



Helping middle income families to improve quality of housing

India Shelter Finance Corporation Limited

Director's Report FY 2019-20

To,

The Members of,
India Shelter Finance Corporation Limited
 6th Floor, Plot No-15,
 Institutional Area,
 Sector – 44,
 Gurgaon-122002

Your Directors have pleasure in presenting the 22nd Annual Report on the Business and Operations of the Company and the Audited Financial Statements for the Financial Year ended March 31, 2020.

Financial Results

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as “Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015.

A brief highlight of the financial performance of your Company is presented as below:

(₹ in Lacs)

| Sl. No. | Particulars | Year Ended March 31, 2020 | Year Ended March 31, 2019 |
|--------------|--------------------------------------|------------------------------|------------------------------|
| | Revenue from operations | | |
| (i) | Interest Income | 21,213.58 | 15,040.81 |
| (ii) | Fees and commission Income | 957.34 | 417.45 |
| (iii) | Net gain on fair value changes | 737.14 | 1,137.76 |
| (I) | Total Revenue from Operations | 22,908.06 | 16,596.08 |
| (II) | Other Income | 84.61 | 0.06 |
| (III) | Total Income (I+II) | 22,992.67 | 16,596.08 |
| | Expenses | | |
| (i) | Finance Costs | 7,534.87 | 4,434.59 |
| (ii) | Impairment on financial instruments | 1,174.95 | 326.34 |

| | | | |
|---------------|---|------------------|------------------|
| (iii) | Employee Benefits Expenses | 5,037.61 | 4,478.75 |
| (iv) | Depreciation, amortization and impairment | 586.88 | 210.04 |
| (v) | Other expenses | 2,274.48 | 3,034.15 |
| (IV) | Total Expenses | 16,608.79 | 12,483.87 |
| (V) | Profit/(loss) before tax (III-IV) | 6,383.88 | 4,112.21 |
| (VI) | Tax Expense: | | |
| | (1) Current Tax | 1,842.95 | 1,106.06 |
| | (2) Deferred Tax | (150.21) | (32.74) |
| | | 1,692.74 | 1,073.32 |
| (VII) | Profit / (loss) for the period (V-VI) | 4,691.14 | 3,038.89 |
| (VIII) | Other Comprehensive Income | | |
| | A (i) Items that will not be reclassified to profit or loss (specify items and amounts) | (0.20) | 9.29 |
| | Remeasurements of the defined benefit plans; | - | - |
| | (ii) Income tax relating to items that will not be reclassified to profit or loss | 0.05 | (2.71) |
| | Other Comprehensive Income | (0.15) | 6.58 |
| (IX) | Total Comprehensive Income for the period | 4,690.99 | 3,045.47 |
| | Paid-up equity share capital | 4,283.02 | 4,240.45 |
| | Other equity as per Balance sheet | 80,545.35 | 75,714.13 |
| (X) | Earnings per equity share | | |
| | Basic (Rs.) | 10.99 | 7.89 |
| | Diluted (Rs.) | 10.80 | 7.68 |

Dividend

With a view to devote your Company's resources towards its growth activities, your Directors deem it proper to preserve its resources and hence, do not propose any dividend for the financial year ended 31st March 2020.

Change in Share Capital

A) Private Placement

During the year, 1,75,250 equity Shares pursuant to exercise of ESOP's were allotted to Option holders in accordance with the ESOP Schemes of the Company by the Board of Directors vide Circular resolution dated January 06, 2020.

As on 31st March, 2019 your company has received application money against exercise of 2,50,418 Equity Shares pursuant to exercise of ESOP's in accordance with the ESOP Schemes of the company, which has been allotted by Board Of Directors vide Circular Resolution dated April 6, 2019.

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

| S.No. | Name of shareholder | % of Share Capital As on 31-03-2020 | % of Share Capital As on 31-03-2019 |
|--------------|--|--|--|
| 1 | Anil Mehta | 2.15% | 1.93% |
| 2 | Other Individual Investors | 1.99% | 1.27% |
| 3 | Milestone Trusteeship Services Private Limited | 5.24% | 5.24% |
| 4 | Sequoia Capital India Investments III | 6.64% | 6.64% |
| 5 | Nexus Ventures III, Ltd. | 21.92% | 21.92% |
| 6 | Sequoia Capital India Growth Investments I | 9.95% | 9.95% |
| 7 | WestBridge Crossover Fund, LLC | 23.89% | 23.89% |
| 8 | Nexus Opportunity Fund II, Ltd. | 6.40% | 6.40% |
| 9 | Aravali Investment Holdings | 14.69% | 14.69% |
| 10 | Madison India Opportunities IV | 1.39% | 1.39% |
| 11 | ESOP and Other Rights | 5.75% | 6.68% |
| | TOTAL | 100.00% | 100.00% |

Brief description of the Company's working

Your Company is incorporated to carry on the business of Housing Finance by way of providing facilities in the form of term loans to individuals, firms, companies, cooperative societies and other institutions for construction, alteration, repairing or for outright purchase of all types of accommodation and also for acquiring land and other real estate properties to be used for housing purposes.

Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

No Material change and commitment occurred between the end of the financial year 2019-20 of the company and this report date except as disclosed below that may affect the financial position of the company.

Net Worth

As of 31st March, 2020, the net worth of your Company stood at ₹ 848.28 crores compared to ₹ 799.55 crores on 31st March, 2019 registering an increase of 6.09%.

Performance of Company

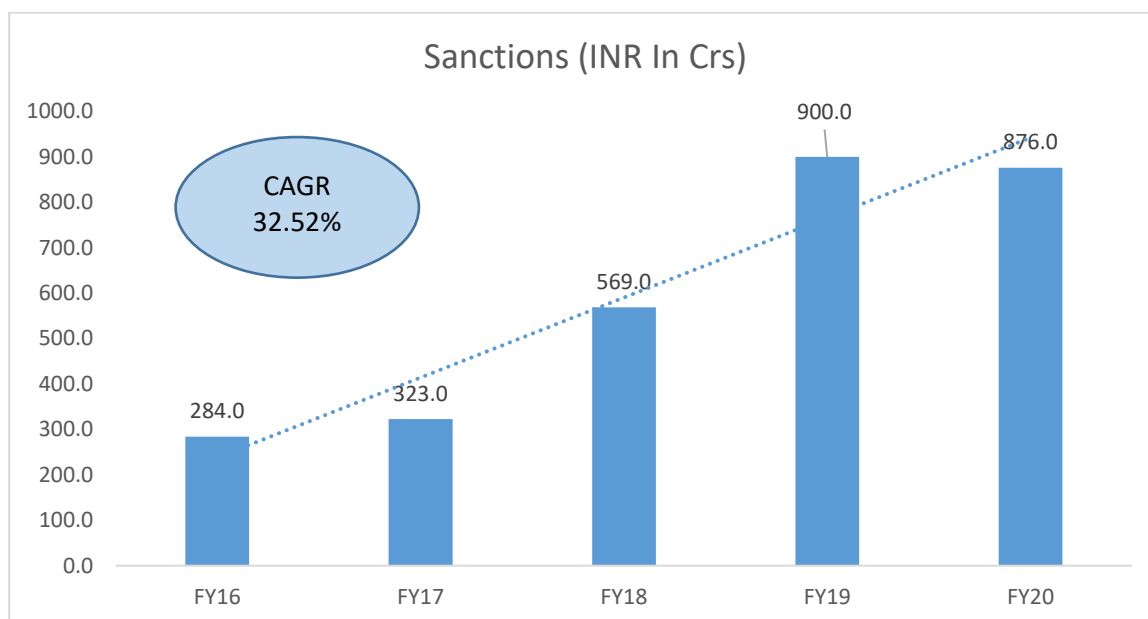


Your Company has in line with its motto, “Hard Work, Honesty & Respect” conducted its activities and has emerged as a Company of choice for providing finance solutions to the mid to low income segment in the area of operations.

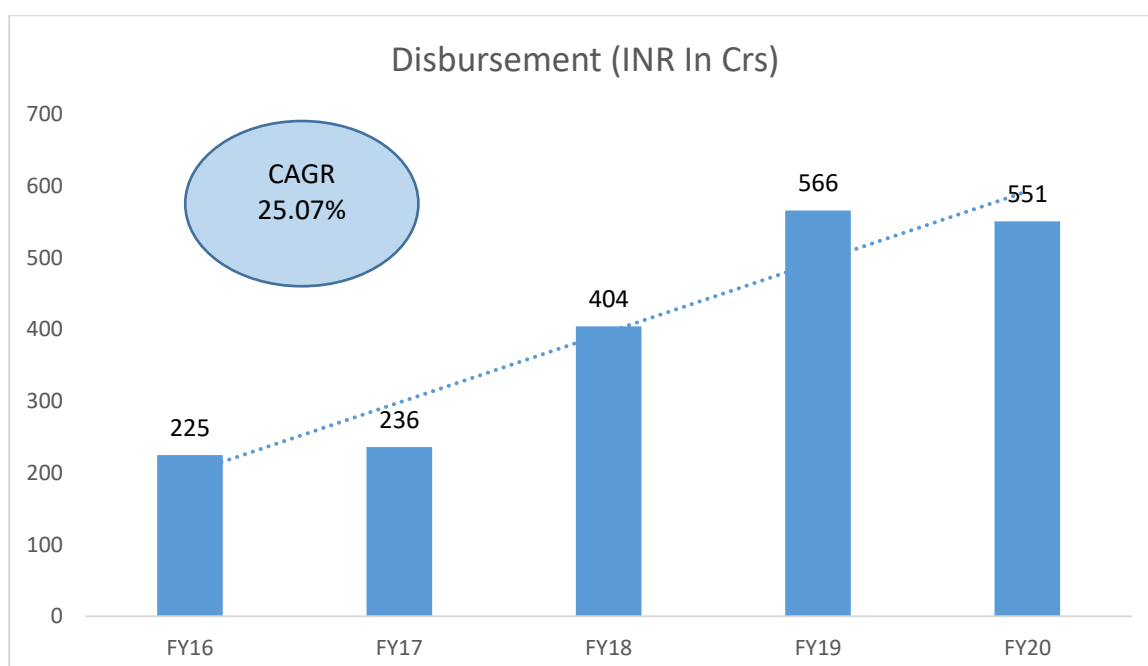
In order to build a high-quality loan book, your Company endeavours to adopt superior underwriting practices backed by robust monitoring and recovery mechanisms. Your Company is always committed towards improving efficiency in all its processes and service levels for its customers. Your Company has worked within the paradigm set by the shareholders and there has been no change in the nature of business during FY 2019-20.

Sanctions & Disbursement

During the year, your Company sanctioned loans to 10867 customers amounting to ₹876.36 crores as compared to ₹899.94 crores in the previous year. Your Company is moving up the value chain and aim of the Company is to have a book which performs better on hygiene factors as well.



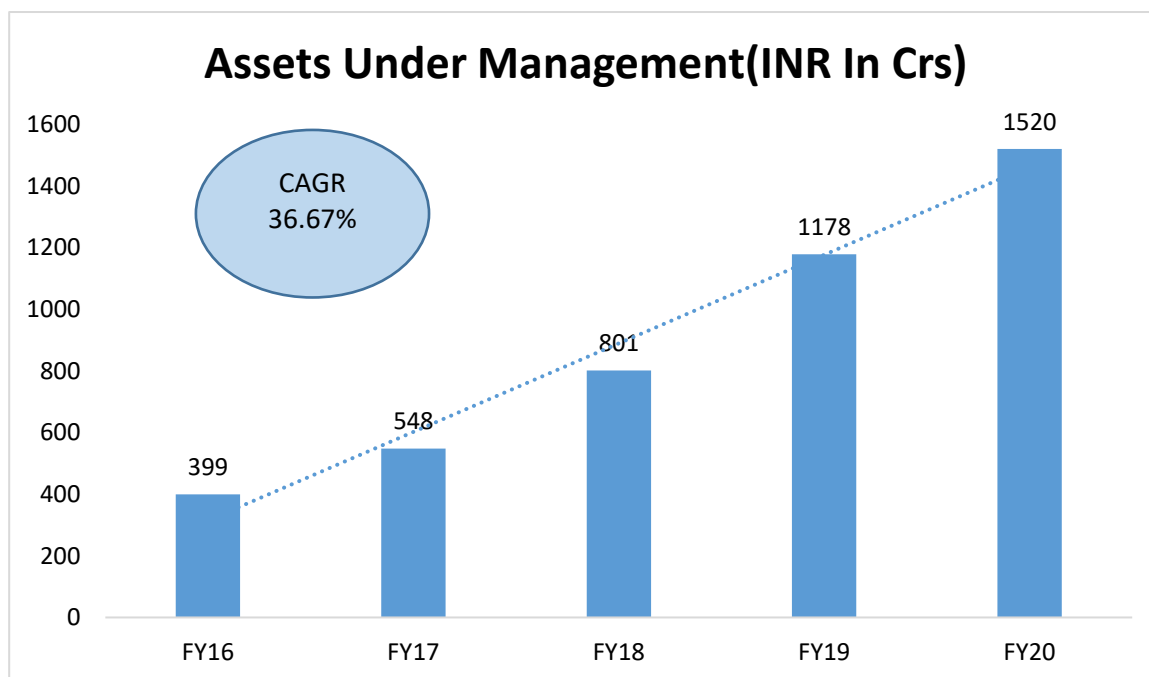
During the year, your Company disbursed ₹550.57 crore compared to ₹566.16 crore in the previous year.



Of the total disbursements of ₹ 550.57 crore disbursement of ₹ 310.69 crores was in individual housing loan category and of ₹ 239.88 crore in non-housing loan category. Thus, individual housing loans disbursements were 56% of the total disbursements. The non-housing loan disbursement is 44% thus displaying the commitment of your Company towards individual housing loan business.

Loan outstanding

Your Company had total loan outstanding of ₹ 1520 crores compared to total loan outstanding of ₹ 1178 crore in the previous year and recorded a growth of 31% over last year. Your Company had total housing loans of ₹ 901.10 crores and non-housing loans of ₹ 618.69 crores.



Resource Mobilization

Your Company's overall borrowing is guided by Borrowing and Investment Policy duly approved by the Board of Directors.

Your Company manages its cash flows through prudent Asset-Liability Management and takes the various measures, which includes the diversification of funding sources, tenure optimization, structured interest rates and prudent borrowing timing to maintain its borrowing cost at optimum level. The aim of India Shelter is to ensure that its Assets and Liabilities match and a situation of being "out of funds" does not arise.

Your Company secured financing from a variety of sources including term loans, proceeds from the issuance of NCDs and refinance from the NHB. As of 31st March 2020, the Company's total borrowings stood ₹ 856.95 crores with the average cost of borrowing at 9.83%. Your Company remains committed towards maintaining a vigorous diversified resource profile.

Your Company has issued Secured, Rated, Non-Convertible, Cumulative, Redeemable, Taxable Debentures (NCD) of Rs. 100 Crores in FY 2019-20. The above Non-convertible Debentures were listed on the Bombay Stock Exchange on October 14, 2019.

During the financial year under review, the interest on Non-Convertible Debentures issued on private placement basis were paid by the Company on their respective due dates.

Listing with Stock Exchange:

Your Company is up to date in the payment of annual listing fees to Bombay Stock Exchange (BSE) on which its debentures are listed.

During the financial year under review, the interest on Non-Convertible Debentures issued on private placement basis was paid by the Company on their respective due dates and there were no instances of any interest amount which were not claimed by the investors or not paid by the Company after the date on which the same became due for payment.

The disclosures under the Master Circular- Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014 is as below:

(i) The total number of non-convertible debentures which have not been claimed by the Investors or not paid by the housing finance company after the date on which the non-convertible debentures became due for redemption: Nil

(ii) The total amount in respect of such debentures remaining unclaimed or unpaid beyond the date referred to in clause (1) as aforesaid: Nil

Debenture Trustee

Debenture Trust Agreement(s) were executed in favour of Catalyst Trusteeship Services Limited for NCDs issued on private placement basis. Following are details of Catalyst Trusteeship Services Limited.

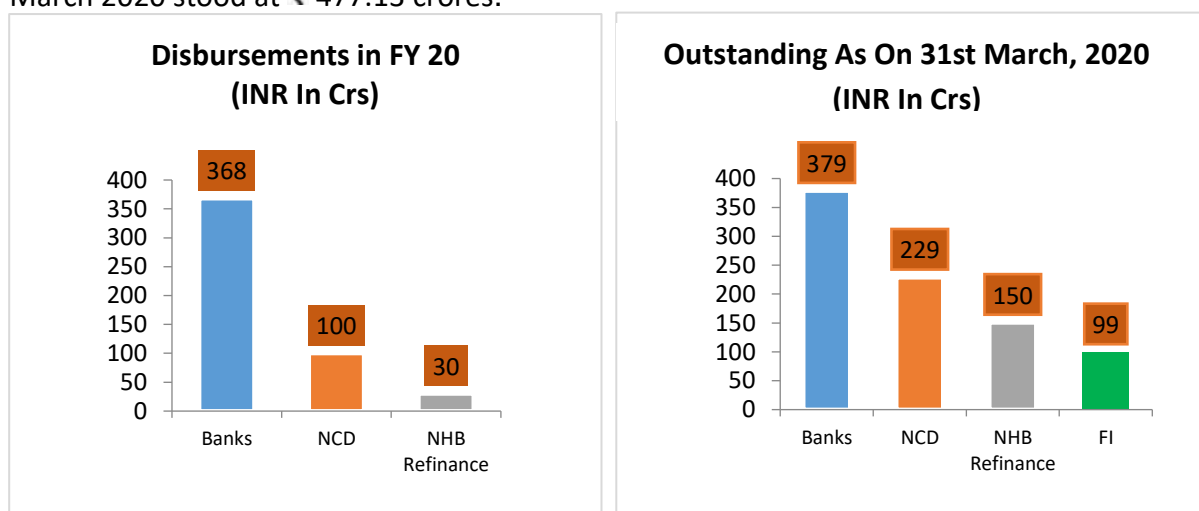
Catalyst Trusteeship Services Limited
CIN: U74999PN1997PLC110262
GDA House, Plot No.85,
Bhusari Colony(Right),
Paud Road, Pune-411038

National Housing Bank (NHB) Refinance

NHB is the single biggest non-capital source of funds for the Company. During the year, the regulator reposed faith in your Company by disbursing refinance of ₹ 30 crores. With this disbursement, your Company had an outstanding of ₹ 150.44 crores with the NHB as on 31st March 2020. As NHB refinance is for > 10 years the tenure profile of the debt is increasing. During the year, your company has been granted refinance assistance for the year 2019-20 (July-June) not exceeding Rs. 300 crores (Rupees Three Hundred crores only) by NHB.

Borrowings from Other Sources

During the year, your Company raised ₹ 368 crore funds from Banks and Financial Institutions. The total outstanding of your Company towards Banks and Financial Institutions as on 31st March 2020 stood at ₹ 477.13 crores.



Public Deposits

In accordance with the National Housing Bank Act, 1987, your Company is a non-deposit taking Housing Finance Company and has resolved in the Board Meeting held on May 17, 2019 that it shall not accept public deposits as per the licence provided by the National Housing Bank.

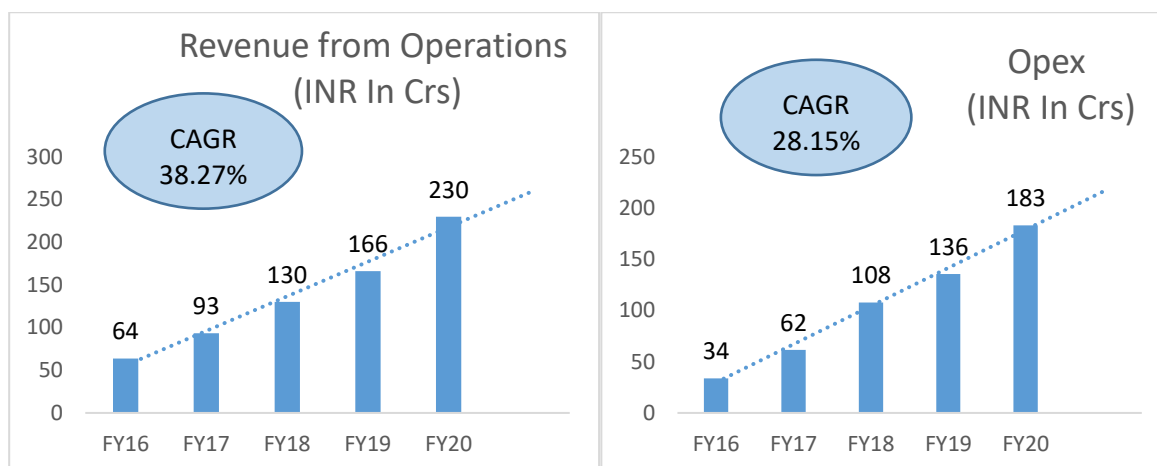
During the year, your Company did not accept any public deposits within the meaning of Section 73 to 76 of the Companies Act, 2013 read with the Companies [Acceptance of Deposits] Rules, 2014 and amendment made thereunder.

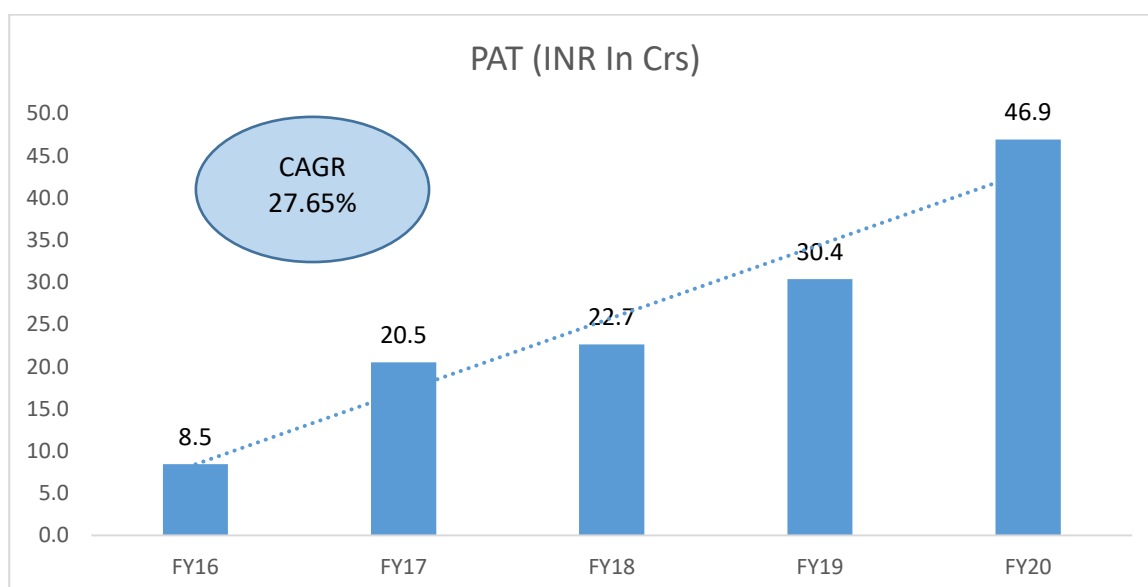
Reserves

In terms of Section 29C of the National Housing Bank Act, 1987, every Housing Finance Company is required to transfer at least 20% of its net profit every year to Statutory Reserve account before any dividend is declared. Accordingly, your Company has transferred an amount of ₹9.38 crore (Previous Year ₹ 5.67 crore) to 'Statutory Reserve' and it stands at ₹ 26.76 crores as on 31st March, 2020.

Profitability

During the year, your Company earned total revenue of ₹ 229.93 crore compared to ₹ 165.91 crore of revenue earned last year registering an increase of 38.55%. The total expenditure of your Company was ₹ 183.02 crore compared to ₹ 135.57 crore of expenditure incurred last year registering an increase of 35%. Your Company earned a profit of ₹ 46.91 crore compared to ₹ 30.39 crore earned last year registering an increase of 54.36%.





Robustness of Assets

Your Company has adhered to the Policy on Provisioning for NPAs and Write off approved by its Board Of Directors as per the prudential guidelines for Non-Performing Assets (NPA), issued by the National Housing Bank (NHB) under its Directions of 2010.

The GNPA of your Company as on 31st March, 2020 stood at 1.29% which has shown decrease with GNPA of 31st March, 2019 which was at 1.37%. In terms of absolute amount, GNPA as on 31st March, 2020 stood at ₹ 19.57 crore as compared to ₹ 15.89 crore as on 31st March, 2019. The NNPA of the Company as on 31st March, 2020 stood at 0.86% which has shown minor increase with NNPA of 31st March 2019 which was 0.94 %.

Recovery Mechanism

Your Company is a “Financial Institution” under The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and it has initiated proceedings under The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 against defaulting borrowers for recovery of dues. Your Company has also filed cases under section 138 of Negotiable instrument Act, 1881.

Your Company has also acquired 99 properties under SARFAESI Act, 2002 during the FY 2019-20, properties for 51 outstanding loans acquired under SARFAESI mechanism stand unsold as on March 31, 2020.

Your Company is disbursing 100% loans through electronic mode. It is also making an attempt to receive 100% of repayments through electronic mode. The objective of your Company is to have the maximum receivables through electronic means.

Credit Rating

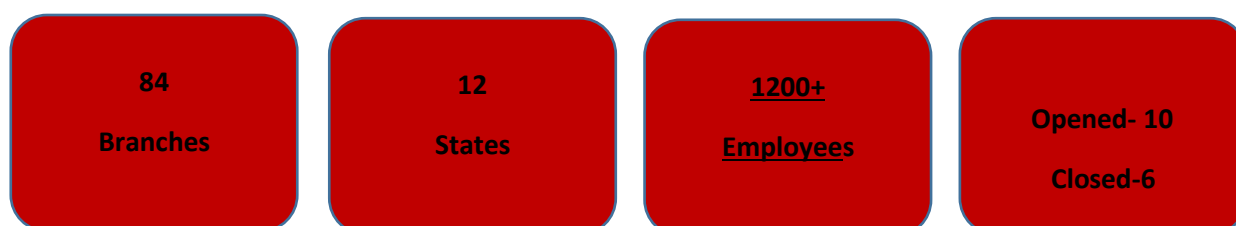
Your company's credit rating was affirmed to ICRA A (Stable) and CARE A (Stable)

| Agency | Instrument | Rating |
|--------|--|-----------------|
| ICRA | Bank Lines | ICRA A (Stable) |
| ICRA | Non-Convertible Debentures | ICRA A (Stable) |
| CARE | Bank Facilities – Fund Based – LT- Term Loan | CARE A (Stable) |

Capital Adequacy Ratio

NHB Housing Finance Companies (NHB) Directions, 2010 requires your company to maintain a minimum capital adequacy of 13% on a standalone basis. Your Company's capital adequacy ratio (CRAR) stood at 81.12 % (comprising Tier I capital of 80.63 % and Tier II capital of 0.51 %) as on March 31, 2020, compared to 91.61 % (comprising Tier I capital of 90.61 % and Tier II capital of 1.00 %) as on March 31, 2019. This provides your Company adequate cushion to withstand business risks and is above the minimum requirement of 13% stipulated by the NHB.

Marketing & Distribution



During the year, your Company added 10 additional branches with total of 84 branches in 12 states and 5 offices across India as on March 31, 2020. This increase in branches has contributed to the better performance showcased by your Company. Your Company now operates in the states of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Chhattisgarh, Uttar Pradesh, Uttarakhand, Punjab, Tamil Nadu, Karnataka and Orissa. Your Company has also undertaken several measures to improve its visibility through focus on marketing and advertising.

Conservation of energy, technology absorption

In compliance of Section 134 of the Companies Act, 2013 and Rule 8(3) of the Companies (Accounts) Rules, 2014), your Company did not own any activity relating to conservation of energy, technology absorption during the year. Hence the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of Section 134 of the Companies Act, 2013 and the Rules framed thereunder is not applicable.

Foreign exchange earnings and Outgo

The Foreign Exchange earned and the Foreign Exchange outgo during the year is as below:

| Particulars | For Year ended March, 2020 (Rupees in Lacs) | For Year ended March, 2019 (Rupees in Lacs) |
|----------------------------------|--|---|
| a) Total Foreign exchange earned | 0 | 0 |
| b) Total Foreign exchange out go | 111.54 | 153.41 |

Regulatory Guidelines

During the Year under review, the NHB has issued various Notifications, Circulars and Guidelines to Housing Finance Companies. The Circulars and the Notifications issued by NHB are also placed before the Board of Directors at regular intervals to update the Board members on compliance of the same. Your Company has adhered to all the Circulars, Notifications and Guidelines issued by NHB from time to time.

Your Company has been complying with the guidelines, circulars and directions issued by National Housing Bank (NHB), Companies Act, 2013, Labour Laws, Income Tax Act, Goods and Services Tax Act and other applicable Acts from time to time. The Know Your Customer (KYC) guidelines, Fair Practice Code, Most Important Terms & Conditions (MITC), Grievance Redressal System and Anti Money Laundering (AML) standards as notified by the NHB are available on the Company's website and in company's records.

Your Company has strived to be compliant with the above and pre-existing provisions. NHB has not levied any penalty on the Company during the financial year.

Environmental, Social & Governance (ESG) Practices

Your company have always stayed strong to our commitment to positively impact the environment, our customers, employees, and the community at large. Our core values have guided our ESG practices, which seek to drive growth and empower communities through our corporate decision-making processes.

Environmental

We look at natural capital and the communities we operate in, as integral elements of our business. That is why we work to strike a balance between the economic, social and environmental aspects of our decisions. For our environmental initiatives, we are keen to explore how our work can address various environmental challenges and incorporate technologies and processes that don't harm, but rather add value to the quality of the environment around us. Moreover, our push to go digital across service and product lines, helps reduce paper consumption and enables our customers to access a multi-channel digital solution, without the hassle of travelling to a branch office. Our technical evaluation incorporates environment and social aspects of collateral as part of assessment process.

Social

We strive towards the progress of society, through our Corporate Social Responsibility (CSR) policy. We have a CSR policy which lays down the action plan for defining how CSR is to be implemented and is in compliance with the Schedule VII of the Companies Act, 2013. The CSR programs undertaken by the Company largely fall in the areas of improving awareness of communities towards Education.

Corporate Governance

We are committed to maintaining the highest levels of ethical standards of integrity, corporate governance and regulatory compliance. These parameters form the bedrock of our corporate governance policy. We have proactively upheld good governance practices and are constantly striving to enhance our standards. Our Board of Directors are responsible for setting the course for and evaluating the bank's performance with regards to corporate governance. The parameters of evaluation include compliance, internal control, risk management, information and cybersecurity, customer service, social & environmental responsibility.

Your Company has been complying with the Standards of corporate governance required under the Companies Act, 2013. Your Board has discharged the duties and responsibilities as required under the applicable statute(s) including the Companies Act.

Your Company has a Board of Directors, which has a defined schedule of matters reserved for its consideration and decision, apart from legally required matters.

The Board of Directors of the Company comprises of six Directors, consisting of two Independent Directors (including one Woman Director), three Non-Executive Nominee Directors and Managing Director & CEO as on March 31, 2020 who bring in a wide range of skills and experience to the Board.

The Board of Directors of the Company are:

| Director | Designation | DIN |
|-----------------------------|----------------------|----------|
| Mr. Anil Mehta | Managing Director | 02132315 |
| Ms. Anisha Motwani | Independent Director | 06943493 |
| Dr. Shailesh J Mehta | Independent Director | 01633893 |
| Mr. Anup Gupta | Nominee Director | 02284944 |
| Mr. G V Ravishankar | Nominee Director | 02604007 |
| Mr. Sumir Chadha | Nominee Director | 00040789 |

COMMITTEES OF THE BOARD

The Company has the following Eight (8) Board level Committees which have been constituted in compliance with the requirements of the business and relevant provisions of applicable laws and statutes:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Corporate Social Responsibility Committee
4. Enterprise Risk Management Committee
5. Asset Liability Management Committee
6. IT Strategy Committee
7. Wilful Defaulter Committee and
8. Grievance Redressal Committee

During the financial year under review, Borrowing and Investment Committee was discontinued.

The recommendations made by above Committees were accepted by the Board

Board Of Directors Meeting

During the Financial Years under review, the Board of the Company had met nine times on the following dates:

- May 07, 2019
- May 17, 2019
- May 28, 2019
- August 13, 2019
- September 20, 2019
- September 26, 2019
- November 04, 2019
- February 17, 2020
- March 13, 2020.

During the current financial year, i.e FY 2020-21, there has been no Board meetings except the meeting held on June 10, 2020.

Audit Committee

The Audit Committee of your Company comprises three members including two independent directors as below:

- | | | |
|--|---|----------------------|
| • Ms. Anisha Motwani (DIN: 06943493) | - | Independent Director |
| • Mr. Shailesh J Mehta (DIN: 01633893) | - | Independent Director |
| • Mr. Anil Mehta (DIN: 02132315) | - | MD & CEO |

Your Board has approved a Charter for the Audit Committee as required under the Companies Act.

The Audit Committee met four times during the year under consideration on May 28, 2019; August 13, 2019; November 4, 2019 and February 17, 2020.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of your Company comprises four members including two independent director as below:

- | | | |
|--|---|----------------------|
| • Ms. Anisha Motwani (DIN: 06943493) | - | Independent Director |
| • Mr. Shailesh J Mehta (DIN: 01633893) | - | Independent Director |
| • Mr. Anup Gupta (DIN: 02284944) | - | Nominee Director |
| • Mr. GV Ravishankar (DIN: 02604007)- | | Nominee Director |

The policy formulated by Nomination and Remuneration Committee is attached as Annexure 01.

The Nomination and Remuneration Committee met three times during the year under consideration on May 17, 2019; August 13, 2019 and February 17, 2020.

Corporate Social Responsibility

As per provisions of Section 135 of the Companies Act, 2013 and rules made thereunder, every company having net worth of rupees five hundred crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of 3 or more Directors, out of which at least one Director shall be independent director.

