reasonableness of the assumptions made. • Challenged completeness and validity of impairment allowance including the management overlays, particularly in response to the pandemic with assistance of our financial risk modelling experts by critically evaluating the risks that have been addressed by management. We also tested management's workings supporting the overlay quantum. • Performed test of details, on a sample basis, on underlying data relating to segmentation, management overlays, staging as at 31 March 2021, the key inputs for computation of ECL. • Assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment loss allowance in the financial statements are appropriate and sufficient.
Valuation of financial instruments – refer notes 3.8, 7, 8, 24 and 49 to the consolidated financial statements	
Certain Financial instruments are carried at fair values based on the Group's assessment of business model. The effect of fair value adjustments may impact either the profit or loss or other comprehensive income. The valuation of these Financial instruments is based on a combination of market data, and valuation models which often require significant management judgement including management overlay for ongoing COVID–19 impact. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Obtained and confirmed the approvals of Holding Company's Audit Committee on the methodology and key assumptions used for the valuation of financial instruments. • Assessed the appropriateness of the valuation methodology and challenging the valuation model by testing the key inputs including the Management overlay for ongoing COVID-19 considered for fair value computation. • Performed test of details, on a sample basis, on re-computation of the fair value and the key inputs used in the fair values to ensure accuracy and relevance of data.

Information other than the Consolidated Financial Statements and Auditors' Report Thereon

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under applicable laws and regulations.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the respective Management and Board of Directors of the Companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the group are also responsible for overseeing the financial reporting process of each Company.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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

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

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

   c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

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

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

f) Two subsidiary Companies (Northern Arc Investment Adviser Services Private Limited and Northern Arc Investment Managers Private Limited) have been exempted from the requirement of its auditors' reporting on whether the Company has adequate internal financial controls with reference to the financial statements in place and the operating effectiveness of such controls. Further, IFMR Fimpact Long Term Credit Fund, not being a company, requirement of its auditors' reporting on adequate internal financial controls with reference to the financial statements is not applicable. With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditor's) 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, 2021 on the consolidated financial position of the group. Refer Note 38 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts. Refer Note 7, 8, 12 and 17 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, 2021;

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, 2021.

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

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

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

S Sethuraman
Partner
Membership No. 213491
UDIN: 21203491AAAACW3033

Place: Chennai
Date: May 6, 2021

Annexure A to the Independent Auditors' report on the consolidated financial statements of Northern Arc Capital Limited for the period ended March 31, 2021

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 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to the consolidated financial statements of the Holding Company as of that date.

In our opinion, the Holding Company has, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at March 31, 2021, based on the internal financial controls with reference to consolidated financial statements criteria established by the such companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI").

Emphasis of Matter

As described in Emphasis of Matter paragraph of our report on consolidated financial statements, the extent to which the COVID-19 pandemic will have impact on the Holding Company's internal financial controls with reference to the consolidated financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter.

Management's Responsibility for Internal Financial Controls

The Holding Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Holding company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls include, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the 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 consolidated financial statements.

Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements

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

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

S Sethuraman
Partner
Membership No. 213491
UDIN: 21203491AAAACW3033

Place: Chennai
Date: May 6, 2021

NORTHERN ARC CAPITAL LIMITED

Consolidated Balance Sheet as at March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
ASSETS			
Financial assets			
Cash and cash equivalents	4	39,810.26	33,321.71
Bank balances other than cash and cash equivalents	5	6,837.98	7,720.21
Trade receivables	6	1,835.42	830.15
Loans	7	374,076.68	292,467.79
Investments	8	138,256.74	117,148.90
Other financial assets	9	473.97	748.72
		561,291.05	**452,237.48**
Non-financial assets			
Current tax assets (net)		3,579.18	4,119.03
Deferred tax assets (net)	31	2,071.82	319.08
Property, plant and equipment	10.1	104.89	178.41
Right of use asset	10.2	985.44	1,324.14
Intangible assets under development	10.3	54.02	94.94
Goodwill		174.63	174.63
Intangible assets	10.4	972.77	831.54
Other non- financial assets	11	482.67	469.62
		8,425.42	**7,511.39**
Total assets		**569,716.47**	**459,748.87**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Derivative financial instruments	12	898.51	-
Trade payables	13		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,561.87	830.89
Debt securities	14	163,956.78	86,020.70
Borrowings (Other than debt securities)	15	229,247.10	206,128.26
Other financial liabilities	16	4,230.33	5,191.61
		399,894.59	**298,171.46**
Non-financial liabilities			
Provisions	17	1,763.58	1,402.98
Deferred tax liabilities (net)	31	97.72	-
Other non-financial liabilities	18	668.86	403.31
		2,530.16	**1,806.29**
EQUITY			
Equity share capital	19	8,792.15	8,747.79
Other equity	20	149,439.35	141,894.93
Equity attributable to the owners of the Company		**158,231.50**	**150,642.72**
Non-controlling interest	21	9,060.22	9,128.40
Total equity		**167,291.72**	**159,771.12**
Total liabilities and equity		**569,716.47**	**459,748.87**
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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P. S. Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Profit and Loss for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars		Note	Year ended March 31, 2021	Year ended March 31, 2020
Revenue from operations				
Interest income		22	57,986.33	55,645.42
Fees and commission income		23	6,433.43	6,530.81
Net gain on fair value changes		24	3,697.14	616.39
Net gain on derecognition of financial instruments			-	489.38
Total revenue from operations			**68,116.90**	**63,282.00**
Other income		25	411.55	163.33
Total income			**68,528.45**	**63,445.33**
Expenses				
Finance costs		26	32,296.76	30,920.50
Fees and commission expense			2,852.19	2,289.11
Impairment on financial instruments		27	13,540.96	3,548.66
Employee benefits expenses		28	6,224.46	6,829.67
Depreciation and amortisation		29	674.10	672.97
Other expenses		30	2,940.64	4,735.23
Total expenses			**58,529.11**	**48,996.14**
Profit before tax			**9,999.34**	**14,449.19**
Tax expense		31		
Current tax			4,217.50	3,350.80
Deferred tax (benefit) / charge			(1,877.40)	805.04
Total Tax expense			**2,340.10**	**4,155.84**
Profit for the year	**(A)**		**7,659.23**	**10,293.35**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit asset/ (liability)			48.49	7.64
Income tax relating to items that will not be reclassified to profit or loss			(12.32)	(1.62)
			36.17	**6.02**
Items that will be reclassified to profit or loss				
Fair valuation of financial instruments (net)			490.11	(277.42)
Income tax relating to items that will be reclassified to profit or loss			(206.12)	506.27
			283.99	**228.85**
Other comprehensive income for the year	**(B)**		**320.15**	**234.87**
Total comprehensive income for the year	**(A+B)**		**7,979.39**	**10,528.22**
Profit for the year attributable to				
Owners of the Company			6,751.43	9,283.68
Non-controlling Interest		21	907.80	1,009.67
Other comprehensive income for the year, net of tax				
Owners of the Company			460.26	257.24
Non-controlling Interest		21	(140.11)	(22.37)
Total comprehensive income for the year, net of tax				
Owners of the Company			7,211.69	9,540.92
Non-controlling Interest		21	767.69	987.30
Earnings per equity share (Face Value - INR 10 each)		32		
Basic (in rupees)			7.71	11.05
Diluted (in rupees)			5.35	7.92
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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P. S. Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer and Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Cash Flows for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Particulars		Year ended March 31, 2021	Year ended March 31, 2020
A	**Cash flow from operating activities**			
	Profit after tax		7,659.23	10,293.35
	Adjustments for:			
	Depreciation and amortisation		674.10	672.97
	Write off of intangible assets under development		-	55.80
	Tax expense (including deferred tax)		2,558.55	4,155.84
	Mark-to-market loss on derivative contracts		898.51	-
	Unrealised gain on alternative investment funds designated at fair value through profit or loss		(805.08)	(168.32)
	Interest income on loans, fixed deposits and investments		(57,986.33)	(55,645.42)
	Gain on mutual funds investments designated at fair value through profit or loss		(368.48)	(435.28)
	Profit on sale of investments		(107.09)	(12.79)
	Impairment on financial instruments (net)		13,540.96	3,548.66
	Employee share based payment expenses		245.71	772.32
	Gain on account of lease rental concession received		(35.20)	-
	Gain on account of leases foreclosed		(3.45)	-
	Amortisation of discount on commercial papers		187.69	721.97
	Amortisation of ancillary costs relating to borrowings		1,509.38	1,099.76
	Finance costs		30,599.69	29,098.77
	Operating profit before working capital changes		**(1,431.80)**	**(5,842.37)**
	Changes in working capital and other changes:			
	Decrease in other financial assets		192.06	134.97
	(Increase)/Decrease in trade receivables		(961.03)	930.95
	Increase in loans		(92,916.40)	(17,906.15)
	(Increase) / Decrease in other non-financial assets		(13.05)	184.04
	Decrease / (Increase) in other bank balances		1,205.01	(2,376.76)
	(Decrease) / Increase in trade payables, other liabilities and provisions		389.72	1,269.95
	Cash used in operations		**(93,535.49)**	**(23,605.37)**
	Interest income received on loans, fixed deposits and investments		56,261.08	53,998.68
	Finance cost paid		(30,000.36)	(29,833.11)
	Income tax paid (net)		(3,677.65)	(5,980.98)
	Net cash used in operating activities	**(A)**	**(70,952.43)**	**(5,420.78)**
B	**Cash flows from investing activities**			
	Purchase of property, plant and equipment		(380.81)	(1,080.51)
	Purchase of mutual fund investments		(60,261.77)	(77,203.00)
	Proceeds from sale of investments in mutual fund		60,300.47	77,638.07
	Purchase of other investments		(92,408.72)	(57,138.14)
	Proceeds from sale of other investments		72,660.79	59,387.58
	Change in the ownership interest in funds		-	(4,228.54)
	Net cash used in investing activities	**(B)**	**(20,090.04)**	**(2,624.54)**

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Cash Flows for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Particulars		Year ended March 31, 2021	Year ended March 31, 2020
C	**Cash flow from financing activities**			
	Proceeds from issue of debt securities		147,608.19	44,283.70
	Repayment of debt securities		(69,859.80)	(83,371.10)
	Proceeds from borrowings		118,656.54	205,461.50
	Repayment of borrowings		(97,904.50)	(166,603.50)
	Payment of lease liabilities		(347.61)	(291.28)
	Repayments of non convertible preference shares		-	(1,213.41)
	Utilisation of the securities premium		-	(436.99)
	Proceeds from issue of convertible preference share capital including securities premium		-	18,500.00
	Proceeds from issue of equity share capital including securities premium		214.07	6,993.57
	Distributions made to investors including dividend distribution tax		(835.88)	(1,034.81)
	Net cash generated from financing activities	**(C)**	**97,531.02**	**22,287.68**
	Net increase in cash and cash equivalents	**(A+B+C)**	**6,488.55**	**14,242.36**
	Cash and cash equivalents at the beginning of the year		33,321.71	19,079.35
	Cash and cash equivalents at the end of the year		**39,810.26**	**33,321.71**

	Particulars	Note	As at March 31, 2021	As at March 31, 2020
	Notes to cash flow statement			
1	**Components of cash and cash equivalents:**	4		
	Balances with banks			
	- in current accounts		33,175.57	29,318.99
	- in deposit accounts free of lien		6,634.69	4,002.72
			39,810.26	**33,321.71**
2	The above cashflow statement has been prepared under the “indirect method” as set out in the Ind AS-7 on statement of cashflows specified under section 133 of the Companies Act, 2013.			
	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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P. S. Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Changes in Equity for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

A. Equity Share Capital

Equity Share capital of INR 10 each Issued, Subscribed and Fully paid	
Balance as at March 31, 2019	**7,836.57**
Changes in equity share capital during the year	911.22
Balance as at March 31, 2020	**8,747.79**
Changes in equity share capital during the year	44.36
Balance as at March 31, 2021	**8,792.15**

B. Other Equity

	Compulsorily Convertible Preference Shares (CCPS)	Other equity									Total attributable to Owners of the Company	Total Non-Controlling Interest (NCI)	Total
		Reserves and surplus						Other Comprehensive Income (OCI)					
		Statutory Reserve	Capital Redemption Reserve	Capital Reserve	Securities Premium	Employee Stock Options Outstanding Account	Retained Earnings	Financial Instruments through OCI	Cash Flow Hedge Reserve	Remeasurements of Defined Benefit Obligations			
Balance as at March 31, 2019	7,556.86	6,977.38	1,585.00	3.57	60,488.35	1,780.22	27,044.85	3,480.55	-	-	108,916.78	12,250.12	121,166.90
Change in equity for the year ended March 31, 2020													
Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	-	-	-	-	-	(864.51)	-	-	-	(864.51)	(3,074.21)	(3,938.72)
Shares issued during the year	1,877.98	-	-	-	-	-	-	-	-	-	1,877.98	-	1,877.98
CCPS converted into equity	(1,170.20)	-	-	-	-	-	-	-	-	-	(1,170.20)	-	(1,170.20)
Premium received on shares issued during the year	-	-	-	-	23,289.46	-	-	-	-	-	23,289.46	-	23,289.46
Distribution to the NCI including Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	-	(1,034.81)	(1,034.81)
Utilisation of the share premium	-	-	-	-	(436.99)	-	-	-	-	-	(436.99)	-	(436.99)
Profit for the year	-	-	-	-	-	-	9,283.68	-	-	-	9,283.68	1,009.67	10,293.35
Transfer to statutory reserve	-	1,792.39	-	-	-	-	(1,792.39)	-	-	-	-	-	-
Transfer to Capital Redemption reserve	-	-	1,882.00	-	-	-	(1,882.00)	-	-	-	-	-	-
Employee stock compensation expense	-	-	-	-	-	741.49	-	-	-	-	741.49	-	741.49
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	-	6.02	6.02	-	6.02
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	6.02	-	-	(6.02)	-	-	-
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	251.22	-	-	251.22	(22.37)	228.85
Balance as at March 31, 2020	**8,264.64**	**8,769.77**	**3,467.00**	**3.57**	**83,340.82**	**2,521.71**	**31,795.65**	**3,731.77**	**-**	**-**	**141,894.93**	**9,128.40**	**151,023.33**

NORTHERN ARC CAPITAL LIMITED

Consolidated Statement of Changes in Equity for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Compulsorily Convertible Preference Shares (CCPS)	Other equity									Total attributable to Owners of the Company	Total Non-Controlling Interest (NCI)	Total
		Reserves and surplus						Other Comprehensive Income (OCI)					
		Statutory Reserve	Capital Redemption Reserve	Capital Reserve	Securities Premium	Employee Stock Options Outstanding Account	Retained Earnings	Financial Instruments through OCI	Cash Flow Hedge Reserve	Remeasurements of Defined Benefit Obligations			
Change in equity for the year ended March 31, 2021													
Premium received on shares issued during the year	-	-	-	-	556.61	(386.91)	-	-	-	-	169.71	-	169.71
Distribution to the NCI including dividend distribution tax	-	-	-	-	-	-	-	-	-	-	-	(835.88)	(835.88)
Profit for the year	-	-	-	-	-	-	6,751.43	-	-	-	6,751.43	907.80	7,659.23
Transfer to statutory reserve	-	1,121.00	-	-	-	-	(1,121.00)	-	-	-	-	-	-
Employee stock compensation expense	-	-	-	-	-	163.02	-	-	-	-	163.02	-	163.02
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	-	-	36.17	36.17	-	36.17
Reclassification of remeasurement of net defined liability	-	-	-	-	-	-	36.17	-	-	(36.17)	-	-	-
Fair valuation of financial instruments (net)	-	-	-	-	-	-	-	806.32	(382.22)	-	424.10	(140.11)	283.99
Balance as at March 31, 2021	**8,264.64**	**9,890.76**	**3,467.00**	**3.57**	**83,897.43**	**2,297.82**	**37,462.25**	**4,538.08**	**(382.22)**	**-**	**149,439.35**	**9,060.22**	**158,499.57**

Significant accounting policies (Refer note 2 and 3)

The notes referred to above form an integral part of consolidated financial statements

As per our report of even date attached

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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P. S. Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

1 Reporting entity

Northern Arc Capital Limited ("the Holding Company or "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 a revised Certificate of Registration from the RBI 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, 2021	As at March 31, 2020
Northern Arc Capital Limited (NACL) ("Holding Company")	India	Parent Company	Not applicable	Not applicable
Northern Arc Investment Managers Private Limited (NAIM)	India	Wholly owned subsidiary	100%	100%
Northern Arc Investment Adviser Services Private Limited (NAIA)	India	Wholly owned subsidiary	100%	100%

The Holding Company also has a wholly owned subsidiary company, Northern Arc Foundation incorporated under the provisions of Section 8 of the Companies Act, 2013 for undertaking the CSR activities of the Group. Northern Arc Foundation doesn't meet the definition of control as defined under Ind AS 110 - Consolidated Financial Statements and hence not consolidated in these financial statements.

Northern Arc Capital Limited ('NACL') has floated Alternative Investment Funds ('AIF'), wherein NAIM and NACL have invested. NACL evaluated the existence of control on these AIFs in accordance with Ind AS 110 (Consolidated Financial Statements) and consolidated the following AIFs in accordance with Ind AS 110.

Name of the AIF	Years of consolidation	
IFMR FImpact Long Term Credit Fund	Year ended March 31, 2021	Year ended March 31, 2020
Northern Arc Money Market Alpha Trust Fund	Not applicable	Until August 08, 2019#

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

#The Group lost control over the Fund and had derecognized the assets and liabilities and related Non controlling interest. The investment retained in the Fund has been measured at fair value.

2 Basis of preparation

2.1 Statement of compliance

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

These consolidated financial statements were authorised for issue by the Company's Board of Directors on May 6, 2021.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

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

2.2 Presentation of financial statements

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

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

2.3 Functional and presentation currency

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

2.4 Basis of measurement

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

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

2.5 Use of estimates and judgements

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

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

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of loans and investments. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group, as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

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

i) **Business model assessment**

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

ii) **Fair value of financial instruments**

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

iii) **Effective Interest Rate ('EIR') method**

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

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

expense that are integral parts of the instrument.

iv) **Impairment of financial assets**

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

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

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

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

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

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

v) **Provisions and other contingent liabilities**

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

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

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

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

vi) **Other assumptions and estimation uncertainties**

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

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

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

c) Recognition of deferred taxes;

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

2.6 Basis of Consolidation

i) **Subsidiaries**

Subsidiaries are entities controlled by the Holding Company. Holding Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

ii) **Non-controlling interests (NCI)**

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii) **Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

iv) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 Significant accounting policies

3.1 Revenue Recognition

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

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

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

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

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

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

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

A. Effective Interest Rate ('EIR') Method

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

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

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

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

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

B. Interest income on deposits

Interest income on deposits is recognised on a time proportionate basis.

C. Fees and commission income

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

D. Dividend income

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

E. Other income

All items of other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

3.2 Financial instruments - initial recognition

A. Date of recognition

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

B. Initial measurement of financial instruments

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

C. Measurement categories of financial assets and liabilities

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

i) Amortised cost

ii) Fair value through other comprehensive income ('FVOCI')

iii) Fair value through profit and loss ('FVTPL')

3.3 Financial assets and liabilities

A. Financial assets

Business model assessment

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

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

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

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

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

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

Sole Payments of Principal and Interest (SPPI) test

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

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

Accordingly, financial assets are measured as follows:

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

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

ii) **Financial assets at fair value through other comprehensive income (FVOCI)**

A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Since the loans and advances are held for sale and collect contractual cash flows, they are measured at FVOCI.

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

A financial asset which is not classified in any of the above categories are measured at FVTPL. Subsequent changes in fair value are recognised in the statement of profit and loss. The Group records investments in alternative investment funds, mutual funds and treasury bills at FVTPL.

iv) **Investment in subsidiaries**

The Group has accounted for its investments in subsidiaries at cost.

B. Financial liabilities

i) **Initial recognition and measurement**

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

ii) **Subsequent measurement**

Financial liabilities are carried at amortized cost using the Effective Interest Rate Method.

3.4 Reclassification of financial assets and liabilities

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

3.5 Derecognition of financial assets and liabilities

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

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

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

i) **Financial Assets**

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

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

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

ii) **Financial Liability**

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

3.6 Impairment of financial assets

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

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

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

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

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

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

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

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

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

Stage 3: Financial assets are considered credit impaired if they are past due for more than 90 days. The Group records an allowance for life time ECL.

B. Calculation of ECLs

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

PD:

Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD:

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

LGD:

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

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

The mechanics of the ECL method are summarised below:

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

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

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

C. Financial assets measured at FVOCI

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

D. Forward looking information

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

3.7 Write-offs

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

3.8 Determination of fair value

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

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

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

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

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

3.9 Foreign currency transactions

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

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

3.10 Property, plant and equipment

i. **Recognition and measurement**

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

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

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

ii. **Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. **Depreciation**

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

The Group follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment 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. **Recognition and measurement**

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

ii. **Subsequent expenditure**

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

iii. **Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight line method, and is included in depreciation and amortisation in statement of profit and loss.

Asset category	Estimated Useful life
Computer softwares	5 years

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

3.12 Employee benefits

i. **Post-employment benefits**

Defined contribution plan

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

Defined benefit plans

Gratuity

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

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

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

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

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

Compensated absences

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

3.13 Provisions

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

3.14 Leases

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

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

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

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

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

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

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

3.15 Income tax

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

i. **Current tax**

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

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

ii. **Deferred tax**

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

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

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

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability.

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.16 Borrowing cost

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

3.17 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.

3.18 Segment reporting- Identification of segments:

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

3.19 Earnings per share

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

3.20 Cash flow statement

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

3.21 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

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

Hedge accounting policy

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

Cash Flow Hedges

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

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

3.22 Recent pronouncements

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. These are primarily disclosure related amendments and the Company is in the process of evaluating the potential implications, if any, upon adoption.

4 Cash and cash equivalents

	As at March 31, 2021	As at March 31, 2020
Balance with banks in current accounts	33,175.57	29,318.99
Bank deposits with maturity of less than 3 months	6,634.69	4,002.72
	39,810.26	**33,321.71**

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

5 Bank balances other than cash and cash equivalents

	As at March 31, 2021	As at March 31, 2020
Fixed deposits with bank	4,418.62	5,468.58
Fixed deposits with bank to the extent held as margin money	2,419.36	2,251.63
	6,837.98	**7,720.21**

Note:

5.1 Fixed deposit with bank includes deposits amounting to INR 1,148.85 lakhs (March 31, 2020 : INR 1,408.63 lakhs) representing amount received from customers as cash collateral for the loans provided by the Group.

5.2 Fixed deposits amounting to INR 2,419.36 lakhs (March 31, 2020 : INR 2,251.63 lakhs) have been provided as credit enhancement for securitisation transactions.

6 Trade receivables

	As at March 31, 2021	As at March 31, 2020
Unsecured		
Low risk	1,853.02	717.68
Significant increase in credit risk	0.79	84.24
Credit impaired	9.03	99.89
	1,862.84	**901.81**
Less: Impairment loss allowance	(27.42)	(71.66)
Total	**1,835.42**	**830.15**

NORTHERN ARC CAPITAL LIMITED

Notes to the Consolidated Financial Statements for the year ended March 31, 2021

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

7 Loans

	Particulars	As at March 31, 2021			As at March 31, 2020		
		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	279,226.17	102,275.31	381,501.48	224,137.59	73,160.07	297,297.66
	Less : Impairment loss allowance	(7,424.80)	-	(7,424.80)	(4,829.87)	-	(4,829.87)
	Total	**271,801.37**	**102,275.31**	**374,076.68**	**219,307.72**	**73,160.07**	**292,467.79**
B.	**Based on Security**						
	(i) Secured by tangible assets *	245,975.42	67,346.94	313,322.36	186,931.28	67,142.06	254,073.34
	(ii) Unsecured	33,250.75	34,928.37	68,179.12	37,206.31	6,018.01	43,224.32
	Total Gross Loans	**279,226.17**	**102,275.31**	**381,501.48**	**224,137.59**	**73,160.07**	**297,297.66**
	Less: Impairment loss allowance	(7,424.80)	-	(7,424.80)	(4,829.87)	-	(4,829.87)
	Total Net Loans	**271,801.37**	**102,275.31**	**374,076.68**	**219,307.72**	**73,160.07**	**292,467.79**
C.	**Based on region**						
	(I) Loans in India						
	(i) Public Sector	-	-	-	-	-	-
	(ii) Private Sector	279,226.17	102,275.31	381,501.48	224,137.59	73,160.07	297,297.66
	Total Gross loans	**279,226.17**	**102,275.31**	**381,501.48**	**224,137.59**	**73,160.07**	**297,297.66**
	Less: Impairment loss allowance	(7,424.80)	-	(7,424.80)	(4,829.87)	-	(4,829.87)
	Total (I)-Net loans	**271,801.37**	**102,275.31**	**374,076.68**	**219,307.72**	**73,160.07**	**292,467.79**
	(II) Loans outside India						
	Loans outside India	-	-	-	-	-	-
	Total (I) and (II)	**271,801.37**	**102,275.31**	**374,076.68**	**219,307.72**	**73,160.07**	**292,467.79**

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

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

8 Investments

Particulars	As at March 31, 2021					As at March 31, 2020				
	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total	At Amortised cost	At FVOCI	At FVTPL	At Cost	Total
Investment in debentures (quoted)										
Non-convertible redeemable debentures	-	89,086.36	-	-	89,086.36	-	74,513.35	-	-	74,513.35
Investment in pass-through certificates (unquoted)										
Investment in pass-through certificates	-	15,897.01	-	-	15,897.01	-	22,481.44	-	-	22,481.44
Investment in Other approved securities										
Alternative investment funds (unquoted)	-	-	22,494.45	-	22,494.45	-	-	20,406.27	-	20,406.27
Investment in government securities	-	-	14,911.03	-	14,911.03	-	-	-	-	-
Investment in mutual funds (quoted)	-	-	740.27	-	740.27	-	-	410.49	-	410.49
Investments in subsidiaries, at cost (Unquoted)										
Equity shares of subsidiaries										
Northern arc foundation	-	-	-	1.00	1.00	-	-	-	1.00	1.00
Other investments (Unquoted)										
Share warrants	-	-	1.62	-	1.62	-	-	1.62	-	1.62
Sub total	**-**	**104,983.37**	**38,147.37**	**1.00**	**143,131.74**	**-**	**96,994.79**	**20,818.38**	**1.00**	**117,814.17**
Less: Impairment loss allowance for Investments in India	-	(4,875.00)	-	-	(4,875.00)	-	(665.27)	-	-	(665.27)
Total Investments	**-**	**100,108.37**	**38,147.37**	**1.00**	**138,256.74**	**-**	**96,329.52**	**20,818.38**	**1.00**	**117,148.90**
(i) Investments outside India	-	-	-	-	-	-	-	-	-	-
(ii) Investments in India	-	100,108.37	38,147.37	1.00	138,256.74	-	96,329.52	20,818.38	1.00	117,148.90
Total Investments	**-**	**100,108.37**	**38,147.37**	**1.00**	**138,256.74**	**-**	**96,329.52**	**20,818.38**	**1.00**	**117,148.90**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

9 Other financial assets

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Security deposits	255.53	264.58
Advances to employees	98.84	10.89
Other receivables	92.57	247.44
Unbilled revenue	-	17.58
Excess Interest spread on derecognition of financial instruments	31.42	212.62
Less: Impairment loss allowance	(4.39)	(4.39)
	473.97	**748.72**

10.1 Property, plant and equipment

	Plant and machinery	Furniture and fittings	Computers and accessories	Office equipments	Servers	Leasehold improvements	Total
Cost							
As at March 31, 2019	**0.29**	**2.52**	**159.34**	**41.19**	**0.19**	**4.72**	**208.25**
Additions	-	-	37.38	100.21	-	122.53	260.11
Disposals/Discarded	-	-	2.46	-	-	-	2.46
As at March 31, 2020	**0.29**	**2.52**	**194.25**	**141.40**	**0.19**	**127.25**	**465.90**
Additions	-	-	52.05	-	-	-	52.05
Disposals/Discarded	-	-	-	-	-	-	-
As at March 31, 2021	**0.29**	**2.52**	**246.30**	**141.40**	**0.19**	**127.25**	**517.95**
Accumulated depreciation							
As at March 31, 2019	**0.23**	**2.02**	**101.21**	**33.60**	**0.17**	**2.62**	**139.85**
Depreciation for the year	0.02	0.33	82.53	50.16	0.01	16.32	149.36
Disposals/Discarded	-	-	1.72	-	-	-	1.72
As at March 31, 2020	**0.25**	**2.35**	**182.02**	**83.76**	**0.18**	**18.94**	**287.49**
Depreciation for the year	-	0.11	33.89	55.47	-	36.10	125.57
Disposals/Discarded	-	-	-	-	-	-	-
As at March 31, 2021	**0.25**	**2.46**	**215.91**	**139.23**	**0.18**	**55.04**	**413.06**
Net block							
As at March 31, 2020	**0.04**	**0.17**	**12.24**	**57.64**	**0.01**	**108.31**	**178.41**
As at March 31, 2021	**0.04**	**0.06**	**30.40**	**2.17**	**0.01**	**72.21**	**104.89**