In view of the above provision, your Company constituted the Corporate Social Responsibility Committee in its Board Meeting held on May 31, 2016 as below that reviews the CSR policy, steers activities to be undertaken by the Company towards CSR activities, and formulate a monitoring mechanism to ensure implementation of projects and activities undertaken by the Company:

- Mr. Anil Mehta (DIN: 02132315) - MD & CEO
- Ms. Anisha Motwani (DIN: 06943493) - Independent Director
- Mr. G.V Ravishankar (DIN: 02604007) - Nominee Director

The CSR Committee met two times in the year under consideration on August 13, 2019 and February 17, 2020.

Your Company spent a sum of ₹ 66 Lacs in the FY 2019-20 in the below manner:

| Name | Category | Amount |
|--------------|---|--------------|
| Vidya Bhawan | Vidya Bhawan Society, in its objective of creating a more just, democratic, equitable and pluralistic society, has been catering to the needs of diverse sections of learners; which is reflected in the nature and work of all its institutions. The eight decades long journey converges into a vivid garden of over a dozen Institutions encircling various stages of a person's life; i.e. schooling, | Rs. 61 Lakhs |

| | | |
|-----------------------------------|---|-------------|
| | higher and technical education, individual and social developmental works and building a repository of educators through teachers' training. The vision of Vidya Bhawan is to build responsible and capable citizens by providing democratic, secular and socially meaningful quality educational experience. | |
| Bansi Vidya Memorial Trust (BVMT) | <p>The Trust was formed in 2013 to work and contribute towards the noble cause of financially supporting leukemia or blood cancer affected children. Their mission is to:</p> <p>Facilitate early detection of Leukemia (Blood Cancer) in children by creating awareness.</p> <p>Provide financial assistance & support to maximum under-privileged children battling leukemia, across the country.</p> | Rs. 5 Lakhs |

The disclosures as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached as Annexure 02.

Your company has developed and implemented the Corporate Social Responsibility Policy which is placed on the website at <https://www.indiashelter.in/policies-reports.php> and is attached as Annexure 03.

There were Fourteen meetings of other Committees as per the business requirements of the Company.

| | |
|--------------------|--------------------------------------|
| May 17, 2019 | Enterprise Risk Management Committee |
| August 13, 2019 | Enterprise Risk Management Committee |
| November 4, 2019 | Enterprise Risk Management Committee |
| February 17, 2020 | Enterprise Risk Management Committee |
| August 13, 2019 | IT Strategy Committee |
| February 13, 2020 | IT Strategy Committee |
| June 21, 2019 | Asset Liability Management Committee |
| August 29, 2019 | Asset Liability Management Committee |
| September 26, 2019 | Asset Liability Management Committee |
| October 18, 2019 | Asset Liability Management Committee |

| | |
|-------------------|--------------------------------------|
| December 9, 2019 | Asset Liability Management Committee |
| December 26, 2019 | Asset Liability Management Committee |
| March 2, 2020 | Asset Liability Management Committee |
| March 13, 2020 | Asset Liability Management Committee |

Risk Management Framework

The Company has in place a Board Constituted Enterprise Risk Management Committee comprising of three members as below:

- Mr. Anil Mehta (DIN: 02132315) - MD & CEO
- Mrs. Anisha Motwani (DIN: 06943493) - Independent Director
- Mr. Shailesh J Mehta (DIN: 01633893) - Independent Director

Company has Board Approved Credit and Risk Management Policies wherein all material risks faced by the Company are identified and assessed. Company has set up a policy framework for ensuring better management of its asset & liability profile.

During the year, the committee reviewed the risks associated with the business of the Company, its root causes and the efficacy of the measures taken to mitigate the same.

The Board of Directors of your Company with the intent to implement a consistent, efficient, and economical approach to identify, evaluate, respond and mitigate key risks that may impact business objectives of your Company and in order to minimize the frequency and impact of risks, have adopted Risk Management Policy.

The Risk Management Policy of the Company has been approved by the Board which is enclosed as Annexure 04 which is also available at the Website of the Company at <https://www.indiashelter.in/policies-reports.php>.

Human Resources Development

Your Company has been following best human resource practices and had 1219 employees on its rolls as on 31st March 2020 compared to 1126 employees as on 31st March 2019 registering an increase of 8.26 %.

During the year, your Company conducted 232 training programs and trained 1222 employees compared to 110 training programs and training of 1259 employees in previous year.

Disclosures under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 read with rules

The Company has zero tolerance towards any action on the part of any of its officials, which may fall under the ambit of 'Sexual Harassment' at workplace. Company promotes and recognizes the right of women to protection from sexual harassment and the right to work with dignity as enshrined under the Constitution of India and the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW).

In this regard, India Shelter has instituted an Internal Complaints Committee for redressal of sexual harassment complaint (made by the victim) and for ensuring time bound treatment of such complaints. The Internal Complaints Committee as on March 31, 2020 comprises of the following four members out of which at least 2 members are women:

| Area | Presiding Officer | Employee 1 | Employee 2 | NGO |
|------------------------------------|-------------------|------------------|--------------------|--------------|
| Head Office, CPU, UK & UP & Punjab | Madhu Sharma | Yogesh Jain | Ankita Mahajan | Manasi Gupta |
| Rajasthan | Vineeta Kaur | Nitin Singh | Ajay Bhardwaj | Manasi Gupta |
| Gujarat | Sakshi Rangroo | Sachin Kanabar | Jignesh Khachariya | Manasi Gupta |
| Madhya Pradesh & Chattisgarh | Mukti Chaplot | Manish Mehta | Sachin Verma | Manasi Gupta |
| Maharashtra | Priyanka Dugar | Qazi Shoeb Ahmed | Sunil Kumar | Manasi Gupta |
| Karnataka & Tamil nadu | Brunda E V | Sabari Abhilash | R Sudhakara | Manasi Gupta |

An Appellate Committee is also constituted as below:

| Members | Designation |
|-------------------------------------|--|
| Mrs. Anisha Motwani (DIN: 06943493) | Board Representative |
| 4 other members | Equal number of male & female members from amongst ICC members |

Your company has imparted training for Sexual Harassment of Women at Workplace as part of the Induction training provided to the employees.

Pursuant to the requirements of Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 read with Rules there under, the Internal

Complaint committee of the Company has not received any complaint of sexual harassment during the year under review.

Vigil mechanism & Whistle Blower Policy

Section 177 of Companies Act, 2013 read with rules made there under requires your Company to establish a vigil mechanism. Your Company has adopted Whistle Blower Policy which was approved by Board of Directors in their meeting held on August 01, 2016 and has been reviewed in their meeting held on August 22, 2018 and August 12, 2019. The said policy has been uploaded on the Website of the Company. The Company has also provided the facility to all the employees of the company to report any suspected, alleged or actual fraud without disclosing their identity. A dedicated Email ID – Whistleblowing@indiashelter.in has been made for this purpose which acts as a single point of contact for all the employees.

Further, there were no frauds to be reported pursuant to Section 134(3)(ca) in respect of frauds reported by auditors under sub-section (12) section 143(12) other than those which are reportable to the Central Government.

Director & Key Management Personnel

Reappointment

Mr. Anil Mehta (DIN: 02132315) was appointed as Managing Director (MD) & Chief Executive Officer (CEO) of the Company for term starting from 21st May, 2019 to 20th May, 2024 by the Nomination and Remuneration Committee and Board Of Directors in their meeting held on May 17, 2019 and by the shareholders of the company in the Annual General Meeting held on August 22, 2019.

As per Section 152 of the Companies Act, 2013, Mr. G V Ravishankar (DIN: 02604007) Nominee Director of the Company, will retire by rotation at the ensuing Annual General Meeting and being eligible and offer himself for reappointment.

Retirement of Independent Director

Pursuant to Section 149 (6), Section 152 and Section 161 of the Companies Act, 2013 and other applicable provisions (including any modification or re-enactment thereof), if any, of the Companies Act, 2013 Nomination and Remuneration Committee in their meeting held on February 17, 2020 and by Board Of Directors in their meeting held on March 13, 2020 took note of the retirement of Mr. Sanjaya Gupta (DIN: 02939128) with effect from the closure of business hours as of March 15, 2020.

Your company places on record the valuable services rendered by Mr. Sanjaya Gupta during their tenure as a Director of the Company and expresses its deep sense of appreciation and gratitude for the same.

Declaration by Independent Director

The declarations by the Independent Director(s) that they

- meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 has been obtained
- have registered to the Indian Institute of Corporate Affairs (IICA) as specified in sub-rule (2) of Rule 6 of The Companies (Appointment and Qualifications of Directors) Rules, 2014.

Change in KMP

Mr Sunil Jain resigned from the post of Chief Financial officer w.e.f. closure of business hours on August 13, 2019 which was accepted by the Board Of Directors in their meeting held on August 13, 2019. Mr. Ashish Gupta has been appointed as the Chief financial Officer w.e.f. closure of business hours on August 13, 2019 which was approved by the Board Of Directors in their meeting held on August 13, 2019.

Remuneration to Directors

During the year, company has not paid any remuneration to Non-executive Directors. However, sitting fees has been paid to the Independent Director's as per the provisions of Companies Act, 2013.

The details of the Managerial Remuneration approved by the shareholders as per Schedule V Part II- Section II (IV) of Companies Act, 2013 is attached as Annexure 05.

Annual Evaluation

Your Company is following the best practices to ensure that Board Of Directors understand their duties and in adopting effective good governance practices.

Further your company is adhering the Fit and Proper Criteria and Your Board of Directors have approved Fit and Proper Policy which assesses the Fit and Proper Criteria for the directors at the time of appointment and on a continuing basis.

The Nomination & Remuneration Committee carried out the evaluation of each Director's performance and the Board additionally carried out a formal evaluation of its own performance, Statutory Board Committees namely Audit Committee, Nomination &

Remuneration Committee, IT Strategy Committee, Borrowing & Investment Policy and Corporate Social Responsibility Committee and all the Individual Directors without the presence of the Director concerned who is being evaluated.

During the year, Independent Directors of the Company also held separate meetings to review the performance of the Non- Independent Directors and Board as a whole and assessed the quality, quantity and timeliness of flow of information between the Company management and the Board which is necessary for the Board to effectively and reasonably perform their duties. Major aspects of board evaluation include who is to be evaluated, process of evaluation including laying down of objectives and criteria to be adopted for evaluation of different persons, feedback to the persons being evaluated and action plan based on the results.

Company's Policy on Directors Appointment, Remuneration & Evaluation

The Board on the recommendation of the Nomination & Remuneration Committee of the Board adopted a "Nomination & Remuneration Policy", which, inter-alia, lays down the criteria for identifying the persons who are qualified to be appointed as Directors and/or Senior Management Personnel of the Company, along with the criteria for determination of remuneration of Directors, KMPs and other employees and their evaluation and includes other matters, as prescribed under the provisions of Section 178 of Companies Act, 2013. The "Nomination & Remuneration Policy" of the Company is placed on the website of the Company at <https://www.indiashelter.in/policies-reports.php>. The Remuneration paid to the Directors is in line with the remuneration policy of the Company.

Particulars of Employee Related Disclosures

The statement containing particulars of employees as required under Section 197(12) and 134(3) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report as an Annexure 06.

Your company under grants Employee Stock Options, share based benefit to eligible employees with a view to attracting and retaining the best talent, encouraging employees to align individual performance with the company's objectives and promoting increased participation by them in the success of the company.

The details of the ESOP plan form part of Notes to accounts of the financial statements in this Annual Report.

The details as per Rule 12 (9) of Companies (Share Capital and Debentures) Rules, 2014 are enclosed as Annexure 07.

The Board of Directors vide Circular Resolution No. 05/2018-19 dated February 01, 2019 allotted 3,00,000 Sweat Equity Shares to Mr. Anil Mehta, (MD & CEO) and statement as required under Rule 8(13) of Companies (Share Capital and Debentures) Rules, 2014 is enclosed as Annexure 08.

Particulars of contracts or arrangements with related parties

The particulars of every contract or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 have been disclosed in Form No. AOC -2 as Annexure 09. The Company has framed a Related Party Transaction policy for the Company as per the HFC Corporate Governance (NHB) Directions, 2016. The same is enclosed as Annexure 10 to this report.

Internal Audit & Internal Controls over Financial Reporting

As per the provisions of section 134(5)(e) of the Companies Act, 2013, the Directors have an overall responsibility for ensuring that the Company has implemented robust systems/framework of internal financial controls to provide them with reasonable assurance regarding the adequacy and operating effectiveness of controls with regards to reporting, operational and compliance risks.

Your Company has an Internal Audit Department which conducts comprehensive audit of functional areas and operations of the Company to examine the adequacy of and compliance with policies, procedures, statutory and regulatory requirements.

Significant audit observations and follow up actions thereon are reported to the Audit Committee on quarterly basis. The Audit Committee reviews and evaluates adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations. The Company has implemented all the recommendations of Audit Committee.

Based on information provided, nothing has come to the attention of Directors to indicate that any material breakdown in the function of these controls, procedures or systems occurred during the year under review. There have been no significant changes in our internal financial controls during the year that have materially affected, or are reasonably likely to materially affect, our internal financial controls.

Your Company has an internal control system, commensurate with the size, scale and complexity of its operations. Your Company's Internal Auditors, review internal control and risk-management measures, accounting procedures, highlight areas requiring attention, and report their main findings and recommendations to the Audit Committee.

Dematerialisation of Shares & Non-Convertible Debentures

The equity shares of the Company are dematerialized by National Securities Depository Limited (NSDL) with ISIN No. INE922K01016.

During the year under review, the Non-Convertible Debentures of the Company have been admitted for dematerialization by National Securities Depository Limited (NSDL) with ISIN No INE922K07047 with effect from October 14, 2019 in addition to already existing ISIN No's. i.e. INE9922K07013 and INE9922K07039.

Particulars of loans, guarantees or investments under section 186

As your Company is a housing finance company, the disclosure regarding particulars of loans given, guarantees given and security provided is exempt under the provisions of section 186(11) of the Companies Act, 2013.

Maintenance of Cost Records

The Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

Website Disclosures

Your Company has made its disclosures on its website www.indiashelter.in. All the regulatory disclosures, compliances, public notices and policies have been regularly updated. Our customer can also reach out to us regarding toll-free helpline number, contact details of Principal Officer, submit complaints or grievances, if any, etc.

Extract of the annual return

The annual return is placed on the website of the Company at <https://www.indiashelter.in/policies-reports.php>.

Management Discussion and Analysis

In terms of provisions of NHB, the Management Discussion and Analysis is set out as Annexure 11 to this report.

Directors' Responsibility Statement

In terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, we, the Directors of your company, state in respect of Financial Year 2019-20 that:—

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

Auditors

Statutory Auditor

M/s. Walker Chandiok & Co, LLP, Chartered Accountants, having Registration number 001076N/N500013 were appointed by Audit Committee and Board of Directors in their meeting held May 28, 2019 subject to the approval of shareholders of the company and subsequently by the shareholders of the company in the Annual General Meeting held on August 22, 2019 as

Statutory Auditors of India Shelter to hold the office from the conclusion of 21st Annual General Meeting held on August 22, 2019 till the conclusion of 26th Annual General Meeting.

Secretarial Auditors and Secretarial Audit Report

In accordance with Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, Mr. Jitender Singh (Membership No.: A33610 & CP: 12463) was appointed as Secretarial Auditor to conduct the Secretarial Audit of the Company for the year 2019-20 by the Board Of Directors in their meeting held on November 04, 2019. Company has provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for 2019-20 is annexed to this report as Annexure 12. The Report is self – explanatory and there were no observations or qualifications or adverse remarks in the Auditor’s Report.

Auditors’ Report

The Auditors' Report is unqualified. The Statutory Auditors have not made any adverse comments on the working of the company. The notes to the Financial Statements, read with the Auditors' Report, are self-explanatory and not require further clarification.

Significant and material orders passed by the regulators/courts/tribunals impacting the going concern status and the company’s operations in future

There were no orders passed by the Regulators / Courts / Tribunals which would impact the going concern status of the Company and its future operations.

Compliance of Secretarial Standards

During the Financial Year under review the Company has duly complied and followed the Secretarial Standards I and II as notified by ICSI in terms of Section 118 (10) of Companies Act, 2013.

Appreciation

Your Company acknowledges the role of all its key stakeholders - shareholders, borrowers, key partners and lenders for their continued support to the Company.

The directors place on record their gratitude for the support of various regulatory authorities including NHB, RBI, SEBI, IRDA, MCA, Registrar of Companies, Financial Intelligence Unit (India), Foreign Investment Promotion Board, the Bombay Stock Exchange and the depositories.

While recognizing the challenging work environment, your Directors place on record their appreciation for the hard work and dedication of all the employees of your Company.

Acknowledgement

An acknowledgement to all with whose help, cooperation and hard work the Company is able to achieve the results.

For and on behalf of the Board of Directors

SD/-

Mr. Anil Mehta

DIN:02132315

Place: Gurugram

Date: June 17, 2020

SD/-

Ms. Anisha Motwani

DIN: 06943493

Place: New Delhi

Date: June 17, 2020

NOMINATION & REMUNERATION POLICY

1. INTRODUCTION

India Shelter Housing Finance Limited (“Company”) strives to have a Nomination & Remuneration Policy which could attract & motivate good candidates, improve productivity and aid in retaining manpower by creating a congenial work environment, encouraging initiatives with personal growth through team work, and by inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits.

In terms of the provisions of Section 178 of the Companies Act, 2013, the Company is required to formulate a policy ensuring the criteria for evaluation of performance and determination of remuneration based on the performance of Directors & KMPs.

2. APPLICABILITY

This Policy is applicable to:

- 2.1 Directors viz. Executive, Non-Executive and Independent;
- 2.2 Key Managerial Personnel;

3. OBJECTIVES

This Nomination & Remuneration Policy is formulated to ensure the following objectives:

- 3.1 The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors & KMPs & -in relation quality required to be maintained to run the Company successfully;
- 3.2 Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- 3.3 Remuneration to Directors & KMPs & involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- 3.4 To guide the Company in relation to appointment, removal of Directors & KMPs & evaluation of their performance;

- 3.5 To recommend remuneration based on the financial position and trends and practices on remuneration prevailing in the same industry while at the same time ensuring that Company is able to attract best talent to work with it;
- 3.6 To carry out evaluation of the performance of Directors & KMPs & and to provide for reward(s) directly linked to their effort, performance, dedication and achievement relating to the Company's operations;
- 3.7 To retain, motivate and promote talent along with ensuring long term sustainability of talented employees and creating competitive advantage;
- 3.8 To assist the Company to regularly review the policies and plans; and
- 3.9 To perform such other functions as may be necessary or appropriate for the performance of its duties and mandated by the Board from time to time.

4. DEFINITIONS

In this Policy, unless the context otherwise requires, following are the definitions:

- 4.1 "Act" means Companies Act, 2013 and rules made thereunder, as amended from time to time.
- 4.2 "Board" means the Board of Directors of the Company.
- 4.3 "Committee" means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- 4.4 "Company" means India Shelter Finance Corporation Limited.
- 4.5 "Directors" means Directors appointed by the Board including executive, non-executive and independent directors.
- 4.6 "Other Employees" means all employees other than the Directors, KMPs and Senior Management Personnel.
- 4.7 "Independent Director" means a director referred to in Section 149 (6) of the Companies Act, 2013.
- 4.8 "KMP" or "KMPs" means the following key managerial personnel:
 - a. Chief Executive Officer and / or Managing Director or Manager of the Company;
 - b. Chief Financial Officer of the Company;
 - c. Company Secretary of the Company;
 - d. Whole Time Director of the Company; and
 - e. Such other officer of the Company as may be decided by the Nomination and Remuneration Committee.

- 4.9 **“Member”** means a Director of the Company appointed as member of the Committee.
- 4.10 **“Senior Management Personnel / Senior Management”** means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional and departmental heads.

5. INTERPRETATION

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

6. NOMINATION AND REMUNERATION COMMITTEE

6.1 Composition

It shall consist of three or more non-executive directors out of which not less than one half shall be Independent Directors.

Provided that the Chairperson of the Company (whether executive or non-executive) may be appointed as a Member but shall not chair such Committee.

6.2 Meetings

The meetings of the Committee shall be held at least once a year or as and when required under the provisions of the Companies Act, 2013 and rules made thereunder and as per any other applicable laws, if any, for the time being in force.

6.3 Secretary and Minutes

The company secretary / member of compliance team shall act as the secretary for the committee meetings. Minutes of the meetings shall be recorded and maintained by the secretary and shall be presented to the Committee for its

approval at its subsequent meeting. These shall be signed by the chairman of the said meeting or by the chairman of the succeeding meeting.

6.4 Quorum

The quorum for the Committee meeting shall be two members and the participation of the members by video conferencing or by any other audio visual means shall also be counted for the purpose of quorum.

6.5 Committee Members' Interests

- 6.5.1 A Member is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- 6.5.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

6.6 Voting

- 6.6.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- 6.6.2 In the case of equality of votes, the chairman of the meeting shall have a casting vote.

7. ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The Nomination and Remuneration Committee shall have the following roles and responsibilities:

- 7.1 Identify persons who are qualified to become Directors & KMPs in accordance with the criteria laid down, and recommend to the Board their appointment;
- 7.2 Formulate the criteria for determining qualifications, positive attributes and independence of a Director & KMPs;
- 7.3 Ensure that the Board comprises of a balanced combination of executive directors and non-executive directors and also the Independent Directors;
- 7.4 Decide / approve details of fixed components and performance linked incentives for the employees along with their performance criteria;

- 7.5 Annually evaluate and report to the Board the performance and effectiveness of the Directors & KMPs fulfilling their roles and responsibilities in a manner it achieves the objectives of the Company as a successful organization;
- 7.6 The Nomination and Remuneration Committee shall assist the Board in ensuring that plans are in place for orderly succession of Directors & KMPs;
- 7.7 Making recommendations to the Board concerning any matters relating to the continuation in office of any Directors & KMPs at any time including the suspension or termination of services of such Directors & KMPs, subject to the provision of the law and their service contract; and
- 7.8 Such other roles and responsibilities as specifies by the Board, from time to time.

8. APPOINTMENT OF DIRECTORS AND KMPs

- 8.1 The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director or KMP and recommend to the Board of his / her appointment.
- 8.2 A person recommended for the position of Director and KMP should possess adequate qualification, expertise and experience for the concerned position. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- 8.3 Appointment of Independent Directors is subject to compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder.
- 8.4 The Company shall not appoint or continue the employment of any person as whole-time director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution in the general meeting of the Company based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

9. TERM/ TENURE

- 9.1 **Managing Director / Whole-time Director**

The Company shall not appoint or re-appoint any person as its executive chairman, managing director or executive director for a term exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term. Notwithstanding the same terms of SSSHA shall be followed with respect to appointment terms of MD & CEO.

9.2 Independent Director

Subject to the provisions of the applicable laws, an Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment for another term upto 5 consecutive year by passing of a special resolution by the Company and disclosure(s) of such appointment in the Board's report.

- 9.2.1 No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

10. EVALUATION

The Committee shall carry out evaluation of performance of every Directors & KMPs at regular intervals (yearly).

11. DISQUALIFICATIONS FOR APPOINTMENT OF DIRECTORS

No person shall be appointed as a Director of the Company who is disqualified as per provision of section 164 of the Companies Act, 2013 and other applicable provisions or rules thereunder.

12. REMOVAL

Due to the reasons for any disqualification or for any other reason, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Directors & KMPs subject to the provisions of the applicable laws.

13. RETIREMENT

The Directors & KMPs shall retire as per the terms of their appointment and subject to the provisions of the applicable laws. The Company may retain the Directors or KMPs even after the attainment of retirement age, for the benefit of the Company, and such terms as may be recommended by the Committee to the Board.

14. REMUNERATION STRUCTURE**14.1 Remuneration to Director & KMP****14.1.1 General**

- (a) The remuneration / compensation / commission etc. to be paid to the Director & KMP will be determined by the Committee and shall be recommended to the Board for its approval. The remuneration / compensation / commission etc. shall be paid to the Director & KMP subject to the provisions of the Act and such other approvals as may be required in this regard.
- (b) The remuneration and commission to be paid to the Directors & KMPs shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act, 2013.
- (c) Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of the Directors & KMPs.
- (d) Where any insurance is taken by the Company on behalf of its Directors & KMPs for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

14.1.2 Fixed pay:

The Directors & KMPs shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.

14.1.3 Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Directors & KMPs in accordance with applicable provisions of the Act, and if it is not able to comply with such provisions, with the previous approval of the central government.

14.1.4 Provisions for excess remuneration:

If any Directors and KMPs and Senior Management Personnel draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the central government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the central government.

14.2 Remuneration to Independent Director

14.2.1 Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

14.2.2 Sitting Fees:

The Independent Director shall be paid the same amount of sitting fee as are payable for attending the meeting of the Board of Directors from time to time. Provided that the amount of such fees shall not exceed Rs. 1,00,000/- (One Lakh) per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

14.2.3 Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

14.2.4 Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

14.3 Remuneration to Other Employees

14.3.1 The remuneration of the Other Employees shall be determined from time to time on the basis of role and position of individual employee including professional experience, responsibility, job complexity and market conditions and as per the guiding principle outlined above and considering industry standard and cost of living.

14.3.2 In addition to basic salary they may also provide perquisites and retirement benefits, where applicable.

14.3.3 A performance appraisal shall be carried out annually and promotions / incentives / increments shall be based on performance basis.

15. POLICY REVIEW AND AMENDMENT

15.1 The provisions of this policy shall be subject to the provisions of the Act and rules and regulations made thereunder.

15.2 The policy shall be reviewed by the Board from time to time as may be necessary and may be amended or modified either whole or in part as and when necessary.

15.3 In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

16. DISCLOSURE

The details of this policy and the evaluation criteria as applicable shall be disclosed in the Annual Report as part of the Board's Report therein.

Corporate Social Responsibility (CSR)

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

India Shelter is a growing company and is committed towards social welfare of the common people as it caters the housing needs of self-employed, informal segment of customers, belonging to middle income, primarily from semi urban and rural markets. The Company firmly believes that it has commitment to all its stakeholders - customers, employees and the community.

India Shelter's key CSR initiatives were undertaken with a long-term view. Initiatives that are sustainable, that have long-term benefits to the society at large.

We have a CSR policy which lays down the action plan for defining how CSR is to be implemented and is in compliance with the Schedule VII of the Companies Act, 2013. The CSR programs undertaken by the Company largely fall in the areas of: improving awareness of communities towards Education.

India Shelter laid focus on the following areas:

- **Promoting Education**

Vidya Bhawan was founded by Dr. Mohan Sinha Mehta along with his close associates Dr. K.L. Shrimali and Shri K.L. Bordia in 1931.

Vidya Bhawan has been working since 1931 to provide quality education to children and youth from all sections of society.

Vidya Bhawan Society, in its objective of creating a more just, democratic, equitable and pluralistic society, has been catering to the needs of diverse sections of learners; which is reflected in the nature and work of all its institutions. The eight decades long journey converges into a vivid garden of over a dozen Institutions encircling various stages of a person's life; i.e. schooling, higher and technical education, individual and social developmental works and building a repository of educators through teachers' training.

The vision of Vidya Bhawan is to build responsible and capable citizens by providing democratic, secular and socially meaningful quality educational experience.

- **Diagnosing Childhood Cancer**

Leukemia Crusaders is an initiative by the Bansi Vidya Memorial Trust (BVMT). The Trust was formed in 2013 to work and contribute towards the noble cause of financially supporting leukemia or blood cancer affected children. Their mission is to:

Facilitate early detection of Leukemia (Blood Cancer) in children by creating awareness.

Provide financial assistance & support to maximum under-privileged children battling leukemia, across the country.

2. The Composition of the CSR Committee.

The Composition of the CSR Committee is as below:

- Mr. Anil Mehta (DIN: 02132315)
- Ms. Anisha Motwani (DIN: 06943493)
- Mr. G.V Ravishankar (DIN: 02604007)

3. Average net profit of the company for last three financial years

The average profit of the Company for the last three financial year is ₹ 32.91 Crs.

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is ₹ 65.82 Lakhs.

5. Details of CSR spent during the financial year:

(a) Total amount spent for the FY 2019-20;

| | |
|--------------------|------------------|
| Vidhya Bhawan | ₹ 61,00,000/- |
| Leukemia Crusaders | ₹ 5,00,000/- |
| Total | ₹ 66,00,000.00/- |

(b) Amount unspent, if any; NA

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report: NA

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company

The CSR Committee acknowledges that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Sd/-
CEO&MD
DIN:02132315

Sd/-
Chairman of CSR Committee
DIN:02132315

India Shelter Finance Corporation Limited

Confidential

CORPORATE SOCIAL RESPONSIBILITY POLICY

1. Background

Section 135 of the Companies Act, 2013 mandates the following companies to formulate and adopt a Corporate Social Responsibility (CSR) Policy and draw out a framework for CSR:

- a) Net worth of Rs. 500 Crore or more; or
- b) Turnover of Rs. 1000 Crore or more; or
- c) Net profit of Rs. 5 Crore or more

In accordance with the said mandate, since India Shelter qualifies on the criteria mentioned in point (c), it is required to formulate and adopt CSR Policy.

The objective of this Policy is to provide an overall CSR framework, which shall at all relevant times be closely aligned with the requirements of relevant provisions of the Companies Act, 2013.

2. Overview

India Shelter proposes to make a positive difference to society. The Company firmly believes that it has commitment to all its stakeholders - customers, employees and the community in which it operates and it can fulfil this commitment only by sustainable and inclusive growth. The company aims to improve quality of life through its positive intervention in the community.

India Shelter's key CSR initiatives will be undertaken with a sustainable long-term view to benefit the society at large.

3. CSR Governance

At India Shelter, the Board of Directors of the Company has established a CSR Committee which has been entrusted with formulating a CSR Policy and transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company. The Committee shall also annually monitor the Corporate Social Responsibility Policy of the company.

4. Policy

The scope of activities which, the Company will undertake towards fulfilment of its CSR shall be in line with Schedule VII of the Companies Act, 2013, as amended from time to time, and any other applicable laws, regulations etc. India Shelter proposes to lay focus on the following areas:

1. Promoting Education
2. Skilling - livelihood enhancement projects for Women

The company shall give preference to the local area and/or areas in the vicinity, for spending the amount earmarked for CSR activities. The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR. Further, the activities undertaken in pursuance of normal course of business of a company shall not be included in CSR.

Contribution of any amount directly or indirectly to any political party under section 182 of the Companies Act, 2013 shall not be considered as CSR activity.

5. Collaboration for CSR

The CSR Committee after seeking approval from the Board of Directors of the Company may undertake its CSR activities either directly or through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Companies Act, 2013. Further, the company may choose to collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs in accordance with Companies (Corporate Social Responsibility Policy) Rules, 2014 and amendments thereto.

6. CSR Budget

The annual budget for India Shelter's CSR initiative shall be approved by the Board of Directors and the CSR Committee of the Company. The allocation of funds to specific projects/ programs will be as decided by the Committee.

7. CSR Expenditure:

The company shall endeavour to spend, in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years or as per regulatory guidelines, in pursuance of its CSR Policy and if the company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount.

The CSR projects or programs or activities undertaken only in India shall qualify as CSR Expenditure.

The CSR spending can be either revenue expenditure or capital expenditure or both. The CSR spending target for any financial year will be capable of being carried forward as well as carried backward. If, in any financial year, the Company spends more than 2% of its average net profits on CSR expenditure, it shall be permissible for the Company to carry back the target spending of any future year and take the same as having been spent in the year in which the Company spent more than 2% of its average net profits.

Likewise, in any financial year in which the Company could not spend 2% of its average net profits, the Company may carry forward such unspent amount with an intent to spend the same in any future year.

The expenditure can be in cash or kind as long as the company is spending as per the policy, on a project which is eligible for CSR spending. In case of any spending in kind, the amount spent should be based on the purchase cost of such material for the company.

The surplus arising out of the CSR projects or programs shall not form part of the business profit.

Any income arising of CSR Project shall be netted off from the CSR spend on that project and net amount will be reported as CSR expenditure.

(Note: "Average Net Profit" shall be calculated in accordance with the provisions of section 198 of the Companies Act, 2013)

8. Capacity Building:

If the Company chooses to undertake CSR activities directly, it may resort to capacity building, which shall be the expenditure on training the CSR staff regarding the CSR project. However, as mandated by the provisions of the Companies Act, 2013, such expenditure including expenditure on administrative overhead shall not exceed 5% of the total CSR expenditure of the Company in one financial year or such limits as may be prescribed under the legislation from time to time.

9. CSR Reporting:

The CSR Committee shall forward a report to the Board on an annual basis containing following particulars:

- a. Average net profit of the company for last three financial years
- b. Prescribed CSR Expenditure
- c. Details of CSR spent during the financial year.
 - i. Total amount to be spent for the financial year;
 - ii. Amount unspent, if any;
- d. In case the company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its report
- e. A responsibility statement by the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company

10. Monitoring and Feedback**A. Purpose**

To ensure objectivity, it is critical that the monitoring of CSR activity is done by someone other than the people directly engaged in the project implementation.

Routine progress monitoring serves the following three important purposes:

India Shelter Finance Corporation Limited

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- Determining mid-course corrections - It highlights any slippages and helps to determine a corrective action that may be taken, if needed
- Recommendations for future project designs - It provides an excellent opportunity for learning: what worked and what did not. This can then be immediately applied to other projects
- Regulatory Compliance - This is an essential part of the directors' report as per the CSR clause of the Companies Act, 2013

B. Monitoring and Reporting Framework and Communication

The CSR Committee shall meet once in a quarter or as and when the need arises to review and guide the CSR activities of the Company. They shall meet *inter alia* to monitor the progress of CSR programs, CSR spending, and review if any changes are required.

The Company will incorporate the details of CSR activities, including a physical and financial process in the annual report of the Company. The CSR activities will also be reflected in the annual accounts of Company under the head 'Expenditure under CSR Activities' and will be mentioned in the Director's report. The minutes of the CSR Committee shall be presented to the Board for its review and scrutiny.

The Company may communicate its CSR efforts to all its employees and external stakeholders through emails, its own website, and other appropriate dissemination channels.