10.2 Right of use asset

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

	Office Premises-Buildings	Total
Gross Block Value		
As at April 01, 2019	988.97	988.97
Additions	623.28	623.28
Disposals	-	-
As at March 31, 2020	**1,612.25**	**1,612.25**
Additions	-	-
Disposals	44.07	44.07
As at March 31, 2021	**1,568.18**	**1,568.18**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Office Premises-Buildings	Total
Accumulated depreciation		
As at April 01, 2019	-	-
Additions	288.11	288.11
Disposals	-	-
As at March 31, 2020	**288.11**	**288.11**
Additions	320.07	320.07
Disposals	25.44	25.44
As at March 31, 2021	**582.74**	**582.74**
Net Block Value		
As at March 31, 2020	**1,324.14**	**1,324.14**
As at March 31, 2021	**985.44**	**985.44**

10.3 Intangible assets under development

	Software	Total
As at March 31, 2019	342.75	342.75
Add: Additions	547.95	547.95
Less: Capitalised during the year	(739.96)	(739.96)
Less: Written off during the year	(55.80)	(55.80)
As at March 31, 2020	**94.94**	**94.94**
Add: Additions	328.76	328.76
Less: Capitalised during the year	(369.68)	(369.68)
As at March 31, 2021	**54.02**	**54.02**

10.4 Intangible assets

	Softwares	Total
Cost		
As at March 31, 2019	**612.16**	**612.16**
Additions	776.05	776.05
Disposals	-	-
As at March 31, 2020	**1,388.21**	**1,388.21**
Additions	369.68	369.68
Disposals	-	-
As at March 31, 2021	**1,757.89**	**1,757.89**
Accumulated amortisation		
As at March 31, 2019	**321.17**	**321.17**
Amortisation for the year	235.50	235.50
On disposals	-	-
As at March 31, 2020	**556.67**	**556.67**
Amortisation for the year	228.45	228.45
On disposals	-	-
As at March 31, 2021	**785.12**	**785.12**
Net block		
As at March 31, 2020	**831.54**	**831.54**
As at March 31, 2021	**972.77**	**972.77**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		As at March 31, 2021	As at March 31, 2020
11	**Other non- financial assets**		
	Prepaid expenses	417.89	330.66
	Balances with government authorities	44.33	65.10
	Advances to vendors	20.45	73.86
		482.67	**469.62**
12	**Derivative financial instruments**		
	Currency derivatives		
	Cross currency interest rate swaps	898.51	-
		898.51	**-**
13	**Trade payables**		
	- Total outstanding dues to micro enterprises and small enterprises (refer note 40)	-	-
	- Total outstanding dues to creditors other than micro enterprises and small enterprises	1,561.87	830.89
		1,561.87	**830.89**
14	**Debt securities**		
	Measured at amortised cost:		
	Secured, redeemable non-convertible debentures:	146,442.78	57,110.15
		146,442.78	**57,110.15**
	Unsecured, redeemable non-convertible debentures:	2,772.44	27,454.76
		2,772.44	**27,454.76**
	Others		
	Commercial paper	14,741.56	1,455.79
	Total debt securities	**163,956.78**	**86,020.70**
	Debt securities in India	163,956.78	86,020.70
	Debt securities outside India	-	-
	Total debt securities	**163,956.78**	**86,020.70**

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

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Secured, redeemable non-convertible debentures:				
750 units (March 31, 2020: Nil units) of 11.338% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 28, 2024	7,500.00	Coupon payment frequency: Annual Principal repayment frequency: Entire principal to be repaid in 4 equal instalments at the end of 24 months, 36 Months, 42 months and 48 months Tenure of security: 4 years Redemption date: March 28, 2024	11.34%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1,000 units (March 31, 2020: 1000 units) of 9.45% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 11, 2022	10,000.00	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal repaid on maturity Tenure of security: 3.50 years Redemption date: June 11, 2022	9.45%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1,000 units (March 31, 2020: 1000 units) of 9.60% Redeemable non-convertible debentures of INR 857,143 each, maturing on December 20, 2023	8,571.43	Coupon payment frequency: Semi annual Principal repayment frequency: Entire principal to be repaid in 7 equal semi annual instalments after a moratorium of eighteen months Tenure of security: 5 years Redemption date: December 20, 2023	9.60%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
7500 units (March 31, 2020: nil units) of 10.2% Redeemable, Market linked non-convertible debentures of INR 10,000 each, maturing on April 29, 2022	750.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.75 years Redemption date: April 29, 2022	10.20%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on January 17, 2022	5,000.00	Coupon payment frequency: semi annual Principal repayment frequency: on maturity Tenure of security: 1.5 years Redemption date: January 17, 2022	9.50%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: nil units) of 11.25% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on June 26, 2023	5,000.00	Coupon payment frequency: annually Principal repayment frequency: on maturity Tenure of security: 3 years Redemption date: June 26, 2023	11.25%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: nil units) of 10.40% Redeemable non-convertible debentures of INR 833,333 each, maturing on July 13, 2023	4,166.67	Coupon payment frequency: quarterly Principal repayment frequency: 12 equal quarterly instalment Tenure of security: 3 years Redemption date: July 13, 2023	10.40%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
500 units (March 31, 2020: nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 8, 2022	5,000.00	Coupon payment frequency: semi annual Principal repayment frequency: Maturity Tenure of security: 1.5 years Redemption date: March 8, 2022	9.50%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1500 units (March 31, 2020: nil units) of 9.50% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 14, 2022	15,000.00	Coupon payment frequency: semi annual Principal repayment frequency: Maturity Tenure of security: 1.5 years Redemption date: March 8, 2022	9.50%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1000 units (March 31, 2020: nil units) of 10.45% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on September 30, 2022	10,000.00	Coupon payment frequency: semi annual Principal repayment frequency: maturity Tenure of security: 2 years Redemption date: September 30, 2022	10.45%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1500 units (March 31, 2020: nil units) of 9.15% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on May 13, 2022	15,000.00	Coupon payment frequency: semi annual Principal repayment frequency: 4 equal quarterly instalments Tenure of security: 1.5 years Redemption date: May 13, 2022	9.15%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
2949 units (March 31, 2020: nil units) of 9.966% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on December 18, 2025	29,490.00	Coupon payment frequency: semi annual Principal repayment frequency: 7 equal half-yearly instalments Tenure of security: 5 years Redemption date: December 18, 2025	9.97%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
12500 units (March 31, 2020: nil units) of 10.00% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on March 11, 2022	1,250.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.25 years Redemption date: March 11, 2022	10.00%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
12500 units (March 31, 2020: nil units) of 10.00% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on June 11, 2022	1,250.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 1.5 years Redemption date: June 11, 2022	10.00%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
23200 units (March 31, 2020: nil units) of 9.05% Redeemable, market linked non-convertible debentures of INR 10,000 each, maturing on January 21, 2023	2,320.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: January 20, 2023	9.05%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
696 units (March 31, 2020: nil units) of 8.95% Redeemable, market linked non-convertible debentures of INR 500,000 each, maturing on February 25, 2023	3,480.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: February 24, 2023	8.95%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
294 units (March 31, 2020: nil units) of 8.90% Redeemable, market linked non-convertible debentures of INR 500,000 each, maturing on February 24, 2023	1,470.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 2 years Redemption date: February 24, 2023	8.90%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
150 units (March 31, 2020: nil units) of 9.30% Redeemable, market linked non-convertible debentures of INR 1,000,000 each, maturing on September 17, 2022	1,500.00	Coupon payment frequency: on maturity Principal repayment frequency: on maturity Tenure of security: 18 Months Redemption date: September 16, 2022	9.30%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
1800 units (March 31, 2020: nil units) of 9.85% Redeemable non-convertible debentures of INR 1,000,000 each, maturing on March 23, 2026	18,000.00	Coupon payment frequency: semi annually Principal repayment frequency: on maturity Tenure of security: 5 Years Redemption date: March 23, 2026	9.85%	The Debentures are secured by way of a first ranking, exclusive, and continuing charge to the present and future loan receivables
Unsecured, redeemable non-convertible debentures:				
28,000,000 units (March 31, 2020: 30,000,000 units) of 11.6% Redeemable non-convertible debentures of INR 10 each, maturing on Sep 25, 2023	2,800.00	Coupon payment frequency:Monthly Principal repayment frequency:Entire principal repaid on maturity Tenure of security: 3 years Redemption date:September 25,2023	11.60%	NA
Unsecured, Commercial Paper:				
200 units of 7.99% commercial paper of INR 500,000 each, maturing on Aug 9, 2021	1,000.00	Tenure of instrument: 181 days Redemption date: August 9, 2021	7.99%	NA
200 units of 7.75% commercial paper of INR 500,000 each, maturing on Jun 9, 2021	1,000.00	Tenure of instrument: 120 days Redemption date:June 9, 2021	7.75%	NA
400 units of 7.50% commercial paper of INR 500,000 each, maturing on May 15, 2021	2,000.00	Tenure of instrument: 91 days Redemption date:May 15, 2021	7.50%	NA
200 units of 7.50% commercial paper of INR 500,000 each, maturing on May 15, 2021	1,000.00	Tenure of instrument: 73 days Redemption date:May 15, 2021	7.50%	NA
500 units of 7.70% commercial paper of INR 500,000 each, maturing on May 31, 2021	2,500.00	Tenure of instrument: 73 days Redemption date:May 31, 2021	7.70%	NA
500 units of 8.25% commercial paper of INR 500,000 each, maturing on Sep 20, 2021	2,500.00	Tenure of instrument: 180 days Redemption date:September 20, 2021	8.25%	NA

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
500 units of 7.7% commercial paper of INR 500,000 each, maturing on May 31, 2021	2,500.00	Tenure of instrument: 62 days Redemption date:May 31, 2021	7.70%	NA
500 units of 7.7% commercial paper of INR 500,000 each, maturing on May 31, 2021	2,500.00	Tenure of instrument: 61 days Redemption date:May 31, 2021	7.70%	NA

Note: The balances are net of accrued interest and gross of unamortised processing fees

		As at March 31, 2021	As at March 31, 2020
15	**Borrowings (Other than debt securities)**		
	Measured at amortised cost:		
	Secured		
	Term loans		
	- from banks	120,205.40	142,890.08
	- from others	66,295.79	25,873.49
	Loans repayable on demand		
	- working capital loan from banks	28,272.00	22,357.00
	- cash credit from banks	10,485.12	9,675.65
		225,258.31	**200,796.22**
	Unsecured		
	Term loans		
	- from banks	1,495.35	1,493.59
	- from others	2,493.44	3,838.45
		3,988.79	**5,332.04**
	Total borrowings (Other than debt securities)	**229,247.10**	**206,128.26**
	Borrowings in India	185,277.12	206,128.26
	Borrowings outside India	43,969.98	-
	Total borrowings (Other than debt securities)	**229,247.10**	**206,128.26**

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

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

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Unsecured borrowing from banks				
Term Loan 1	1,500.00	Repayments terms:Entire amount repaid on the redemption date Tenor of loan : 66 Months Redemption date: June 28,2023	10.25%	NA
Secured borrowing from banks				
Term Loan 2	5,000.00	Repayments terms: Repayment in 3 equal instalments at end of 24 months, 30 months and 36 months Tenor of loan : 3 Years Redemption date: January 21, 2022	11.00%	Exclusive charge over book debt/ receivables providing security cover of 1.1x.
Term Loan 3	480.00	Repayments terms: Repayment in 36 equal monthly instalments with 12 month moratorium from the date of disbursement. Tenor of loan : 4 Years Redemption date: December 29, 2021	9.05%	Floating and exclusive charge over the assets , sufficient to provide a security cover 1. 10 times on the outstanding facility at all times.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 4	625.00	Repayments terms: Equated 36 month instalments with no moratorium Tenor of loan : 3 Years Redemption date: December 31, 2021	9.30%	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 5	1,666.67	Repayments terms:12 Equal quarterly instalments Tenor of loan : 3 Years Redemption date: October 23, 2021	10.55%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 6	833.33	Repayments terms: 12 equal quarterly instalments Tenor of loan : 3 Years Redemption date: January 9,2022	10.40%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 7	11,666.67	Repayments terms:30 monthly instalments Tenor of loan : 3 Years Redemption date: May 16, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 8	1,818.18	Repayments terms:11 quarterly instalments Tenor of loan : 3.3 Years Redemption date: March 27, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 9	500.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: September 24, 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 10	480.00	Repayments terms:10 quarterly instalments Tenor of loan : 3 Years Redemption date: September 21, 2022	11.30%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 11	5,000.00	Repayments terms:12 quarterly instalments Tenor of loan : 2.3 Years Redemption date: March 31, 2023	10.40%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 12	1,125.00	Repayments terms:8 quarterly instalments Tenor of loan : 2 Years Redemption date: December 31, 2021	11.00%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 13	1,750.00	Repayments terms:36 monthly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	9.20%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 14	1,750.00	Repayments terms:36 monthly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	11.00%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 15	6,363.91	Repayments terms:11 quarterly installments Tenor of Security : 2.84 Years Redemption date: December 31, 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 16	566.67	Repayments terms:35 monthly instalments Tenor of loan : 3.3 Years Redemption date: January 5, 2023	11.75%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 17	937.50	Repayments terms:8 quarterly instalments Tenor of loan : 2 Years Redemption date: November 30, 2021	11.25%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 18	2,500.00	Repayments terms:12 quarterly instalments Tenor of loan : 3 Years Redemption date: December 31, 2022	10.20%	First and Exclusive charge on the standard receivables with a security cover of 133%.
Term Loan 19	1,000.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: March 31, 2022	11.50%	First and Exclusive charge on the standard receivables with a security cover of 115%.
Term Loan 20	1,666.67	Repayments terms:6 quarterly installments Tenor of Security : 1.5 Years Redemption date: August 28, 2021	10.60%	First and Exclusive charge on the standard receivables with a security cover of 120%.
Term Loan 21	3,749.00	Repayments terms:12 quarterly instalments Tenor of loan : 3 Years Redemption date: April 5, 2023	10.75%	First and Exclusive charge on the standard receivables with a security cover of 110%.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 22	2,916.67	Repayments terms:48 monthly instalments Tenor of loan : 4 Years Redemption date: March 31, 2024	10.80%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 23	2,906.97	Repayments terms:48 monthly instalments Tenor of loan : 4 Years Redemption date: March 31, 2024	10.50%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 24	1,992.68	Repayments terms:10 quarterly instalments Tenor of loan : 3 Years Redemption date: February 2, 2023	11.25%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 25	500.00	Repayments terms:24 monthly instalments Tenor of loan : 2 Years Redemption date: March 6, 2022	11.25%	First and Exclusive charge on the standard receivables with a security cover of 110%.
Term Loan 26	6,363.91	Repayments terms:11 quarterly installments Tenor of Security : 2.84 Years Redemption date: December 31, 2022	10.30%	First and Exclusive charge on the standard receivables with a security cover of 125%.
Term Loan 27	2,916.67	Repayments terms:12 Monthly instalments Tenor of loan : 1 Years Redemption date: October 3, 2021	9.30%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 28	500.00	Repayments terms:4 Monthly instalments Tenor of loan : 5 months Redemption date: April 10, 2021	6.32%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 29	5,000.00	Repayments terms:9 Monthly instalments Tenor of loan : 1 Years Redemption date: December 31, 2021	9.20%	First and Exclusive charge over the loan receivables with a security cover of 125%.
Term Loan 30	3,500.00	Repayments terms:12 Quarterly instalments Tenor of loan : 3.25 Years Redemption date: April 30, 2024	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 31	20,000.00	Repayments terms:11 Quarterly instalments Tenor of loan : 2.8 Years Redemption date: December 31, 2023	8.70%	First and Exclusive charge over the loan receivables with a security cover of 125%.
Term Loan 32	1,437.50	Repayments terms: 24 monthly instalments Tenor of loan : 2 Years Redemption date: February 28, 2023	9.10%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 33	10,000.00	Repayments terms: 6 quarterly instalments Tenor of loan : 1.5 Years Redemption date: September 29, 2022	8.80%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 34	2,000.00	Repayments terms: 2 Half Yearly instalments Tenor of loan : 1 Years Redemption date: March 31, 2022	9.00%	First and Exclusive charge over the loan receivables with a security cover of 115%.
Term Loan 35	5,000.00	Repayments terms: 18 Monthly instalments Tenor of loan : 2 Years Redemption date: February 28, 2023	8.95%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 36	3,000.00	Repayments terms: 10 quarterly instalments Tenor of loan : 33 months Redemption date: October 9, 2023	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 37	4,000.00	Repayments terms: 36 monthly instalments Tenor of loan : 3 years Redemption date: March 31, 2024	8.60%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 38	1,500.00	Repayments terms: Repayment on Maturity Tenor of loan : 30 days Redemption date: May 3, 2021	10.00%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 39	5,000.00	Repayments terms: Repayment on Maturity Tenor of loan : 180 days Redemption date: May 21, 2021 & June 9,2021	9.70%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 40	3,000.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: March 26, 2022	9.90%	First and Exclusive charge over the loan receivables with a security cover of 110%.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 41	2,490.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: December 28, 2021	9.00%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 42	4,000.00	Repayments terms: Repayment on Maturity Tenor of loan : 90 days Redemption date: June 21, 2021	8.80%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 43	5,000.00	Repayments terms: Repayment on Maturity Tenor of loan : 6 months Redemption date: September 25, 2021	9.25%	First and Exclusive charge over the loan receivables with a security cover of 120%.
Term Loan 44	3,300.00	Repayments terms: Repayment on Maturity Tenor of loan : 1 year Redemption date: December 4, 2021	6.30%	Exclusive charge over book debt/ receivables providing security cover of 1.33x.
Term Loan 45	1,500.00	Repayments terms: Repayment on Maturity Tenor of loan : 3 months Redemption date: June 25, 2021	8.30%	First and Exclusive charge over the loan receivables with a security cover of 110%.
Term Loan 46	1,500.00	Repayments terms: Repayment on Maturity Tenor of loan : 3 months Redemption date: June 29, 2021	9.10%	First and Exclusive charge over the loan receivables with a security cover of 120%.