C. Following activities may be undertaken for monitoring of CSR:

- Appropriate documentation of the CSR Policy, annual CSR activities, executing partners, and expenditure entailed will be undertaken on a regular basis and the same may be available in the public domain
- In order to closely monitor and manage the field action projects, the Audit team at the Corporate Office may conduct periodic field visits, impact studies and social audits on an annual basis, through independent professional third party institutions, especially on the strategic and high value programmes.
- CSR initiatives will also be reported in its Annual Report

India Shelter Finance Corporation Limited

Enterprise Risk Management Policy

Version 1.0

Enterprise Risk Management Policy

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1. Introduction

India Shelter Finance Corporation Limited herein after referred as or “India Shelter” is a housing finance company registered with the National Housing Bank (NHB). The company extends housing loans and loans against property.

Financial services business is exposed to various types of risks which, if not managed properly, could lead to disruption in business and impact the attainment of main objectives of the organization. Risk management works towards identifying and managing threats that could adversely impact the organization. This involves reviewing operations, processes & procedures of the organization, identifying potential threats and likelihood of their occurrence, and taking appropriate actions to address the most likely threats.

Objectives of the Risk Management Policy:

- Establish methodologies for identification, measurement and management of Risk
- To build profitable and sustainable business with conservative risk management approach
- To have risk management as an integral part of the organization’s business strategy.
- To undertake business activities that are well understood and within acceptable risk appetite.
- To manage the risks proactively across the organization.
- To adopt best risk management practices leading to shareholder value creation and increased stakeholder confidence.
- To develop a strong risk culture across the organization.

2. Target Audience

The members of the Board, ERM, ALCO, Risk Department, HODs, and Auditors of the Company shall be the primary audience for this document. The document shall not be circulated beyond mentioned individuals and other such individuals / institutions as may be reviewed by MD & CEO / CFO and Risk Head.

3. Applicability and Validity of the policy

- There shall be an annual review of the Policy.
- India Shelter with the approval of the Board of Directors, can at any time modify or amend, either the whole or any part of this Policy.
- Operational changes to the policy can be done with approval of MD & CEO
- Statutory changes will be read mutatis mutandis in the policy document even if not amended
- Any clause or reference in the policy document which is contrary to or on violation of statutory or regulatory shall be deemed to be severed from the policy

4. Regulatory and Statutory Reference

- NHB vide its circular no. NHB.HFC.CG-DIR.1/MD&CEO/2016, 9 February 2017, had instructed HFCs to adopt guidelines on corporate governance.

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- Section 177 of the Companies Act, 2013 requires Audit Committee to evaluate Internal Finance Controls and Risk Management Systems and report to the board and
- Section 134 (3) of the Companies Act, 2013 requires Companies to include in their Board report a statement indicating development and implementation of a Risk Management Policy for the Company including identification therein of risks, if any, which in the opinion of the Board may threaten the existence of the Company for companies required to appoint independent directors and have an audit committee.

5. Key Elements of Enterprise Risk Management Framework

The key elements of the company's Enterprise Risk Framework include:

- Risk Strategy & Appetite: Long-term plan of how risk management effectively supports the achievement of the organisation's goals
- Risk Governance: This Structure within which responsibility and accountability for risk management and oversight is defined, managed and communicated throughout an organisation
- Risk Culture: Values and behaviors of the entity that shape risk decisions
- Risk Assessment & Measurement: Qualitative and quantitative approaches, processes, tools and systems to identify, assess, and measure risks
- Risk Management & Monitoring: Management's response to manage, mitigate, or accept risk and create value through the use of risk and control information to improve business performance across the enterprise
- Risk Reporting & Insights: Provide insight into the strengths and weaknesses of risk management activity and enhance the transparency of risks that could have an impact on achievement of objectives.
- Data and Technology: Includes development and deployment of risk management tools, software, database, technology architecture, and systems that support risk management activities.

6. Risk Appetite

The risk appetite is the amount of risk, on a broad level, that the company is willing to take on in pursuit of value. It is the total impact of risk that the company is prepared to accept in the pursuit of its strategic objectives. It shall be documented in a formal risk appetite statement that shall be recommended by the Enterprise Risk Management Committee and approved by the Board along with the Policy. The risk appetite statement should be defined by the following key characteristics:

- Sets clear strategic direction and tolerances around controls;
- Reflective of strategy, including organizational objectives, business plans and stakeholder expectations;
- Reflective of all key aspects of the business;
- Considers the skills, resources and technology required to manage and monitor risk exposures in the context of the risk appetite;
- Inclusive of a tolerance of loss or negative events that can be reasonably quantified;

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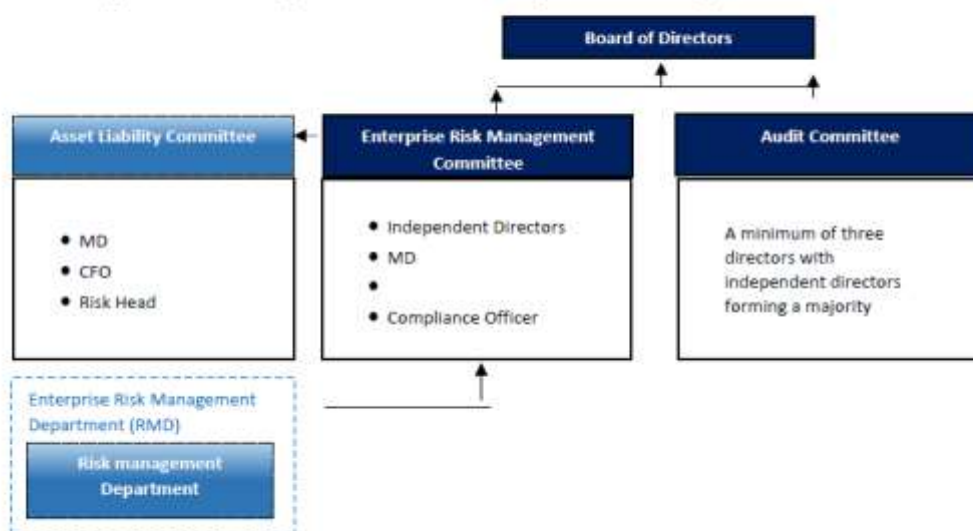
- Periodically (annually) reviewed and reconsidered with reference to evolving industry and market conditions

The governance and reporting framework shall ensure that day-to-day decisions are made in line with the organization's risk appetite. Data shall be captured to measure performance against the risk appetite statement of the organization. Standard risk and incident reporting methodologies should be used to monitor breaches of risk appetite and tolerance levels.

The detailed Risk Appetite Framework laid down for the company has been appended to this policy document in Annexure 1.

7. Governance Structure

The governance structure in place to approve, modify and ensure effective operation of the Enterprise Risk Management framework is depicted in the organization chart below.



In order to achieve the objectives of the policy, certain key roles and responsibilities are defined and described for the following:

- Leadership & Governance (setting policy and principles)
- Implementation (achieving policy objectives)
- Independent Review (checking compliance)

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8.1 Leadership and Governance

8.1.1 The Board

The Board of Directors oversee the company's risk management processes and controls, while the management is charged with the day-to-day management of the company's risks. The Board:

- Approves the strategic plans and objectives for Risk Management framework for the company which is recommended by ERM and periodically (annual) reviews the Risk Management framework;
- Establishes a management structure capable of implementing the company's Risk Management framework;
- Develops Policies and Procedures around risk which are consistent with the organization's strategy and risk appetite;
- Takes steps to foster risk awareness
- Encourages organizational culture of risk adjusting awareness
- Take note and review the audit committee & Enterprise Risk Management Committee minutes
- Any other matter requiring Board's approval

8.1.2 Enterprise Risk Management Committee (ERM)

The Enterprise Risk Management Committee will act within the ambit of duties assigned to it by the Board. The committee will be presented with detailed reviews of risk exposures across the company. Its functions will include the following:

- Reviews and approves compliance with risk policies, risk methodologies and tools, including assessments, reporting and loss event databases and monitors breaches / triggers of risk tolerance limits and recommendation of corrective action to mitigate the effects of risk whenever they arise above the level defined by the committee
- Reviews reports of significant issues prepared by internal risk oversight functional groups, including risk exposure related to specific issues, concentrations and limits excesses
- Nurtures a healthy and independent risk management function in the company
Inculcates risk culture within the organization
- Establishment of an Enterprise Risk Management framework and policy for the company and recommendation of the same to the Board of Directors for approval;
- Assessment of reputational, governance, business and strategic implications of risks identified and ensuring that these are reported and manage potential risks which may arise from regulatory changes or changes in the economic/political environment;

8.1.3 Asset Liability Management Committee (ALCO)

The work area of ALCO will be decided basis the power and authority delegated by Board of Directors more particularly in ALCO policy or Committee Charter.

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8.1.4 Audit Committee

Audit Committee shall evaluate the internal financial controls and risk management systems on a Quarterly basis. The risk management responsibility for the Audit Committee will mainly be towards operational risk, as follows:

- Identifying and presenting operational risks in the course of regular internal audits with recommendations for corrective actions.
- Focusing the internal audit work for significant risks and auditing the risk management processes across the organization

8.2 Implementation

8.2.1 Risk Management Department (RMD)

The Risk Management Department shall be headed by the Head – RMD (who may report to the Managing Director) and will have responsibilities towards implementation of the ERM framework as specified in this policy. The responsibilities of the RMD will include the following:

- Assemble information to build an overall risk profile of the company, understanding and communicating these risks, and analyzing the information, changes/trends in the risk profile - Key information will include risk indicators, loss event data and self-assessment results and communicating the results to the Risk Management Committee or other interested parties.
- Review of the company's risk limitation and adjust the company's risk exposure using appropriate strategies, in light of the company's overall risk appetite;
- Assist in development of and manage processes to identify and evaluate businesses areas using risk control self-assessments;
- Monitoring risk exposure to losses and internal control lapses, including regular reporting of pertinent information to the Enterprise Risk Management Committee;
- Annual review of Risk Control Self-Assessment process, Key Risk Indicators, Loss Event Database and risk reporting processes;
- Review and monitor that strategies and actions previously approved by the Risk Management Committee are being properly executed on an ongoing basis;

8.2.2 Business/Function Heads

Business/function heads represent the heads of units/departments and are responsible for risk taking, accepting, implementing and monitoring related controls and mitigants.

The responsibilities of the Business/Function Heads will include the following:

- Taking ownership of the risks faced in their businesses/functions;
- Understanding the profile of risk facing the business/function and monitoring change in the business and risk profile. Business/function heads may be expected to present their risk profiles and action plans to the RMC and developing strategies to mitigate them in consultation with RMD

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- Designing, collecting, reporting and capturing data pertaining to risk indicators and related reports. Resulting information will be distributed to the respective departments/units and RMD.
- Identification of loss events within the business/function and regular reporting of these events with complete details to the RMD, including root cause analysis and control evaluation;
- Ensuring implementation of the risk policies, processes, risk tools and other structures developed by the RMD within the respective business/function;
- Continuously identifying risks and assessing risks in terms of likelihood and impact and assessing the existing controls and management techniques in terms of their ability to manage the identified risks;
- Promptly alerting the executive management (through the RMD department) to any matter that could potentially lead to the company incurring material, unexpected damage, risk incidents;

8.2.3 Finance Department

The Finance Department is responsible for facilitating the process of capture of internal loss data. The responsibilities of the Finance Department in this regard are as follows:

- Monitoring of accounting records in order to ensure that losses are appropriately captured in the accounts created for this purpose;
- Generation of periodic reports in order to facilitate analysis of loss events across each business/function and according to each loss type and annual review of identified loss events in order to assess the need to open new loss accounts.

9 Key Risks

Risks and uncertainties form an integral part of India Shelter's business which by nature entails taking risks. Each transaction that India Shelter undertakes changes its risk profile. The table below summarizes the key risks India Shelter needs to address.

| Risk Management | | | | |
|------------------------------|------------------|---------------|----------------|-------------|
| Credit Risk | Operational Risk | Market Risk | Strategic Risk | Other Risks |
| Default Risk by counterparty | Process | Liquidity | Emerging Risks | Reputation |
| | People | Interest Rate | External Risks | Compliance |
| | System | | | Legal |
| | External Events | | | |

Credit Risk

Credit Risk is the risk of loss due to the failure of the counter party to meet its credit obligations in accordance with the agreed contract terms. It is the result of either inability or unwillingness

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of a borrower or counter-party to meet commitments in relation to lending or any other financial transactions.

The losses could take the form of outright default or alternatively, losses from changes in portfolio value arising from actual or perceived deterioration in credit quality that is short of default. The objective of credit risk management is to minimize the risk and maximize India Shelter risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters.

Operational Risk

Operational Risk is inherent in all product, activities, processes and systems of India Shelter. It is a risk of loss arising from inadequate or failed internal processes, people and systems. Risk education for familiarizing the complex operations at all levels of staff can reduce operational risk. Operational risk events are associated with weak links in the internal control procedures. Operational risk involves breakdown in internal controls and corporate governance leading to error, fraud, performance failure, compromise on the interest of PFS resulting in financial loss.

Putting in place proper corporate governance practices by itself would serve as an effective risk management tool. India Shelter shall strive to promote a shared understanding of operational risk within the organization, especially since operational risk is often intertwined with market or credit risk and it is difficult to isolate.

Market Risk

Market Risk may be defined as the possibility of loss to India Shelter caused by the changes in the market variables. It is the risk that the value of on-/off-balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices. Market risk is the risk to India Shelter's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities, of those prices. Market Risk consists of:

- a) Liquidity Risk
- b) Interest Rate Risk

Maintaining an optimal balance sheet structure and cash flow patterns shall be the keystone of the market risk management strategy. A detailed description about managing market risks is available in the ALM policy.

Liquidity Risk

Liquidity risk arises where the Company is unable to meet its obligations as and when they arise. Liquidity risk will be measured at a structural level and a dynamic short term level.

India Shelter on virtue of being a highly capitalized company and the capability to raise long term funds has never faced a situation of being probable "Out of Money". However, certain

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effective measures such as limiting the short term funds in overall fund mix, keeping sufficient liquidity in hand at all times should be taken by the company. Further the liquidity risk should be monitored on quarterly basis by the Enterprise Risk Management Committee.

Interest Rate Risk

Interest rate risk management and reporting helps identify potential risks to earnings and capital resulting from adverse fluctuations in market interest rates.

Interest Rate risk arises from the inability to transmit the changes to the borrowers when the same has been received from the lenders. This is exacerbated in case a company has a mismatch in interest rate type for its loans. The interest rate risk along with the liquidity risk should be monitored by the Enterprise Risk Management Committee.

Strategic Risk

Risks that derive from the decisions that the management takes about the products or services that the organization provides. It includes risks associated with developing and marketing those products or services, economic risks affecting product sales and costs, and risks arising from changes in the technological environment which impact on sales and production.

Strategic Risk needs to be assessed both in qualitative & quantitative terms. Assessment of an incidence or a potential risk aims at quantifying the risk in financial terms to the extent possible.

Reputation Risk

India Shelter is also exposed to reputation risk arising from failures in governance, business strategy and process, regulatory-compliance and legal risk. These risks are generally covered under Operational risks. Reputational risk is the risk of potential damage to the Company due to deterioration of its reputation. The reputation of the Company may suffer as a result of its failure to comply with laws, regulations, rules, reporting requirements, standards and codes of conduct applicable to its activities, rather than compliance with the internal limits or procedures.

Proactive measures to minimize the risk of losing reputation could be a sound risk management framework, good corporate governance, high level ethics and integrity, rigorous anti money laundering procedures, good business practices and reporting of all breaches which lead to reputational risk to the attention of senior management and the board.

Compliance Risk

Compliance risk is the risk arising from non-adherence to prescribed law in force, regulations, policies, procedures and guidelines which may give rise to regulatory actions, litigations, deficiency in product or services depending on the level of non-adherence. The corporate governance function is primarily designed to avoid incurrence of compliance regulatory-legal risk.

Legal Risk

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The possibility of incurring losses or negative contingencies as a result of flaws in contracts or transactions that may affect the institution's legal position and/or ability to function; legal risks are a direct result of human error, fraud, negligence or carelessness in the design, formalization, application or implementation of contracts or transactions. Legal risk is also caused by non-compliance with current laws or regulations.

Legal risk can primarily be caused by:

- A fraudulent transaction
- A claim including a defense to a claim or a counterclaim being made or some other event occurring which results in a liability for the company or other loss
- Failing to take appropriate measures to protect the company's interests including the assets owned by the company; or
- Change in law which results in any of the transactions becoming illegal or bad in law or results on any of the above

Roles & Responsibilities

A comprehensive list of risks matrix is provide herewith:

| Type of Risk | Risk Ownership | Constitution | Key Roles & Responsibilities |
|---|---|---|---|
| Credit Risk | Credit Committee/Board | Members and special invitees if any | <ul style="list-style-type: none"> • Frame credit policy, set prudential limits • Implementing and monitoring of Risk Management Framework • Periodic Review of the effectiveness of the Risk Management Plan and activities • Monitor portfolio risk |
| Market Risk: <ul style="list-style-type: none"> • Interest rate Risk • Liquidity Risk | ALCO/Board | <ul style="list-style-type: none"> • CEO • Risk Head • Company Secretary • Compliance Officer | <ul style="list-style-type: none"> • Overall Responsibility to monitor and manage enterprise wide risk • Approval and periodic evaluation of ALCO Policy • Provide Directions for formulation of policies |
| Operational Risk: <ul style="list-style-type: none"> • People • Process • System • External Events | Board/Risk Management Department and Functional Heads | Risk Head will be supervising the department. Business Heads | <ul style="list-style-type: none"> • To ensure compliance with internal policies on risk management and regulatory guidelines issued by RBI / NHB • To ensure that Risks are identified and steps to mitigate are laid down and adhered to |

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| | | | |
|---|--|--|--|
| | | | <ul style="list-style-type: none"> Initiate action when portfolio triggers are breached MIS/Reporting on a regular basis |
| Strategic Risk (Includes Emerging & External Risks) | MD & CEO | MD & CEO, Business Head of various products | <ul style="list-style-type: none"> Compare the risk versus expected ROI. All business strategy initiation should have risk Vs return assessment at the launch of new initiatives. Undertake data analytics for key decisions based on the defined critical parameters Periodic Review of the effectiveness of the strategies For every Strategic Business initiative prepare alternate plans. |
| Reputational Risk | Compliance Dept./ Customer Service/ Functional Heads | NA | <ul style="list-style-type: none"> All media communications would be handled by Company's Management team. Timely response to statutory/regulatory queries/requirements. Respond to the customers' queries and needs within the committed turn-around time. Be vigilant to customer's/stakeholder's/ media feedback (including social media) and take quick remedial actions |
| Compliance Risk | Compliance Department | NA | <ul style="list-style-type: none"> Guidance to business & support functions on all compliance laws, rules & standards Compliance function shall guide the company for seeking clarifications/interpretation of various regulatory statutory guidelines Analysis and review of new products, policies and processes from a compliance perspective Co-ordination of the regulatory/statutory |

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| | | | |
|------------|------------------|----|--|
| | | | inspections correspondence with the authorities |
| Legal Risk | Legal Department | NA | <ul style="list-style-type: none"> • Ensure that India Shelter does not enter into a transaction which does not allocate rights and obligations and associated risks in the manner intended • Prevent entering into a transaction which is or may be determined to be void or unenforceable in whole or with respect to a material part • Ensure that the basis of representations or investigations used to make investment decision are not misleading or false or which fail to disclose material facts or circumstances • Ensuring that India Shelter does not misunderstand the effect of one or more transactions. |

10 Risk Management

The company may lay down the guidelines regarding the response to the various risks faced by the business. It may accordingly form the mitigation strategies which would be reviewed periodically whenever deemed fit.

10.1 Risk Identification and Assessment Process

- Risks are adverse consequences of events or changed conditions
- Their occurrence may be identified by the happening of trigger events
- Their occurrence is uncertain and may have different extents of likelihood

10.2 Risk prioritization & exposure process

In this process, the consequences of the risk occurrences may be quantified to the maximum extent possible, using quantitative, semi-quantitative or qualitative techniques. Process of risk quantification for the Company has to be qualitative, supported by quantitative impact analysis. It would consider the actual cost impacts (like claims by

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customer, regulatory penalties, and financial loss) as well as opportunity costs (like loss in realization of revenue, customer dissatisfaction) may be captured to arrive at the total cost impact of materialization of the risk.

10.3 Risk Management Strategy

This involves identifying relevant strategies or tools to effectively mitigate possible risk events. Based on the Risk Appetite/Risk Tolerance level determined and reviewed from time to time, the India Shelter would formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. The risk mitigation can be planned using the following key strategies:

- **Risk Avoidance:** By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.
- **Risk Transfer:** Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.
- **Risk Reduction:** Employing methods/solutions that reduce the severity of the loss
- **Risk Retention:** Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred.

10.4 Risk Communication, Reporting and Monitoring

Risk communication, reporting and monitoring, is a critical phase in the ERM framework. The framework will end as a project rather than a process if the risks are not monitored, communicated and reported on a constant basis.

- Risk communication helps develop an appropriate risk culture in the organization. The risk monitoring and reporting is used as a management decision support system enabling them to perceive the overall risks of the organization and analyze the progress made on the same
- The risk mitigation strategy may be communicated to concerned stakeholders. Risk management policies framed should be rolled out to the employees wherever applicable.

As part of ERM framework, risk registers are developed which facilitates valuation of risk reward relationship for various business units. It is a tool for monitoring of ERM key risks which are Credit, Operational and Market risk respectively along with business performance.

In addition to monitoring loss events, the company shall build a process for reporting and monitoring of results derived from the ERM tools. The process would define the frequency, mode and level of reporting to senior management as well as the company's units depending on factors such as level and quantum of risk and changes in environment. Risk reports would especially reflect key risk areas and risk sensitive units so as to motivate units to take timely corrective action. Monitoring should be ideally integrated with the company's general activities and review system of internal and external reports such as Audit and MIS.

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Ongoing monitoring of actual performance v/s policy caps, early warning Indicators, key takeaways from RMC and ALCO, customer/site/competition visits etc. are reviewed monthly, exceptions, if any, are reported in related committee, and acted upon as advised by the committee:

| Type of risk | Reporting |
|------------------|------------------------------|
| ERM | ERMC |
| Credit risk | ERMC |
| Market Risk | ALCO |
| Operational Risk | ACB as part of audit reports |

Status update on implementation of previous committee decisions is reported in subsequent committee meeting.

The company has a Compliance Department that shall independently monitor regulatory developments and ensure that a mechanism for identification and implementation of regulatory requirements is in place. Implementation of the latest regulatory requirements shall be tested by the Internal Audit Department on the basis of inputs received from the Compliance Department. This serves to address the regulatory risks faced by the organization.

The Compliance department prepares and submits periodical returns on fraud cases to the NHB and to the Board. The fraud cases reported as per the manner prescribed by the NHB guidelines.

10.4.1 Key Risk Indicators

As mentioned in the definition of operational risk, operational losses are caused by four main factors viz. people, processes, systems or external factors.

KRIs are metrics/measures that are derived from these factors to indicate an early warning of or to monitor increasing risk or control failures in an activity. The key utility of KRIs is that one can set limits against the trends and monitor the same to work towards increasing controls where needed and mitigate risks. Tolerance levels should be defined while setting KRIs. In addition, these should be defined considering the risk appetite of the company, risk and opportunity identification, risk treatment and risk reporting. They should be continuously monitored and enhanced risk should be reported by the Risk Department to the Chief Risk Officer and the Business/Function Head.

10.4.2 Risk Control Self-Assessment (RCSAs)

RCSA is a process of regular, transparent and subjective assessment of the company's operational risk and controls undertaken by the businesses/functions. This is facilitated by the RM SPOC assigned to the respective business/function. This will help in identifying control gaps and consequent actions proposed to remediate the gaps. The businesses/functions will be able to assess the operational risks inherent in their activities and analyze the strengths or weaknesses of controls in place.

Enterprise Risk Management Policy

Essentially RCSA can be used towards aspects such as identification & mitigation of operational risks, reporting of control deficiencies, monitoring of changes in control environment and assessment of operational risk profile. The focus of RCSA process is to ensure that all operational risks are understood and are being effectively monitored and controlled to improve business and operational efficiency.

11 Loss Event Database

An important component of the Enterprise Risk Management framework of the company is the maintenance of an active database containing details of internal and external loss events. This data is useful for determining the frequency and severity of risk events as well as for calculating expected/unexpected losses. The benefits of maintaining such a database are as follows:

- Creating awareness about the nature and extent of the risk events occurring across the company and the amount of loss incurred as a result of such events;
- Capturing information related to risk events in order to refine the other components of the Enterprise Risk Management framework such as Risk Control Self-Assessment and Key Risk Indicators (KRIs);
- Measuring risk exposure more accurately and identifying trends across the company

12 Change Management

In order to ensure that the Enterprise Risk Management framework is contemporary and effective in achieving the risk management objectives of the company, a structured change management approach shall be followed. This will ensure a structured approach to making the Risk Management framework responsive to changes in the internal and external environment of the company.

A framework shall be put in place to ensure that the change management of the framework occurs in a structured manner. The four phases in the structured approach to change management shall be as follows:

- Assessment and identification: Periodic (annual) review of the various components of the enterprise risk management framework with respect to the internal and external environment of the company in order to ensure that the same are contemporary and effective in achieving the objectives of risk management.
- Planning & Implementation: If an assessment is made that changes are required to one/more of the components of the Enterprise Risk Management framework, a detailed plan should be put in place including identification of relevant stakeholders responsible for driving the change, objectives to be achieved and finalization of an implementation plan. Implementation of such changes shall be subject to oversight of the Risk Management Committee.
- Review: The change management process pertaining to the Enterprise Risk Management framework shall be subject to the constant review of the Risk Management Committee which shall monitor implementation of the same and alignment with the objectives defined at the planning stage. The changes made to the framework components shall be

Enterprise Risk Management Policy

recommended for approval of the Board by the Risk Management Committee. Final approval of the changes made shall be accorded by the Board.

Annexure 1 - RISK APPETITE STATEMENT

Introduction

The company recognizes that the managed acceptance of risk lies at the heart of the business. As a result, effective risk management capabilities represent a key source of competitive advantage for the company. By managed acceptance of risk, the company seeks to generate shareholder value by selectively taking exposure to risks for which it is well compensated. The company will additionally accept exposure to risks for which it is not directly compensated, where these are an inevitable by-product of its business activities. These risks will be reduced to the extent it is cost-effective to do so.

In general therefore, the company's control procedures and systems are designed to manage enterprise, credit, liquidity, market and operational risks, rather than eliminate them. However, at certain times, there may also exist some risks for which the company has no tolerance and which are actively avoided. The identification and exploitation of specific business opportunities, including the evaluation of the risk-versus-reward characteristics of such opportunities, is the remit of the individual businesses. This Risk Appetite Statement is meant to provide a framework to guide the businesses in their risk acceptance and management activities in order to ensure that the risks accepted are within the overall tolerance levels of the company. The limit structures and tolerances in respect of specific risk types are separately defined in line with the broad guidance provided by this statement.

Financial Risk Appetite Statement

Enterprise Risk Management Policy

The company will limit its exposure to adverse outcomes by ensuring that risk-taking takes place within appropriate boundaries. This ensures that earnings and growth are achieved in a responsible manner and not merely by assuming disproportionate downside exposure. In doing so, the company protects the interests of its key stakeholders. In order to provide an objective and quantifiable means to ensure that the various businesses and the company as a whole have accepted risks which are within the overall tolerance levels of the company, certain objective measures of enterprise risk have been identified, namely:

Capital

- Tier-1 capital adequacy ratio should not fall below 10% of owned funds
- Tier-2 capital adequacy ratio should not exceed Tier-1 capital
- Overall capital adequacy ratio should not fall below 12% of owned funds

Earnings volatility

- The probability of negative earnings for one year should be less than 5%. (Earnings at risk)

Liquidity and Interest rate risk

| Liquidity Risk Management | | Parameters Triggers |
|---------------------------|---|---------------------|
| 1 | Cumulative negative gap on cash flows upto one month | -15% |
| 2 | Cumulative negative gap on cash flows beyond one month upto | -15% |
| 3 | Cash Coverage Ratio | Above 1x |

Investment Risk

| Parameter | Limit |
|--|--------------------------------------|
| Mutual Fund Investments in AUM | As per Borrowing & Investment Policy |
| Fixed Deposits in Banks | As per Borrowing & Investment Policy |
| Investment Ceiling – Treasury (Mutual Funds) | As per Borrowing & Investment Policy |

Credit Risk

Detailed triggers are provided below:-

| Triggers | Policy Trigger Limit |
|-----------------------------|----------------------|
| Concentration Limits | |
| LTV | 70% |
| Max Loan Amount | 30 Lakhs |
| Bounce rate | 18% |
| Delinquency Trigger | |
| 30-60 | TBD |

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| | |
|--|-----|
| 60-90 | TBD |
| 90+ | TBD |
| Portfolio Mix based on % of deviations (last 6 month) | |
| Normal Loans | TBD |
| Loan approved with Policy Deviations | TBD |
| Property Type Mix | |
| Commercial Property | TBD |
| Residential | TBD |

Conformance to Risk Appetite

The various businesses are required to ensure that the risks accepted are within the overall tolerance levels of the company and the individual businesses. The risk appetite of the company is thus practically implemented by the various businesses/functions as follows:

- Definition of Risk Limits & Thresholds: Risk limits are put in place by each business/function to enable practical implementation/monitoring of conformance to the risk appetite of the company. Due consideration is given to the Business/Function characteristics while establishing the same. Further, quantitative risk limits are to be defined at a product level.
- RMC Approval: The Business/Function risk limits and thresholds defined and the monitoring and reporting mechanism is approved by the Managing Director of the company. This is put up to the Risk Management Committee for approval which evaluates alignment of the same with the overall risk appetite of the company and effectiveness of the same in ensuring that the risk to which Business/Function is exposed is within the risk appetite of the company as a whole.
- Communication: The Business/Function risk limits and thresholds are communicated throughout the Business/Function.
- Monitoring & Reporting: A mechanism for monitoring the various risk limits and thresholds defined is put in place to ensure adherence to the same.

Key risk indicators

- File movement (Inspection & Compliance)
- Deferral & PDD Tracking :
- Customer complaints:
- Near fraud misses:

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- Attrition Rate:
- Collection account recon
- Material outsourced contracts > 20 lacs contractual fees for year
- Delinquency:

Annexure 05

None of the Directors were paid Managerial Remuneration except Mr. Anil Mehta, MD & CEO. The details of the Managerial Remuneration as approved by the shareholders as per Schedule V Part II- Section II (IV) of Companies Act, 2013 is as below:

| | |
|----------------------|---|
| Remuneration | Fixed Pay: 2,35,75,000 p.a Variable Pay: Upto 60% of Fixed Pay based on performance metrics to be defined by the Board or its relevant committee |
| Service Contract | Upto May 20, 2022 as approved by the Board of Directors in there meeting held on May 17, 2019 and by members in the Annual General Meeting held on August 22, 2019. |
| Stock Option Details | Refer Below table |

| Particulars | Number | Issue Price | Vesting/Accrual Period | Exercise Period |
|-------------------------------------|----------|---|---|---|
| ESOP's | 1,85,000 | At Fair Market Value | 4 years | Exercised all options and allotted 1,85,000/- equity shares by Board Of Directors vide Circular Resolution dated January 8, 2019. |
| ESOP's | 3,90,000 | At Fair Market Value | 5 years | 5 years and 3 months from the date of vesting; Exercised 1,95,000 options and Board of Directors allotted 97,500 equity shares each vide Circular Resolution dated January 8, 2019 and January 6, 2020. |
| Right To Subscribe To Equity Shares | 3,55,000 | At Fair Market Value | 4 years | 5 years from the date of relevant subscriptions |
| Sweat Equity Shares | 3,00,000 | At Rs. 30 as against Fair Market Value of Rs. 118.48 as on the date of grant and Rs. 159.01 as on the date of subscription. | Immediately, however the offer period is open upto 31 st January, 2019 | Allotted 3,00,000 Sweat Equity Shares to Mr. Anil Mehta by Board of Directors vide Circular Resolution dated February 01,2019. |

Annexure 06

| Employee Name | Designation of the employee | Remuneration (CTC Yearly) received | Nature of employment (whether contractual or otherwise) | Qualifications and experience of the employee | Date of commencement of employment | The age of such employee | The last employment held by such employee before joining the company | The percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above; | Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager | Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager |
|---------------|-----------------------------|------------------------------------|---|--|------------------------------------|--------------------------|--|---|---|---|
| Anil Mehta | MD & CEO | 306.99 lakhs | Permanent | Anil is an MMS from SP Jain Institute of Management & Research, Mumbai and a graduate in Economics. He has wide-ranging knowledge in consumer credit and business functions and has helped build multiple new businesses. Having previously been employed by large institutions in the Mortgage, Banking and Insurance space including HDFC Ltd, Bank of America, American Express, ANZ Bank and Max New York Life Insurance Co., he has held various key positions. | 1-Apr-10 | 59 years | Max Newyork Life Insurance | 2.28% | - | - |

| | | | | | | | | | | |
|------------|------------------------|--------------|-----------|---|----------|----------|-----------------------|---|---|---|
| Sunil Jain | Chief Business Officer | 107.02 lakhs | Permanent | <p>Mr. Sunil Jain is a CA from Institute of Chartered accountant of India and has 20 years of experience. He was appointed as CFO of the company on 5-01-2015 and was engaged in handling business operations and financial operations.</p> <p>However, with the increase in business operations and increasing complexity of the financial transactions Mr. Sunil Jain has been appointed as Chief Business Officer and fully engaged in managing the business operation since 13-08-2019.</p> | 5-Jan-15 | 44 years | Magma Housing Finance | - | - | - |
|------------|------------------------|--------------|-----------|---|----------|----------|-----------------------|---|---|---|

| Top Ten Employee | | | | | | | | | | | |
|------------------|----------|---------------|------------------------|------------------------------|----------------------|----------------------------------|------------------------------------|-----------------|-------------------------------------|--|--|
| S. No. | Code | Employee Name | Designation | Remuneration Paid (In lakhs) | Nature of Employment | Qualifications and Experience | Date of Commencement of Employment | Age of Employee | Last Employment | % of Equity Shares held in the company | Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager: |
| 1 | GUR 2003 | Anil Mehta | CEO & MD | 306.99 | Full Time | MMS with 30 years of experience | 01-Apr-10 | 59 | Max New York Life Insurance | 2.28 % | - |
| 2 | GUR 2042 | Sunil Jain | Chief Business Officer | 107.02 | Full Time | CA with 20 years of experience | 05-Jan-15 | 44 | Magma Housing Finance | - | - |
| 3 | ISFC2344 | Gautam Vijh | Head-Distribution | 76.61 | Full Time | Bcom with 25 years of experience | 05-Oct-18 | 52 | Mahindra Holidays & Resorts Pvt Ltd | - | - |
| 4 | ISFC820 | Varun | Chief Inform | 63.25 | Full Time | MCA with 17 years of | 12-Dec-16 | 40 | Hero Fincorp | - | - |

| | | Guliani | ation Officer | | | experie nce | | | | | |
|---|--------------|------------------|---|-------|--------------|--|---------------|----|--|---|---|
| 5 | ISFC2 633 | Nilay | Head- HR | 51.63 | Full Time | MBA with more than 20 years of experie nce in HR | 01-Dec- 18 | 48 | Standar d Charter ed Global busines s Services Pvt Ltd | - | - |
| 6 | ISFC2 11 | Devraj Dutta | Direct or- New Marke ts | 48.99 | Full Time | MBA with more than 20 years of experie nce in HR | 19-Oct- 15 | 43 | Entrepr eneur/ Consult ant | - | - |
| 7 | GUR 2044 | Vikram Chopra | Direct or- Recov ery | 48.38 | Full Time | MBA with more than 20 years of experie nce in Sales | 04-Mar- 15 | 52 | Gold SOUK | - | - |
| 8 | ISFC3 419 | Ashish Gupta | Chief Financ ial Officer | 39.61 | Full Time | MBF/C A with 13 years experie nce in Financi als, treasur y and risk manage ment | 12-Jul-19 | 38 | Satin Credica re Networ k Limited | - | - |
| 9 | ISFC5 36 | Yogesh Jain | VP & Head- Audit, Risk & Compli ance | 29.22 | Full Time | LLB with 9 years experie nce in Legal, operati | 01-Jul-16 | 33 | Nationa l Housing Bank | - | - |

| | | | | | | | | | | | |
|--------|--------------|-----------------------------|--|-------|--------------|---|---------------|----|--|---|---|
| | | | | | | ons and audit | | | | | |
| 1 0 | ISFC3 068 | Praka sh Bhaw nani | Vice Presid ent Treasu ry & Head Financ ial Planni ng | 27.59 | Full Time | CFA with 9 years experie nce in Treasur y and financia ls | 11-Mar- 19 | 33 | Home Credit India Strategi c Advisor y Services Private Limited | - | - |

Disclosure pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

1. The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year 2018-19: 365.3:1.
2. The percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary, if any, in the financial year 2018-19;

| Name | Designation | Increase in Fixed Remuneration |
|-------------------|-------------|--------------------------------|
| Mr. Anil Mehta | MD | 15.00% |
| Mr. Sunil Jain* | CFO | 15.00% |
| Mr. Ashish Gupta* | CFO | NA |
| Ms. Mukti Chaplot | CS | 50.50% |

*Mr. Sunil Jain resigned from the post of Chief Financial officer w.e.f. closure of business hours on August 13, 2019 which was accepted by the Board Of Directors in their meeting held on August 13, 2019. Mr. Ashish Gupta has been appointed as the Chief financial Officer w.e.f closure of business hours on August 13, 2019 which was approved by the Board Of Directors in their meeting held on August 13, 2019.

The performance linked variable pay given to the above managerial personnel in FY18-19 is ` 102.5' lac, '45.61' lac ` NIL' and 0.94 lakhs respectively.

3. The percentage increase in the median remuneration of employees in the financial year 2018-19: -1.2%.
4. The number of permanent employees on the rolls of company as on March 31st, 2019: 1126
5. The average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: The average increase in the salary of employees other than managerial personnel is 13% compared to the average increase of 27% of managerial personnel. The average increase in the salary of both the managerial and non-managerial personnel was determined based on the overall performance of the Company and as per the remuneration policy. Further, the criteria for salary increase to non-managerial personnel is based on an internal evaluation of Key Performance Indicators (KPIs), while the salary increase of the managerial personnel is based on the remuneration policy as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors.
6. Affirmation that the remuneration is as per the remuneration policy of the company: The remuneration is as per the remuneration policy of the Company.

Annexure 07

| Particulars | ESOP 2011 | ESOP 2012 | ESOP 2017 | Total |
|---|-----------|-------------------------------|------------------------------------|-------------|
| Options granted | 8,01,000 | 23,45,500 | 5,45,000 | 36,91,500 |
| Options vested | 6,77,004 | 14,56,375 | 30,000 | 21,63,379 |
| Options exercised | 5,13,001 | 5,46,300 | - | 10,59,301 |
| The total number of shares arising as a result of exercise of option | - | 9,62,500 | 3,70,000 | 13,32,500 |
| Options lapsed | 1,64,003 | 8,36,700 | 1,75,000 | 11,75,703 |
| The exercise price | 11.54 | 13.27/14.18/16.84/20.32/83.20 | 118.48/159.01/179.92/184.55/189.56 | |
| Variation of terms of options | NA | NA | NA | |
| Money realized by exercise of options | 59,20,035 | 96,09,960 | - | 1,55,29,995 |
| Total number of options in force | - | 9,62,500 | 3,70,000 | 13,32,500 |
| Employee wise details of options granted to: | | | | |
| (i) key managerial personnel; | | | | |
| Mr. Anil Mehta ¹ | 1,85,000 | 3,90,000 | - | 5,75,000 |
| Mr. Sunil Jain (CFO till the closure of business as on August 13, 2019) | - | 4,00,000 | - | 4,00,000 |
| Ms. Mukti Chaplot ¹ | - | 10,000 | - | 10,000 |
| Mr. Ashish Gupta (CFO w.e.f closure of business as on August 13, 2019) | - | - | 1,00,000 | 1,00,000 |
| (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. ² | | | | - |
| 2011 | | | | |
| Anil Mehta ¹ | 1,85,000 | - | | 1,85,000 |

| | | | | |
|------------------------------|----------|----------|--------|----------|
| Srinath Mukherji | 1,25,000 | - | | 1,25,000 |
| Raman Garg ¹ | 1,40,000 | - | | 1,40,000 |
| Sandeep Wanchoo ¹ | 86,000 | - | | 86,000 |
| C P Sanadhya ¹ | 50,000 | - | | 50,000 |
| Rajul Bhargava ¹ | 50,000 | - | | 50,000 |
| 2012 | | | | |
| Anil Mehta ¹ | - | 3,90,000 | | 3,90,000 |
| Rajul Bhargava ¹ | - | 80,000 | | 80,000 |
| Somesh Tewari ¹ | - | 70,000 | | 70,000 |
| Srinath Mukherji | - | 60,000 | | 60,000 |
| 2013 | | | | |
| V.Gurusekaran | - | 1,50,000 | | 1,50,000 |
| Srinath Mukherji | - | 60,000 | | 60,000 |
| Anthony Joseph Chacko | - | 25,000 | | 25,000 |
| 2014 | | | | |
| Soumen Joarder ¹ | - | 60,000 | | 60,000 |
| 2015 | | | | |
| Sunil Jain | - | 1,50,000 | | 1,50,000 |
| Maninder Sood | - | 1,50,000 | | 1,50,000 |
| 2016 | | | | |
| Soumen Joarder | - | 75,000 | - | 75,000 |
| Sunil Jain | - | 2,50,000 | - | 2,50,000 |
| Vikram Chopra | - | 1,87,500 | - | 1,87,500 |
| Devraj Dutta | - | 1,25,000 | - | 1,25,000 |
| | | | | |
| 2017 | | | | |
| Varun Guliani | 0 | 0 | 40,000 | 40,000 |

| | | | | |
|--|----------|----|----------|----------|
| Jayaraman V | 0 | 0 | 1,75,000 | 1,75,000 |
| | | | | |
| 2019 | | | | |
| Varun Guliani | | | 60,000 | 60,000 |
| Nilay Dutt | | | 60,000 | 60,000 |
| Gautam Vijn | | | 60,000 | 60,000 |
| | | | | |
| 2020 | | | | |
| Siddharth Vij | | | 15,000 | 15,000 |
| Prakash Bhawnani | | | 10,000 | 10,000 |
| Ashish Gupta | 1,00,000 | | 1,00,000 | 1,00,000 |
| Shashikant Sharma | 10,000 | | 10,000 | 10,000 |
| (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; | NA | NA | NA | |

Notes

1. This includes options exercised during the year.
2. This includes options lapsed also.

Annexure 08

Details as required under Rule 8(13) of Companies (Share Capital and Debentures) Rules, 2014

| | |
|--|--|
| The class of director or employee to whom sweat equity shares were issued. | Managing Director |
| The class of shares issued as Sweat Equity Shares | Equity Shares |
| The number of sweat equity shares issued to the directors key managerial personnel or other employees showing separately the number of such shares issued to them, if any, for consideration other than cash and the individual names of allottees holding one percent or more of the issued share capital | 3,00,000 Sweat Equity Shares issued to Mr. Anil Mehta who is Managing Director and Chief Executive Officer of the Company and is a director and a key managerial person. |
| The reasons or justification for the issue. | Sweat equity shares were issued to Mr. Mehta, in consideration of his value addition to the Company that resulted in the introduction and improvement of the information and communication, technology solutions to the Company operations, which further ensured efficiency and cost savings in Company operations apart from increase in sales over the years. He also rendered guidance and brought in his expert knowledge to the Company to achieve investment and refinance from the market at minimum cost to the Company successfully. These were issued with a view to reward/compensate for such value addition which has been assessed by M/s SPA Capital Advisors Limited, a registered Merchant Banker. |
| The principal terms and conditions for issue of sweat equity shares, including pricing formula. | The sweat equity shares issued shall carry a lock-in period of 3 (three) years from the date of allotment subject to other terms and conditions as are applicable to the equity shares and holders thereof under the "Share Subscription and Amended and Restated Shareholders' Agreement" dated 5 th October, 2017 entered into by and between the members of this Company. The valuation of the equity shares of the Company have been assessed on the basis of Net Asset Value Method. |
| The total number of shares arising as a result of issue of sweat equity shares. | 3,00,000 |
| The percentage of the sweat equity shares of the total post issued and paid up share capital. | 0.70% of the paid up share capital as on 31 st March, 2020 |
| The consideration (including consideration other than cash) received or benefit accrued | The cash consideration amount of Rs. 30 (Rupees Thirty Only) has been received per sweat equity |

| | |
|--|--|
| to the company from the issue of sweat equity shares. | issued. The balance Rs. 88.48 shall be by way of consideration other than cash, Rs. 118.48 being the fair market value per equity share of the Company as on 30 th September, 2018 determined by SPA Capital Advisors Limited, a registered Merchant Banker. The shares are issued based on the estimated value addition done by Mr. Anil Mehta in the company as per Valuation Report issued by SPA Capital Advisors Limited, a registered Merchant Banker dated 6 th November, 2017. |
| The diluted Earnings per Share (EPS) pursuant to issuance of sweat equity shares | 10.80 as at 31 st March, 2020 |

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 arm's length transactions under third proviso thereto.

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

- (a) Name(s) of the related party and nature of relationship: NIL
(b) Nature of contracts/arrangements/transactions: NIL
(c) Duration of the contracts / arrangements/transactions: NIL
(d) Salient terms of the contracts or arrangements or transactions including the value, if any: NIL
(e) Justification for entering into such contracts or arrangements or transactions: NIL
(f) date (s) of approval by the Board: NIL
(g) Amount paid as advances, if any: NIL
(h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: NIL

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

| | |
|---|--|
| Name(s) of the related party and nature of relationship | Mr. Gaj Raj Singh (Father of Mr. Anil Mehta) |
| (b) Nature of contracts/arrangements/transactions | Rent Agreement |
| (c) Duration of the contracts / arrangements/transactions | Since inception. Renewed by the Board of Directors in their meeting held on February 17, 2020 for 3 years w.e.f March 01, 2020. |
| (d) Salient terms of the contracts or arrangements or transactions including the value, if any: | Lease will have a tenor of 3 years from the commencement date (1 st March, 2020) of lease amount of Rs. 31,028 per month and can be renewed after every 11 months with an increase of 5%. |
| (e) Date(s) of approval by the Board, if any: | February 17, 2020 |
| (f) Amount paid as advances, if any: | Nil |

For and on behalf of the Board of Directors

SD/-

Mr. Anil Mehta

DIN:02132315

Place: Gurugram

Date: June 17, 2020

SD/-

Ms. Anisha Motwani

DIN: 06943493

Place: New Delhi

Date: June 17, 2020

Annexure 10

India Shelter Finance Corporation Limited

Confidential

RELATED PARTY TRANSACTION POLICY**1. INTRODUCTION**

India Shelter Housing Finance Limited (“India Shelter”) conducts itself with highest standard of integrity and has always endeavored to follow both letter and spirit of the law. Related party transactions can present a potential or actual conflict of interest which may be against the best interest of India Shelter and its shareholders. India Shelter does not promote any transaction which may be at variance with the established principles of Corporate Governance or which do not meet the highest standard of ethics or integrity.

In terms of the provisions of Section 188 of the Companies Act, 2013, the Company is required to follow the procedure as prescribed for conducting the Related Party Transactions. Also, National Housing Bank (NHB) has vide Notification on Corporate Governance dated 09-02-2017 prescribed that Housing Finance Companies (HFCs) should evolve a Related Party Transaction Policy (Policy) and share the same in public domain.

2. APPLICABILITY

India Shelter shall enter into any contract or arrangement with a related party only post consent of the Board of Directors given by a resolution at a meeting of the Board with respect to –

- a) Sale, purchase or supply of any goods or materials;
- b) Selling or otherwise disposing of, or buying, property of any kind;
- c) Leasing of property of any kind;
- d) Availing or rendering of any services;
- e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) Underwriting the subscription of any securities or derivatives thereof, of the company

However, a transaction entered into by India Shelter in its ordinary course of business other than transactions which are not on an arm's length basis shall not be covered under the ambit of the Policy

3. OBJECTIVES

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between India Shelter and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of India Shelter and its shareholders and to comply with the statutory provisions in this regard.

4. DEFINITIONS

In this Policy, unless the context otherwise requires, following are the definitions:

- 4.1 **“Act”** means Companies Act, 2013 and rules made thereunder, as amended from time to time.
- 4.2 **“Arm’s Length Transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest
- 4.3 **“Board”** means the Board of Directors of the Company.
- 4.4 **“Committee”** means Audit Committee of the Company as constituted or reconstituted by the Board.
- 4.5 **“Company”** means India Shelter Finance Corporation Limited.
- 4.6 **“Directors”** means Directors appointed by the Board including executive, non-executive and independent directors.
- 4.7 **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- 4.8 **“Independent Director”** means a director referred to in Section 149 (6) of the Companies Act, 2013.
- 4.9 **“KMP” or “KMPs”** means the following key managerial personnel:
 - a. Chief Executive Officer and / or Managing Director or Manager of the Company;
 - b. Chief Financial Officer of the Company;
 - c. Company Secretary of the Company;
 - d. Whole Time Director of the Company; and
 - e. Such other officer of the Company as may be decided by the Nomination and Remuneration Committee.
- 4.10 **“Member”** means a Director of the Company appointed as member of the Committee.
- 4.11 **“Material Related Party Transaction”** means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “

- 4.12 **"NHB Guidelines"** means and includes NHB Act, 1987, NHB Directions, 2010, NHB Notifications, Circulars and other such communications thereto
- 4.13 **"Relative"** with reference to a Director or KMP means persons as defined under the Companies Act, 2013 and rules prescribed thereunder
- 4.14 **"Related Party"** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015
- 4.15 **"Related Party Transaction"** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –
- a. sale, purchase or supply of any goods or materials;
 - b. selling or otherwise disposing of, or buying, property of any kind;
 - c. leasing of property of any kind;
 - d. availing or rendering of any services;
 - e. appointment of any agent for purchase or sale of goods, materials, services, property;
 - f. appointment to any office or place of profit in the company
 - g. underwriting the subscription of any securities or derivatives thereof, of the company
- 4.16 **"Senior Management Personnel / Senior Management"** means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional and departmental heads.

5. INTERPRETATION

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or NHB Act, 1987, NHB Directions, Notifications, Circulars or guidelines as may be amended from time to time shall have the meaning respectively assigned to them therein.

6. DEALING WITH RELATED PARTY TRANSACTION

- 6.1 Each Director and Key Managerial Personnel is responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving himself/herself or their relatives, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the

- disclosure of Interest; and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
- 6.2 The Notice of any potential Related Party transaction shall be intimated to the Board/ Committee, well in advance so that the Board/ Committee have adequate time to review the transaction.
- 6.3 All related party transaction shall require prior approval of the Audit Committee / Board, however, in cases where transaction has been done inadvertently or due to requirement of urgency the Audit Committee / Board may ratify the decision. However, this ratification should be done within 3 months of the contract having taken place otherwise the transaction shall be voidable at the option of Board / Committee.
- 6.4 While considering any transaction, the Committee / Board shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. No member of the Committee / Board shall be present during the period the transaction related to the transaction
- 6.5 Audit Committee shall review , at least on a quarterly basis, the details of Related Party Transaction entered in to by India Shelter pursuant to each of the approval given. Approval given by the Audit Committee shall be valid for till revoked.
- 6.6 Related Party Transaction with are either not in the 'Ordinary Course of Business' or are not at 'arm's length price' and exceeds the threshold under section 188 of the companies Act, 2013 shall also require prior approval of the shareholders through special resolution.
- 6.7 No members of the Company shall vote in a special resolution where related party contract or arrangement is being considered if such a member is a Related Party in Contract or Arrangement which is being considered.

7. POLICY REVIEW AND AMENDMENT

- 7.1 The provisions of this policy shall be subject to the provisions of the Act & NHB guidelines and rules and regulations made thereunder.
- 7.2 The policy shall be reviewed by the Board from time to time as may be necessary and may be amended or modified either whole or in part as and when necessary.
- 7.3 In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

16. DISCLOSURE

India Shelter Finance Corporation Limited

Confidential

The details of this policy and the evaluation criteria as applicable shall be disclosed in the Annual Report as part of the Board's Report therein and shall also be displayed on the website of the Company.

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Management Discussion and Analysis

Introduction

India Shelter Finance Corporation Limited (India Shelter) has completed its 10th year in current form with branch network of 84 and AUM of 1519.79 crores with 1219 employees.

As on March 2020, there were 101 HFCs registered with National Housing Bank including 18 HFCs accepting public deposits. India Shelter is emerging as a lender of choice in affordable housing segment and is now catering to 28000+ customers.

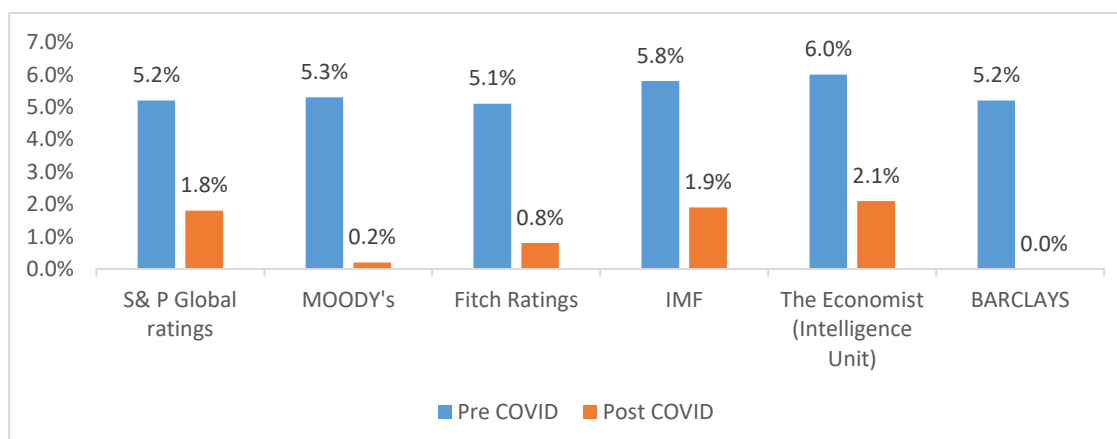
Global Outlook

The novel coronavirus outbreak, which was first identified in Wuhan, China, has impacted businesses and people worldwide. The world has been trying to cope through the health and supply chain network crisis that the pandemic has brought upon businesses of all sizes. Fall in Global GDP Growth Estimates Suggesting a Possible recession. Estimates of the expected recovery in 2021 are equally uncertain, with outcomes depending largely on the duration of the outbreak and the effectiveness of the policy responses.

Indian Outlook

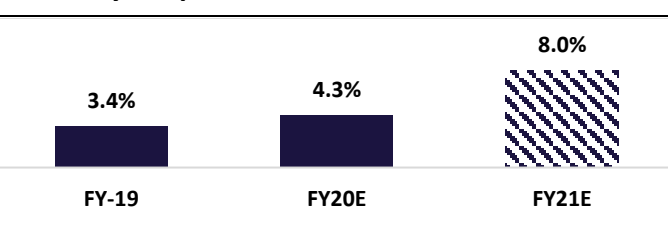
The economic impact of the 2020 coronavirus pandemic in India has been largely disruptive. The World Bank and rating agencies had initially downgraded India's growth for fiscal year 2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signalling a deep recession.

COVID-19 has resulted in lowering of India's GDP Growth Estimate



The Government of India has announced a variety of measures to tackle the situation, from food security and extra funds for healthcare, sector related incentives and tax deadline extensions. India's overall economic package is worth ₹20 lakh crore (US\$280 billion) equivalent to 10% of India's GDP.

The major announcements included the following:

| COVID-19 CRISIS 2020 | | | | | | | | | |
|-----------------------------------|--|-------------|--------------------|-------|------|-------|------|-------|------|
| Monetary Response | | | | | | | | | |
| Rate Cut | 75 bps to 4.40% | | | | | | | | |
| Long Term Repo Operation | Targeted Long Term Repo Operation of \$13.3 Bn | | | | | | | | |
| NBFC & MFI Liquidity | LTRO 2.0 \$6.7 Bn | | | | | | | | |
| CRR | CRR cut by 100 bps | | | | | | | | |
| Other Liquidity Measure | Marginal Standing Facility (MSF) increased, Reverse repo cut 115 bps | | | | | | | | |
| All-India Financial Institutions | \$6.7 Bn to NABARD, SIDBI, NHB | | | | | | | | |
| External Measure | Lesser focus as rupee has held strong | | | | | | | | |
| Regulatory Forbearance | 3 months moratorium | | | | | | | | |
| Total Liquidity Infused | \$69.9 Bn (2.5% of GDP) | | | | | | | | |
| NBFC Measures – Liquidity Schemes | <ul style="list-style-type: none"> • 30K cr through Investment grade debt Paper fully guaranteed by GOI • 45K cr through partial credit guarantee scheme in AA rated papers and below. First 20% loss to be borne by GOI. | | | | | | | | |
| Pradhan Mantri Awas Yojana | Extended upto March 31, 2021 | | | | | | | | |
| Fiscal Policy Response | | | | | | | | | |
| Fiscal Deficit Trajectory |  <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Fiscal Deficit (%)</th> </tr> </thead> <tbody> <tr> <td>FY-19</td> <td>3.4%</td> </tr> <tr> <td>FY20E</td> <td>4.3%</td> </tr> <tr> <td>FY21E</td> <td>8.0%</td> </tr> </tbody> </table> | Fiscal Year | Fiscal Deficit (%) | FY-19 | 3.4% | FY20E | 4.3% | FY21E | 8.0% |
| Fiscal Year | Fiscal Deficit (%) | | | | | | | | |
| FY-19 | 3.4% | | | | | | | | |
| FY20E | 4.3% | | | | | | | | |
| FY21E | 8.0% | | | | | | | | |
| Fiscal Measures Introduced | <ul style="list-style-type: none"> • Targeted Fiscal Measures For Weaker Sections • Ex Gratia & LPG Cylinders for women • Income support to workers and farmers • Medical Support • Food security | | | | | | | | |

Technology & Future of Work

Technology for many businesses, until today, was considered to be a support function with it being used as a means to get to an end. This is set to change as technology will now become the frontline requirement in most organizations. Its importance will be comparable to that of revenue-generating functions – sales and business development. Trends will accelerate. Automation will gain momentum as the spend on sophisticated IT infrastructure outpaces human resources.

Housing Sector and Developments

The housing industry of India is one of the fastest growing sectors. A large population base, rising income level and rapid urbanization leads to growth in this sector. Indian Housing Sector Outlook 2020”, observes that the Indian housing industry has shown strong growth over the past few years. Moreover, rising purchasing power, continuously rising population, increasing investments in socio-economic infrastructures, rapid urbanization and migration of people from rural to urban areas are the main reasons boosting the housing sector.

The Covid-19 induced slowdown is likely to impact the performance of housing finance companies (HFCs), which were facing slower growth, liability and asset quality related challenges in FY2020. The growth is expected to be slower in H1 FY2021 while recovery in H2 FY2021 would depend on the overall economic turnaround. Some people may defer their home purchases and home improvement/extension decisions till they are able to achieve stability in their income levels/resumption in business activities.

Key Regulatory Changes

| Reference | Particulars | Brief |
|--|--|--|
| Policy Circular 95 dated May 29, 2019 | Risk Management System – Appointment of Chief Risk Officer - Applicable for HFCs with asset size more than ₹ 5000 crore | <ul style="list-style-type: none"> • Appointment of Senior positioned Independent CRO with relevant professional qualification • Fixed Tenure appointment with pre-mature transfer / removal to be communicated to NHB / SEBI • No “dual hatting” and mandatory clearance of all products |
| Policy Circular 96 dated July 19, 2019 | Disbursement of Housing loans linked to the stages of construction | <ul style="list-style-type: none"> • Desistance from participation in builder subvention schemes • Disbursement to be strictly linked with stage of construction – exemption to government projects |

| | | |
|----------------------------------|--|---|
| | | <ul style="list-style-type: none"> • Mechanism for monitoring the progress of construction of housing projects & obtaining consent of borrowers before release of payment to builder / developer • RERA stipulations to be taken into account while disbursing of loans |
| Notification dated June 17, 2019 | Revised guidelines with respect to Deposits & Capital Adequacy Ratio (CAR) | <ul style="list-style-type: none"> • Increase in CAR roadmap provided – <ul style="list-style-type: none"> ○ March 31, 2020 - 13% ○ March 31, 2021 - 14% ○ March 31, 2022 - 15% At no time Tier I CAR to be less than 10% |

Reserve Bank of India (RBI) had issued a Press Release on “Transfer of Housing Finance Companies (HFCs) to Reserve Bank of India on August 13, 2019 and placed details in regard to the same as below:

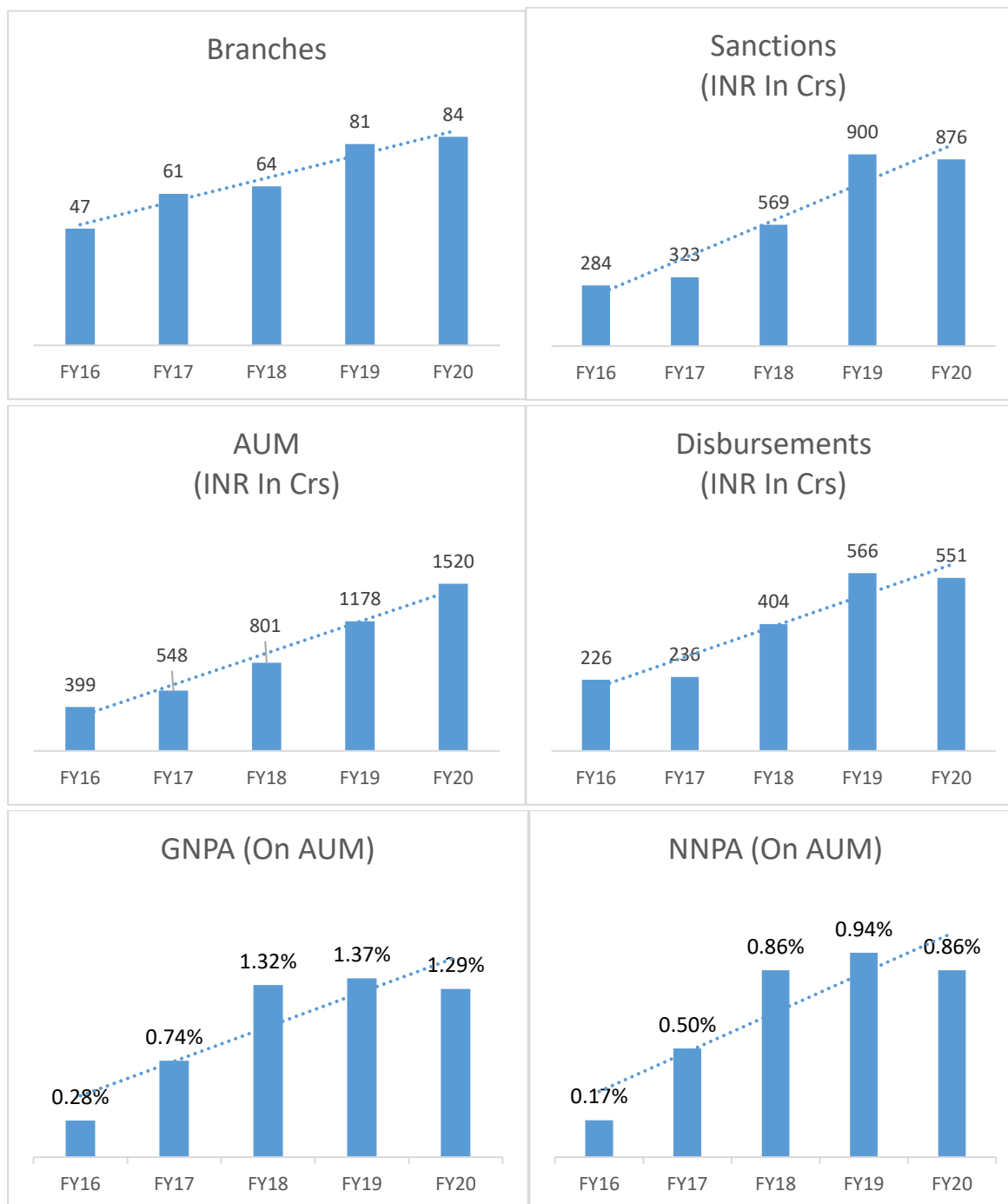
- Regulation has been transferred to RBI vide Government notification dated August 09, 2019
- HFCs will henceforth be treated as one of the categories of NBFCs
- RBI shall issue detailed guidelines for HFCs shortly till that time NHB issued guidelines are to be followed
- Supervision, return review and Grievance handling shall be dealt with by NHB
- New Application shall be made to Reserve Bank of India

India Shelter’s Performance

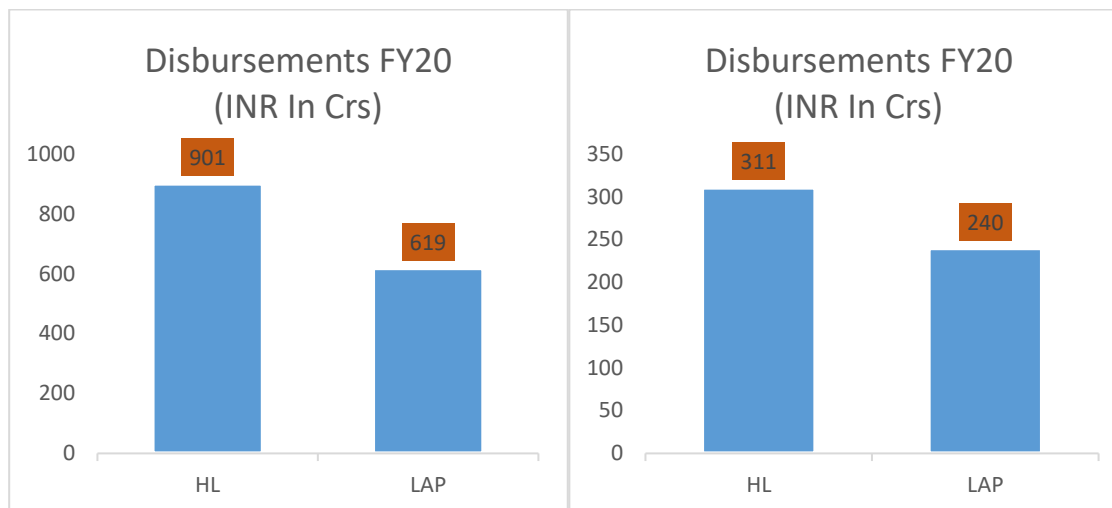
Financial Highlights

- Total Income for the year 2018 - 19 grew by 39% as compared to the previous year
- Profit Before Tax grew by 55% as compared to the previous year
- Profit After Tax grew by 54% as compared to the previous year
- Return on average total assets for the year was 3.0% as against 2.7% in the previous year
- Return on average net worth for the year was at 5.7% as against 4.4% in the previous year

Other Key Highlights



Product Wise Performance



Human Resources

The Company's success depends largely upon the quality and competence of its management team and key personnel's. Attracting and retaining talented professionals is therefore a key element of the Company's strategy and a significant source of competitive advantage. The Company's people bring to the stage multi-sectoral experience, technological experience and domain knowledge.

India Shelter has been following best human resource practices and had 1219 employees on its rolls as on March 31, 2020 compared to 1092 employees as on March, 2019 registering an increase of 47.57%.