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

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Unsecured borrowing from others				
Term Loan 1	2,500.00	Repayment Terms: Entire amount is repaid on maturity Tenor: 5.50 Years Redemption Date: June 27, 2023	10.25%	NA
Secured borrowing from others				
Term Loan 2	1,000.00	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 3	282.81	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 4	82.79	Repayment Terms: 36 Monthly instalments Tenor:3 Years Redemption Date: April 22, 2021	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	1,166.50	Repayment Terms: 36 Monthly installments Tenor: 3 Years Redemption Date:May 17,2022	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 6	2,083.33	Repayment Terms: Repayment in 12 equal quarterly instalments Tenor: 3 Years Redemption Date: July 1, 2022	11.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal at any point of time during currency of the facility.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 7	183.52	Repayment Terms: Repayment in 24 monthly instalments Tenor: 2 Years Redemption Date: July 1, 2021	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 8	1,156.51	Repayment Terms: Repayment in 11 equal quarterly installments Tenor: 2.8 Years Redemption Date:November 30,2022	11.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 9	325.64	Repayment Terms: Repayment in 24 monthly instalments Tenor: 2 Years Redemption Date: September 27, 2021	11.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 10	1,818.20	Repayment Terms: Repayment in 36 monthly installments Tenor: 3 Years Redemption Date:February 22,2023	12.25%	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 11	445.36	Repayment Terms: Repayment in 24 equal monthly instalments Tenor: 2 Years Redemption Date: January 1, 2022	11.85%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 12	555.55	Repayment Terms: Repayment in 18 equal monthly instalments Tenor: 1.5 Years Redemption Date: July 15, 2021	10.75%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.15 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 14	599.94	Repayment Terms: Repayment in 11 equal quarterly installments Tenor: 3 Years Redemption Date:May 31, 2023	11.25%	Exclusive hypothecation charge over receivables/loan assets/ book debts with a cover of 1.1 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 15	3,333.33	Repayment Terms: Repayment in 36 equal monthly instalments Tenor: 3 Years Redemption Date: September 21, 2023	9.25%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal and interest at any point of time during currency of the facility.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Gross Balance as at March 31, 2021	Terms of Redemption	Interest rate	Security
Term Loan 16	3,827.86	Repayment Terms: Repayment in 24 equal monthly instalments Tenor: 2 Years Redemption Date: September 22, 2022	9.35%	Exclusive hypothecation charge over loan 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 17 (Borrowings outside India)	18,452.68	Repayment Terms: Repayment in 6 equal half-yearly instalments Tenor: 5 Years Redemption Date: November 17, 2025	9.35%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.25 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 18 (Borrowings outside India)	18,108.75	Repayment Terms: Repayment in 6 equal half-yearly instalments Tenor: 4.8 Years Redemption Date: November 15, 2025	9.50%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.25 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 19 (Borrowings outside India)	7,303.00	Repayment Terms: Repayment in 6 equal half yearly instalments Tenor: 5 Years Redemption Date: March 4, 2026	9.78%	Exclusive hypothecation charge over loan receivables/loan assets/ book debts with a cover of 1.2 times of the outstanding principal at any point of time during currency of the facility.
Term Loan 20	4,000.00	Repayment Terms: Repayment in 36 equal monthly instalments Tenor: 3 Years Redemption Date: March 30, 2024	9.25%	Exclusive hypothecation charge over loan 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.

Note: The balances are net of accrued interest and gross of unamortised processing fees

		As at March 31, 2021	As at March 31, 2020
16	**Other financial liabilities**		
	Collateral deposits from customers	1,251.89	1,170.01
	Employee benefits payable	1,425.05	1,233.47
	Lease liabilities (refer note below)	1,127.38	1,408.13
	Remittances payable - derecognised assets	321.73	1,210.88
	Other liabilities	101.59	166.43
	Unpaid dividend on non convertible preference shares	2.69	2.69
		4,230.33	**5,191.61**
17	**Provisions**		
	Provision for employee benefits:		
	Gratuity (refer note 40)	468.40	450.48
	Compensated absences	275.94	256.31
	Provision for others:		
	Impairment loss allowance for guarantees	759.70	576.53
	Impairment loss allowance for undrawn loans	259.54	119.66
		1,763.58	**1,402.98**
18	**Other non- financial liabilities**		
	Statutory dues payable	591.49	324.67
	Management fee received in advance	–	18.98
	Deferred interest	77.37	59.66
		668.86	**403.31**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		As at March 31, 2021	As at March 31, 2020
19	**Share capital**		
	Authorised		
	125,000,000 (March 31, 2020: 125,000,000) equity shares of INR 10 each	12,500.00	12,500.00
	60,100,000 (March 31, 2020: 60,100,000) 0.0001% Compulsorily convertible preference shares of INR 20 each	12,020.00	12,020.00
	19,800,000 (March 31, 2020: 19,800,000) 9.85% Cumulative non convertible compulsorily redeemable preference shares of INR 10 each	1,980.00	1,980.00
		26,500.00	**26,500.00**
	Issued, subscribed and paid up		
	Equity shares		
	87,921,550 (March 31, 2020: 87,477,903) equity shares of INR 10 each	8,792.15	8,747.79
		8,792.15	**8,747.79**
	Compulsorily convertible preference shares		
	41,323,204 (March 31,2020 : 41,323,204, March 31,2019 : 37,784,296) preference share of INR 20 each	8,264.64	8,264.64
		8,264.64	**8,264.64**

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

		As at March 31, 2021		As at March 31, 2020	
		No. of shares	Amount	No. of shares	Amount
	Equity shares				
	At the commencement of the year	87,477,903	8,747.79	78,365,776	7,836.57
	Add: Shares issued during the year	443,647	44.36	3,261,127	326.12
	Add: Shares Converted into equity	-	-	5,851,000	585.10
	At the end of the year	**87,921,550**	**8,792.15**	**87,477,903**	**8,747.79**
	0.0001% Compulsorily convertible preference shares				
	At the commencement of the year	41,323,204	8,264.64	37,784,296	7,556.86
	Add: Shares issued during the year	-	-	9,389,908	1,877.98
	Less: Shares Converted into equity	-	-	(5,851,000)	(1,170.20)
	At the end of the year	**41,323,204**	**8,264.64**	**41,323,204**	**8,264.64**
	Redeemable preference shares				
	At the commencement of the year	-	-	1,160,000	1,160.00
	Less: Shares Redeemed during the year	-	-	(1,160,000)	(1,160.00)
	At the end of the year	**-**	**-**	**-**	**-**

Note:

During the year ended March 31, 2020, pursuant to amended share subscription and shareholders agreement, the Company has issued:

1. Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020: 6,133,793) of INR 20 each to IIFL Special opportunities fund, IIFL Special opportunities fund Series 2 to 7; Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020:2,230,797) shares of INR 20 each to Standard Chartered Bank (Singapore Branch); Nil 0.0001% Compulsorily convertible preference shares (March 31, 2020:1,025,318) shares of INR 20 each to Augusta Investments II Pte. Ltd and Nil equity shares (March 31, 2019 : 3,197,644) of INR 10 each to Sumitomo Mitsui Banking Corporation.
2. During the year Nil 0.0001% compulsorily convertible preference shares (March 31, 2020: 5,851,000) were converted into equity share capital.
3. During the year, the Company has issued 443,647 (March 31, 2020 : 63,483) equity shares which were allotted to employees who exercised their options under ESOP scheme.
4. During the year, the Company has issued Nil (March 31, 2020 - Nil, March 31, 2019: 3) equity shares of INR 10 each to Kshama Fernandes, Managing Director, Bama Balakrishnan, Chief Financial Officer (until June 30, 2020) and C Kalyanasundaram, Senior Director and Head, Finance and Operations.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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

i) Equity shares

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

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii) 0.0001% Compulsorily convertible preference shares:

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

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

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

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

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

	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% held	No. of shares	% held
Equity shares:				
Leapfrog Financial Inclusion India (II) Limited	29,952,665	34.07%	29,952,665	34.24%
Dvara Trust	12,878,682	14.65%	12,878,682	14.72%
Accion Africa Asia Investment Company	7,699,529	8.76%	7,699,529	8.80%
Augusta Investments Pte II Ltd	20,328,820	23.12%	20,328,820	23.24%
Sumitomo Mitsui Banking Corporation	7,004,364	7.97%	7,004,364	8.01%
0.0001% Compulsorily convertible preference shares:				
Eight Roads Investments Mauritius (II) Limited	11,630,889	28.15%	11,630,889	28.15%
Augusta Investments II Pte. Ltd.	3,256,115	7.88%	3,256,115	7.88%
IIFL Special Opportunities Fund	4,161,142	10.07%	4,161,142	10.07%
IIFL Special Opportunities Fund - Series 2	4,371,781	10.58%	4,371,781	10.58%
IIFL Special Opportunities Fund - Series 4	6,609,362	15.99%	6,609,362	15.99%
IIFL Special Opportunities Fund - Series 5	5,423,128	13.12%	5,423,128	13.12%
IIFL Special Opportunities Fund - Series 7	3,693,947	8.94%	3,693,947	8.94%

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		As at March 31, 2021	As at March 31, 2020
20	**Other equity**		
a)	**Securities premium**		
	At the commencement of the year	83,340.82	60,488.35
	Add: Premium received on shares issued	556.61	23,289.46
	Less: Utilised during the year for writing off share issue expenses	-	(436.99)
	At the end of the year	**83,897.43**	**83,340.82**
b)	**Statutory reserve**		
	At the commencement of the year	8,769.77	6,977.38
	Add : Transfer from retained earnings	1,121.00	1,792.39
	At the end of the year	**9,890.76**	**8,769.77**
c)	**Employee stock options outstanding account**		
	At the commencement of the year	2,521.71	1,780.22
	Add: Employee compensation expense during the year	163.02	741.49
	Less: Transfer to securities premium on allotment of shares	(386.91)	-
	At the end of the year	**2,297.82**	**2,521.71**
d)	**Retained earnings**		
	At the commencement of the year	31,795.65	27,044.85
	Add: Profit for the year	6,751.43	9,283.68
	Add: Transfer from other comprehensive income	36.17	6.02
	Less: Transfer to statutory reserve	(1,121.00)	(1,792.39)
	Less: Transfer to capital redemption reserve	-	(1,882.00)
	Change in the ownership interest in subsidiaries/ funds resulting in change of control	-	(864.51)
	At the end of the year	**37,462.25**	**31,795.65**
e)	**Capital redemption reserve**		
	At the commencement of the year	3,467.00	1,585.00
	Add: Addition during the year	-	1,882.00
	At the end of the year	**3,467.00**	**3,467.00**
f)	**Capital reserve**		
	At the commencement of the year	3.57	3.57
	At the end of the year	**3.57**	**3.57**
g)	**Other comprehensive income**		
	At the commencement of the year	3,731.77	3,480.55
	Remeasurements of net defined benefit asset/ (liability) (refer note (vii) (b) below)	(36.17)	(6.02)
	Less: Transfer to retained earnings	36.17	6.02
	Less : Fair valuation of financial instruments (refer note (vii) (a) below)	806.32	251.22
	Less : Cash flow hedge reserve (refer note (vii) (c) below)	(382.22)	-
	At the end of the year	**4,155.86**	**3,731.77**
	Total (a+b+c+d+e+f+g)	**141,174.71**	**133,630.29**

Nature and purpose of reserve

(i) Securities premium

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

(ii) Employee stock option outstanding

The Holding Company has established various equity settled share based payment plans for certain categories of employees of the Group.

(iii) Statutory reserve

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) Retained earnings

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 other equity - Financial Instruments through OCI.

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.

c) The Group has applied hedge accounting for designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity as cash flow hedge reserve.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

21 **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, 2021								
Parent								
Northern Arc Capital Limited	93.18%	155,886.02	73.17%	5,604.99	194.29%	622.07	78.03%	6,227.06
Domestic Subsidiaries - (parent's share)								
Northern Arc Investment Adviser Services Private Limited	0.21%	348.06	0.56%	42.72	3.20%	10.23	0.66%	52.95
Northern Arc Investment Managers Private Limited	1.76%	2,948.21	11.41%	873.76	5.21%	16.67	11.16%	890.43
IFMR Fimpact Long Term Credit Fund	6.64%	11,106.24	19.61%	1,502.24	-58.94%	(188.71)	16.46%	1,313.53
Non-controlling interests in all subsidiaries	5.42%	9,060.22	11.85%	907.80	-43.76%	(140.11)	9.62%	767.69
Eliminations	-7.21%	(12,057.03)	-16.61%	(1,272.28)	0.00%	-	-15.94%	(1,272.28)
As at March 31, 2021	**100.00%**	**167,291.72**	**99.99%**	**7,659.23**	**100.00%**	**320.15**	**99.99%**	**7,979.39**
As at March 31, 2020								
Parent								
Northern Arc Capital Limited	93.44%	149,281.88	87.07%	8,961.93	137.14%	322.10	88.19%	9,284.03
Domestic subsidiaries - (parent's share)								
Northern Arc Investment Adviser Services Private Limited	0.18%	295.10	0.76%	78.13	-3.53%	(8.30)	0.66%	69.83
Northern Arc Investment Managers Private Limited	1.25%	1,992.78	0.69%	71.47	-11.26%	(26.44)	0.43%	45.03
IFMR Fimpact Long Term Credit Fund	7.04%	11,242.04	13.94%	1,435.08	-12.82%	(30.12)	13.34%	1,404.96
Northern Arc Money Market Alpha Fund	0.00%	-	0.81%	83.31	0.00%	-	0.79%	83.31
Non-controlling interests in all subsidiaries	5.71%	9,128.40	9.81%	1,009.67	-9.52%	(22.37)	9.38%	987.30
Eliminations	-7.62%	(12,169.08)	-13.08%	(1,346.24)	0.00%	-	-12.79%	(1,346.24)
As at March 31, 2020	**100.00%**	**159,771.12**	**100.00%**	**10,293.35**	**100.01%**	**234.87**	**100.00%**	**10,528.22**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		Year ended March 31, 2021				Year ended March 31, 2020			
		On financial assets measured at			Total	On financial assets measured at			Total
		FVOCI	Amortised cost	FVTPL		FVOCI	Amortised cost	FVTPL	
22	**Interest income**								
	Interest on loans	10,547.63	35,726.86	–	46,274.49	4,643.58	38,607.49	–	43,251.07
	Interest from investments:								
	- Pass through certificates	2,769.82	–	–	2,769.82	2,951.58	–	–	2,951.58
	- Commercial paper	–	–	–	–	–	158.70	–	158.70
	- Non-convertible debentures	8,142.65	–	–	8,142.65	8,747.33	–	–	8,747.33
	Interest on deposits with banks	–	799.37	–	799.37	–	536.74	–	536.74
		21,460.10	**36,526.23**	**-**	**57,986.33**	**16,342.49**	**39,302.93**	**-**	**55,645.42**

		Year ended March 31, 2021	Year ended March 31, 2020
23	**Fees and commission income**		
	Income from guarantee facility	770.99	932.59
	Income from other financial services		
	- Professional fee	3,764.98	3,914.31
	- Management fee	1,409.76	1,347.18
	- Arranger fee for guarantee facility	438.30	331.23
	Others	49.40	5.50
		6,433.43	**6,530.81**
24	**Net gain on fair value changes**		
	Net gain on financial instruments at fair value through profit or loss		
	On alternative investment funds	3,221.57	168.32
	On mutual fund investments	368.48	435.28
	Profit on sale of investments in non-convertible debentures and pass-through certificates	107.09	12.79
		3,697.14	**616.39**
	Fair value changes:		
	- Realised	2,892.06	448.07
	- Unrealised	805.08	168.32
		3,697.14	**616.39**
25	**Other income**		
	Income from other than financing activities	241.16	162.50
	Interest income from income tax refund	81.74	–
	Provision no longer required written back	88.65	–
	Impairment reversal on financial instruments	–	0.83
		411.55	**163.33**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		Year ended March 31, 2021	Year ended March 31, 2020
26	**Finance costs**		
	Finance costs on financial liabilities measured at amortised cost		
	Interest on deposits	52.77	89.81
	Interest on borrowings		
	- Term loans from banks and others	17,901.48	17,438.71
	- Cash credits and overdraft	337.78	882.85
	- Securitised portfolio	41.41	812.69
	Interest on debt securities	12,142.12	9,675.91
	Interest on sub-ordinated liabilities	-	72.45
	Interest on lease liability	124.13	126.35
	Amortisation of discount on commercial papers	187.69	721.97
	Other borrowing costs	1,509.38	1,099.76
		32,296.76	**30,920.50**
	Note: Other than financial liabilities measured at amortized cost, there are no other financial liabilities measured at FVTPL.		
27	**Impairment on financial instruments**		
	Write off on financial instruments		
	Loans	5,909.97	1,044.54
	Investments	600.49	1,174.67
	Less: Recovery	(228.40)	(137.30)
	Impairment loss allowance on financial instruments (refer note 49)		
	Loans	3,134.24	2,330.75
	Investments	3,845.83	(876.66)
	Others	278.83	12.66
		13,540.96	**3,548.66**
28	**Employee benefits expense**		
	Salaries, wages and bonus	5,408.50	5,346.09
	Contribution to provident fund	290.54	291.98
	Employee share based payment expenses	245.71	772.32
	Expenses related to post-employment defined benefit plans (also refer note 41)	129.19	115.28
	Staff welfare expenses	150.52	304.00
		6,224.46	**6,829.67**
29	**Depreciation and amortisation expense**		
	Depreciation of property, plant and equipment	125.57	149.36
	Depreciation on Right of use asset (refer note 10.2)	320.07	288.11
	Amortisation of intangible assets	228.46	235.50
		674.10	**672.97**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

		Year ended March 31, 2021	Year ended March 31, 2020
30	**Other expenses**		
	Rent	323.08	591.05
	Rates and taxes	7.57	9.63
	Travelling and conveyance	44.53	700.40
	Legal and professional charges	1,399.41	1,343.40
	Distribution fee expense	83.26	156.64
	Set up cost	2.31	52.07
	Loss on sale of investment	-	4.00
	Auditors' remuneration (refer note 30.1 below)	95.16	74.64
	Directors' sitting fees	115.92	73.47
	Net loss on fair value changes	8.24	650.93
	Repairs and maintenance	258.06	288.04
	Communication expenses	85.75	93.75
	Printing and stationery	7.22	24.43
	Subscription charges	101.71	106.54
	Advertisement and business promotion	47.79	63.04
	Corporate social responsibility expenditure (refer note 30.2 below)	258.75	347.39
	Bank charges	86.54	32.92
	Miscellaneous expenses	15.34	122.89
		2,940.64	**4,735.23**
30.1	**Payments to auditor (excluding goods and services tax)**		
	Statutory audit	63.50	57.00
	Tax audit	3.00	3.50
	Other services	26.00	12.50
	Reimbursement of expenses	2.66	1.64
		95.16	**74.64**
30.2	**Corporate social responsibility ("CSR") expenditure**		
	(a) Gross amount required to be spent by the Company during the year	258.75	234.00
	(b) Amount approved by the Board to be spent during the year	258.75	234.00
	(c) Amount spent during the year (in cash) :		
	(i) Construction/ acquisition of any asset	-	-
	(ii) On purposes other than (i) above	301.60	361.66
	(d) Contributions to Northern Arc Foundation (wholly owned subsidiary of the Company incorporated under section 8 of Companies Act, 2013) (Also refer note 42C)	301.60	197.68
		As at March 31, 2021	**As at March 31, 2020**
	(e) Carry forward balances of CSR pre-spent		
	Opening balance of pre-spent / (shortfalls)	-	(117.33)
	Amount required to be spent during the year	(258.75)	(234.00)
	Amount spent during the year	301.60	361.66
	Closing balance of pre-spent / (shortfalls)	**42.85**	**10.33**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

31 Income tax

A. The components of income tax expense for the years ended 31 March 2021 and 2020 are:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current tax	4,217.50	3,350.80
Deferred tax (credit) / charge	(1,877.40)	805.04
Tax expense	**2,340.10**	**4,155.84**

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, 2021 and 2020 is, as follows:-

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Profit before tax	9,999.34	14,449.19
Less: Exempted profit	(907.80)	(1,009.67)
Profit before tax attributable to equity holders	9,091.54	13,439.52
Applicable tax rate	25.17%	25.17%
Computed expected tax expense	**2,288.34**	**3,382.73**
Effect of difference in tax expenditure due to differential tax rates applicable for subsidiaries *	(4.97)	(39.76)
Change in tax rate	-	647.05
Permanent differences	65.13	165.82
Tax expenses recognised in the statement of profit and loss	**2,348.50**	**4,155.84**
Effective tax rate	25.83%	30.92%

Note: The Company and one of its subsidiary (Northern Arc Investment Managers Private Limited) has elected to exercise the option permitted under section 115BAA of the Income tax Act, 1961, as introduced by the Taxation laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax and remeasured its net deferred tax asset at concessional rate for the year ended 31 March 2021 and 31 March 2020.

* Tax rates applicable for subsidiaries are as follows

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Northern Arc Investment Managers Private Limited	25.17%	25.17%
Northern Arc Investment Adviser Services Private Limited	26.00%	27.82%

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

C. Deferred tax

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

	As at March 31, 2020	Statement of profit and loss	Other comprehensive income	MAT utilization	As at March 31, 2021
Component of Deferred tax asset / (liability)					
Deferred tax asset / (liability) in relation to:					
Property plant and equipment	(7.59)	(9.43)	-	-	(17.02)
Impact of fair value of assets	(1,351.85)	(38.70)	954.84	-	(435.71)
Impairment on financial assets	1,583.42	1,503.57	(1,160.78)	-	1,926.21
Provision for employee benefits	178.14	21.47	(12.51)	-	187.10
Unamortised component of processing fee	(48.87)	356.50	-	-	307.63
Minimum alternative tax	17.71	0.02	-	(3.93)	13.80
Others	(51.88)	43.97	-	-	(7.91)
Total	**319.08**	**1,877.40**	**(218.45)**	**(3.93)**	**1,974.10**

	As at March 31, 2019	Statement of profit and loss	Other comprehensive income	MAT utilization	As at March 31, 2020
Deferred tax asset / (liability) in relation to:					
Property plant and equipment	(41.30)	33.71	-	-	(7.60)
Impact of fair value of assets	30.38	(1,639.62)	257.39	-	(1,351.85)
Impairment on financial assets	541.99	792.55	248.88	-	1,583.42
Provision for employee benefits	(34.14)	213.90	(1.62)	-	178.14
Unamortised component of processing fee	76.86	(125.73)	-	-	(48.87)
Premium accrued on preference shares	22.16	(22.16)	-	-	-
Minimum alternative tax	28.21	-	-	(10.50)	17.71
Others	5.79	(57.67)	-	-	(51.88)
Total	**629.95**	**(805.04)**	**504.65**	**(10.50)**	**319.08**

	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
32	**Earnings per share ('EPS')**		
	Earnings		
	Net profit attributable to equity shareholders for calculation of basic EPS	6,751.43	9,283.68
	Net profit attributable to equity shareholders for calculation of diluted EPS	6,997.14	10,056.00
	Shares		
	Equity shares at the beginning of the period	87,477,903	87,477,903
	Shares issued during the period	443,647	-
	Total number of equity shares outstanding at the end of the period	**87,921,550**	**87,477,903**
	Weighted average number of equity shares outstanding during the year for calculation of basic EPS	87,619,183	83,977,665
	Options granted	1,779,135	2,047,492
	Compulsory convertible preference shares	41,323,204	40,868,385
	Weighted average number of equity shares outstanding during the year for calculation of diluted EPS	**130,721,522**	**126,893,543**
	Face value per share	10.00	10.00
	Earnings per share		
	Basic	7.71	11.05
	Diluted	5.35	7.92

33 Disclosures under Ind AS 116

The disclosures as required under Ind AS 116 are as follows;

(i) Measurement of Lease Liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liability recognised	1,127.38	1,408.13

The Company has considered weighted average rate of borrowings for discounting.

The Company has entered into leasing arrangements for premises. ROU has been included after the line 'Property, Plant and Equipment' and Lease liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

(ii) Amounts recognised in the Balance sheet

Particulars	As at 31 March 2021	As at 31 March 2020
a) Right-of-use assets (net)	985.44	1,324.14
b) Lease liabilities		
Current	365.23	395.57
Non-current	762.15	1,012.56
Total Lease liabilities	**1,127.38**	**1,408.13**
c) Additions to the Right-of-use assets	-	623.28

(iii) Amounts recognised in the Statement of Profit and Loss

Particulars	As at 31 March 2021	As at 31 March 2020
a) Depreciation charge for right-of-use assets	320.07	288.11
b) Interest expense (included in finance cost)	124.13	126.35
c) Expense relating to short-term leases	323.08	591.05

Note:

On 24th July 2020, the MCA issued a notification as the Companies (Ind AS) Amendment Rules, 2020, which has come into force as on the data of publication. These amendments provide relief for lessees in the accounting for rent concessions granted as direct consequences of COVID-19. The Company have received the rent concession for 2 leases during the period June 2020 to September 2020 amounting to INR 35.20 lakhs (disclosed under "other income").

(iv) Cash Flows

Particulars	As at 31 March 2021	As at 31 March 2020
The total cash outflow of leases	347.61	291.28

(v) Maturity analysis of undiscounted lease liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Not later than one year	365.23	395.57
Later than one year and not later than five years	933.44	1,271.94
Later than five years	52.33	89.27

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

34 Maturity Analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Derivatives have been classified to mature and/ or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR.