Internal Controls

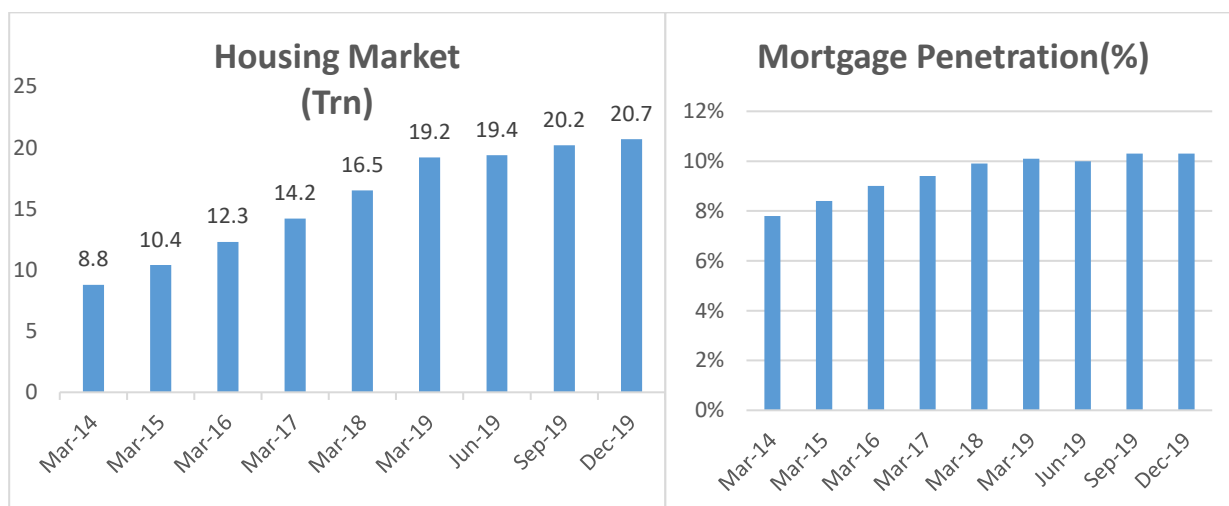
India Shelter has an Internal Audit Department which conducts comprehensive audit of functional areas and operations of the Company to examine the adequacy of and compliance with policies, procedures, statutory and regulatory requirements.

The Company has a robust internal audit programme, where the internal auditors, an independent firm of Chartered Accountants, conduct a risk-based audit with a view to not only test adherence to policies and procedures but also to suggest improvements in processes and systems. Their audit program is agreed upon by the Audit Committee. Internal audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations. The Audit Committee reviews and evaluates adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

Opportunities:

| Indian Housing Finance | |
|--------------------------------|---|
| Market Size (as on Dec-19) | 20.7 Trn |
| YOY Growth (as on Dec-19) | +13% Banks-18%. HFC's & NBFC's- 6% |
| Market Share (as on Dec-19) | Banks-66% HFC's & NBFC's-34% |

| Housing Credit Growth Outlook | Affordable HFC's YOY Growth (as on Dec-19) | Affordable segment expected to growth at faster pace than overall industry |
|-------------------------------|--|--|
| FY20 ~12-14% FY21 ~9-12% | 26% | |



- ✓ Government Initiatives “Housing for All by 2022”, PMAY- Credit Linked Subvention Scheme extension to March 21, 2021
- ✓ Enhancement of system liquidity
- ✓ Additional Refinance for HFC's by the Regulator of Rs. 10,000 crore
- ✓ Cut in Policy rate

Risks and Challenges

- ✓ Moratorium extended to the companies to severely affect the cash flows;
- ✓ Performance could be adversely affected in the event of economic slowdown.
- ✓ Employment Turndown
- ✓ Low liquidity availability to NBFC's /HFC's

- ✓ Competition intensity
- ✓ New KYC / AML guidelines;
- ✓ Prescribe to norms laid down from time to time by NHB- Nodal agency for HFCs in India

Outlook

Affordable Housing will continue to witness high growth and there will be opportunity for the companies entrenched in the segment.

Our blueprint for expansion is ready and we shall be creating presence deeper into the markets. We are gradually working our way up to achieve the vision of being one of the most admired housing finance companies in the country.

Our service standards shall be our most convincing marketing collateral in this aspiration. Our commitment to serve the customers in a secure, transparent and swift manner propels us to persistently innovate.

Cautionary Statement

Certain statements in the Management Discussion and Analysis could be forward looking statements within the meaning of applicable law. Actual results may vary significantly from the forward-looking statements due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political risks within and outside India, volatility in interest rates, change in Government or regulatory policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

PCS Jitender Singh
Practising Company Secretary
C.P. No.: 12463



FORM No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

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

To,
The Members,
India Shelter Finance Corporation Limited
CIN: U65922HR1998PLC042782
Registered Office Address: 6th Floor, Plot No. 15,
Sector - 44, Institutional Area,
Gurgaon- 122002, Haryana, India

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **India Shelter Finance Corporation 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 the Company's statutory registers, 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 March 31, 2020 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 statutory registers, books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder 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

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Email: jitender@hja.co.in | Tel: +91-9871004314

of India Act, 1992 ('SEBI Act'):-

- a. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent it is applicable to Debt Securities;
 - b. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - c. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (vi) The other laws which are specifically applicable to the Company based on its sector/ industry are:
- a. Regulations issued by National Housing Bank;
 - b. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013;

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

- a. Secretarial Standards issued by the Institute of Company Secretaries of India.

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

I further report that

The Board of Directors of the Company is duly constituted and fit and proper with adequate balance of Executive Directors, Non-Executive Directors and Independent Directors. There had been change in the composition of the Board of Directors during the period under review as mentioned below.

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 in case of shorter notice, compliance as required under the Act has been made by the Company 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.

All decisions at Board Meetings and Committee Meetings were carried out with requisite majority. Further, there were no dissenting views by any member of the Board or Committee(s) during the period under review.

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:

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- ❖ Allotted 2,50,418 Equity Shares pursuant to exercise of vested options under the Employee Stock Option Plan 2011 and Employee Stock Option Plan 2012 on April 06, 2019.
- ❖ Re-appointed Mr. Anup Kumar Gupta as Director of the Company who was liable to retire at the Annual General Meeting. The members of Nomination and Remuneration Committee and Board of Directors recommended such re-appointment in their meetings held on May 17, 2019, respectively which was subsequently approved by the members at the Annual General Meeting held on August 22, 2019.
- ❖ Re-appointed Mr. Anil Mehta as Managing Director & Chief Executive Officer of the Company for a term of three years from May 21, 2019 to May 20, 2022. The managerial remuneration was also increased and variable pay of upto 60% of fixed pay based on performance metrics. The members of Nomination and Remuneration Committee and Board of Directors recommended such re-appointment and such increase in their meetings held on May 17, 2019, respectively which was subsequently approved by the members at the Annual General Meeting held on August 22, 2019.
- ❖ Allotted 1,000 Non-Convertible Debentures having face value of INR 10,00,000/- (Indian Rupees ten lakhs only) each through private placement on October 01, 2019 as approved by the members at their meeting held on September 24, 2019.
- ❖ Allotted 1,75,250 Equity Shares pursuant to exercise of vested options under the Employee Stock Option Plan 2012 on January 06, 2020.
- ❖ The members of Nomination and Remuneration Committee and Board of Directors in their meetings held on February 17, 2020 and March 13, 2020, respectively took note of retirement of Mr. Sanjaya Gupta as an Independent Director from the Board of the Company w.e.f. closure of business hours of March 15, 2020.



Jitender Singh
Practicing Company Secretary
Mem. No. A33610
C.P. No. 12463

UDIN: A033610B000347682
Date: 16.06.2020
Place: New Delhi

Note: This report is to be read with our letter of even date which is annexed as **Annexure-A** and forms an integral part of this report.

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'Annexure - A'

To,
The Members,
India Shelter Finance Corporation Limited
CIN: U65922HR1998PLC042782
Registered Office Address: 6th Floor,
Plot No. 15, Sector - 44, Institutional Area,
Gurgaon- 122002, Haryana, India

My secretarial audit 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. Wherever 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.



Jitender Singh
Practicing Company Secretary
Mem. No. A33610
C.P. No. 12463

UDIN: A033610B000347682
Date: 16.06.2020
Place: New Delhi

Off: 8/2, 3rd Floor, West Patel Nagar, New Delhi-110008
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Walker Chandiok & Co LLP

Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
6th Floor, Plot No. 19A,
Sector 16A, Noida 201301
India

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Independent Auditor's Report

To the Members of India Shelter Finance Corporation Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of India Shelter Finance Corporation Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter- COVID-19

4. We draw attention to note 44 of the accompanying financial statements, which describes the uncertainties relating to the effects of COVID-19 pandemic on the Company's operations. Our opinion is not modified in respect of this matter.



Emphasis of Matter- Restatement of Comparative Financial Statements

5. We draw attention to note 45 relating to restatement of the comparative financial statements in accordance with the principles of Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors. Our opinion is not modified respect of this matter.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
7. We have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| Expected Credit Losses ('ECL') on loans (Refer note 2.2(i) to the accompanying financial statement for significant accounting policy and note 5 for the loan assets and ECL related disclosures) | |
| <p>As at 31 March 2020, the Company has reported gross loans assets of amounting to Rs. 149,134.44 lakhs against which an impairment of Rs. 1,639.00 lakhs has been recorded.</p> <p>Ind AS 109- Financial Instruments, requires the Company to provide for impairment of its financial assets using expected credit loss ('ECL') approach which involves estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Company's financial assets.</p> <p>In this process, the Company has applied a three-stage approach based on changes in credit quality to measure expected credit loss on loans which is as follows:</p> <ul style="list-style-type: none"> If the loan is not credit-impaired on initial recognition then it is classified in 'Stage 1' and its credit risk is continuously monitored by the Company i.e. the default in repayment is within the range of 0 to 30 days. If a significant increase in credit risk ('SICR') since initial recognition is identified, it is moved to 'Stage 2' but is not yet deemed to be credit-impaired i.e. the default in repayment is within the range of 31 to 90 days. | <p>Our audit procedures in relation to expected credit losses were focused on obtaining sufficient appropriate audit evidence as to whether the expected credit losses recognised in the financial statements were reasonable and the related disclosures in the financial statements made by the management were adequate. These procedures included, but were not limited, to the following:</p> <ul style="list-style-type: none"> obtained an understanding of the model adopted by the Company for calculation of expected credit losses including how management calculates the expected credit losses and the appropriateness of data on which the calculation is based; considered the Company's accounting policies for estimation of expected credit loss on loans and assessing compliance with the policies in terms of Ind AS 109; Tested the design and operating effectiveness of the key controls over calculation of the expected credit losses; Obtained the policy on moratorium of loans approved by the Board of Directors pursuant to the regulatory announcement made by the RBI; tested the accuracy and completeness of inputs through substantive procedures and assessing the reasonableness of the assumptions used which included the following: <ul style="list-style-type: none"> As modelling assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment |

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <ul style="list-style-type: none"> If the loan is credit-impaired, then it is then moved to 'Stage 3' i.e. the default in repayment is more than 90 days. <p>ECL is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. Significant management judgement in measuring ECL is required with respect to:</p> <ul style="list-style-type: none"> determining the criteria for SICR factoring in future economic assumptions techniques used to determine probability of default, loss given default and exposure at default. <p>These parameters are derived from the Company's internally developed statistical models, historical data and macro-economic factors.</p> <p>Further, a significant degree of judgement has been applied by the management in respect of following matters:</p> <ol style="list-style-type: none"> Groupings of the loan portfolio performed assuming they represent a homogenous pool thereby expected to demonstrate similar credit characteristics. Staging of loans and estimation of behavioral life. Estimation of expected loss from historical observations. Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past. Consideration of probability weighted scenarios and forward looking macro-economic factors estimated considering the economic slowdown caused due to COVID-19. Selection of macro-economic factors and estimating their impact on ECL model; and Estimation of the expected realisable values of underlying collaterals. <p>Considering the significance of the above matter to the overall financial statements, and the degree of management's judgment including the regulatory announcement of moratorium facility for certain customers, this area required significant auditor attention to test such complex accounting estimates. Therefore, we have identified</p> | <p>losses incurred within the portfolios</p> <ul style="list-style-type: none"> Evaluated the appropriateness of the Company's determination of significant increase in credit risk ('SICR') in accordance with the applicable accounting standard considering impact of COVID-19 and moratorium announced in the RBI Regulatory Package and the basis for classification of various exposures into various stages. For a sample of exposures, we also tested the appropriateness of the Company's categorization across various stages; Assessed the critical assumptions including management's assessment of the impact of COVID-19 on these assumptions, moratorium facility availed by the customers and input data used in the estimation of expected credit loss models for specific key credit risk parameters, such as the transfer logic between stages, probability of default (PD) or loss given default (LGD); Performed an assessment of the adequacy of the credit losses expected within 12 months by reference to credit losses actually incurred on similar portfolios historically and developed a point estimate by making reference to the expected credit losses recognised by entities that carry comparable financial assets; tested on test check basis, the reasonableness of estimates of expected realizable values of underlying collaterals; <p>➤ tested the arithmetical calculation of the expected credit losses;</p> <p>➤ obtained written representations from management on whether they believe significant assumptions used in calculation of expected credit losses are reasonable;</p> <p>➤ Assessed the appropriateness and adequacy of the related presentation and disclosures in note 38.4 "Financial risk management" to the accompanying financial statements in accordance with the applicable accounting standards.</p> |



| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>this as a key audit matter for current year audit.</p> <p>We also draw attention to note 44 of the accompanying financial statements, regarding uncertainties involved and on the appropriateness of impairment losses provided on the above-mentioned loan assets as on 31 March 2020, as the same is fundamental to the understanding of the users of financial statements.</p> | |

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

8. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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. We have nothing to report in this regard.

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

9. The accompanying financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
11. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
14. 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.
15. 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.
16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse



consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

17. The financial statements of the Company for the year ended 31 March 2019 were audited by the predecessor auditor, Deloitte Haskins and Sells (Chartered Accountants), who have expressed an unmodified opinion on those financial statements vide their audit report dated 28 May 2019.

Report on Other Legal and Regulatory Requirements

18. As required by section 197(16) of the Act, based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
19. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
20. Further to our comments in Annexure A, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying financial statements;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid financial statements comply with Ind AS specified under section 133 of the Act;
 - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;
 - f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 10 June 2020 as per Annexure B expresses an unmodified opinion; and
 - g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company, as detailed in note 33 to the financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2020;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2020;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020; and



Walker Chandiok & Co LLP

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

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013



Lalit Kumar

Partner

Membership No.: 095256

UDIN: 20095256AAAABC5210



Place: Noida

Date: 10 June 2020

Walker Chandiook & Co LLP

Annexure A to the Independent Auditor's Report of even date to the members of India Shelter Finance Corporation Limited on the financial statements for the year ended 31 March 2020

Annexure A

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.
- (ii) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii)(a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.
- (b) The dues outstanding in respect of income-tax, sales-tax, service-tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues

| Name of the statute | Nature of dues | Amount (₹ in Lakhs) | Amount paid under Protest (₹ in Lakhs) | Period to which the amount relates | Forum where dispute is pending | Remarks, if any |
|----------------------|----------------|---------------------|--|------------------------------------|--------------------------------------|---|
| Income-tax Act, 1961 | Income tax | 445.23 | 89.05 | Assessment year 2017-18 | Commissioner of Income-tax (Appeals) | Assessing officer has passed a stay order till the disposal of appeal |



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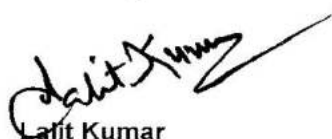
Annexure A to the Independent Auditor's Report of even date to the members of India Shelter Finance Corporation Limited on the financial statements for the year ended 31 March 2020

- (viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or a bank or any dues to debenture-holders during the year. The Company has no loans or borrowings payable to any government during the year.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained, though idle/surplus funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act. Accordingly, provisions of clause 3(xv) of the Order are not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, provisions of clause 3(xvi) of the Order are not applicable.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013



Lalit Kumar

Partner

Membership No.: 095256

UDIN: 20095256AAAABC5210



Place: Noida

Date: 10 June 2020

Walker Chandiook & Co LLP

Annexure B to the Independent Auditor's Report of even date to the members of India Shelter Finance Corporation Limited on the financial statements for the year ended 31 March 2020

Annexure B

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

1. In conjunction with our audit of the financial statements of India Shelter Finance Corporation Limited ('the Company') as at and for the year ended 31 March 2020, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

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

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

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

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation



Walker Chandiok & Co LLP

Annexure B to the Independent Auditor's Report of even date to the members of India Shelter Finance Corporation Limited on the financial statements for the year ended 31 March 2020

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


Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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


Lalit Kumar
Partner
Membership No.: 095256
UDIN: 20095256AAAABC5210



Place: Noida
Date: 10 June 2020

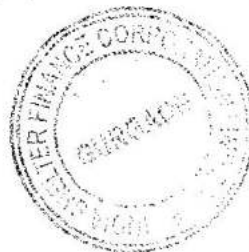
India Shelter Finance Corporation Limited
Balance sheet as at 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| | Notes | As at 31 March 2020 | As at 31 March 2019 (Restated) | As at 01 April 2018 (Restated) |
|---|-------|------------------------|--------------------------------------|--------------------------------------|
| Assets | | | | |
| (1) Financial assets | | | | |
| (a) Cash and cash equivalents | 3 | 1,733.99 | 6,377.79 | 3,541.58 |
| (b) Bank balance other than cash and cash equivalents | 4 | 16,513.80 | 1,632.59 | 6,726.51 |
| (c) Loans | 5 | 1,47,495.44 | 1,14,062.56 | 76,143.01 |
| (d) Investments | 6 | 9,385.88 | 7,976.89 | 4,080.54 |
| (e) Other financial assets | 7 | 209.50 | 318.05 | 426.93 |
| (2) Non-financial assets | | | | |
| (a) Current tax assets (net) | 8 | 344.55 | 422.93 | 125.81 |
| (b) Deferred tax assets (net) | 9 | 1,006.14 | 855.90 | 825.87 |
| (c) Property, plant and equipment | 10 | 1,621.19 | 555.14 | 430.04 |
| (d) Other intangible assets | 11 | 163.53 | 107.75 | 58.11 |
| (e) Other non-financial assets | 12 | 1,153.18 | 1,065.69 | 386.59 |
| (f) Assets held for sale | | 252.18 | 100.14 | - |
| Total assets | | 1,79,879.38 | 1,33,475.43 | 92,744.99 |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| (1) Financial liabilities | | | | |
| (a) Trade payables | | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | 13 | 2.58 | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 13 | 404.48 | 387.22 | 185.03 |
| (b) Debt securities | 14 | 24,588.20 | 15,029.58 | 4,988.70 |
| (c) Borrowings (other than debt securities) | 15 | 68,872.16 | 36,291.66 | 29,565.85 |
| (d) Other financial liabilities | 16 | 633.74 | 1,244.74 | 875.61 |
| (2) Non-financial liabilities | | | | |
| (a) Provisions | 17 | 381.38 | 338.19 | 232.67 |
| (b) Other non-financial liabilities | 18 | 168.47 | 229.46 | 112.85 |
| Total liabilities | | 95,051.01 | 53,520.85 | 35,960.71 |
| (3) Equity | | | | |
| (a) Equity share capital | 19 | 4,283.02 | 4,240.45 | 3,591.80 |
| (b) Other equity | 20 | 80,545.35 | 75,714.13 | 53,192.48 |
| Total equity | | 84,828.37 | 79,954.58 | 56,784.28 |
| Total liabilities and equity | | 1,79,879.38 | 1,33,475.43 | 92,744.99 |

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

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

Lalit Kumar
Lalit Kumar
Partner
Membership No.: 095256



Place: Noida
Date: 10 June 2020

For and on behalf of the Board of Directors of
India Shelter Finance Corporation Limited

Anil Mehta
Anil Mehta
Chief Executive Officer
and Managing Director
DIN: 02132315

Place: Udaipur
Date: 10 June 2020

Ashish Gupta
Ashish Gupta
Chief Financial Officer

Place: Delhi
Date: 10 June 2020

Anisha Motwani
Anisha Motwani
Director
DIN: 06943493

Place: Delhi
Date: 10 June 2020

Mukti Chaplot
Mukti Chaplot
Company Secretary
Membership No. 38326

Place: Delhi
Date: 10 June 2020

India Shelter Finance Corporation Limited
Statement of profit and loss for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| | Notes | For the year ended 31 March 2020 | For the year ended 31 March 2019 (Restated) |
|---|-------|-------------------------------------|---|
| Revenue from operations | | | |
| (i) Interest income | 21 | 21,213.58 | 15,040.81 |
| (ii) Fees and commission income | 22 | 957.34 | 417.45 |
| (iii) Net gain on fair value changes | 23 | 737.14 | 1,137.76 |
| (I) Total revenue from operations | | 22,908.06 | 16,596.02 |
| (II) Other income | 24 | 84.61 | 0.06 |
| (III) Total income (I+II) | | 22,992.67 | 16,596.08 |
| Expenses | | | |
| (i) Finance costs | 25 | 7,534.87 | 4,434.59 |
| (ii) Impairment on financial instruments | 26 | 1,174.95 | 326.34 |
| (iii) Employee benefits expenses | 27 | 5,037.61 | 4,478.75 |
| (iv) Depreciation and amortisation | 28 | 586.88 | 210.04 |
| (v) Other expenses | 29 | 2,274.48 | 3,034.15 |
| (IV) Total expenses | | 16,608.79 | 12,483.87 |
| (V) Profit before tax (III-IV) | | 6,383.88 | 4,112.21 |
| (VI) Tax expense: | 30 | | |
| (1) Current tax | | 1,842.95 | 1,106.06 |
| (2) Deferred tax credit | | (150.21) | (32.74) |
| Total tax expense | | 1,692.74 | 1,073.32 |
| (VII) Profit for the year (V-VI) | | 4,691.14 | 3,038.89 |
| (VIII) Other comprehensive income | | | |
| (i) Items that will not be reclassified to profit or loss | | (0.20) | 9.29 |
| (ii) Income tax relating to items that will not be reclassified to profit or loss | | 0.05 | (2.71) |
| Total other comprehensive income | | (0.15) | 6.58 |
| (IX) Total comprehensive income for the year | | 4,690.99 | 3,045.47 |
| (X) Earnings per equity share | 40 | | |
| Basic (Rs.) | | 10.99 | 7.89 |
| Diluted (Rs.) | | 10.80 | 7.68 |

The accompanying notes form an integral part of these financial statements
This is the statement of profit and loss referred to in our report of even date

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

Lalit Kumar
Lalit Kumar
Partner
Membership No.: 095256



For and on behalf of the Board of Directors of
India Shelter Finance Corporation Limited

Anil Mehta
Anil Mehta
Chief Executive Officer
and Managing Director
DIN: 02132315

Place: Udaipur
Date: 10 June 2020

Ashish Gupta
Ashish Gupta
Chief Financial Officer

Place: Delhi
Date: 10 June 2020

Anisha Motwani
Anisha Motwani
Director
DIN: 06943493

Place: Delhi
Date: 10 June 2020

Mukti Chaplot
Mukti Chaplot
Company Secretary
Membership No. 38326

Place: Delhi
Date: 10 June 2020

Place: Noida
Date: 10 June 2020

India Shelter Finance Corporation Limited
Statement of changes in equity for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| A. Equity share capital | | | | | |
|-------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Particulars | Balance as at 01 April 2018 | Changes during the year | Balance as at 31 March 2019 | Changes during the year | Balance as at 31 March 2020 |
| Equity share capital | 3,591.80 | 648.65 | 4,240.45 | 42.57 | 4,283.02 |

B. Other equity

| Particulars | Share application money pending allotment | Reserves and Surplus | | | | Items of other | Total |
|--|---|----------------------|--------------------|--------------------------------------|-------------------|---|-----------|
| | | Statutory reserve | Securities premium | Employee share based payment reserve | Retained earnings | comprehensive income Re-measurements of defined benefit plans | |
| Balance as at 01 April 2018 | - | 1,170.35 | 48,389.95 | 243.02 | 3,365.10 | 24.06 | 51,192.48 |
| Transfer to statutory reserve | - | 567.21 | - | - | (567.21) | - | - |
| Movement during the year | 53.11 | - | 19,394.69 | (12.45) | 40.83 | - | 19,476.18 |
| Profit for the year | - | - | - | - | 3,038.89 | - | 3,038.89 |
| Other comprehensive income | - | - | - | - | - | 9.29 | 9.29 |
| Income tax on other comprehensive income | - | - | - | - | - | (2.71) | (2.71) |
| Balance as at 31 March 2019 | 53.11 | 1,737.56 | 67,784.64 | 230.57 | 5,877.61 | 30.64 | 75,714.13 |
| Transfer to statutory reserve | - | 938.23 | - | - | (938.23) | - | - |
| Movement during the year | (53.11) | - | 34.78 | 158.56 | - | - | 140.23 |
| Profit for the year | - | - | - | - | 4,691.14 | (0.20) | 4,691.14 |
| Other comprehensive income | - | - | - | - | - | 0.05 | 0.05 |
| Income tax on other comprehensive income | - | - | - | - | - | - | - |
| Balance as at 31 March 2020 | - | 2,675.79 | 67,819.42 | 389.13 | 9,630.52 | 30.49 | 80,545.35 |

The accompanying notes form an integral part of these financial statements. This is the statement of changes in equity referred to in our report of even date.

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

Latif Kumar
Partner
Membership No.: 095256



For and on behalf of the Board of Directors of
India Shelter Finance Corporation Limited

Anil Mehta
Chief Executive Officer
and Managing Director
DIN: 02132815

Place: Udaipur
Date: 10 June 2020

Ashish Gupta
Chief Financial Officer

Place: Noida
Date: 10 June 2020



Place: Delhi
Date: 10 June 2020

Quest **Chaplot**
Mukti Chaplot
Company Secretary
Membership No. 38326

Place: Delhi
Date: 10 June 2020

India Shelter Finance Corporation Limited
Statement of cash flows for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

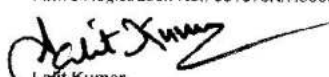
| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 (Restated) |
|---|-------------------------------------|---|
| (A) Cash flows from operating activities | | |
| Profit before tax | 6,383.88 | 4,112.21 |
| Adjustments for: | | |
| Depreciation and amortisation | 586.88 | 210.04 |
| Effective interest rate adjustment on financial assets | 739.06 | 232.82 |
| Effective interest rate adjustment on debt securities and borrowings | (283.59) | (55.39) |
| Share based payment to employees | 159.41 | 44.26 |
| Impairment on financial instruments | 1,174.95 | 326.34 |
| Impairment on assets held for sale | 31.23 | 13.12 |
| Profit on sale of and interest income on investments | (748.50) | (1,012.99) |
| Net loss on derecognition of property, plant and equipment | 6.28 | 2.87 |
| Net unrealised gain on fair value change of investments | (35.88) | (124.77) |
| Interest on lease liability | 126.13 | - |
| Operating profit before working capital changes | 8,139.87 | 3,748.51 |
| Movements in working capital | | |
| Increase in loans | (35,347.72) | (38,494.59) |
| Decrease in other financial assets | 108.56 | 108.88 |
| Increase in other non-financial assets | (316.23) | (762.30) |
| Increase in trade payables | 19.84 | 202.19 |
| (Decrease)/increase in other financial liabilities | (611.00) | 369.13 |
| (Decrease)/increase in other non-financial liabilities | (60.99) | 116.61 |
| Increase in provisions | 42.98 | 114.81 |
| Increase in interest accrued on debt securities and borrowings | 1,258.90 | 933.19 |
| Cash flows used in operating activities post working capital changes | (26,765.78) | (33,663.57) |
| Income tax paid (net) | (1,764.57) | (1,403.18) |
| Net cash flows used in operating activities (A) | (28,530.35) | (35,066.75) |
| (B) Cash flows from investing activities | | |
| Payments made for purchase of property, plant and equipment and intangible assets | (148.35) | (418.16) |
| Proceeds from sale of property, plant and equipment | 2.04 | 0.45 |
| Payments for purchase on investments | (1,46,526.00) | (1,29,896.26) |
| Proceeds from sale of investments | 1,45,901.38 | 1,27,137.68 |
| Investment in other bank balance (net) | (14,881.21) | 5,093.92 |
| Net cash (used in)/generated by investing activities (B) | (15,650.14) | 1,917.63 |
| (C) Cash flows from financing activities | | |
| Proceeds from issue of equity share capital | 24.24 | 20,096.45 |
| Proceeds from borrowings and debt securities | 54,346.23 | 27,031.53 |
| Repayment of borrowings and debt securities | (14,448.32) | (11,142.65) |
| Payment of lease liability | (385.46) | - |
| Net cash flows from financing activities (C) | 39,536.69 | 35,985.33 |
| Net (decrease)/increase in cash and cash equivalents (A+B+C) | (4,643.80) | 2,835.21 |
| Cash and cash equivalents at the beginning of the year | 6,377.79 | 3,541.58 |
| Cash and cash equivalents at the end of the year* | 1,733.99 | 6,377.79 |
| Components of cash and cash equivalents | | |
| Cash on hand | 10.60 | 57.61 |
| Balances with banks (of the nature of cash and cash equivalents) | | |
| (a) Balance with banks in current accounts | 1,723.39 | 6,320.18 |
| Total cash and cash equivalents | 1,733.99 | 6,377.79 |

*Refer note 4 for restricted cash and cash equivalents and other bank balances.
*Refer note 15 for reconciliation of liabilities arising from financing activities.

Note: The above statement of cash flows has been prepared under the "Indirect Method" as set out in Indian Accounting Standard (Ind AS) - 7 "Statement of Cash flows" as specified under Section 133 of the Companies Act, 2013, ("Act") read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

The accompanying notes form an integral part of these financial statements
This is the statement of cash flows referred to in our report of even date

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



Anil Kumar
Partner
Membership No.: 095256



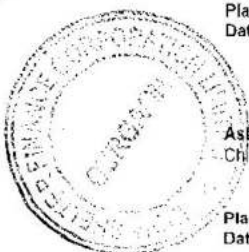
For and on behalf of the Board of Directors of
India Shelter Finance Corporation Limited


Anil Mehta
Chief Executive Officer
and Managing Director
DIN: 02132315

Place: Udaipur
Date: 10 June 2020


Anisha Motwani
Director
DIN: 06943493

Place: Delhi
Date: 10 June 2020




Ashish Gupta
Chief Financial Officer

Place: Delhi
Date: 10 June 2020


Mukti Chaplot
Company Secretary
Membership No. 38326

Place: Delhi
Date: 10 June 2020

Place: Noida
Date: 10 June 2020

India Shelter Finance Corporation Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

1. Company overview/Corporate information

India Shelter Finance Corporation Limited ("the Company") is a Housing Finance Company registered under section 29A of The National Housing Bank Act, 1987 vide Registration Certificate No. 09.0087.10 dated 14 September 2010. The Company is engaged in providing secured retail home loans, home equity loans and loans against property to borrowers for a period up to twenty years. These loans are primarily to be used by the borrowers for home purchase, home improvements, home extension and for construction of dwelling units on plots owned by borrowers.

The Company does not accept public deposits, and utilises internal and external funds to provide loans to borrowers.

The Company's registered office and principal place of business is situated at 6th Floor, Plot No-15, Sector 44, Gurugram- 122001. The debentures of the Company are listed on the Bombay Stock Exchange.

2.1 Basis of preparation

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

These financial statements ("the Financial Statements") have been prepared in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Companies Act, 2013 ('Act') and other relevant provisions of the Act and guidelines issued by National Housing Bank (NHB) to the extent applicable. The Company has uniformly applied the accounting policies for the periods presented in these financial statements.

The financial statements for the year ended 31 March 2019 were the first set of financial statements which were prepared in accordance with Ind AS.

The financial statements for the year ended 31 March 2020 were authorised and approved for issue by the Board of Directors on 10 June 2020.

(ii) Historical cost convention

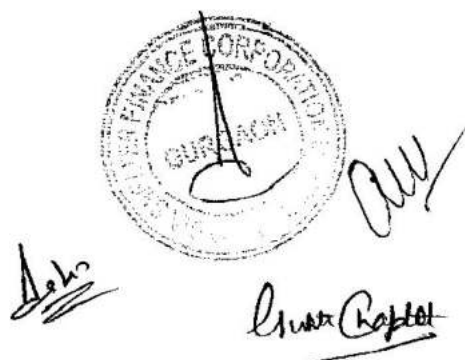
The financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values at the end of each reporting period as explained in relevant accounting policies. The financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 116 'Leases' and measurements that have some similarities to fair value but are not fair value, such as value in use in Ind AS 36 'Impairment of Assets'.

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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;



Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.2 Summary of significant accounting policies

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

a) Revenue recognition

Interest and processing fee income on loans

Interest and processing fee income on financial assets is recognised on a time proportion basis considering the amount outstanding and the effective interest rate applicable.

Effective Interest Rate ("EIR")

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets measured at Fair Value through profit and loss ("FVTPL"), transaction costs are recognised in the statement of profit and loss at initial recognition.

Interest income/expenses is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets/liabilities (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

Interest/Dividend income on investment

Interest income on investments and fixed deposits is recognised on time proportionate basis with reference to EIR method. Dividend income is accounted for when the right to receive it is established.

Fee and Commission Income

Fee and commission income includes fees other than those that are an integral part of EIR method. The Company recognises the fee and commission income at fair value of the consideration received or receivable when the Company satisfies the performance obligation.

Miscellaneous income

All other income is recognised on an accrual basis upon satisfaction of performance obligation, when there is no uncertainty in the ultimate realisation/collection and income can be measured reliably

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including imprest), demand deposits and short-term highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.



Agave

Quarta Carta

India Shelter Finance Corporation Limited**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020****c) Cash flow statement**

Cash flows are reported using indirect method as set out in Ind AS -7 "Statement of Cash Flows", whereby profit/loss before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

d) Property, plant and equipment*Recognition and initial measurement*

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, wherever applicable.

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation on property, plant and equipment is provided on the straight line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013, or in case of assets where the estimated useful life was determined basis technical evaluation carried out by the Company, over the useful life so determined.

Depreciation on additions to fixed assets is provided for full month in which acquisition of the assets is made. No depreciation is provided for the month of sale/disposal of asset. Leasehold improvements are amortised over a period of lease. Asset costing less than Rs. 10,000 each are fully depreciated in the year of capitalisation.

The residual values, useful lives and method of depreciation are reviewed at the end of each financial year.