Particulars	As at March 31, 2021			As at March 31, 2020		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Assets						
Cash and cash equivalents	39,810.26	-	39,810.26	33,321.71	-	33,321.71
Bank balances other than cash and cash equivalents	6,837.98	-	6,837.98	7,720.21	-	7,720.21
Trade receivables	1,835.42	-	1,835.42	830.15	-	830.15
Loans	246,495.01	127,581.67	374,076.68	113,430.07	179,037.72	292,467.79
Investments	37,469.94	100,786.80	138,256.74	26,712.58	90,436.32	117,148.90
Other financial assets	473.97	-	473.97	747.73	0.99	748.72
Current tax assets (net)	-	3,579.18	3,579.18	-	4,119.03	4,119.03
Deferred tax assets (net)	-	2,071.82	2,071.82	-	319.08	319.08
Property, plant and equipment	-	104.89	104.89	-	178.41	178.41
Intangible assets under development	-	54.02	54.02	-	94.94	94.94
Intangible assets	-	972.77	972.77	-	831.54	831.54
Leases	-	985.44	985.44		1,324.14	1,324.14
Goodwill	-	174.63	174.63	-	174.63	174.63
Other non- financial assets	482.67	-	482.67	469.63	(0.01)	469.62
Total Assets	**333,405.26**	**236,311.22**	**569,716.47**	**183,232.08**	**276,516.79**	**459,748.87**
Liabilities						
Derivative financial instruments	898.51	-	898.51	-	-	-
Trade payables						
- Total outstanding dues of micro and small enterprises	-	-	-	-	-	-
- Total outstanding dues of creditors other than micro and small enterprises	1,561.87	-	1,561.87	830.89	-	830.89
Debt securities	62,498.81	101,457.97	163,956.78	27,428.57	58,592.13	86,020.70
Borrowings (Other than debt securities)	126,289.44	102,957.66	229,247.10	104,176.60	101,951.66	206,128.26
Subordinated liabilities	-	-	-	-	-	-
Other financial liabilities	3,370.38	859.95	4,230.33	4,062.46	1,129.15	5,191.61
Provisions	112.21	1,651.37	1,763.58	97.55	1,305.43	1,402.98
Current tax liabilities (net)	-	-	-	-	-	-
Deferred tax liabilities (net)	-	97.72	97.72	-	-	-
Other non-financial liabilities	668.86	-	668.86	403.31	-	403.31
Total Liabilities	**195,400.08**	**207,024.67**	**402,424.75**	**136,999.38**	**162,978.37**	**299,977.75**
Total equity			**167,291.72**			**159,771.12**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

34A Change in Liabilities arising from financing activities

Particulars	As at April 1, 2020	Cash flows	Exchange difference	Others*	New Leases	As at March 31, 2021
Debt Securities	86,020.70	77,748.39	-	187.69	-	163,956.78
Borrowings (other than debt securities)	206,128.26	20,752.04	6.75	2,360.05	-	229,247.10
Lease Liabilities	1,408.13	(347.61)	-	66.86	-	1,127.38

Particulars	As at April 1, 2019	Cash flows	Exchange difference	Others*	New Leases	As at March 31, 2020
Debt Securities	124,386.13	(39,087.40)	-	721.97	-	86,020.70
Borrowings (other than debt securities)	166,904.76	38,858.00	-	365.50	-	206,128.26
Sub-ordinated Liabilities	1,213.41	(1,213.41)	-	-	-	-
Lease Liabilities	-	(291.28)	-	-	1,699.41	1,408.13

* Others includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees, decrease in lease liability on account of termination.

35 Financial instrument

A Fair value measurement

Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions i.e., exit price. This is regardless of whether that price is directly observable or estimated using a valuation technique.

Financial instruments by category

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2021 were as follows (Also refer note 49)

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Financial assets:						
Loans	-	102,275.31	-	-	102,275.31	102,275.31
Investments						
- Pass-through certificates	-	15,897.01	-	-	15,897.01	15,897.01
- Non convertible debentures	-	89,086.36	-	-	89,086.36	89,086.36
- Alternative Investment Funds	22,494.45	-	-	-	22,494.45	22,494.45
- Investment in government securities	14,911.03	-	14,911.03	-	-	14,911.03
- Share warrants	1.62	-	-	-	1.62	1.62
- Mutual funds	740.27	-	740.27	-	-	740.27
Financial liabilities:						
Derivative financial instruments	-	898.51	-	-	898.51	898.51

The carrying value and fair value of financial instruments measured at fair value as of March 31, 2020 were as follows:

Particulars	Carrying amount		Fair value			
	FVTPL	FVOCI	Level 1	Level 2	Level 3	Total
Financial assets:						
Loans	-	73,160.07	-	-	73,160.07	73,160.07
Investments						
- Commercial papers	-	-	-	-	-	-
- Pass-through certificates	-	22,481.44	-	-	22,481.44	22,481.44
- Non convertible debentures	-	74,513.35	-	-	74,513.35	74,513.35
- Alternative Investment Funds	20,406.27	-	-	-	20,406.27	20,406.27
- Share warrants	1.62	-	-	-	1.62	1.62
- Mutual funds	410.49	-	410.49	-	-	410.49

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Reconciliation of level 3 fair value measurement is as follows

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Financial assets measured at FVOCI		
Balance at the beginning of the year	4,398.09	4,701.09
Total gains measured through OCI for additions made during the year	551.83	(303.00)
Balance at the end of the year	**4,949.92**	**4,398.09**
Financial assets measured at FVTPL		
Fair value adjustment	805.08	168.32

Sensitivity analysis - Increase/ decrease of 100 basis points

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Financial assets:				
Loans	1,022.75	(1,022.75)	731.60	(731.60)
Investments				
- Pass through securities	158.97	(158.97)	224.81	(224.81)
- Non convertible debentures	890.86	(890.86)	987.70	(987.70)
- Alternative Investment Funds	224.94	(224.94)	204.06	(204.06)
- Investment in Government securities	149.11	(149.11)		
- Mutual funds	7.40	(7.40)	1.64	(1.64)
- Share warrants	0.02	(0.02)	0.02	(0.02)
Financial liabilities:				
Derivative financial instruments	(8.99)	8.99	-	-

The carrying value and fair value of other financial instruments by categories as of March 31, 2021 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	39,810.26				-
Bank balances other than cash and cash equivalents	6,837.98				-
Trade receivables	1,835.42				-
Loans	279,226.17				-
Investments in subsidiaries	1.00				
Other financial assets	473.97				-
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	1,561.87				-
Debt securities	163,956.78				-
Borrowings (Other than debt securities)	229,247.10				-
Other financial liabilities	4,230.33				-

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

The carrying value and fair value of financial instruments by categories as of March 31, 2020 were as follows:

Particulars	Carrying Value	Level 1	Level 2	Level 3	Total
	Amortised cost				
Financial assets not measured at fair value:					
Cash and cash equivalents	33,321.71				-
Bank balances other than cash and cash equivalents	7,720.21				-
Trade receivables	830.15				-
Loans	224,137.59				-
Investments in subsidiaries	1.00				
Other financial assets	748.72				-
Financial liabilities not measured at fair value:					
Trade payables					
- total outstanding dues of micro and small enterprises	-				-
- total outstanding dues of creditors other than micro and small enterprises	830.89				-
Debt securities	86,020.70				-
Borrowings (Other than debt securities)	206,128.26				-
Other financial liabilities	5,191.61				-

Note:

For all of the financial assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair values.

B Measurement of fair values

Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the financial statements. These fair values were calculated for disclosure purposes only.

Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and cash equivalents, balances other than cash and cash equivalents, trade receivables, other financial assets, trade payables and other financial liabilities without a specific maturity.

Borrowings

The debt securities, borrowings and subordinated liabilities are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Loans

The Loans are primarily variable rate instruments. Accordingly, the fair value has been assumed to be equal to the carrying amount.

Transfers between levels I and II

There has been no transfer in between level I and level II.

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, except share data and unless otherwise stated)

The Group's adjusted net debt to equity ratio is as follows:

Particulars	As at 31 March 2021	As at 31 March 2020
Total financial liabilities	399,894.59	298,171.46
Less: cash and cash equivalents	(39,810.26)	(33,321.71)
Adjusted net debt	**360,084.33**	**264,849.75**
Total equity	167,291.72	159,771.12
Adjusted net debt to equity ratio	2.15	1.66

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 Holding Company

Particulars	Carrying amount	
	As at March 31, 2021	As at March 31, 2020
Tier I Capital	146,757.34	141,341.03
Tier II Capital	6,749.89	5,884.56
Total Capital	**153,507.23**	**147,225.59**
Risk weighted assets	531,274.73	444,036.91
Tier I Capital Ratio (%)	27.62%	31.83%
Tier II Capital Ratio (%)	1.27%	1.33%

Tier I capital consists of shareholders' equity excluding unreliased gain on fair valuation. Tier II Capital consists of general provision and loss reserve against standard assets and subordinated debt (subject to prescribed discount rates and not exceeding 50% of Tier I). Tier I and Tier II has been reported on the basis of Ind AS financial information.

36 Financial risk management objectives and policies

The 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 loans and advances, investments and cash and cash equivalents that derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. The Group's board of directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee and asset liability committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(I) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and investments (Also refer note 49).

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

Loans

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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, 2021	As at March 31, 2020
Term loans	381,501.48	297,297.66
Less : Impairment loss allowance	(7,424.80)	(4,829.87)
	374,076.68	**292,467.79**

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due and the type of risk exposures. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - Financial Instruments.

Staging:

As per the provision of Ind AS 109 all financial instruments are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with the initial recognition, then an instrument is transferred to stage 2. If there is objective evidence of impairment, then the asset is credit impaired and transferred to stage 3.

The Group considers a financial instrument defaulted and therefore stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

For financial assets in stage 1, the impairment calculated based on defaults that are possible in next twelve months, whereas for financial instrument in stage 2 and stage 3 the ECL calculation considers default event for the lifetime of the instrument.

As per Ind AS 109, Group assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. Group has staged the assets based on the days past dues criteria and other market factors which significantly impacts the portfolio.

Days past dues status	Stage	Provisions
Current	Stage 1	12 Months Provision
1-30 Days	Stage 1	12 Months Provision
31-90 Days	Stage 2	Lifetime Provision
90+ Days	Stage 3	Lifetime Provision

Also refer note 49

Grouping

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

- Loans
- Guarantees to pooled issuances
- Other guarantees
- Undrawn exposure
- Second loss credit enhancement
- Investments in pass through securities
- Investments in non convertible debentures

Expected credit loss ("ECL"):

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probity is low. ECL is calculated based on the following components:

a. Marginal Probability of default ("PD")

b. Loss given default ("LGD")

c. Exposure at default ("EAD")

d. Discount factor ("D")

Marginal probability of default:

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 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 computed PD based on the last four years historical data.

Marginal probability:

The PDs derived from the ARIMA model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

Conditional marginal probability:

As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.

The probability of default was calculated for 3 scenarios: upside, downside and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

LGD

LGD is an estimate of the loss from a transaction given that a default occurs. Under Ind AS 109, lifetime LGD's are defined as a collection of LGD's estimates applicable to different future periods. Various approaches are available to compute the LGD. The Group has considered the workout LGD approach by considering historical losses and recoveries. The following steps are performed to calculate the LGD:

1) Analysis of historical credit impaired accounts at cohort level.
2) The computation consists of five components, which are:
    a) Outstanding balance (POS)
    b) Recovery amount (discounted yearly) by initial contractual rate.
    c) Expected recovery amount (for incomplete recoveries), discounted to reporting date using initial contractual rate.
    d) Collateral (security) amount

The formula for the computation is as below:

% Recovery rate = (discounted recovery amount + security amount + discounted estimated recovery) / (total POS)

% LGD = 1 – recovery rate

In addition, the Group has also considered an LGD of 65% as recommended by the Foundation Internal Ratings Based (FIRB) approach under Basel II guidelines issued by RBI.

EAD:

As per Ind AS 109, EAD is estimation of the extent to which the financial entity may be exposed to counterparty in the event of default and at the time of counterparty's default. The Group has modelled EAD based on the contractual and behavioural cash flows till the lifetime of the loans considering the expected prepayments.

The Group has considered expected cash flows , undrawn exposures and SLCE for all the loans at DPD bucket level for each of the risk segments, which was used for computation of ECL. Moreover, the EAD comprised of principal component, accrued interest and also the future interest for the outstanding exposure. So discounting was done for computation of expected credit loss.

Discounting:

As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

ECL computation:

Conditional ECL at DPD pool level was computed with the following method:

Conditional ECL for year (yt) = EAD (yt) * conditional PD (yt) * LGD (yt) * discount factor (yt)

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

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:

Particulars	Provisions	As at March 31, 2021	As at March 31, 2020
Stage 1	12 month provision	4,232.54	3,210.81
Stage 2	Life time provision	989.83	940.35
Stage 3	Life time provision	2,202.43	678.71
Amount of expected credit loss provided		**7,424.80**	**4,829.87**

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, 2021	As at March 31, 2020
ECL allowance - opening balance	**4,829.87**	**2,693.96**
Addition during the year	8,504.90	3,180.45
Write offs during the year	(5,909.97)	(1,044.54)
Closing provision of ECL	**7,424.80**	**4,829.87**

Analysis of changes in the gross carrying amount of loans:

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**265,674.86**	**30,387.85**	**1,234.95**	**297,297.66**	**278,954.53**	**474.46**	**949.54**	**280,378.53**
New assets originated *	215,814.91	757.66	69.11	216,641.68	197,763.79	13,811.44	-	211,575.23
Asset derecognised or repaid	(126,527.89)	-	-	(126,527.89)	(193,602.05)	-	(9.51)	(193,611.56)
Transfer from stage 1	(6,943.53)	4,289.43	2,654.10	-	(17,441.41)	16,101.95	1,339.46	-
Transfer from stage 2	7,837.24	(8,571.60)	734.36	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	(4,978.69)	(145.62)	(785.66)	(5,909.97)	-	-	(1,044.54)	(1,044.54)
As at the end of the year	**350,876.90**	**26,717.72**	**3,906.86**	**381,501.48**	**265,674.86**	**30,387.85**	**1,234.95**	**297,297.66**

* 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 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.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Analysis of changes in the gross carrying amount of investments:

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the year	**104,885.48**	**12,263.08**	**665.61**	**117,814.17**	**115,483.06**	**0.00**	**2,331.11**	**117,814.17**
New assets originated *	38,249.28	-	-	38,249.28	57,138.14	2,360.09	-	59,498.23
Asset derecognised or repaid	(3,944.63)	(8,360.10)	(26.49)	(12,331.22)	(57,832.73)	-	(490.83)	(58,323.56)
Transfer from stage 1	(7,604.27)	104.27	7,500.00	-	(9,902.99)	9,902.99	-	-
Transfer from stage 2	3,109.21	(3,358.21)	249.00	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-
Write offs	-	-	(600.49)	(600.49)	-	-	(1,174.67)	(1,174.67)
As at the end of the year	**134,695.07**	**649.04**	**7,787.63**	**143,131.74**	**104,885.48**	**12,263.08**	**665.61**	**117,814.17**

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.

The table below summarises the maturity profile of the Group's non derivative financial liabilities based on contractual undiscounted payments along with its carrying value as at the balance sheet date.

Particulars	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
As at March 31, 2021								
Borrowings	16,050.76	9,313.78	20,824.10	30,587.52	49,513.28	73,709.21	29,533.79	-
Debt securities	416.67	10,500.00	2,428.57	7,666.67	41,486.90	72,397.86	27,651.42	-
As at March 31, 2020								
Borrowings	12,405.15	2,180.02	19,856.27	21,022.66	48,712.50	94,448.06	7,046.36	-
Debt securities	7,575.00	6,425.00	-	1,500.00	11,928.57	48,964.29	9,607.14	-

Note:

- The balances are gross of accrued interest and unamortised borrowing costs.