Estimated useful lives of the assets are as follows:

| Asset category | Life (in Years) |
|---|--|
| Plant & Equipment- Computer and other related equipment | 3 years |
| Office equipment | 5 years |
| Furniture and fixtures | 10 years |
| Vehicles | 8 years |
| Handheld communication devices (included in office equipment) | 2 years |
| Leasehold improvements | Over the period of the lease or the estimated useful life whichever is lesser. |

De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on



India Shelter Finance Corporation Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit and loss, when the asset is derecognised.

e) Intangible assets

Recognition and initial measurement

Intangible assets are stated at their cost of acquisition. The cost comprises purchase price including any import duties and other taxes (other than those subsequently recoverable from taxation authorities), borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

Amortisation method, estimated useful lives and residual value

Intangible assets are amortised over a period of 4 years from the date when the assets are available for use. The estimated useful life (amortisation period) of the intangible assets is arrived basis the expected pattern of consumption of economic benefits and is reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in statement of profit and loss when the asset is derecognised.

f) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date. If there is any indication of impairment based on internal / external factors, an impairment loss is recognised in the statement of profit and loss wherever the carrying amount of an asset exceeds its recoverable amount. For the purpose of assessing impairment, the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit.

Recoverable amount is higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

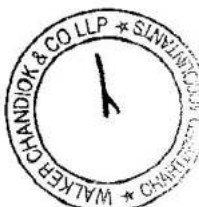
If at the reporting date there is an indication that previously assessed impairment loss no longer exists, the recoverable amount is reassessed, and the asset is reflected at the recoverable amount subject to maximum of depreciable historical cost.

g) Taxation

Tax expense recognised in Statement of Profit and Loss comprises the sum of deferred tax and current tax except to the extent it recognized in other comprehensive income or directly in equity.

Current tax comprises the tax payable or receivable on taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Current tax is computed in accordance with relevant tax regulations. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received after considering uncertainty related to income taxes, if any. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.



India Shelter Finance Corporation Limited
100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

India Shelter Finance Corporation Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

With effect from 1 April 2019, with introduction of Taxation Laws (Amendment) Ordinance, 2019, where section 115BAA was introduced in the Income-tax Act, 1961 proposing option to compute income tax liability at revised taxation rates. Further, under section 115JB (MAT provisions) a sub-section was introduced stating non-applicability of Minimum Alternative Tax ('MAT') provisions on the companies exercising option to pay income tax under section 115BAA. The tax expense for the current financial year 2019-2020, has been computed considering the revised tax provisions and thereby the provisions of MAT are not applicable to the Company.

MAT policy applicable before 1 April 2019, MAT under the provisions of the Income-tax Act, 1961 was recognised as current tax in the Statement of Profit and Loss. The credit available under the Income-tax Act, 1961 in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

Deferred tax is recognised in respect of temporary differences between carrying amount of assets and liabilities for financial reporting purposes and corresponding amount used for taxation purposes. Deferred tax assets are recognised on unused tax loss, unused tax credits and deductible temporary differences to the extent it is probable that the future taxable profits will be available against which they can be used. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the 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 only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously. Deferred tax relating to items recognised outside statement of profit and loss is recognised outside statement of profit or loss (either in other comprehensive income or in equity).

h) Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

The Company has a defined contribution plans namely provident fund, pension fund and employees state insurance scheme. The contribution made by the Company in respect of these plans are charged to the Statement of Profit and Loss.

Defined benefit plans

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. Where in the employee will receive on retirement is defined by reference to employee's length of service and last drawn salary. Under the defined benefit plans, the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Company, even if plan assets for funding the defined benefit plan have been set aside. The liability recognised in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates



Signature of the authorized signatory, with a circular stamp of India Shelter Finance Corporation Limited, Mumbai, and a handwritten signature.

India Shelter Finance Corporation Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

the DBO annually with the assistance of independent actuaries. Actuarial gains/losses resulting from re-measurements of the liability/asset are included in other comprehensive income.

Other long-term employee benefits

The Company also provides the benefit of compensated absences to its employees which are in the nature of long-term employee benefit plan. Liability in respect of compensated absences becoming due and expected to be availed after one year from the Balance Sheet date is estimated in the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to Statement of Profit and Loss in the year in which such gains or losses are determined.

Share based payment

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

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

In respect of re-pricing of existing stock option, the incremental fair value of the option on the date of re-pricing is accounted for as employee cost over the remaining vesting period.

i) Expected credit losses and write-off of financial assets

Loan assets

Loans are classified into performing and non-performing assets in terms of policy adopted by the Company, subject to minimum classification and provisioning norms required under 'The Housing Finance Companies (NHB) Directions' issued by National Housing Bank (NHB) from time to time.

All loan exposures to borrowers with instalment structure are stated at disbursed value after netting off:

- i) unearned income
- ii) instalments appropriated up to the year end

Under Ind AS, the Company's assets have been classified as follows based on Exposure at Default:

- Stage 1: Performing Assets
- Stage 2: Under Performing Assets
- Stage 3: (a) Performing but identified as assets having some degree of stress;
(b) Non-Performing Assets

Under Ind AS, asset classification and provisioning moves from the 'rule based', incurred losses model to the Expected Credit Loss (ECL) model of providing for expected future credit losses. Thus, loan loss provisions are made on the basis of the Company's historical loss experience, future expected credit loss and after factoring in various macro-economic parameters

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

Probability of Default (PD) - The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.



India Shelter Finance Corporation Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

Loss Given Default (LGD) – LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and preference of claim and availability of collateral or other credit support.

Exposure at Default (EAD) – EAD is based on the amounts the Company expects to be owed at the time of default. For a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Forward-looking economic information (including management overlay) is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

Trade receivables

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

Other financial assets

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

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

Write-offs

Financial assets are written off either partially or in their entirety to the extent that there is no realistic prospect of recovery. Any subsequent recoveries are credited to impairment on financial instrument on statement of profit and loss.

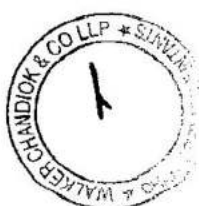
j) Provisions, contingent assets and contingent liabilities

Provisions are recognised only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognised nor disclosed except when realisation of income is virtually certain, related asset is disclosed.



India Shelter Finance Corporation Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

k) Leases

On 30 March 2019, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Amendment Rules, 2019 which notified Ind AS 116 - Leases. The amendment rules are effective from reporting periods beginning on or after 01 April 2019. This standard replaces current guidance under Ind AS 17.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Company as a Lessee:

Accounting at the time of transition to Ind AS

Effective 1 April 2019, the Company has adopted Ind AS 116 "Leases" and applied modified retrospective approach to all lease contracts existing as at 1 April 2019.

Under this approach, the lease liability is measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to Ind AS. The right of use assets is measured at an amount equal to lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of transition to Ind AS.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Accounting post transition to Ind AS 116 - Policy adopted for leases from 01 April 2019

At inception of a contract, Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re measurements of the lease liability.

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

The lease liability is measured at amortised cost using the effective interest method. It is re measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.



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India Shelter Finance Corporation Limited**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

The Company presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'borrowings (other than debt securities)' in the balance sheet.

Policy adopted for leases before 01 April 2019**Company as a lessee**

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Finance leases

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability. The Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Leases in which the lessor does not transfer substantially all the risks and rewards of ownership of an asset to the lessee are classified as operating leases. Lease rental are charged to statement of profit and loss on straight line basis except where scheduled increase in rent compensates the lessor for expected inflationary costs.

I) Financial instruments

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through statement of profit and loss are recognised immediately in statement of profit and loss.

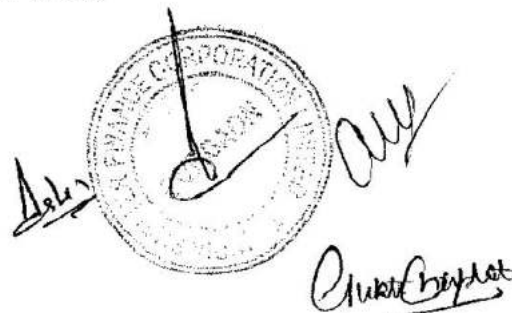
Financial assets

Financial assets, with the exception of loans and advances to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are disbursed to the customers

Classification and subsequent measurement of financial assets

Financial assets are classified in to three categories for subsequent measurement:

- Financial asset at amortised cost
- Financial asset at fair value through other comprehensive income (FVTOCI)
- Financial asset at fair value through profit and loss (FVTPL)



India Shelter Finance Corporation Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

Financial asset at amortised cost

Financial instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss.

Financial asset (debt instruments) at FVTOCI

Financial asset (debt instruments) is classified as at the FVTOCI if both of the following criteria are met:

- i) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- ii) The asset's contractual cash flows represent SPPI. Financial assets included within the above category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Financial asset at FVTPL

Financial asset which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL. Financial assets classified under FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

De-recognition of financial assets

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognised (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. Further, if the Company has not retained control, it shall also derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Financial liabilities

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

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

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method.



India Shelter Finance Corporation Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

Subsequent measurement

Subsequent to initial recognition, all non-derivative financial liabilities are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

m) Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

n) Foreign currency

Functional and presentation currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements have been prepared and presented in Indian Rupees (INR), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency, by applying the exchange rates on the foreign currency amounts at the date of the transaction. Foreign currency monetary items outstanding at the balance sheet date are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognised in the Statement of Profit and Loss in the year in which they arise.

o) Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.



p) Operating cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months.

q) Share/securities issue expense

Share/security issue expenses are adjusted against the Securities Premium Account as permissible under Section 52 of the Companies Act, 2013, to the extent any balance is available for utilisation in the Securities Premium Account. Share/security issue expenses in excess of the balance in the Securities Premium Account are expensed off in the Statement of Profit and Loss.

r) Assets held for sale

Assets acquired by the Company under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, has been classified as assets held for sale, as their carrying amounts will be recovered principally through a sale of asset. In accordance with Ind AS 105, the company is committed to sell these assets and they are measured at the lower of their carrying amount and the fair value less costs to sell.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). CODM is responsible for allocating the resources, assess the financial performance and position of the Company and make strategic decision.

t) Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

Significant management judgements

Expected credit loss (ECL) – The measurement of expected credit loss allowance for financial assets measured at amortised cost requires use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. likelihood of customers defaulting and resulting losses). The Company makes significant judgements with regard to the following while assessing expected credit loss:

- Determining criteria for significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Significant estimates

Provision for employee benefits - Provision for employee benefits, requires that certain assumptions such as expected future salary increases, average life expectancy and discount rates etc. are made in order to determine the amount to be recorded for retirement benefit obligations. Substantial changes in the assumed development of any of these variables may significantly change the Company's retirement benefit obligations.

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



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India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in Rs. lakhs, unless otherwise stated)

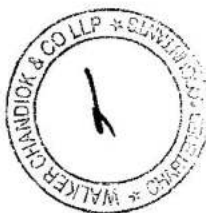
| 3. Cash and cash equivalents | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| I. Cash on hand | 10.60 | 57.61 | 26.00 |
| II. Balances with banks (of the nature of cash and cash equivalents) | | | |
| (a) Balance with banks in current accounts | 1,723.39 | 6,320.18 | 2,015.58 |
| (b) Deposits with original maturity of less than 3 months | - | - | 1,500.00 |
| Subtotal (a and b) | 1,723.39 | 6,320.18 | 3,515.58 |
| Total (I and II) | 1,733.99 | 6,377.79 | 3,541.58 |

| 4. Bank balance other than cash and cash equivalents | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Deposits with original maturity of more than 3 months* | 16,513.80 | 1,632.59 | 6,726.51 |
| Total | 16,513.80 | 1,632.59 | 6,726.51 |

*The lien and margin money details of deposits (net of interest accrued) shown under note 4 are given below:

- Deposits under lien aggregating to Rs. 392.01 lakhs (31 March 2019: Rs. 274.01 lakhs, 01 April 2018: Rs. 306.20 lakhs) being securitisation comfort provided to investors as collateral.
- Margin money amounting to Rs. 1,225 lakhs (31 March 2019: Rs. 1,225 lakhs, 01 April 2018: Rs. 225 lakhs) with DCB Bank, Federal Bank and HDFC Bank for providing bank guarantee to National Housing Bank under Refinance assistance and UIDAI for Aadhar linked e-kyc services respectively.
- Deposits amounting to Rs. 385 lakhs (31 March 2019: Rs. 85 lakhs, 01 April 2018: Rs. 85 lakhs) are under lien against borrowings from banks.

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India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| 5. Loans | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|--------------------------------|--------------------------------|--------------------------------|
| At amortised cost | | | |
| Term loans | 1,48,933.25 | 1,14,707.44 | 76,728.69 |
| Staff loans | 201.19 | 195.85 | - |
| Total gross | 1,49,134.44 | 1,14,903.29 | 76,728.69 |
| Less: Impairment loss allowance | 1,639.00 | 840.73 | 585.68 |
| Total net | 1,47,495.44 | 1,14,062.56 | 76,143.01 |
| Secured by tangible assets | 1,49,134.44 | 1,14,903.29 | 76,728.69 |
| Total | 1,49,134.44 | 1,14,903.29 | 76,728.69 |
| Less: Impairment loss allowance | 1,639.00 | 840.73 | 585.68 |
| Total net | 1,47,495.44 | 1,14,062.56 | 76,143.01 |
| Loans in India | | | |
| Public sectors | - | - | - |
| Others (individuals and other corporates) | 1,49,134.44 | 1,14,903.29 | 76,728.69 |
| Total gross | 1,49,134.44 | 1,14,903.29 | 76,728.69 |
| Less: Impairment loss allowance | 1,639.00 | 840.73 | 585.68 |
| Total net | 1,47,495.44 | 1,14,062.56 | 76,143.01 |

5.1 Loans granted by the Company are secured by equitable mortgage/registered mortgage of the property and/or undertaking to create a security by way of equitable mortgage of property.

5.2 Loan details

| Particulars | Principal | Interest outstanding | Effective interest rate adjustment | Total |
|---------------------|------------------|-----------------------------|---|--------------|
| As at 31 March 2020 | 1,51,422.94 | 373.08 | (2,661.58) | 1,49,134.44 |
| As at 31 March 2019 | 1,16,762.10 | 62.68 | (1,921.49) | 1,14,903.29 |
| As at 01 April 2018 | 78,370.31 | 31.36 | (1,672.98) | 76,728.69 |

5.3 There were no loans given against the collateral of gold jewellery and hence the percentage of such loans to the total outstanding asset is Nil (31 March 2019: Nil and 01 April 2018: Nil).

5.4 Loans sanctioned but undisbursed amount to Rs. 13,295.16 lakhs as on 31 March 2020 (31 March 2019: 9,766.41 lakhs and 01 April 2018: Rs. 6,321.41 lakhs)

5.5 During the year the Company has securitised assets amounting to Rs. 5,472.75 lakhs (31 March 2019: Nil). These loan assets have not been de-recognised from the loan portfolio of the Company as these does not meet the de-recognition criteria. The Company is responsible for collection and servicing of this loan portfolio on behalf of buyers/investors. In terms of the said securitisation agreements, the Company pays to buyer/investor on monthly basis the prorated collection amount as per the respective agreement terms.

5.6 Expected credit loss

Expected credit loss is a calculation of the present value of the amount expected not to be recovered on a financial asset, for financial reporting purposes. Credit risk is the potential that the obligor and counterparty will fail to meet its financial obligations to the lender. This requires an effective assessment and management of the credit risk at both individual and portfolio level.

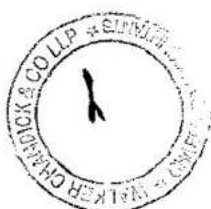
The references below show where the Company's impairment assessment and measurement approach is set out in these notes. It should be read in conjunction with the Summary of significant accounting policies.

(i) Definition of default

The Company considers a financial instrument as defaulted and considered it as Stage 3 (credit-impaired) for ECL calculations in all cases, when the borrower becomes more than 90 days past due on its contractual payments. The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.

ii) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.



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India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in Rs. lakhs, unless otherwise stated)

iii) Loss given default

The Company segments its retail lending products into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The data applied is collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types, loan to value (LTV) ratio, expected realisation rate, etc.) as well as borrower characteristics.

iv) Significant increase in credit risk

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when contractual payments are more than 30 days past due.

When estimating ECL on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

v) Delinquency buckets have been considered as the basis for the staging of all loans with:

- 0-30 days past due loans classified as stage 1,
- 31-90 days past due loans classified as stage 2 and
- > 90 days past due loans classified as stage 3

vi) Macro economic factors

Macro-economic variables relevant to the underlying loan portfolio such as Gross Domestic Product, Inflation, Housing Price Index and 10 year bond yield were analysed for their correlation. Based on the analysis of trend, the Company has considered the 10 year bond yield as relevant macro-economic factor as it shows improved correlation with the portfolio performance.

vii) Credit quality of asset

The Company has classified all individual loans as amortised cost and has assessed it at the collective pool level. The individual loan book has been divided into the housing and non-housing (Loan against property) sub portfolios.

The vintage analysis methodology has been used to create the PD term structure which incorporates both 12 month (Stage 1 Loans) and lifetime PD (Stage 2 Loans). The vintage analysis captures a vintage default experience across a particular portfolio by tracking the yearly slippages from advances originating in a particular year. The vintage slippage experience/default rate is then used to build the PD term structure.

The workout methodology has been used to determine LGD wherein the recoveries of loans defaulted in past are tracked and discounted to the date of default using the effective interest rate. The worked out LGD for loans has been bucketed into various levels of collateral cover. LGD based on collateral cover has been applied to each loan in the portfolio based on specific collateral cover adjusted for the expected fall in valuation. The Company has used the adjusted collateral value based on management estimate in March 2020 to reflect the forward looking LGD given the expected fall in property price due to COVID19.

viii) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans is, as follows:

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|-----------------|-----------------|--------------------|
| Loans to customers at amortised cost | | | | |
| Balance as at 01 April 2018 | 75,401.79 | 317.65 | 1,009.25 | 76,728.69 |
| Transfer to Stage 1 | 173.97 | (33.48) | (140.49) | - |
| Transfer to Stage 2 | (597.04) | 597.04 | - | - |
| Transfer to Stage 3 | (860.48) | (139.22) | 999.70 | - |
| New financial assets originated | 53,412.37 | 17.41 | 35.74 | 53,465.52 |
| Financial assets that have been de-recognised | (14,859.67) | (105.59) | (325.68) | (15,290.92) |
| Balance as at 31 March 2019 | 1,12,670.94 | 653.81 | 1,578.54 | 1,14,903.29 |
| Loans to customers at amortised cost | | | | |
| Balance as at 01 April 2019 | 1,12,670.94 | 653.81 | 1,578.54 | 1,14,903.29 |
| Transfer to Stage 1 | 359.70 | (171.25) | (188.45) | - |
| Transfer to Stage 2 | (1,721.34) | 1,808.17 | (86.83) | - |
| Transfer to Stage 3 | (1,156.06) | (213.91) | 1,369.97 | - |
| New financial assets originated * | 55,660.70 | 216.56 | 77.85 | 55,955.11 |
| Financial assets that have been de-recognised | (20,505.81) | (143.51) | (1,074.64) | (21,723.96) |
| Balance as at 31 March 2020 | 1,45,308.13 | 2,149.87 | 1,676.44 | 1,49,134.44 |

Reconciliation of ECL balance is as:

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---------------|-------------|---------------|---------------|
| Balance as at 01 April 2018 | 344.74 | 2.39 | 238.55 | 585.68 |
| Transfer to Stage 1 | 1.25 | (0.47) | (0.78) | - |
| Transfer to Stage 2 | (3.49) | 3.49 | - | - |
| Transfer to Stage 3 | (4.25) | (1.04) | 5.29 | - |
| ECL re-measurements due to changes in EAD/assumptions (net) | 85.12 | 0.67 | 219.63 | 305.42 |
| New financial assets originated | 109.94 | 0.12 | 7.92 | 117.98 |
| Financial assets that have been de-recognised | (58.60) | (0.60) | (109.15) | (168.35) |
| Balance as at 31 March 2019 | 474.71 | 4.56 | 361.46 | 840.73 |



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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---------------|--------------|---------------|-----------------|
| Balance as at 01 April 2019 | 474.71 | 4.58 | 361.48 | 840.73 |
| Transfer to Stage 1 | 2.42 | (1.24) | (1.18) | - |
| Transfer to Stage 2 | (29.15) | 31.21 | (2.06) | - |
| Transfer to Stage 3 | (421.58) | (67.73) | 489.31 | - |
| ECL re-measurements due to changes in EAD/assumptions (net) | 732.99 | 66.86 | 4.18 | 804.05 |
| New financial assets originated * | 224.51 | 3.16 | 13.88 | 241.55 |
| Financial assets that have been de-recognised | (58.00) | (0.54) | (188.79) | (247.33) |
| Balance as at 31 March 2020 | 925.90 | 36.30 | 676.80 | 1,639.00 |

*includes ECL amount of Rs. 19.75 lakhs created on loans sanctioned but undisbursed amounting to Rs. 6,647.58 lakhs (50% of amount sanctioned but undisbursed) which has been adjusted from EAD as at 31 March 2020.

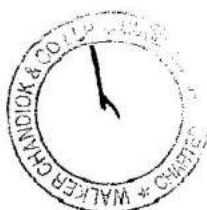
ix) Comparison of ECL provision and NHB required provision
As at 31 March 2020

| Asset classification as per NHB Directions | Asset classification as per Ind AS 109 | Gross carrying amount as per contractual terms | Loss allowance as per Ind AS | Provision required as per NHB prudential norms | Difference between Ind AS 109 provisions and NHB norms |
|--|--|--|------------------------------|--|--|
| Performing assets | | | | | |
| Standard assets | Stage 1 | 1,47,074.63 | 925.86 | 471.51 | 454.35 |
| | Stage 2 | 2,087.05 | 36.33 | 50.01 | (13.68) |
| Subtotal | | 1,49,161.68 | 962.19 | 521.52 | 440.67 |
| Non- performing assets (NPA) | | | | | |
| Substandard | Stage 3 | 1,477.05 | 506.38 | 221.56 | 284.82 |
| Doubtful - up to 1 year | Stage 3 | 464.25 | 165.51 | 116.06 | 49.45 |
| Doubtful - 1 to 3 years | Stage 3 | 15.63 | 4.92 | 6.25 | (1.33) |
| Doubtful - More than 3 years | Stage 3 | - | - | - | - |
| Subtotal for doubtful | | 479.88 | 170.43 | 122.31 | 48.12 |
| Loss | Stage 3 | - | - | - | - |
| Subtotal for NPA | | 1,956.93 | 676.81 | 343.87 | 332.94 |
| Total | | 1,51,118.61 | 1,639.00 | 865.39 | 773.61 |

As at 31 March 2019

| Asset classification as per NHB Directions | Asset classification as per Ind AS 109 | Gross carrying amount as per contractual terms | Loss allowance as per Ind AS | Provision required as per NHB prudential norms | Difference between Ind AS 109 provisions and NHB norms |
|--|--|--|------------------------------|--|--|
| Performing assets | | | | | |
| Standard Assets | Stage 1 | 1,13,420.65 | 474.70 | 857.35 | (382.65) |
| | Stage 2 | 657.31 | 4.57 | 5.13 | (0.56) |
| Subtotal | | 1,14,077.96 | 479.27 | 862.48 | (383.21) |
| Non- performing assets (NPA) | | | | | |
| Substandard | Stage 3 | 1,022.11 | 220.95 | 255.53 | (34.58) |
| Doubtful - up to 1 year | Stage 3 | 439.95 | 108.53 | 175.98 | (67.45) |
| Doubtful - 1 to 3 years | Stage 3 | 90.77 | 24.47 | 36.30 | (11.83) |
| Doubtful - More than 3 years | Stage 3 | - | - | - | - |
| Subtotal for doubtful | | 530.72 | 133.00 | 212.28 | (79.28) |
| Loss | Stage 3 | 35.89 | 7.51 | 35.89 | (28.38) |
| Subtotal for NPA | | 1,588.72 | 361.46 | 503.70 | (142.24) |
| Total | | 1,15,666.68 | 840.73 | 1,366.18 | (525.45) |

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India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in Rs. lakhs, unless otherwise stated)

| 6. Investments | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---------------------------------------|------------------------|------------------------|------------------------|
| At fair value through profit and loss | | | |
| Investments in India | | | |
| Mutual funds | 9,385.88 | 5,505.66 | 4,080.54 |
| Commercial papers | - | 2,471.23 | - |
| Total | 9,385.88 | 7,976.89 | 4,080.54 |

| 7. Other financial assets | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Security deposits | 179.11 | 157.21 | 113.33 |
| Receivables on securitised loans (refer note a) | 7.82 | 153.72 | 307.67 |
| Insurance premium recoverable | 22.57 | 7.12 | 5.93 |
| Total | 209.50 | 318.05 | 426.93 |

Note:

a) Receivables on securitised loans is amount receivable towards collections made, presently lying with buyers and recoverable by the Company as at the end of the year.

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| 8. Current tax assets (net) | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|-----------------------------|------------------------|------------------------|------------------------|
| Advance income tax (net) | 344.55 | 422.93 | 125.81 |
| Total | 344.55 | 422.93 | 125.81 |

| 9. Deferred tax assets (net) | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Deferred tax assets | | | |
| Provision for employee benefits | 95.99 | 98.48 | 80.52 |
| Difference in written down value as per Companies Act and Income Tax Act | 43.89 | 24.04 | 5.68 |
| Impairment loss allowance | 295.78 | 244.81 | 202.68 |
| Financial assets measured at amortised cost | 669.87 | 559.28 | 608.66 |
| Provision for bonus | 1.10 | 1.27 | 1.51 |
| Lease liability | 20.25 | - | - |
| Assets held for sale | 7.85 | - | - |
| Others | - | - | 1.77 |
| Deferred tax liabilities | | | |
| Fair valuation of financial instruments through profit and loss | (9.03) | (36.33) | (27.87) |
| Financial liabilities measured at amortised cost | (119.54) | (35.65) | (47.08) |
| Net deferred tax assets | 1,006.14 | 855.90 | 825.87 |

Movement in deferred tax assets (net)

| Particulars | As at 31 March 2019 | (Charged)/ credited to statement of profit and loss | Credited/(charged) to other comprehensive income | As at 31 March 2020 |
|--|------------------------|--|---|------------------------|
| Deferred tax assets | | | | |
| Provision for employee benefits | 98.48 | (2.54) | 0.05 | 95.99 |
| Difference in written down value as per Companies Act and Income Tax Act | 24.04 | 19.85 | - | 43.89 |
| Impairment loss allowance | 244.81 | 50.97 | - | 295.78 |
| Financial assets measured at amortised cost | 559.28 | 110.59 | - | 669.87 |
| Provision for bonus | 1.27 | (0.17) | - | 1.10 |
| Lease liability | - | 20.25 | - | 20.25 |
| Assets held for sale | - | 7.85 | - | 7.85 |
| Deferred tax liabilities | | | | |
| Fair valuation of financial instruments through profit and loss | (36.33) | 27.30 | - | (9.03) |
| Financial liabilities measured at amortised cost | (35.65) | (83.89) | - | (119.54) |
| Net deferred tax assets | 855.90 | 150.21 | 0.05 | 1,006.14 |

| Particulars | As at 01 April 2018 | (Charged)/ credited to statement of profit and loss | (Charged)/ credited to other comprehensive income | As at 31 March 2019 |
|--|------------------------|--|--|------------------------|
| Deferred tax assets | | | | |
| Provision for employee benefits | 80.52 | 20.67 | (2.71) | 98.48 |
| Difference in written down value as per Companies Act and Income Tax Act | 5.68 | 18.36 | - | 24.04 |
| Impairment loss allowance | 202.68 | 42.13 | - | 244.81 |
| Financial assets measured at amortised cost | 608.66 | (49.38) | - | 559.28 |
| Provision for bonus | 1.51 | (0.24) | - | 1.27 |
| Others | 1.77 | (1.77) | - | - |
| Deferred tax liabilities | | | | |
| Fair valuation of financial instruments through profit and loss | (27.87) | (8.46) | - | (36.33) |
| Financial liabilities measured at amortised cost | (47.08) | 11.43 | - | (35.65) |
| Net deferred tax assets | 825.87 | 32.73 | (2.71) | 855.90 |

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

10. Property, plant and equipment

| Gross block | Freehold land | Plant and equipment - computer and other related equipment | Office equipment | Furniture and fixtures | Vehicles | Leasehold improvements | Right-of-use assets* | Total |
|------------------------------------|---------------|--|---------------------|---------------------------|----------|---------------------------|-------------------------|----------|
| Balance as at 01 April 2018 | - | 282.16 | 93.06 | 111.00 | 22.29 | 227.96 | - | 736.47 |
| Additions during the year | 9.17 | 94.57 | 48.84 | 34.57 | - | 121.56 | - | 308.71 |
| Disposals/adjustments | - | (13.90) | (1.49) | (0.27) | - | - | - | (15.66) |
| Balance as at 31 March 2019 | 9.17 | 362.83 | 140.41 | 145.30 | 22.29 | 349.52 | - | 1,029.52 |
| Additions during the year | - | 22.01 | 14.00 | 10.18 | - | 33.75 | 1,525.24 | 1,605.18 |
| Disposals/adjustments | - | - | (4.02) | (0.57) | - | (14.45) | - | (19.08) |
| Balance as at 31 March 2020 | 9.17 | 384.84 | 150.39 | 154.91 | 22.29 | 368.78 | 1,525.24 | 2,615.62 |
| Accumulated depreciation | | | | | | | | |
| Balance as at 01 April 2018 | - | 151.67 | 46.15 | 38.04 | 4.42 | 66.15 | - | 306.43 |
| Depreciation charge for the year | - | 78.60 | 21.88 | 15.05 | 2.79 | 61.99 | - | 180.31 |
| Disposals/adjustments | - | (11.16) | (1.09) | (0.11) | - | - | - | (12.36) |
| Balance as at 31 March 2019 | - | 219.11 | 66.94 | 52.98 | 7.21 | 128.14 | - | 474.38 |
| Depreciation charge for the year | - | 82.65 | 23.21 | 14.49 | 2.79 | 67.87 | 339.77 | 530.78 |
| Disposals/adjustments | - | - | (2.16) | (0.14) | - | (8.43) | - | (10.73) |
| Balance as at 31 March 2020 | - | 301.76 | 87.99 | 67.33 | 10.00 | 187.58 | 339.77 | 994.43 |
| Net block | | | | | | | | |
| Balance as at 01 April 2018 | - | 130.49 | 46.91 | 72.96 | 17.87 | 161.81 | - | 430.04 |
| Balance as at 31 March 2019 | 9.17 | 143.72 | 73.47 | 92.32 | 15.08 | 221.38 | - | 555.14 |
| Balance as at 31 March 2020 | 9.17 | 83.08 | 62.40 | 87.58 | 12.29 | 181.20 | 1,185.47 | 1,621.19 |

*The Company has adopted Ind AS 116 w.e.f. 01 April 2019 where the Company has recognised right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 month from the date of initial application.

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Signature of Director
 Signature of Auditor
 Signature of Manager

India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in Rs. lakhs, unless otherwise stated)

| 11. Other intangible assets | |
|-------------------------------------|--------------------------|
| Gross block | Computer software |
| Balance as at 01 April 2018 | 104.18 |
| Additions during the year | 79.37 |
| Balance as at 31 March 2019 | 183.55 |
| Additions during the year | 111.88 |
| Balance as at 31 March 2020 | 295.43 |
| Accumulated amortisation | |
| Balance as at 01 April 2018 | 46.07 |
| Amortisation charge during the year | 29.73 |
| Balance as at 31 March 2019 | 75.80 |
| Amortisation charge during the year | 56.10 |
| Balance as at 31 March 2020 | 131.90 |
| Net block | |
| Balance as at 01 April 2018 | 58.11 |
| Balance as at 31 March 2019 | 107.75 |
| Balance as at 31 March 2020 | 163.53 |

| 12. Other non-financial assets | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Prepaid expenses | 467.20 | 589.88 | 76.14 |
| Capital advances | 31.08 | 76.55 | 46.48 |
| Advance to employees | 76.26 | 54.18 | 66.31 |
| Advance to suppliers | 51.60 | 55.98 | 100.68 |
| Balance with government authorities | 527.04 | 289.10 | 96.98 |
| Total | 1,153.18 | 1,065.69 | 386.59 |

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| 13. Trade payables | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| (i) total outstanding dues of micro enterprises and small enterprises (refer note 34) | 2.58 | - | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 404.48 | 387.22 | 185.03 |
| Total | 407.06 | 387.22 | 185.03 |

| 14. Debt securities (at amortised cost) | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Secured | | | |
| Non-convertible debentures (including interest accrued) | 24,588.20 | 15,029.58 | 4,988.70 |
| Total | 24,588.20 | 15,029.58 | 4,988.70 |
| Debt securities in India | 24,588.20 | 15,029.58 | 4,988.70 |
| Debt securities outside India | - | - | - |
| Total | 24,588.20 | 15,029.58 | 4,988.70 |

i) 5,000 (31 March 2019: 5,000, 1 April 2018: 5,000), @ 9.99% Secured unlisted non-convertible debentures (NCD) of face value Rs. 1,00,000 each aggregating to Rs. 5,000 lakhs payable in 8 quarterly installments ending in 10 February 2022. The date of allotment was 10 November 2017. The amount outstanding as on 31 March 2020 Rs. 2,857.14 lakhs (31 March 2019: Rs. 4,285.71 lakhs and 01 April 2018: Rs. 5,000 lakhs).

(These NCD having exclusive first charge floating via a deed of hypothecation over specific standard asset portfolio of receivables to the extent equal to an amount aggregating to the total outstanding such that the value of security shall be equal of 1.10 times).

ii) 1,000 (31 March 2019: Nil, 1 April 2018: Nil), @ 11.25% Secured listed non-convertible debentures (NCD) of face value Rs.10,00,000 each aggregating to Rs. 10,000 lakhs (31 March 2019: Nil, 1 April 2018: Nil) payable in 7 yearly installments ending on 01 October 2026. The date of allotment is 01 October 2019. The amount outstanding as 31 March 2020 Rs. 10,000 lakhs (31 March 2019: Nil, 1 April 2018: Nil).