- Estimated expected cashflows considering the moratorium availed from lenders.

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and foreign currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Sensitivity analysis - Increase/ decrease of 100 basis points

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Bank deposits	134.73	(134.73)	117.23	(117.23)
Loans	2,852.06	(2,852.06)	2,346.94	(2,346.94)
Borrowings	(1,294.64)	1,294.64	(1,778.71)	1,778.71

(iv) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Group arises majorly on account of foreign currency borrowings. The Group manages this foreign currency risk by entering into cross currency interest rate swaps. When a derivative is entered into for the purpose of being as hedge, the Group negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Group's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Group holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

		As at March 31, 2021	As at March 31, 2020
37	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	520.50	438.00
	Undrawn committed sanctions to borrowers	24,948.47	11,020.07
38	**Contingent liabilities**		
	Claims against the Company not acknowledged as debt		
	- Income tax related matters	440.58	428.53
	Guarantees outstanding	27,141.74	25,928.31
39	**Derivatives**		
	i. Outstanding derivatives:		
	- for hedging (currency & interest rate derivatives)	898.51	-

40 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

Under Micro, Small and Medium Enterprise Development Act, 2006 ('MSMED') which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the year to such enterprise is NIL.

	Particulars	As at March 31, 2021	As at March 31, 2020
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	-	-

	Particulars	As at March 31, 2021	As at March 31, 2020
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

41 Employee benefits

Defined contribution plans

The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Group's contribution is recognized as an expenses in the statement of profit and loss during the period in which the employee renders the related service. The amount recognised as an expense towards contribution to provident fund for the year aggregated to INR 290.54 lakhs (March 31, 2020: INR 291.98 lakhs).

Defined benefit plans

The Group's gratuity benefit scheme is a defined plan. The Group's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past services and the fair value of any plan assets are deducted. The Calculation of the Group's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method.

Details of actuarial valuation of gratuity pursuant to the Ind AS 19

	Particulars	As at March 31, 2021	As at March 31, 2020
A.	**Change in present value of obligations**		
	Present value of obligations at the beginning of the year	450.49	362.90
	Current service cost	102.77	90.34
	Interest cost	26.42	24.94
	Past service cost	-	-
	Benefits settled	(62.79)	(20.08)
	Actuarial loss	(48.49)	(7.62)
	Present value of obligations at the end of the year	**468.40**	**450.48**
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	62.79	15.09
	Benefits settled	(62.79)	(15.09)
	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	468.40	450.48
	Fair value of plan assets	-	-
	Net liability recognised in balance sheet	**468.40**	**450.48**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
E.	**Expense recognised in statement of profit and loss and other comprehensive income**		
	Current service cost	102.77	90.34
	Interest on obligation	26.42	24.94
	Past service cost	-	-
	Expected return on plan assets	-	-
	Net actuarial loss recognised in the year	(48.49)	(7.62)
	Total included in 'employee benefits'	**80.70**	**107.66**
F.	**Assumptions at balance sheet date**		
	Discount rate	4.62% to 6.21%	5.48% to 6.68%
	Salary escalation	8.00%	8.00%
	Mortality rate	Indian Assured Lives (2012 -14)	Indian Assured Lives (2012 -14)
	Attrition rate	16% to 50%	1% to 33%

Notes:

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

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the balance sheet date for the estimated term of the obligation.

G. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Year ended March 31, 2021		Year ended March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	443.68	495.85	420.11	485.45
Future salary growth (1% movement)	497.17	441.98	486.44	418.59

H. Five year Information

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Present Value of obligations	468.40	450.48	362.91	286.41	159.26
Fair value of plan assets	-	-	-	-	-
(Surplus)/ deficit in the plan	-	-	-	-	-
Experience adjustments arising on plan liabilities - (gain)/ loss	(48.49)	(7.62)	(28.98)	37.59	27.85
Experience adjustments arising on plan assets - (gain)/ loss	-	-	-	-	-

42 Employee stock option plan (ESOP)

Employee Stock Option Plan 2016 (ESOP) has been approved by the Board at its meeting held on October 7, 2016 and by the members in the Extra Ordinary General Meeting held on October 7, 2016.

42.1 Northern Arc Capital Employee Stock Option Plan 2016 – ("Scheme 1") formerly IFMR Capital Employee Stock Option Plan 2016 – ("Scheme 1")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued on March 1, 2017, and will be exercised at INR 10. The options are vested over a period of 4 years in 40:20:20:20 proportion.

Northern Arc Capital Employee Stock Option Plan 2016 – ("Scheme 2") formerly IFMR Capital Employee Stock Option Plan 2016 – ("Plan" or "ESOP") ("Scheme 2")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

The options were issued in six batches. The first and second batch will be exercised at INR 110, third, fourth and fifth batch will be exercised at INR 121 and sixth batch will be exercised at INR 188. The options are vested equally over a period of 5 years.

Northern Arc Capital Employee Stock Option Plan 2016 – "Scheme– III" ("Scheme 3")

The Northern Arc Capital Employee Stock Option Plan 2016 is applicable to all employees including employees of subsidiaries.

The options were issued in two batches. The first batch will be exercised at INR 181 and second batch will be exercised at INR 188. The options are vested over a period of 3 years in 30:30:40 proportion

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

Particulars	As at March 31, 2021			As at March 31, 2020		
Plan	Scheme 1	Scheme 2	Scheme 3	Scheme 1	Scheme 2	Scheme 3
Grant date	Various	Various	Various	Various	Various	Various
Number of options	397,371	3,489,500	1,147,783	411,371	4,027,500	1,449,712
Exercise price in INR	10	110 to 188	181 to 188	10	110 to 188	181 to 188
Vesting period	1 to 4 years	1 to 5 years	1 to 3 years	1 to 4 years	1 to 5 years	1 to 3 years
Option Price	113.65	31.85 to 117.74	65.57 to 73.55	113.65	31.85 to 117.74	65.57 to 73.55
Weighted average exercise price in INR	10.00	122.05	184.00	10.00	120.50	184.00
Weighted average remaining contractual life (in years)	–	1.71	0.71	1.00	2.56	1.71
Vesting condition	Time based vesting					

42.3 Reconciliation of outstanding options

The details of options granted under the above schemes are as follows.

Particulars	Number of options	
	As at March 31, 2021	As at March 31, 2020
Outstanding at beginning of year	5,888,583	5,756,993
Less: Forfeited during the year	535,282	1,073,235
Less: Exercised during the year	443,647	–
Add: Granted during the year	125,000	1,204,825
Outstanding as at end of year	**5,034,654**	**5,888,583**
Vested and exercisable as at end of year	**2,023,486**	**2,026,651**

42.4 Fair value methodology

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company are as follows:

	As at March 31, 2021	As at March 31, 2020
Dividend yield	0%	0%
Historical Volatility Estimate	22.05%	22.05%
Risk free interest rate	7.24%	7.24%
Expected life of the option (in years)	4.00	4.00

43 Related party disclosures

Related party relationships and transactions:

Nature of Relationship	Name of Related Party
(i) Key Managerial Personnel (KMP)	Ms. Kshama Fernandes, Chief Executive Officer and Managing Director
	Ms. Bama Balakrishnan, Chief Financial Officer (upto June 30, 2020)
	Ms. Nandita Ganapathy, Chief Financial Officer (from July 1, 2020 to January 25, 2021)
	Mr. Ravi Vukkadala - Chief Executive Officer - Northern Arc Investment Managers Private Limited
	Mr. Kalyanasundaram C, Chief Financial Officer Northern Arc Investment Managers Private Limited
	Mr. Chaitanya Pande, Director of Northern Arc Investment Managers Private Limited
	Mr. Leo Puri, Independent Director (upto October 30, 2020)
	Mr. P S Jayakumar, Independent Director (from October 15, 2020)

Also refer note 44

A. Transactions during the Year :

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Ms. Kshama Fernandes		
Remuneration and other benefits *	155.67	240.75
Employee stock option (lakhs units)	-	0.49
Ms. Bama Balakrishnan		
Remuneration and other benefits *	39.32	189.20
Employee stock option (lakhs units)	-	0.38
Ms. Nandita Ganapathy		
Remuneration and other benefits including post employment benefits	82.70	-
Mr. Ravi Vukkadala		
Remuneration and other benefits *	97.29	140.51
Employee stock option (lakhs units)	-	0.25
Mr. Kalyanasundaram C		
Remuneration and other benefits *	86.50	101.40
Employee stock option (lakhs units)	-	0.18
Mr. Leo Puri		
Professional Fee	32.50	15.00
Mr. P S Jayakumar		
Professional Fee	13.75	-

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

B. Balances as at year end:

	As at March 31, 2021	As at March 31, 2020
Ms. Kshama Fernandes		
Employee stock option (lakhs units)	8.11	8.11
Ms. Bama Balakrishnan		
Employee stock option (lakhs units)	5.89	5.89
Mr. Ravi Vukkadala		
Employee stock option (lakhs units)	2.11	2.11
Mr. Kalyanasundaram C		
Employee stock option (lakhs units)	1.61	1.61

Note:

C The Holding Company also has a wholly owned subsidiary company, Northern Arc Foundation incorporated under the provisions of Section 8 of the Companies Act, 2013 for undertaking the CSR activities. Northern Arc Foundation doesn't meet the definition of control as defined under Ind AS 110 - Consolidated Financial Statements and hence not consolidated in these financial statements. During the year, the Holding Company has invested INR Nil (March 31, 2020 - 1 lakh) in its equity share capital and contributed INR 301.60 lakhs (March 31, 2020 - 197.68 lakhs) towards CSR activities during the year.

44 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, 2021		For the year ended March 31, 2020	
	Purchases	Redemption	Purchases	Redemption
IFMR Fimpact Investment Fund	-	1,929.50	-	-
IFMR Fimpact Medium Term Microfinance Fund	-	-	-	1,808.76
IFMR Fimpact Long Term Multi Asset Fund	-	-	1,034.03	-
IFMR Fimpact Medium Term Opportunities Fund	-	-	-	631.51
IFMR Fimpact Income Builder Fund	-	-	1,079.00	700.00
Northern Arc Money Market Alpha Trust Fund	3,731.87	1,400.00	833.14	400.00
Northern Arc India Impact Fund	100.00	-	-	-
Northern Arc Income Builder (Series II) Fund	581.00	-	737.90	204.00

Fund	Income earned	
	Year ended March 31, 2021	Year ended March 31, 2020
IFMR Fimpact Investment Fund	313.63	336.37
IFMR Fimpact Medium Term Microfinance Fund	-	149.78
IFMR Fimpact Long Term Multi Asset Fund	823.02	(1,755.42)
IFMR Fimpact Long Term Credit Fund*	1,391.21	1,402.64
IFMR Fimpact Medium Term Opportunities Fund	807.50	303.07
IFMR Fimpact Income Builder Fund Fund	70.07	54.48
Northern Arc Money Market Alpha Trust Fund	356.61	266.17
Northern Arc India Impact Fund	1.36	-
Northern Arc Income Builder (Series II) Fund	29.92	(4.25)

*IFMR Fimpact Long Term Credit Fund has been considered for consolidation in these financial statements. Also refer note 1.

45 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.

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Segment Revenue		
Financing activity	65,128.56	59,878.41
Investment advisory services	31.82	314.01
Investment management services	2,371.24	1,941.61
Portfolio management services	2,711.02	2,924.19
Total	**70,242.64**	**65,058.22**
Less : Inter segment revenue	(2,125.74)	(1,776.22)
Revenue from operations	**68,116.90**	**63,282.00**

(All amounts are in Indian Rupees in lakhs, except share data and unless otherwise stated)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Segment Results (Profit before other income)		
Financing activity	7,341.59	12,877.34
Investment advisory services	(13.52)	103.70
Investment management services	1,121.97	94.35
Portfolio management services	1,137.75	1,181.83
Total	**9,587.79**	**14,257.22**
Add : Other income	411.55	191.99
Profit before tax	**9,999.34**	**14,449.21**
Segment Assets		
Financing activity	542,254.53	433,096.98
Investment advisory services	418.44	526.41
Investment management services	5,789.63	4,751.58
Portfolio management Services	21,079.24	21,199.27
Unallocated (Goodwill)	174.63	174.63
Total	**569,716.47**	**459,748.87**
Segment Liabilities		
Financing activity	398,966.99	296,441.81
Investment advisory services	70.39	231.31
Investment management services	2,841.42	2,758.79
Portfolio Management Services	545.95	545.84
Total	**402,424.75**	**299,977.75**
Capital Employed	**167,291.72**	**159,771.12**
(Segment assets - Segment liabilities)		

46 Impact of hedging activities

a) Disclosure of effects of hedge accounting on financial position:

As at March 31, 2021								
Type of hedge risks	Nominal Value		Carrying amount of hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Change in the value of hedged item as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Cross currency interest rate swaps	-	43,969.98	-	898.51	March 4, 2026; November 15, 2025	898.51	(898.51)	Borrowings (Other than debt securities)

As at March 31, 2020								
Type of hedge risks	Nominal Value		Carrying amount of hedging instrument		Maturity Date	Changes in fair value of hedging instrument	Change in the value of hedged item as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Cross currency interest rate swaps	-	-	-	-	-	-	-	-

b) Disclosure of effects of hedge accounting on financial performance:

For the year ended March 31, 2021				
Type of hedge	Change in value of the hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge				
Cross currency interest rate swaps	898.51	-	390.00	Finance costs

For the year ended March 31, 2020				
Type of hedge	Change in value of the hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit and loss	Line item affected in statement of profit and loss because of the reclassification
Cash flow hedge				
Cross currency interest rate swaps	-	-	-	-

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

S. No	Particulars	As at March 31, 2021	As at March 31, 2020
a)	Loans and advances in the nature of loans to subsidiaries	-	-
b)	Loans and advances in the nature of loans to associates	-	-
c)	Loans and advances in the nature of loans where there is -		
	(i) no repayment schedule or repayment beyond seven years	-	-
	(ii) no interest or interest below section 186 of Companies Act, 2013	-	-
d)	Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-

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

The Debentures are secured by way of an exclusive hypothecation of loans, investment in pass through certificates and investment in debentures.

49 Impact of Covid 19

The impact of COVID-19 on the economy continues to be uncertain and the extent to which the ongoing COVID-19 pandemic will impact the Group's financial performance including the Group's estimates of impairment and fair valuation of financial instruments, are dependent on such future developments, the severity and duration of the pandemic, that are highly uncertain.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated 27 March 2020, 17 April 2020 and 23 May 2020 relating to 'COVID-19 –Regulatory Package', the Holding Company has granted moratorium on payment of installments falling due between 1 March 2020 and 31 August 2020 on a case to case basis to eligible borrowers. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Holding Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109 - Financial Instruments. In the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria. Accordingly, in respect of accounts where moratorium benefit have been granted, the staging of those accounts as at 31 March 2021 is based on the days past due status considering the benefit of moratorium period in accordance with the Reserve Bank of India Covid-19 Regulatory Package.