(These NCD are secured by way of pari passu mortgage over certain identified immovable property situated at Tamil Nadu and exclusive first ranking charge by way of hypothecation over specific loan receivables/ book debts, present and future, representing amounts due from various borrowers of the Company at all times to the extent equal to an amount aggregating to the total outstanding such that the value of security shall be equal of 1.05 times).

iii) 1,000 (31 March 2019: 1,000, 1 April 2018: Nil), @ 9.90% Secured listed non-convertible debentures of face (NCD) value Rs.10,00,000 each aggregating to Rs. 10,000 lakhs repayable on 02 May 2025 (Refer note iv below). The date of allotment of NCD amounting to Rs. 2,500 lakhs was 04 May 2018 and of NCD amounting to Rs. 7,500 lakhs was 10 July 2018. The amount outstanding as 31 March 2020 Rs. 10,000 lakhs (31 March 2019: Rs. 10,000 lakhs, 01 April 2018: Nil).

(These NCD are secured by the first ranking exclusive continuing security by way of a first ranking exclusive charge on the hypothecated receivables in favour of the Debenture Trustee for the benefit of the debenture holders).

iv) The debenture holders of 9.90% NCD's and the Company have put and call option as follows:

| Particulars | Amount of option |
|---|---------------------|
| At the end of 36 months from the deemed date of allotment | 3,334.00 |
| At the end of 42 months from the deemed date of allotment | 3,333.00 |
| At the end of 48 months from the deemed date of allotment | 3,333.00 |
| At the end of 60 months from the deemed date of allotment | 10,000.00 |

v) Amounts repayable from the date of balance sheet*

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|----------------------|------------------------|------------------------|------------------------|
| less than 1 year | 2,828.57 | 1,428.57 | 714.29 |
| one to three years | 4,228.57 | 2,857.14 | 2,857.14 |
| three to five years | 2,800.00 | - | 1,428.57 |
| more than five years | 13,000.00 | 10,000.00 | - |

*All the above mentioned repayments disclosed as per the contractual maturities of debt securities at gross carrying value.

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| 15. Borrowings (Other than debt securities) | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| At amortised cost | | | |
| (a) Term loans - Secured (including interest accrued) | | | |
| (i) from banks | 37,810.69 | 18,469.44 | 17,291.89 |
| (ii) from other parties | | | |
| - Financial institutions | 9,889.23 | - | 2,503.21 |
| - National Housing Bank | 14,548.57 | 14,792.61 | 5,629.54 |
| (b) Lease liabilities | 1,265.91 | - | - |
| (c) Liability against securitised assets (net of over collateralisation amount) | 5,357.76 | 3,029.61 | 4,141.21 |
| Total | 68,872.16 | 36,291.66 | 29,565.85 |
| Borrowings in India | 68,872.16 | 36,291.66 | 29,565.85 |
| Borrowings outside India | - | - | - |
| Total | 68,872.16 | 36,291.66 | 29,565.85 |

i) Secured term loans from National Housing Bank carry rate of interest in the range of 4.61% to 8.85% p.a (31 March 2019: 4.61% to 9.60%; 01 April 2018: 7.25% to 8.35%). The loans are having tenure of 7 to 15 years from the date of disbursement and are repayable in quarterly installments. These loans are secured by hypothecation (exclusive charge) of certain loans given by the Company.

ii) Secured term loans from banks and financial institutions include loans from various banks and financial institutions and carry rate of interest in the range of 8.80% to 11.44% p.a (31 March 2019: 8.40% to 11.44%; 01 April 2018: 8.35% to 11.65%). The loans are having tenure of 3.5 to 8.5 years from the date of disbursement and are repayable in monthly or quarterly installments. These loans are secured by hypothecation (exclusive charge) of certain loans given by the Company.

iii) In addition to above, the term loans amounting to Rs. 6,631 lakhs (31 March 2019: Rs. 8,516 lakhs and 01 April 2018: Rs. 11,419.95 lakhs) from banks and Rs. 3,453 lakhs (31 March 2019: Rs. 4,463 lakhs and 01 April 2018: Rs. 5,889.68 lakhs) from National Housing Bank are also personally guaranteed by a director.

Terms of repayment of borrowings as at 31 March 2020*

| Particulars | Number of installments | Monthly repayment | Number of installments | Quarterly repayment |
|----------------------|---------------------------|----------------------|---------------------------|------------------------|
| less than one year | 227 | 9,280.74 | 86 | 5,127.96 |
| one to three years | 386 | 18,130.98 | 192 | 11,247.62 |
| three to five years | 185 | 10,028.09 | 144 | 8,263.98 |
| more than five years | 39 | 1,741.30 | 119 | 5,160.51 |

Terms of repayment of borrowings as at 31 March 2019*

| Particulars | Number of installments | Monthly repayment | Number of installments | Quarterly repayment |
|----------------------|---------------------------|----------------------|---------------------------|------------------------|
| less than one year | 166 | 3,006.35 | 66 | 2,999.63 |
| one to three years | 268 | 5,682.05 | 136 | 6,223.38 |
| three to five years | 162 | 3,706.77 | 133 | 5,775.46 |
| more than five years | 94 | 1,686.90 | 164 | 7,596.88 |

Terms of repayment of borrowings as at 01 April 2018*

| Particulars | Number of installments | Monthly repayment | Number of installments | Quarterly repayment |
|----------------------|---------------------------|----------------------|---------------------------|------------------------|
| less than one year | 198 | 2,963.00 | 50 | 2,317.83 |
| one to three years | 306 | 5,128.56 | 103 | 4,212.50 |
| three to five years | 198 | 3,711.19 | 120 | 4,172.50 |
| more than five years | 158 | 2,860.15 | 98 | 4,426.93 |

*All the above mentioned repayments disclosed as per the contractual maturities of borrowings (other than debt securities) at gross carrying value.

Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

| Particulars | Debt securities | Borrowings (other than debt securities) | Total |
|--|------------------|---|------------------|
| 01 April 2018 | 4,988.70 | 29,565.85 | 34,554.55 |
| Cash flows: | | | |
| -Repayments | (714.28) | (10,428.36) | (11,142.64) |
| -Proceeds (including interest accrued) | 10,786.97 | 17,177.75 | 27,964.72 |
| Non-cash: | | | |
| -Amortisation of upfront fees and others | (31.81) | (23.58) | (55.39) |
| 31 March 2019 | 15,029.58 | 36,291.66 | 51,321.24 |
| Cash flows: | | | |
| -Repayments | (1,428.58) | (13,019.74) | (14,448.32) |
| -Proceeds (including interest accrued) | 11,113.55 | 44,491.58 | 55,605.13 |
| -Payment of lease liability | - | (385.46) | (385.46) |
| Non-cash: | | | |
| -Amortisation of upfront fees and others | (126.35) | (157.23) | (283.58) |
| -Recognition of lease liabilities | - | 1,651.35 | 1,651.35 |
| 31 March 2020 | 24,588.20 | 68,872.16 | 93,460.36 |



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India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in Rs. lakhs, unless otherwise stated)

| 16. Other financial liabilities | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Employees related payable | 184.96 | 645.30 | 395.55 |
| Payable towards securitisation transactions | 222.51 | 192.36 | 317.71 |
| Insurance payables | 2.37 | - | 68.53 |
| Advance received from customers | 223.90 | 407.08 | 93.82 |
| Total | 633.74 | 1,244.74 | 875.61 |

| 17. Provisions | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Provisions for employee benefits | | | |
| - Provision for compensated absences | 219.76 | 210.87 | 136.42 |
| - Provision for gratuity (Refer note 36) | 161.62 | 127.32 | 96.25 |
| Total | 381.38 | 338.19 | 232.67 |

| 18. Other non-financial liabilities | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Statutory dues payables | 168.47 | 229.46 | 107.72 |
| Unamortised premium on securitisation transaction | - | - | 5.13 |
| Total | 168.47 | 229.46 | 112.85 |

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| 19. Equity | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| (a) Authorised capital | | | |
| 81,000,000 (31 March 2019: 81,000,000, 01 April 2018: 81,000,000) equity shares of Rs. 10 each | 8,100.00 | 8,100.00 | 8,100.00 |
| (b) Issued capital | | | |
| 42,830,155 (31 March 2019: 42,404,487, 01 April 2018: 36,218,018) equity shares of Rs. 10 each | 4,283.02 | 4,240.45 | 3,621.80 |
| (c) Subscribed and paid up capital | | | |
| 42,830,155 (31 March 2019: 42,404,487, 01 April 2018: 36,218,018) equity shares of Rs. 10 each | 4,283.02 | 4,240.45 | 3,591.80 |

(d) Reconciliation of the number of shares outstanding at the beginning and at the end of the period

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| Equity shares outstanding at the beginning of the year | 4,24,04,487 | 3,59,18,018 |
| Issued during the year (Refer note (e) below) | 4,25,668 | 64,86,469 |
| Equity shares outstanding at the end of the year | 4,28,30,155 | 4,24,04,487 |

(e) (i) Issue of shares through preferential allotment

During the previous year, the Company had raised fresh equity share capital of Rs.19,500.07 lakhs through preferential allotment of 5,606,854 equity shares of Rs. 10 each at a premium of Rs. 337.79 per share aggregating to Rs. 560.68 lakhs towards share capital and Rs. 18,939.39 lakhs towards securities premium. Share issue expenses aggregating to Rs. 20.70 lakhs have been adjusted against securities premium. These equity shares were offered to following investors on 24 October 2018:

- 3,270,664 equity shares on 24 October 2018 to Aravali Investment Holdings.
- 1,401,714 equity shares on 24 October 2018 to Nexus Opportunity Fund II, Ltd.
- 663,478 equity shares on 24 October 2018 to Sequoia Capital India Growth Investment I
- 207,998 equity shares on 24 October 2018 to Madison India Opportunities IV

(ii) Issue of shares against exercise of ESOPs

A) During the current year, the board of directors vide circular resolution dated 06 January 2020 have approved allotment of 175,250 equity shares to 14 option holders, who exercised their options as per the following:

- 137,750 shares of Rs. 10 each at a premium of Rs. 3.27 each (aggregating to Rs. 18.28 lakhs).
- 37,500 shares of Rs. 10 each at a premium of Rs. 4.18 each (aggregating to Rs. 5.32 lakhs).

B) During the previous year, the board of directors vide circular resolution dated 08 January 2019 have approved allotment of 579,615 equity shares to 29 option holders, who exercised their options as per the following:

- 342,915 shares of Rs. 10 each at a premium of Rs. 1.54 each (aggregating to Rs. 39.57 lakhs).
- 229,200 shares of Rs. 10 each at a premium of Rs. 3.27 each (aggregating to Rs. 30.41 lakhs).
- 7,500 shares of Rs. 10 each at a premium of Rs. 4.18 each (aggregating to Rs. 1.06 lakhs).

(iii) Issue of Sweat equity shares

During the previous year, the board of directors vide circular resolution dated 01 February 2019 allotted 300,000 sweat equity shares of Rs. 10 each at a premium of Rs. 20 to Mr. Anil Mehta (MD and CEO).

(iv) Share application money

During the previous year, the Company has received share application money of Rs. 53.11 lakhs from the option holders pursuant to exercise of 250,418 number of options, which have been allotted by the board of directors during the current year vide circular resolution dated 06 April 2019.

(f) Terms and conditions of the main features of each class of shares

The Company has only one class of equity shares having a face value of Rs. 10 per share. Each shareholder is entitled to one vote per share. The Company will pay dividend as and when declared. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts in proportion to shareholding.

(g) Detail of shareholders holding 5 percent or more

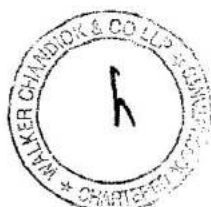
| Name of shareholders | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|--|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| | No. of shares | % of holding | No. of shares | % of holding | No. of shares | % of holding |
| Sequoia Capital India Investments III | 30,17,195 | 7.04% | 30,17,195 | 7.12% | 30,17,195 | 8.40% |
| Nexus Ventures III Limited | 99,61,798 | 23.26% | 99,61,798 | 23.49% | 99,61,798 | 27.73% |
| Sequoia Capital India Growth Investments I | 45,20,371 | 10.55% | 45,20,371 | 10.66% | 37,01,572 | 10.31% |
| WestBridge Crossover Fund, LLC | 1,08,54,151 | 25.34% | 1,08,54,151 | 25.60% | 1,08,54,151 | 30.22% |
| Milestone Trusteeship Services Private Limited | 23,79,954 | 5.56% | 23,79,954 | 5.61% | 23,79,954 | 6.63% |
| Aravali Investment Holdings | 66,73,843 | 15.58% | 66,73,843 | 15.74% | 34,03,179 | 9.47% |
| Nexus Opportunity Fund II, Ltd. | 29,10,037 | 6.79% | 29,10,037 | 6.86% | - | - |

(h) Shares reserved for issue under options and contracts/commitments for the sale of shares

The Company has reserved 2,611,744 (31 March 2019: 3,037,412 and 01 April 2018: 3,462,608) number of shares for creating a pool of employee stock options/right to subscribe to equity shares representing 5.75% (31 March 2019: 6.68% and 01 April 2018: 9.03%) of share capital for the benefit of employees on such terms and conditions as determined by the Investors and Board of Directors.

(i) The Company (except disclosed above) has not allotted any shares for consideration other than cash, bonus shares and shares bought back for the five years immediately preceding the reporting date.

(ii) The Board of Directors have not proposed any dividend for the year ended 31 March 2020 and 31 March 2019.



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India Shelter Finance Corporation Limited**Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020****(All amounts in Rs. lakhs, unless otherwise stated)**

| 20. Other equity | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Securities premium | 67,819.42 | 67,784.64 | 48,389.95 |
| Statutory reserve | 2,675.79 | 1,737.56 | 1,170.35 |
| Employee share based payment reserve | 389.13 | 230.57 | 243.02 |
| Retained earnings | 9,661.01 | 5,908.25 | 3,389.16 |
| Share application money pending allotment | - | 53.11 | - |
| Total | 80,545.35 | 75,714.13 | 53,192.48 |

Nature and purpose of other reserve**Securities premium**

Securities premium represents premium received on issue of shares. The amount is utilised in accordance with the provisions of the Companies Act, 2013.

Statutory reserve

This reserve is created as per the provision of Section 29C of the National Housing Bank Act, 1987 (read with Section 36(1)(viii) of the Income-tax Act, 1961). This is a restricted reserve and no appropriation can be made from this reserve fund except for the purpose as may be prescribed by National Housing Bank.

Employee share based payment reserve

This reserve is used to recognise the fair value of the options issued to employees of the Company under Company's employee stock option plan.

Retained earnings

Retained earnings represents the amount of accumulated earnings of the Company.

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India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in Rs. lakhs, unless otherwise stated)

| 21. Interest income (on financial assets measured at amortised cost) | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Interest on loans | 20,134.02 | 14,137.85 |
| Interest on investments | 47.24 | - |
| Interest on deposits with banks | 908.01 | 707.94 |
| Income on securitised loans | 124.31 | 195.02 |
| Total | 21,213.58 | 15,040.81 |

| 22. Fees and commission income | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--------------------------------|-------------------------------------|-------------------------------------|
| Fee based income | 957.34 | 417.45 |
| Total | 957.34 | 417.45 |

| 23. Net gain on fair value changes | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Net gain on financial instruments at fair value through profit or loss | | |
| On trading portfolio | | |
| - Investments | 737.14 | 1,137.76 |
| Total net gain on fair value changes | 737.14 | 1,137.76 |
| Fair value changes | | |
| - Realised | 701.26 | 1,012.99 |
| - Unrealised | 35.88 | 124.77 |
| Total net gain on fair value changes | 737.14 | 1,137.76 |

| 24. Other income | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------------------|-------------------------------------|-------------------------------------|
| Other income | 84.61 | 0.06 |
| Total | 84.61 | 0.06 |

| 25. Finance cost (on financial liabilities measured at amortised cost) | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| (a) Interest expenses on | | |
| - Borrowings | 4,677.84 | 2,686.03 |
| - Debt securities | 2,036.42 | 1,268.83 |
| - Securitised loans | 585.93 | 357.33 |
| (b) Other borrowing costs | | |
| - Securitisation expense | 10.22 | 12.86 |
| - Loan processing and related fees | 98.05 | 109.22 |
| - Interest expense on lease liabilities | 126.13 | - |
| - Other interest expense | 0.28 | 0.32 |
| Total | 7,534.87 | 4,434.59 |

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| 26. Impairment on financial instruments (measured at amortised cost) | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Impairment loss on loans | 798.27 | 255.05 |
| Loans written off | 376.68 | 71.29 |
| Total | 1,174.95 | 326.34 |

| 27. Employee benefits expenses | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| Salaries, wages and bonus | 4,501.50 | 4,175.70 |
| Contribution to provident and other funds | 339.48 | 191.51 |
| Share based payments to employees | 159.41 | 44.26 |
| Staff welfare expenses | 37.22 | 67.28 |
| Total | 5,037.61 | 4,478.75 |

| 28. Depreciation and amortisation | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| Depreciation of property, plant and equipment (Refer note 10) | 530.78 | 180.31 |
| Amortisation of intangible assets (Refer note 11) | 56.10 | 29.73 |
| Total | 586.88 | 210.04 |

| 29. Other expenses | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Legal and professional charges | 590.98 | 493.51 |
| Advertisement and marketing expenses | 56.32 | 281.68 |
| Rent and hire charges | 52.43 | 330.19 |
| Travelling and conveyance | 260.75 | 330.72 |
| Software licenses | 239.04 | 321.53 |
| Communication expenses | 114.27 | 122.89 |
| Rates and taxes expenses | 175.27 | 243.90 |
| Repairs and maintenance - others | 126.09 | 235.88 |
| Office expenses | 85.68 | 136.85 |
| Electricity and water expenses | 83.30 | 72.97 |
| Printing, stationery and office supplies | 34.49 | 44.96 |
| Workshop, seminar and conference expenses | 65.84 | 122.97 |
| Insurance expenses | 155.22 | 97.95 |
| Directors' sitting fees | 37.50 | 39.00 |
| Auditor's remuneration (Refer note 29.1 below) | 31.00 | 40.04 |
| Bank charges | 50.72 | 46.17 |
| Loss on derecognition of property, plant and equipment | 6.28 | 2.87 |
| Corporate social responsibility expenses (Refer note 29.2 below) | 66.00 | 54.00 |
| Impairment on assets held for sale | 31.23 | 13.12 |
| Miscellaneous expenses | 12.07 | 2.95 |
| Total | 2,274.48 | 3,034.15 |

| 29.1 Auditor's remuneration | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|-----------------------------------|-------------------------------------|-------------------------------------|
| a) As auditors | 29.50 | 39.04 |
| b) for re-imbursement of expenses | 1.50 | 1.00 |

29.2 Expenditure incurred on Corporate Social Responsibility (CSR)

As per section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules 2014, the Company is required to spend for CSR activities in accordance with its CSR policy. The details of the CSR expenses for the year are as under:

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| a) Gross amount required to be spent by the Company during the year | 66.00 | 54.00 |
| b) Amount spent during the year on: | | |
| i) Construction/acquisition of any asset | - | - |
| ii) On purpose other than (a) above | | |
| Contribution towards Trust/NGOs | 66.00 | 54.00 |
| c) Amount unpaid | - | - |



Signature of the Director/Authorized Signatory

India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

30. Tax expense

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| In respect of the current year | 1,842.95 | 1,106.06 |
| | 1,842.95 | 1,106.06 |
| Deferred tax charge | (150.21) | (32.74) |
| | (150.21) | (32.74) |
| Total income tax expense recognised (excluding tax recognised in other comprehensive income) | 1,692.74 | 1,073.32 |

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate and the reported tax expense in statement of profit and loss, is as follows:

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Profit before tax | 6,383.88 | 4,112.21 |
| Applicable tax rate | 25.17% | 29.12% |
| Expected tax expense [A] | 1,606.69 | 1,197.48 |
| Effect of expenses that are not deductible in determining taxable profit | 104.67 | (14.38) |
| Deductions under section 80JJAA of the Income-tax Act, 1961 | (55.95) | (37.20) |
| Deductions under Section 36(1)(viii) of the Income-tax Act, 1961 | (167.87) | (96.10) |
| Adjustment in respect of current income tax of prior years | 89.10 | - |
| Differential tax rate on fair value gain on investments | - | 23.52 |
| Effect of change in the tax rates | 116.10 | - |
| Total | 1,692.74 | 1,073.32 |

With introduction of Taxation Laws (Amendment) Ordinance, 2019, where section 115BAA was introduced in the Income-tax Act, 1961 proposing option to compute income tax liability at revised taxation rates, the Company has elected to exercise the option and thereby the applicable tax rates have reduced from 29.12% to 25.17%. The tax expense for the current financial year 2019-2020, has been computed considering the revised tax provisions.

Income tax expense recognised in other comprehensive income

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Income tax relating to re-measurement loss/(gain) on defined benefit plans | 0.05 | (2.71) |
| Total | 0.05 | (2.71) |

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

31. Expenditure in foreign currency

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---------------------------------|-------------------------------------|-------------------------------------|
| Software license expense | 108.44 | 149.29 |
| Travelling expenses | - | 2.18 |
| Legal and professional expenses | 3.10 | 1.94 |
| Total | 111.54 | 153.41 |

The Company's unhedged foreign currency exposure as on 31 March 2020 is Nil (31 March 2019: Rs. 0.44 lakhs).

For the year ended 31 March 2020

| Particulars | Unhedged | | | Hedged through forward or derivative | | | Natural hedge |
|---|----------|----------|-------|--------------------------------------|----------|-------|---------------|
| | <=1 year | > 1 year | Total | <=1 year | > 1 year | Total | <=1 year |
| Foreign currency (FCY) receivables | | | | | | | |
| Exports | - | - | - | - | - | - | - |
| Loans to Joint Venture/Wholly Owned Subsidiary (JV/WOS) | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - |
| FCY payables | | | | | | | |
| Imports | - | - | - | - | - | - | - |
| Trade credits | - | - | - | - | - | - | - |
| External Commercial Borrowings (ECBs) | - | - | - | - | - | - | - |
| Other FCY loans | - | - | - | - | - | - | - |
| INR to USD swaps | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |

For the year ended 31 March 2019 - Unhedged foreign currency exposures for previous year consist trade credits/trade payables of Rs. 0.44 lakhs.

32. Segment reporting

The Company is a housing finance company registered with the National Housing Bank predominantly engaged in a single business segment i.e. lending for housing finance in India only, which has similar nature of products and services, type/class of customers and the nature of the regulatory environment, risks and returns and accordingly there are no separately reportable business or geographical segments as per the Indian Accounting Standard (Ind AS) 108 on Operating Segments. The aforesaid is in line with the way operating results are reviewed and viewed by the chief operating decision maker(s). Accordingly, the amounts appearing in these financial statements relate to the Company's single business segment.

33. Contingent liabilities and commitments

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| a) In respect of following: | | |
| - Income tax matters | 445.50 | 0.27 |
| b) Commitments | | |
| - Loan financing | 13,295.16 | 9,766.41 |
| c) Overcollateralisation for securitisation | 309.16 | 1,095.63 |
| d) Capital commitments | 30.25 | - |

Note:

The Company received income tax notice under section 143(3) of the Income Tax Act, 1961 (the Act) dated 25 December 2019 for tax demand amounting to Rs. 445.23 lakhs on account of unexplained credit under Section 68 of the Act for assessment year 2017-18. In response to such notice, the Company has filed an appeal before Commissioner of Income Tax (Appeals). The Company has deposited Rs. 89.05 lakhs under protest. The legal proceeding when ultimately concluded will not, in the opinion of the management, have a material effect on the financial position of the Company. Above amount does not include the contingencies, the likelihood of which is remote.

34. Disclosures as per the Micro, Small and Medium Enterprises Development Act, 2006

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| (i) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year; | | | |
| - Principal due | 2.58 | Nil | Nil |
| - Interest due | Nil | Nil | Nil |
| (ii) 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; | Nil | Nil | Nil |
| (iii) the amount of interest due and payable for the period of delay in making payment (which has 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; | Nil | Nil | Nil |
| (iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and | Nil | Nil | Nil |
| (v) 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; | Nil | Nil | Nil |

35. Assets held for sale

The Company has obtained possession of certain properties mortgaged by customers, under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (The SARFAESI Act, 2002), which shall be sold to realise the loan and other amounts receivable by the Company. The Company is in the process of selling these properties and has classified these as assets held for sale.



36. Employee benefit plans

A) Defined contribution plans

Provident and other funds

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and other funds which are defined contribution plans. The Company has no obligations other than this to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue.

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Employer's contribution to provident and other funds | 339.48 | 191.51 |
| | 339.48 | 191.51 |

B) Defined benefit plans

Gratuity

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

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

Interest risk

The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2020 by Mr. Ashok Kumar Garg (FIAI M.No. 00057), Fellow of the Institute of Actuaries of India. The present value of the defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

| Principal assumptions | 31 March 2020 | 31 March 2019 | 01 April 2018 |
|-------------------------------------|----------------|----------------|----------------|
| Discount rate(s) | 6.75% | 7.50% | 7.75% |
| Expected rate(s) of salary increase | 7.00% | 10.00% | 10.00% |
| Retirement age | 58 | 58 | 58 |
| Withdrawal rate | 8.00% | 8.00% | 7.00% |
| In service mortality | IALM (2012-14) | IALM (2006-08) | IALM (2006-08) |

Amounts recognised in the statement of profit and loss in respect of these defined benefit plans are as follows:

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|-------------------------------------|-------------------------------------|
| Service cost: | | |
| Current service cost | 55.40 | 37.73 |
| Interest cost | 8.59 | 7.22 |
| | 63.99 | 44.95 |
| Components of defined benefit costs recognised in profit or loss | | |
| Remeasurement on the net defined benefit liability: | | |
| Actuarial (gains) / losses arising from changes in demographic assumptions | - | - |
| Actuarial (gains) / losses arising from changes in financial assumptions | (20.10) | 0.27 |
| Actuarial losses / (gains) arising from experience adjustments | 20.30 | (9.56) |
| Components of defined benefit costs recognised in other comprehensive income | 0.20 | (9.29) |

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India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Present value of funded defined benefit obligation | 161.62 | 127.32 | 96.25 |
| Fair value of plan assets | - | - | - |
| Net liability arising from defined benefit obligation | 161.62 | 127.32 | 96.25 |

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

| Particulars | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Opening defined benefit obligation | 127.32 | 96.25 |
| Current service cost | 55.40 | 37.73 |
| Interest cost | 8.59 | 7.21 |
| Remeasurement (gains)/losses: | | |
| Actuarial gains and losses arising from changes in financial assumptions | (20.10) | 0.27 |
| Actuarial gains and losses arising from experience adjustments | 20.30 | (9.56) |
| Past service cost, including losses/(gains) on curtailments | - | - |
| Benefits paid | (29.89) | (4.58) |
| Closing defined benefit obligation | 161.62 | 127.32 |

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase, mortality, etc. The sensitivity analysis below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by Rs. 12.54 lakhs (increase by Rs. 14.70 lakhs) [31 March 2019: 10.52 lakhs (increase by Rs. 12.44 lakhs)].
- If the expected salary growth increases (decreases) by 100 basis points, the defined benefit obligation would increase by Rs. 14.51 lakhs (decrease by Rs. 12.62 lakhs) [31 March 2019: increase by Rs. 12.01 lakhs (decrease by Rs. 10.39 lakhs)].

Sensitivities due to change in mortality rate and change in withdrawal rate are not expected to be material and hence impact of such change is not calculated.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of reporting period.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Other disclosures

Maturity profile of defined benefit obligations

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Average duration of the defined benefit obligation (in years) | | | |
| Less than 1 year | 24.78 | 22.82 | 23.84 |
| Between 1-2 years | 1.98 | 10.68 | 11.61 |
| Between 2-5 years | 7.77 | 14.42 | 8.42 |
| Over 5 years | 127.08 | 79.41 | 52.58 |

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

37. Maturity analysis of assets and liabilities

| Assets | 31 March 2020 | | | 31 March 2019 | | | 01 April 2018 | | |
|---|------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|------------------|------------------|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| Financial assets | | | | | | | | | |
| Cash and cash equivalents | 1,733.99 | - | 1,733.99 | 6,377.79 | - | 6,377.79 | 3,541.58 | - | 3,541.58 |
| Bank balance other than cash and cash equivalents | 14,990.43 | 1,523.37 | 16,513.80 | 1,314.28 | 318.31 | 1,632.59 | 6,214.51 | 512.00 | 6,726.51 |
| Loans* | 7,321.74 | 1,40,173.70 | 1,47,495.44 | 5,205.08 | 1,08,857.48 | 1,14,062.56 | 3,591.97 | 72,551.04 | 76,143.01 |
| Investments | 9,385.88 | - | 9,385.88 | 7,976.89 | - | 7,976.89 | 4,080.54 | - | 4,080.54 |
| Other financial assets | 209.50 | - | 209.50 | 318.05 | - | 318.05 | 426.93 | - | 426.93 |
| Non-financial assets | | | | | | | | | |
| Current tax assets (net) | - | 344.55 | 344.55 | - | 422.93 | 422.93 | - | 125.81 | 125.81 |
| Deferred tax assets (net) | - | 1,006.14 | 1,006.14 | - | 855.90 | 855.90 | - | 825.87 | 825.87 |
| Property, plant and equipment | - | 1,621.19 | 1,621.19 | - | 555.14 | 555.14 | - | 430.04 | 430.04 |
| Other intangible assets | - | 163.53 | 163.53 | - | 107.75 | 107.75 | - | 58.11 | 58.11 |
| Other non-financial assets | 831.74 | 321.44 | 1,153.18 | 785.54 | 280.15 | 1,065.69 | 372.91 | 13.68 | 386.59 |
| Assets held for sale | 252.18 | - | 252.18 | 100.14 | - | 100.14 | - | - | - |
| Total assets | 34,725.46 | 1,45,153.92 | 1,79,879.38 | 22,077.77 | 1,11,397.66 | 1,33,475.43 | 18,128.44 | 74,516.55 | 92,744.99 |
| Liabilities | | | | | | | | | |
| Financial liabilities | | | | | | | | | |
| Trade payables | 2.58 | - | 2.58 | - | - | - | - | - | - |
| (i) total outstanding dues of micro enterprises and small enterprises | 404.48 | - | 404.48 | 387.22 | - | 387.22 | 185.03 | - | 185.03 |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 2,798.66 | 21,789.54 | 24,588.20 | 1,420.59 | 13,608.99 | 15,029.58 | 734.56 | 4,254.14 | 4,988.70 |
| Debt securities | 14,512.76 | 54,359.40 | 68,872.16 | 6,261.43 | 30,030.23 | 36,291.66 | 5,425.69 | 24,140.15 | 29,565.84 |
| Borrowings (Other than debt securities) | 633.74 | - | 633.74 | 1,244.74 | - | 1,244.74 | 875.61 | - | 875.61 |
| Other financial liabilities | 60.33 | 321.05 | 381.38 | 52.10 | 286.09 | 338.19 | 46.07 | 186.60 | 232.67 |
| Provisions | 168.47 | - | 168.47 | 229.46 | - | 229.46 | 112.85 | - | 112.85 |
| Other non-financial liabilities | 18,581.02 | 76,469.99 | 95,051.01 | 9,595.54 | 43,925.31 | 53,520.85 | 7,379.81 | 28,580.89 | 35,960.70 |
| Total liabilities | 18,581.02 | 76,469.99 | 95,051.01 | 9,595.54 | 43,925.31 | 53,520.85 | 7,379.81 | 28,580.89 | 35,960.70 |
| Net | 16,144.44 | 68,683.93 | 84,828.37 | 12,482.23 | 67,472.35 | 79,954.58 | 10,848.63 | 45,935.66 | 56,784.29 |

* The disclosures made are based on the contractual terms as at the year-end, however, subsequent to the year-end, the Company has granted a moratorium to eligible customers as disclosed in Note no. 44.



38. Financial instruments

38.1 Capital management

Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the National Housing Bank (NHB). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by NHB.

Capital management

The capital management objectives of the Company are:

- to ensure that the Company complies with externally imposed capital requirements, if any and maintains strong credit ratings and healthy capital ratios
- to ensure the ability to continue as a going concern
- to provide an adequate return to shareholders

Gearing ratio

The gearing ratio at the end of reporting period was as follows:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Debt | | | |
| Borrowings (other than debt securities) | 88,872.16 | 36,291.66 | 29,565.85 |
| Debt securities | 24,588.20 | 15,029.58 | 4,988.70 |
| Cash and Bank balances | (1,733.99) | (6,377.79) | (3,541.58) |
| Net debt | 91,726.37 | 44,943.45 | 31,012.97 |
| Total equity | 84,828.37 | 79,954.58 | 56,784.28 |
| Net debt to equity ratio | 1.08 | 0.56 | 0.55 |

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

38.2 Categories of financial instruments

The carrying value of financial assets and financial liabilities are as follows:

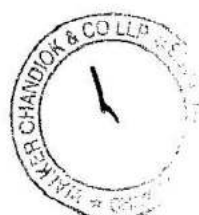
As at 31 March 2020

| Particulars | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total carrying value |
|---|--------------------------------------|---|--------------------|-------------------------|
| Financial assets | | | | |
| Cash and cash equivalents | - | - | 1,733.99 | 1,733.99 |
| Bank balance other than cash and cash equivalents | - | - | 16,513.80 | 16,513.80 |
| Loans | - | - | 1,47,495.44 | 1,47,495.44 |
| Investments | 9,385.88 | - | - | 9,385.88 |
| Other financial assets | - | - | 209.50 | 209.50 |
| Total financial assets | 9,385.88 | - | 1,65,952.73 | 1,75,338.61 |
| Financial liabilities | | | | |
| Trade payables | - | - | 407.06 | 407.06 |
| Debt securities | - | - | 24,588.20 | 24,588.20 |
| Borrowings (Other than debt securities) | - | - | 68,872.16 | 68,872.16 |
| Other financial liabilities | - | - | 633.74 | 633.74 |
| Total financial liabilities | - | - | 94,501.16 | 94,501.16 |

As at 31 March 2019

| Particulars | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total carrying value |
|---|--------------------------------------|---|--------------------|-------------------------|
| Financial assets | | | | |
| Cash and cash equivalents | - | - | 6,377.79 | 6,377.79 |
| Bank balance other than cash and cash equivalents | - | - | 1,632.59 | 1,632.59 |
| Loans | - | - | 1,14,062.56 | 1,14,062.56 |
| Investments | 7,976.89 | - | - | 7,976.89 |
| Other financial assets | - | - | 318.05 | 318.05 |
| Total financial assets | 7,976.89 | - | 1,22,390.99 | 1,30,367.88 |
| Financial liabilities | | | | |
| Trade payables | - | - | 387.22 | 387.22 |
| Debt securities | - | - | 15,029.58 | 15,029.58 |
| Borrowings (Other than debt securities) | - | - | 36,291.66 | 36,291.66 |
| Other financial liabilities | - | - | 1,244.74 | 1,244.74 |
| Total financial liabilities | - | - | 52,953.20 | 52,953.20 |

(This space has been intentionally left blank)



Signature of the authorized signatory, with a circular stamp of India Shelter Finance Corporation Limited, dated 31 March 2020.