The Group has used estimation of potential stress on probability of default and exposure at default in the aforesaid context of the pandemic to develop the estimates and assumptions to assess the impairment of financial instruments. During the year, the Group has recognized impairment of financial instruments aggregating to INR 13,540.96 lakhs (including write offs). The impact assessment of COVID-19 is a continuing process. Given its uncertainty in nature and duration, this may have corresponding impact in the financial position and performance of the Group. The Group will continue to monitor any material changes to the future economic conditions.

50 The· Government of India, Ministry of Finance. vide its notification dated 23 October 2020, had announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts ("the Scheme"), as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium was availed or not. The Company had implemented the Scheme and credited to the accounts of or remitted amounts to the eligible borrowers as per the Scheme.

51 RBI circular dated 7 April 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. 1 March 2020 to 31 August 2020. Further, the circular stated that the methodology for calculation of the amount to be refunded/ adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by all lending institutions and also advised all lending insritutions to disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ended 31 March 2021. Based on the guidance provided by IBA vide letter dated 19 April 2021 and the Company has made an assessment on the impact of the said circular and reversed interest income amounting to INR 165 lakhs in the standalone financial statements of the Company.

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, 2021.

53 Previous period's figures have been regrouped / reclassified wherever necessary, to conform with the current period presentation.

As per our report of even date attached

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

S Sethuraman
Partner
Membership No. 203491

Place : Chennai
Date : May 6, 2021

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

P. S. Jayakumar
Chairman
DIN : 01173236

Kshama Fernandes
Chief Executive Officer
and Managing Director
DIN: 02539429

Bama Balakrishnan
Chief Operating Officer

R. Srividhya
Company Secretary
Membership No: A22261

Place : Chennai
Date : May 6, 2021

Notice

NOTICE is hereby given that the 13th Annual General Meeting of the members of Northern Arc Capital Limited (the "Company") will be held on Monday, the 29th day of November 2021 at 4.30 PM at the registered office of the Company at 10th Floor-Phase 1, IIT-Madras Research Park, Kanagam Village, Taramani, Chennai – 600 113 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited standalone and consolidated financial statements of the company for the financial year ended March 31, 2021, and the Reports of the Board of Directors and Auditors thereon.
2. To appoint director in place of Mr. Amit Mehta (DIN: 07089427) who retires by rotation and being eligible offers himself for reappointment.
3. To appoint director in place of Mr. Michael Jude Fernandes (DIN: 00064088) who retires by rotation and being eligible offers himself for reappointment

SPECIAL BUSINESS

4. **To approve borrowing in excess of paid-up capital, free reserves and securities premium**

   To consider and if thought fit to pass the following with or without modification as a **Special Resolution**

   "**RESOLVED THAT** in supersession of the earlier resolution passed by the members in their meeting held on August 26, 2020, and pursuant to Section 180(1)(c) of the Companies Act, 2013 and all other provisions as may be applicable, if any, the consent of the shareholders be and is hereby accorded to the board or any committee constituted by the Board to borrow from time to time any sum or sums of money from Banks, financial institutions, non-banking financial companies, co-operative banks, investment institutions, mutual funds, other bodies corporates, recognised overseas lenders and such other permissible sources for borrowing in Indian Rupees or equivalent thereof in any foreign currency(ies) on such terms and conditions as the Board of Directors/Committee may deem fit for such borrowing, whether by way of advances, loans, external commercial borrowings, inter-corporate deposits issue of debentures/bonds and/or other instruments, whether convertible into equity / preference shares / other securities, whether secured or unsecured, whether domestic or international, whether secured by way of mortgage, charge, hypothecation, pledge or otherwise in any way whatsoever, on, over or in any respect of all, or any of the company's assets and/or properties, which together with the monies, already borrowed by the Company (apart from temporary loans obtained or to be obtained by the Company from its bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of the Company, its free reserves and securities premium, provided that the total amount so borrowed shall not at any time exceed the limit of 12,000 Crore (Rupees Twelve Thousand Crore Only)".

   "**RESOLVED FURTHER THAT** the Board of Directors or any committee constituted by the Board be and are hereby severally authorised to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto to give effect to this resolution including filing of relevant forms with the regulators and for such other matters connected therewith or incidental thereto."

5. **To approve creation of security in relation to borrowings of the Company**

   To consider and if thought fit to pass the following with or without modification as a **Special Resolution**.

   "**RESOLVED THAT** in supersession of the earlier resolution passed by the members in their meeting held on August 26, 2020 and pursuant to Section 180(1) (a) and other applicable provisions, if any, of the Companies Act, 2013 the applicable rules prescribed thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and in suppression of any previous resolutions passed to this effect, consent of the members be and is hereby accorded to the Board of Directors of the Company to pledge, hypothecate, mortgage and/or charge in all or any part of the movable or immovable properties of the company and whole of the undertaking of the company of every nature and kind whatsoever and/or charge in all or any part of the undertaking of the company to or in favour of banks, financial institutions, debenture trustees or any other lenders/creditors, to secure the amounts borrowed by the company or any third party, from time to time, for the due payment of the principal together with any interest, charges, costs, expenses and all other monies payable by the company or any third party in respect of such borrowings provided that the maximum extent of the indebtedness secured by the properties of the company does not exceed Rs. 12000 crores (Rupees Twelve Thousand Crores) at any time.

RESOLVED FURTHER THAT Board of Directors of the of the company or any committee constituted by the Board be and are hereby authorised to do such acts, deeds, things and execute all such documents, undertaking as may be necessary for giving effect to the above resolution."

On behalf of the Board,

For Northern Arc Capital Limited

R. Srividhya
Company Secretary
Membership No. A22261

Place: Chennai
Date: November 17, 2021

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

   A proxy form, duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

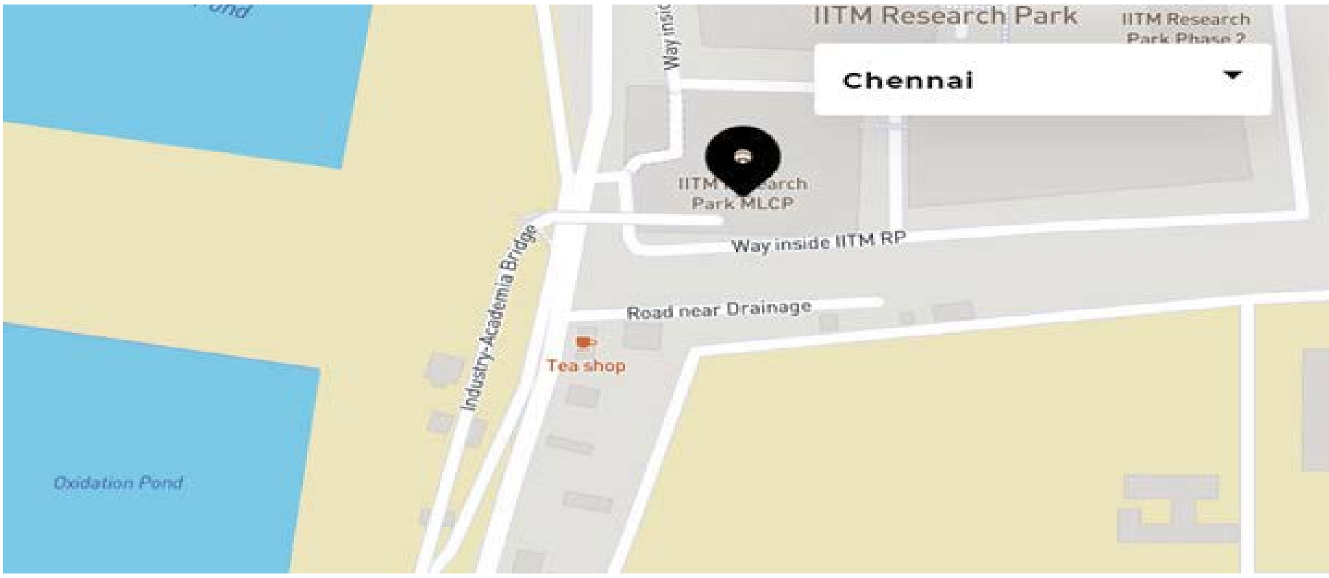
2. Attendance slips and proxy form are annexed hereto

3. Corporate Members intending to send their authorized representative to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorizing such representative to attend and vote on their behalf at the meeting.

4. All the relevant documents referred in this Notice shall remain open for inspection by the Members of the Company at the Registered Office from 10:00 AM to 4:00 PM on all working days (except Saturday) upto the date of this Annual General Meeting.

5. The relevant Explanatory Statement pursuant to Section 102 of the Companies Act 2013, relating to the Special Business to be transacted at the meeting is annexed hereto.

ROUTE MAP TO THE VENUE OF ANNUAL GENERAL MEETING



Annexure to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013

Item No.4: Approval to borrow in excess of paid-up capital, free reserves and securities premium

Keeping in view the Company's existing and future financial requirements to support its business operations, the Company is desirous of raising finance from financial institutions, non-banking financial companies, co-operative banks, investment institutions, banks, mutual funds, and other bodies corporate in Indian Rupees or equivalent thereof in any foreign currency(ies) on such terms and conditions as the Board may deem fit for such borrowing, whether by way of advances, loans, inter-corporate deposits issue of debentures/bonds and/or other instruments, whether secured or unsecured, whether domestic or international, whether secured by way of mortgage, charge, hypothecation, pledge or otherwise in any way whatsoever, on, over or in any respect of all, or any of the company's assets and effects or properties. Hence it is proposed borrow a maximum amount upto Rs. 12,000 Crore Only (Rupees Twelve Thousand Crore outstanding at any point in time), subject to the capital adequacy requirements prescribed by RBI. Pursuant to Section 180(1)(c) of the Companies Act, 2013, the Board of Directors cannot borrow more than the aggregate amount of the paid-up capital of the Company, its free reserves and securities premium at any one time except with the consent of the members of the Company in a general meeting.

The Board of Directors recommends the resolution set out in Item No. 4 of the notice for approval of the members.

None of the Directors, Key Managerial Personnel of the Company and their relatives are in any way concerned or interested in this resolution.

Item 5: Creation of security for borrowings of the Company

As per the provisions of section 180(1)(a) of the Companies Act, 2013, a company shall not sell, lease or otherwise dispose of the whole or substantially whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking unless approval of members is obtained by way of special resolution.

In connection with the loan/credit facilities to be availed by the Company, as and when required through various sources for business purposes, the Company might be required to create charges on its assets by way of hypothecation, mortgage, lien, pledge etc. in favour of lenders up to the limited approved under Section 180(1)(c) of the Companies Act, 2013, for securing the loan/credit facilities extended by them to the Company. Further, upon occurrence of default under loan/ facility agreements and other documents as may be executed by the Company with its lenders, the lenders would have certain rights in respect of the secured assets including right of sale/disposal and the enforcement of assets by lenders might amount to sale/disposal of whole or substantially whole of the undertaking under section 180(1)(a) of the Act.

In view of the proposed borrowing limit of INR 12,000 Crore, the Board recommends the same limit up to which charge can be created on the assets of the Company.

The Board of Directors recommends the resolution set out in Item No. 5 of the notice for approval of the members.

None of the Directors, Key Managerial Personnel of the Company and their relatives are in any way concerned or interested in this resolution.

On behalf of the Board,

For Northern Arc Capital Limited

R. Srividhya
Company Secretary
Membership No. A22261

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT AT THE ANNUAL GENERAL MEETING
[Pursuant to para 1.2.5 of Secretarial Standard on General Meetings]

Name of the Director	AMIT MEHTA	MICHAEL JUDE FERNANDES
DIN	07089427	00064088
Date of Birth & Age	21/05/1981 40 Years	24/10/1969 52 Years
Date of appointment on Board	March 25, 2019	March 28, 2014
Qualification	Post-graduate diploma in management from the Indian Institute of Management from IIM Ahmedabad and B.Tech from LIT, Nagpur	Bachelor's degree in science from the University of Calcutta and a post-graduate diploma from the Indian Institute of Management Calcutta.
Experience and Expertise	Amit Mehta is a Non-Executive Nominee Director of our Company and was appointed to the Board on March 25, 2019. He currently is a senior executive vice president at IIFL Asset Management Limited.	He co-leads LeapFrog group's investments in South and Southeast Asia, with approximately 20 years of experience in consulting and investing. He was formerly an executive director at Khazanah India Advisors Private Limited, an entity under the Khazanah Nasional group, the sovereign fund of Malaysia and served on the boards of IDFC Limited and Apollo Hospitals Enterprise Limited in India. He has been an executive director at Piramal Enterprises Limited. Previously, Mr. Fernandes was a partner with McKinsey & Co, focusing on healthcare and consumer sectors across South and Southeast Asia.
Number of Meetings of the Board attended during the year	Attended seven board meetings held during the financial year ended on March 31, 2021.	Attended six board meetings held during the financial year ended on March 31, 2021.
List of Directorship / Membership / Chairmanship of Committees of other Board	Directorships: (i) Kogta Financial (India) Limited (ii) Neogrowth Credit Private Limited (iii) Happily Unmarried Marketing Private Limited (iv) Pickrr Technologies Private Limited Committee Membership: One Committee in Northern Arc Capital Limited.	Directorships: (i) NeoGrowth Credit Private Limited (ii) African Chemist & Beauty Care Inc (iii) Tumalon Katak Salahkar Pte. Ltd (iv) Goodlife Holdings Limited (v) Goodlife Pharmacy Limited (vi) PT Reliance Capital Management (vii) LeapFrog Investments (Bermuda) Ltd. (viii) LeapFrog Group GP, Ltd (ix) LeapFrog Partners, L.P. Committee Membership: Four Committees in Northern Arc Capital
Shareholding in the Company	NIL	NIL
Relationship with other directors, manager and other Key Managerial Personnel of the Company	NA	NA

NOTES

NOTES

NORTHERN ARC

Chennai (Registered Office)
10th Floor, IIT M Research Park,
1, Kanagam Village, Taramani,
Chennai 600 113, India
Tel: +91 44 6668 7000

New Delhi
No. 912, 9th Floor, Kailash Building,
26 Kasturba Gandhi Marg,
New Delhi - 110001, India
Tel: +91 11 6813 7050

Mumbai
The Capital, 902 – B Wing
No C- 70, Bandra Kurla Complex
Bandra (East), Mumbai – 400051, India
Tel: +91 22 6668 7500

Bengaluru
365 Shared Space,
Fourth Floor, No.18, 80 Feet Road,
Koramanagala 4th Block , Bengaluru,
Karnataka 560034

@northernarccapital @_NorthernArc Northern Arc Capital