As at 01 April 2018

| Particulars | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total carrying value |
|---|-----------------------------------|---|------------------|----------------------|
| Financial assets | | | | |
| Cash and cash equivalents | - | - | 3,541.58 | 3,541.58 |
| Bank balance other than cash and cash equivalents | - | - | 6,726.51 | 6,726.51 |
| Loans | - | - | 76,143.01 | 76,143.01 |
| Investments | 4,080.54 | - | - | 4,080.54 |
| Other financial assets | - | - | 426.93 | 426.93 |
| Total financial assets | 4,080.54 | - | 86,838.03 | 90,918.57 |
| Financial liabilities | | | | |
| Trade payables | - | - | 185.03 | 185.03 |
| Debt securities | - | - | 4,988.70 | 4,988.70 |
| Borrowings (Other than debt securities) | - | - | 29,565.85 | 29,565.85 |
| Other financial liabilities | - | - | 875.61 | 875.61 |
| Total financial liabilities | - | - | 35,615.19 | 35,615.19 |

38.3 Fair value measurement of financial assets and financial liabilities

A) Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) for identical instruments in an active markets;
- Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and
- Level 3: Inputs which are not based on observable market data (unobservable inputs).

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis:

As at 31 March 2020

| Particulars | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|---------|----------|
| Asset measured at fair value on a recurring basis | | | | |
| Financial assets carried at fair value through profit or loss | | | | |
| Investments in mutual fund | 9,385.88 | - | - | 9,385.88 |
| Investment in commercial papers | - | - | - | - |
| Assets measured at fair value on a non recurring basis | | | | |
| Assets held for sale | - | 252.18 | - | 252.18 |

As at 31 March 2019

| Particulars | Level 1 | Level 2 | Level 3 | Total |
|---|----------|----------|---------|----------|
| Asset measured at fair value on a recurring basis | | | | |
| Financial assets carried at fair value through profit or loss | | | | |
| Investments in mutual fund | 5,505.66 | - | - | 5,505.66 |
| Investment in commercial papers | - | 2,471.23 | - | 2,471.23 |
| Assets measured at fair value on a non recurring basis | | | | |
| Assets held for sale | - | 100.14 | - | 100.14 |

As at 01 April 2018

| Particulars | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|---------|----------|
| Asset measured at fair value on a recurring basis | | | | |
| Financial assets carried at fair value through profit or loss | | | | |
| Investments in mutual fund | 4,080.54 | - | - | 4,080.54 |
| Investment in commercial papers | - | - | - | - |
| Assets measured at fair value on a non recurring basis | | | | |
| Assets held for sale | - | - | - | - |

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 recorded and measured at fair value in the Company's financial statements:

- Mutual funds** - Units held in Mutual funds are valued based on their published Net asset value (NAV) and such instruments are classified under Level 1.
- Commercial paper** - Commercial paper 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 amounts have been classified as Level 2 on the basis that no adjustments have been made to the balances in the balance sheet.
- Asset held for sale** - Assets held for sale valuation are basis independent valuations by a specialist in valuing these type of assets. The best estimate of fair value is current prices in an active market for similar assets.

B) Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

As at 31 March 2020

| Particulars | Carrying value | Fair value | | | |
|---|--------------------|------------|----------|--------------------|--------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Cash and cash equivalents | 1,733.99 | - | - | 1,733.99 | 1,733.99 |
| Bank balance other than cash and cash equivalents | 16,513.80 | - | - | 16,513.80 | 16,513.80 |
| Loans | 1,47,495.44 | - | - | 1,47,495.44 | 1,47,495.44 |
| Other financial assets | 209.50 | - | - | 209.50 | 209.50 |
| | 1,65,952.73 | - | - | 1,65,952.73 | 1,65,952.73 |
| Financial liabilities | | | | | |
| Trade payables | 407.06 | - | - | 407.06 | 407.06 |
| Debt securities | 24,588.20 | - | - | 24,588.20 | 24,588.20 |
| Borrowings (Other than debt securities) | 68,872.16 | - | - | 68,872.16 | 68,872.16 |
| Other financial liabilities | 633.74 | - | - | 633.74 | 633.74 |
| | 94,501.16 | - | - | 94,501.16 | 94,501.16 |



Signature of the authorized signatory.

Signature of the authorized signatory.

India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

As at 31 March 2019

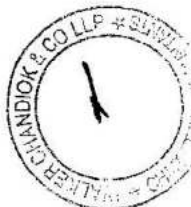
| Particulars | Carrying value | Fair value | | | |
|---|--------------------|------------|---------|--------------------|--------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Cash and cash equivalents | 6,377.79 | - | - | 6,377.79 | 6,377.79 |
| Bank balance other than cash and cash equivalents | 1,632.59 | - | - | 1,632.59 | 1,632.59 |
| Loans | 1,14,062.56 | - | - | 1,14,062.56 | 1,14,062.56 |
| Other financial assets | 318.05 | - | - | 318.05 | 318.05 |
| | 1,22,390.99 | - | - | 1,22,390.99 | 1,22,390.99 |
| Financial liabilities | | | | | |
| Trade payables | 387.22 | - | - | 387.22 | 387.22 |
| Debt securities | 15,029.58 | - | - | 15,029.58 | 15,029.58 |
| Borrowings (Other than debt securities) | 36,291.66 | - | - | 36,291.66 | 36,291.66 |
| Other financial liabilities | 1,244.74 | - | - | 1,244.74 | 1,244.74 |
| | 52,953.20 | - | - | 52,953.20 | 52,953.20 |

As at 01 April 2018

| Particulars | Carrying value | Fair value | | | |
|---|------------------|------------|---------|------------------|------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Cash and cash equivalents | 3,541.58 | - | - | 3,541.58 | 3,541.58 |
| Bank balance other than cash and cash equivalents | 6,726.51 | - | - | 6,726.51 | 6,726.51 |
| Loans | 76,143.01 | - | - | 76,143.01 | 76,143.01 |
| Other financial assets | 426.93 | - | - | 426.93 | 426.93 |
| | 86,838.03 | - | - | 86,838.03 | 86,838.03 |
| Financial liabilities | | | | | |
| Trade payables | 185.03 | - | - | 185.03 | 185.03 |
| Debt securities | 4,988.70 | - | - | 4,988.70 | 4,988.70 |
| Borrowings (Other than debt securities) | 29,565.85 | - | - | 29,565.85 | 29,565.85 |
| Other financial liabilities | 875.61 | - | - | 875.61 | 875.61 |
| | 35,615.19 | - | - | 35,615.19 | 35,615.19 |

The management is of view that the fair value of bank balances and cash and cash equivalents, other bank balances, loans, other financial assets, trade payables, borrowings including debt securities and other financial liabilities that are being carried at amortised cost, approximates to their respective net carrying value.

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38.4. Financial risk management

Risk Management

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

| Risk | Exposure arising from | Measurement | Management |
|-----------------------------|--|-----------------------------|--|
| Credit risk | Loan receivables, cash and bank balances, investments, financial assets measured at amortised cost | Expected loss analysis | Credit risk analysis, diversification of customers/asset base, high rated bank deposits, credit limits and collateral. |
| Liquidity risk | Business commitments and other liabilities | Rolling cash flow forecasts | Maintaining adequate cash reserves and undrawn credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. |
| Market risk - interest rate | Borrowings at variable rates | Sensitivity analysis | Funding strategies to ensure diversified resource-raising options to minimize cost and maximize stability of funds. and Asset Liability Management Committee supervise an interest rate sensitivity report periodically for assessment of interest rate risks. |

The Board has the overall responsibility of risk management - there are two committees of the Board which takes care of managing overall risk in the organisation. In accordance with the NHB guidelines to enable Housing Finance Companies to adopt best practices and greater transparency in their operations, the Board of Directors of the Company has constituted a Risk Management Committee to review risk management in relation to various risks, namely, market risk, credit risk, and operational risk, and an Asset Liability Management Committee (ALCO).

a) Credit risk

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to the Company. In its lending operations, the Company is principally exposed to credit risk.

The credit risk is governed by various product policies. The product policies outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits. The Company measures, monitors and manages credit risk at an individual borrower level. The credit risk for individual borrowers is being managed at portfolio level for both Housing Loans and Non-housing Loans. The Company has a structured and standardised credit approval process, which includes a well-established procedure of comprehensive credit appraisal.

Credit risk arises from loan financing, cash and cash equivalents, investments and deposits with banks and financial institutions, as shown below:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Loans | 1,47,495.44 | 1,14,062.56 | 76,143.01 |
| Cash and cash equivalents | 1,733.99 | 6,377.79 | 3,541.58 |
| Bank balance other than cash and cash equivalents | 16,513.80 | 1,632.59 | 6,726.51 |
| Investments | 9,385.88 | 7,976.89 | 4,080.54 |
| Other financial assets | 209.50 | 318.05 | 426.93 |

Credit risk management

The Company assesses and manages credit risk based on internal credit rating system and external ratings.

Cash and cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

Loans

The customers are primarily low and middle -income, salaried and self-employed individuals. The credit officers evaluate credit proposals on the basis of active credit policies as on the date of approval. The criteria typically include factors such as the borrower's income and obligations, the loan-to-value ratio and demographic parameters subject to regulatory guidelines. Any deviations need to be approved at the designated levels.

The various process controls such as PAN Number Check, CERSAI database scrubbing, Credit Bureau Report analysis are undertaken prior to approval of a loan. Individual loans are secured by the mortgage of the borrowers property.

Investments

Investments are generally made in mutual funds. Credit risk related to these investments is managed by monitoring the recoverability of such amounts continuously.

Other financial assets measured at amortised cost

Other financial assets measured at amortized cost includes security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

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India Shelter Finance Corporation Limited
Handwritten signature and stamp of the company.

India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)
b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

Management of the Company monitors forecast of liquidity position and cash and cash equivalents on the basis of expected cash flows. The Asset Liability Management Policy aims to align market risk management with overall strategic objectives, articulate current interest rate view and determine pricing, mix and maturity profile of assets and liabilities. The asset liability management policy involves preparation and analysis of liquidity gap reports and ensuring preventive and corrective measures. It also addresses the interest rate risk by providing for duration gap analysis and control by providing limits to the gaps.

The tables below analyse the financial assets and liabilities of the Company into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

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

Maturities of financial assets

| 31 March 2020 | Less than 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---|-------------------------|------------------|------------------|--------------------------|--------------------|
| Cash and cash equivalents | 1,733.99 | - | - | - | 1,733.99 |
| Bank balance other than cash and cash equivalents | 14,990.43 | 1,216.18 | 282.19 | 25.00 | 16,513.80 |
| Loans* | 7,501.59 | 18,080.78 | 22,828.50 | 1,02,707.74 | 1,51,118.61 |
| Investments | 9,385.88 | - | - | - | 9,385.88 |
| Other financial assets | 209.50 | - | - | - | 209.50 |
| Total | 33,821.39 | 19,296.96 | 23,110.69 | 1,02,732.74 | 1,78,961.78 |

* The disclosures made are based on the contractual terms as at the year-end, however, subsequent to the year-end, the Company has granted a moratorium to eligible customers as disclosed in Note no. 44.

| 31 March 2019 | Less than 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---|-------------------------|------------------|------------------|--------------------------|--------------------|
| Cash and cash equivalents | 6,377.79 | - | - | - | 6,377.79 |
| Bank balance other than cash and cash equivalents | 1,314.28 | 61.12 | 232.19 | 25.00 | 1,632.59 |
| Loans | 5,278.27 | 12,641.13 | 16,264.52 | 81,482.55 | 1,15,666.47 |
| Investments | 7,976.89 | - | - | - | 7,976.89 |
| Other financial assets | 318.05 | - | - | - | 318.05 |
| Total | 21,265.28 | 12,702.25 | 16,496.71 | 81,507.55 | 1,31,971.79 |

| 01 April 2018 | Less than 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---|-------------------------|-----------------|------------------|--------------------------|------------------|
| Cash and cash equivalents | 3,541.58 | - | - | - | 3,541.58 |
| Bank balance other than cash and cash equivalents | 6,214.51 | 287.00 | - | 225.00 | 6,726.51 |
| Loans | 3,645.00 | 8,967.00 | 11,706.00 | 52,949.09 | 77,267.09 |
| Investments | 4,080.54 | - | - | - | 4,080.54 |
| Other financial assets | 426.93 | - | - | - | 426.93 |
| Total | 17,908.56 | 9,254.00 | 11,706.00 | 53,174.09 | 92,042.65 |

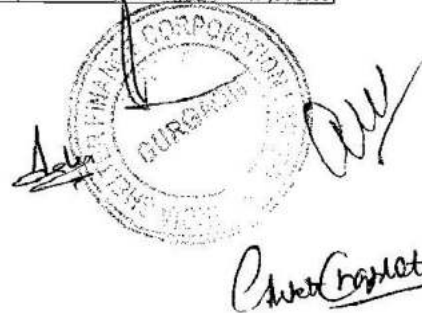
Maturities of financial liabilities

The tables below analyse the financial liabilities of the Company into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

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

| 31 March 2020 | Less than 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---|-------------------------|------------------|------------------|--------------------------|------------------|
| Borrowings (Other than debt securities) | 14,408.70 | 29,378.60 | 18,292.07 | 6,901.80 | 68,981.17 |
| Debt securities | 2,828.57 | 4,228.57 | 2,800.00 | 13,000.00 | 22,857.14 |
| Trade payables | 407.06 | - | - | - | 407.06 |
| Other financial liabilities | 633.74 | - | - | - | 633.74 |
| Total | 18,278.07 | 33,607.17 | 21,092.07 | 19,901.80 | 92,879.11 |

| 31 March 2019 | Less than 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---|-------------------------|------------------|-----------------|--------------------------|------------------|
| Borrowings (Other than debt securities) | 6,005.98 | 11,905.43 | 9,482.24 | 9,283.78 | 36,677.43 |
| Debt securities | 1,428.57 | 2,857.14 | - | 10,000.00 | 14,285.71 |
| Trade payables | 387.22 | - | - | - | 387.22 |
| Other financial liabilities | 1,244.74 | - | - | - | 1,244.74 |
| Total | 9,066.51 | 14,762.57 | 9,482.24 | 19,283.78 | 52,595.10 |



India Shelter Finance Corporation Limited**Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020****(All amounts in Rs. lakhs, unless otherwise stated)****c) Market risk****Interest rate risk****Liabilities**

The policy of the Company is to minimise interest rate cash flow risk exposures on long-term loans and borrowings. As at 31 March 2020, the Company is exposed to changes in market interest rates through loans and bank borrowings at variable interest rates.

Interest rate risk exposure

Below is the overall exposure of the Company to interest rate risk:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|-------------------------|------------------------|------------------------|------------------------|
| Variable rate borrowing | 46,335.84 | 26,502.62 | 21,617.01 |
| Fixed rate borrowing | 39,359.10 | 21,428.81 | 9,034.48 |
| Total borrowings | 85,694.94 | 47,931.43 | 30,651.49 |

Sensitivity

Below is the sensitivity of profit or loss and equity changes in interest rates:

| Particulars | Impact on profit before tax | |
|---|-----------------------------|-----------------------------|
| | Year ended 31 March 2020 | Year ended 31 March 2019 |
| Interest rate - Increase by 100 basis points* | 425.30 | 392.91 |
| Interest rate - Decrease by 100 basis points* | (425.30) | (392.91) |

* Holding all other variables constant

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India Shelter Finance Corporation Limited
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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

| 01 April 2018 | Less than 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---|------------------|------------------|-----------------|-------------------|------------------|
| Borrowings (Other than debt securities) | 5,280.83 | 9,341.06 | 7,883.69 | 7,287.08 | 29,792.66 |
| Debt securities | 714.29 | 2,857.14 | 1,428.57 | - | 5,000.00 |
| Trade payables | 185.03 | - | - | - | 185.03 |
| Other financial liabilities | 875.61 | - | - | - | 875.61 |
| Total | 7,055.76 | 12,198.20 | 9,312.26 | 7,287.08 | 35,853.30 |

Concentration based liquidity risk
Funding concentration based on significant counterparty* (borrowings)

| Number of significant counterparties | As at 31 March 2020 | |
|--------------------------------------|---------------------|------------------------|
| | Amount | % of total liabilities |
| 16 | 84,359.76 | 88.75% |

| Number of significant counterparties | As at 31 March 2019 | |
|--------------------------------------|---------------------|------------------------|
| | Amount | % of total liabilities |
| 9 | 47,641.86 | 89.02% |

| Number of significant counterparties | As at 01 April 2018 | |
|--------------------------------------|---------------------|------------------------|
| | Amount | % of total liabilities |
| 12 | 30,592.00 | 85.07% |

*A significant counterparty is a single counterparty that has an amount outstanding for more than 1% of the total liabilities as on the reporting date.

Funding concentration based on significant instrument/product*

| Name of the instrument | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|--|---------------------|------------------------|---------------------|------------------------|---------------------|------------------------|
| | Amount | % of total liabilities | Amount | % of total liabilities | Amount | % of total liabilities |
| Term loans from banks and financial institutions | 47,699.92 | 50.18% | 18,469.44 | 34.51% | 19,795.10 | 55.05% |
| NHB refinance | 14,548.57 | 15.31% | 14,792.61 | 27.64% | 5,629.54 | 15.65% |
| Non-convertible debentures | 24,588.20 | 25.87% | 15,029.58 | 28.08% | 4,988.70 | 13.87% |
| Securitisation | 5,357.76 | 5.64% | 3,029.61 | 5.66% | 4,141.21 | 11.52% |
| | 92,194.45 | | 51,321.24 | | 34,554.55 | |

*A significant instrument/product is defined as a single instrument/product of group of similar instruments/products which in aggregate amount to more than 1% of the total liabilities.

Top 10 borrowings*

| As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| Loan/NCD | % of total borrowings | Loan/NCD | % of total borrowings | Loan/NCD | % of total borrowings |
| 22,857.14 | 25.24% | 15,371.52 | 30.16% | 5,967.46 | 17.15% |
| 15,044.42 | 16.61% | 14,285.71 | 28.03% | 5,889.68 | 16.93% |
| 5,982.47 | 6.61% | 4,847.88 | 9.51% | 5,000.00 | 14.37% |
| 5,015.73 | 5.54% | 3,946.97 | 7.74% | 4,611.50 | 13.25% |
| 5,000.00 | 5.52% | 3,887.46 | 7.63% | 2,138.77 | 6.15% |
| 4,750.81 | 5.25% | 2,201.93 | 4.32% | 1,728.79 | 4.97% |
| 4,586.63 | 5.06% | 1,594.69 | 3.13% | 1,509.91 | 4.34% |
| 4,333.36 | 4.78% | 781.75 | 1.53% | 1,034.48 | 2.97% |
| 3,277.09 | 3.62% | 724.14 | 1.42% | 906.25 | 2.60% |
| 2,785.71 | 3.08% | 291.67 | 0.57% | 715.18 | 2.06% |

*All the above mentioned outstanding borrowings are disclosed at gross carrying value.

Stock Ratios:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|---------------------|---------------------|---------------------|
| Commercial papers issued to total liabilities | Nil | Nil | Nil |
| Commercial papers issued to total assets | Nil | Nil | Nil |
| NCD (original maturity < one year) to total liabilities | Nil | Nil | Nil |
| NCD (original maturity < one year) to total assets | Nil | Nil | Nil |
| Other short-term liabilities to total liabilities | 1.27% | 3.48% | 3.26% |
| Other short-term liabilities to total assets | 0.67% | 1.39% | 1.27% |



Ashu

Amrinder Singh

India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

39. Related party transactions

List of related parties:

- i. Key management personnel**
- a. Anil Mehta - Chief Executive Officer and Managing Director
 - b. Sunil Jain - Chief Financial Officer (till 12 August 2019)
 - c. Ashish Gupta - Chief Financial Officer (w.e.f 13 August 2019)
 - d. Mukti Chaplot - Company Secretary
 - e. GV Ravishankar - Nominee Director
 - f. Anup Gupta - Nominee Director
 - g. Sumir Chadha - Nominee Director
 - h. Sanjaya Gupta - Independent Director (till 15 March 2020)
 - i. Anisha Motwani - Independent Director
 - j. Shailesh J Mehta - Independent Director
- ii. Entities having significance influence**
- a. Sequoia Capital India Investments III, Mauritius (Holder of Equity Shares)
 - b. Nexus Ventures III Ltd, Mauritius (Holder of Equity Shares)
 - c. WestBridge Crossover Fund, LLC (Holder of Equity Shares)
 - d. Sequoia Capital India Growth Investment I (Holder of Equity Shares)
 - e. Nexus Opportunity Fund II, Ltd. (Holder of Equity Shares)
 - f. Aravali Investment Holdings (Holder of Equity Shares)
- iii. Relative of key management personnel - (where there are transactions)**
- Gaj Singh Mehta - Father of Anil Mehta
 - Ankit Aggarwal - Husband of Mukti Chaplot (w.e.f. 04 February 2020)

Transactions with related parties

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------------------|-------------------------------------|-------------------------------------|
| Rent paid | | |
| Gaj Singh Mehta | 3.56 | 3.39 |

Transaction with key management personnel

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|-----------------------------|-------------------------------------|-------------------------------------|
| Remuneration | | |
| Anil Mehta | 307.00 | 248.23 |
| Ashish Gupta | 35.60 | - |
| Sunil Jain | 69.79 | 75.82 |
| Mukti Chaplot | 16.77 | 12.05 |
| Sitting fees | | |
| Anisha Motwani | 17.25 | 15.75 |
| Sanjaya Gupta | 9.75 | 13.50 |
| Shailesh J Mehta | 10.50 | 9.75 |
| Share based payments | | |
| Anil Mehta | - | 801.95 |

Amount payable to key management personnel

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---------------------------------|------------------------|------------------------|------------------------|
| Short-term benefits | | | |
| Anil Mehta | - | 123.00 | 69.25 |
| Sunil Jain | - | 45.68 | 20.69 |
| Mukti Chaplot | 1.40 | 2.07 | 2.38 |
| Other long-term benefits | | | |
| Mukti Chaplot | - | - | 0.79 |

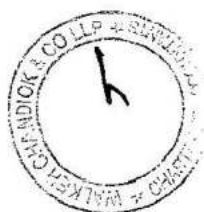
Note 1: As the future liability for gratuity and compensated absences is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors and KMPs is not ascertainable and, therefore, not included above.

Note 2: During the current year, the Board of Directors vide circular resolution dated 06 January 2020 allotted 97,500 equity shares (31 March 2019: 2,82,500 equity shares) to Mr. Anil Mehta pursuant to exercise of Employee Share Option Plan (ESOP) as per the ESOP schemes. Further, during the previous year the Board of Directors vide circular resolution dated 01 February 2019 allotted 3,00,000 sweat equity shares to Mr. Anil Mehta.

Note 3: Term loans amounting to Rs. 6,631 lakhs (31 March 2019: Rs. 8,516 lakhs and 01 April 2018: Rs. 11,419.95 lakhs) from banks and Rs. 3,453 lakhs (31 March 2019: Rs. 4,463 lakhs and 01 April 2018: Rs. 5,889.68 lakhs) from National Housing Bank are personally guaranteed by Mr. Anil Mehta.

Persons having significant influence

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Proceeds from issue of equity shares | | | |
| Nexus Ventures III Limited | - | - | - |
| Nexus Opportunity Fund II, Ltd. | - | 140.17 | 140.17 |
| Sequoia Capital India Growth Investments I | - | 66.35 | 66.35 |
| WestBridge Crossover Fund, LLC | - | - | - |
| Aravali Investment Holdings | - | 327.07 | 327.07 |



Signature of Mukti Chaplot
Mukti Chaplot

India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

Key management personnel

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--------------------------------------|------------------------|------------------------|------------------------|
| Proceeds from issue of equity shares | | | |
| Anil Mehta | 9.75 | 58.25 | - |

Persons having significant influence

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Proceeds from securities premium | | | |
| Nexus Ventures III Limited | - | - | - |
| Nexus Opportunity Fund II, Ltd. | - | 4,734.85 | 4,734.85 |
| Sequoia Capital India Growth Investments I | - | 2,241.16 | 2,241.16 |
| WestBridge Crossover Fund, LLC | - | - | - |
| Aravali Investment Holdings | - | 11,047.98 | 11,047.98 |

Key management personnel

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|----------------------------------|------------------------|------------------------|------------------------|
| Proceeds from securities premium | | | |
| Anil Mehta | 3.19 | 66.04 | - |

Balances outstanding as at the year end

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|--|------------------------|------------------------|------------------------|
| Share capital | | | |
| WestBridge Crossover Fund, LLC | 1,085.42 | 1,085.42 | 1,085.42 |
| Aravali Investment Holdings | 667.38 | 667.38 | 340.32 |
| Nexus Opportunity Fund II, Ltd. | 291.00 | 291.00 | 150.83 |
| Nexus Ventures III Ltd | 996.18 | 996.18 | 996.18 |
| Sequoia Capital India Investments III | 301.72 | 301.72 | 301.72 |
| Sequoia Capital India Growth Investments I | 452.04 | 452.04 | 370.16 |
| Anil Mehta | 97.54 | 87.79 | 29.54 |
| Ankit Aggarwal* | 0.75 | - | - |

*Holds equity shares allotted before 4 February 2020 on exercise on employee stock options.

40. Earnings per share

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--|-------------------------------------|-------------------------------------|
| Profits for the year | 4,691.14 | 3,038.89 |
| Weighted average number of equity shares used as the denominator in calculating basic earnings per share | 4,26,92,286 | 3,85,30,137 |
| Effect of potential ordinary shares on Employee Stock Options outstanding | 7,30,638 | 10,15,291 |
| Total weighted average number of equity shares and potential equity shares used as the denominator in calculating diluted earnings per share | 4,34,22,925 | 3,95,45,428 |
| Earnings per share on profit for the year (Face value of Rs. 10 per share) | | |
| a) Basic earnings per share (Rs.) | 10.99 | 7.89 |
| b) Diluted earnings per share (Rs.) | 10.80 | 7.68 |

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)
41. Lease related disclosures

The Company has leases for office building, branches and related facilities and cars. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and right-of-use assets. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. Some leases contain an option to extend the lease for a further term.

A Lease payments not included in measurement of lease liability

The expense relating to payments not included in the measurement of the lease liability is as follows:

| Particulars | 31 March 2020 |
|----------------------------|---------------|
| Short-term leases | 52.43 |
| Leases of low value assets | - |
| Variable lease payments | - |

B Total cash outflow for leases for the year ended 31 March 2020 was Rs. 385.46 lakhs.

C The Company has total commitment for short-term leases of Rs. 7.50 lakhs as at 31 March 2020.

D Maturity of lease liabilities

The lease liabilities are secured by the related underlying assets. Future minimum lease payments were as follows:

| 31 March 2020 | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
|--------------------|---------------|-----------|-----------|-----------|-----------|-------------------|----------|
| Lease payments | 381.09 | 356.12 | 299.60 | 177.95 | 114.13 | 267.03 | 1,595.92 |
| Interest expense | 97.73 | 81.47 | 56.22 | 36.72 | 26.81 | 31.05 | 330.00 |
| Net present values | 283.36 | 274.65 | 243.38 | 141.23 | 87.32 | 235.98 | 1,265.92 |

E There are no variable lease agreements.

F Information about extension and termination options

| Right of use assets | Number of leases | Range of remaining term | Average remaining lease term | Number of leases with extension option | Number of leases with purchase option | Number of leases with termination option |
|---------------------|------------------|-------------------------|------------------------------|--|---------------------------------------|--|
| Office premises | 109 | 1 to 8 years | 2.5 years | 109 | - | 109 |
| Car lease | 6 | 3-4 years | 3.5 years | - | - | - |

G The total future cash outflows as at 31 March 2020 for leases that had not yet commenced is of Rs. Nil.

H Impact on transition

- Effective 1 April 2019, the Company has adopted Ind AS 116 "Leases" and applied modified retrospective approach to all lease contracts existing as at 1 April 2019. On transition, the adoption of new standard resulted in recognition of lease liability of Rs. 1,431.45 lakhs and corresponding right of use asset of Rs. 1,431.45 lakhs.
- For contracts in place as at 1 April 2019, Company has elected to apply the definition of a lease from Ind AS 17 and has not applied Ind AS 116 to arrangements that were previously not identified as lease under Ind AS 17.
- The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of Ind AS 116, being 1 April 2019.
- Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of Ind AS 116.
- On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.
- The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.
- On transition to Ind AS 116 the weighted average incremental borrowing rate applied to lease liabilities recognised was 9.50%.
- The following is a reconciliation of total operating lease commitments as at 31 March 2019 (as disclosed in the financial statements for the year ended 31 March 2019) to the lease liabilities recognised at 1 April 2019:

| Particulars | Amount |
|---|----------|
| Total operating lease commitments disclosed as at 31 March 2019 | 915.14 |
| Recognition exemptions: | |
| Leases of low value assets | - |
| Leases with remaining lease term of less than 12 months | - |
| Variable lease payments not recognised | - |
| Other cancellable leases | 952.85 |
| Operating lease liabilities before discounting | 1,867.99 |
| Discounting impact (using incremental borrowing rate) | (436.54) |
| Operating lease liabilities | 1,431.45 |
| Finance lease obligations under Ind AS 17 | - |
| Total lease liabilities recognised under Ind AS 116 at 1 April 2019 | 1,431.45 |

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42. Employee Stock Option Scheme**42.1. Employee Stock Option Scheme 2011 (ESOP 2011):**

- a. The Company established the Employees Stock Option Scheme 2011 ("ESOP 2011") which was approved by the Board of Directors in their meeting held on 01 April 2011. Under the plan, the Company is authorised to issue up to 801,000 equity shares of Rs. 10 each to eligible employees. Employees covered by the plan are granted an option to purchase shares of the Company subject to the requirements of vesting. In the extraordinary general meeting held on 28 April 2011, the shareholders approved the issue and option.

The HR and nomination and remuneration committee consisting of independent members from the Board of Directors administer the plan.

- b. The salient terms of the scheme are set out hereunder:

| Particulars | ESOP 2011 |
|--|----------------------|
| Date of grant | 28 April 2011 |
| Exercise price | Rs. 11.54 per option |
| Vesting dates: | |
| Tranche I (33% of the options granted) | 31 July 2011 |
| Tranche II (33% of the options granted) | 31 July 2012 |
| Tranche III (34% of the options granted) | 31 July 2013 |

Vesting condition:

Vesting of options would be subject to continued employment with the Company and certain covenants, on the fulfilment of which the granted options would vest in terms of agreement with employees. Thus the vesting of the options would be time and compliance of covenants to the ESOP 2011 agreement with employees.

Exercise period

Exercise period will expire on 31 October 2018 or listing of shares on a recognised stock exchange, whichever is later. In the event of the Company's shares not listed by 31 July 2018 then the option grantee shall have the ability to exercise any vested options regardless of the fact that the shares of the Company have not been listed provided that such right to exercise shall at all time will cease to exist after 31 October 2018. The ESOP scheme has been amended by Board of Directors and shareholders of the Company to increase the exercise period upto 31 March 2019.

Total options granted

8,01,000

- c. Employee stock option details as on the balance sheet date are as follows:

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|--|------------------------|--------|------------------------|--------|------------------------|--------|
| | Number of options | Amount | Number of options | Amount | Number of options | Amount |
| Outstanding at the beginning of the year | - | - | 5,38,586 | 62.15 | 5,38,586 | 62.15 |
| Granted during the year | - | - | - | - | - | - |
| Relinquished during the year | - | - | 39,003 | 4.50 | - | - |
| Exercised during the year | - | - | 4,99,583 | 57.65 | - | - |
| Expired during the year | - | - | - | - | - | - |
| Outstanding at the end of the year | - | - | - | - | 5,38,586 | 62.15 |
| Exercisable at the end of the year | - | - | - | - | 5,38,586 | 62.15 |

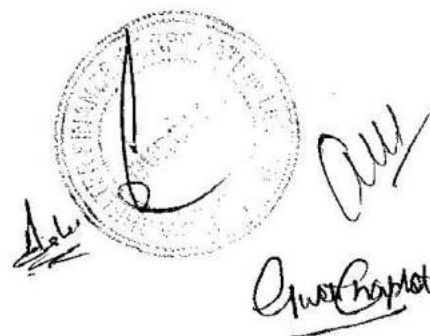
- d. The fair value of the options, calculated by an external value, was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

| Particulars | ESOP 2011 | | |
|--|-----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 |
| Stock price (Rs.) | 11.54 | 11.54 | 11.54 |
| Expected volatility (standard deviation - annual) | 39.05% | 39.05% | 39.05% |
| Risk free rate | 6.72% | 7.16% | 7.49% |
| Exercise price (Rs.) | 11.54 | 11.54 | 11.54 |
| Dividend yield | 0.00% | 0.00% | 0.00% |
| Vesting | 33% | 33% | 34% |
| Option fair value (Rs.) | 4.13 | 4.86 | 5.51 |
| Life of the options granted (vesting and exercise period) in years | 3.26 | 4.26 | 5.26 |

- e. Details of weighted average exercise price, fair value of the stock options granted and weighted average remaining contractual life are as follows:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| | | | |
| Total options granted (in Nos) | 8,01,000 | 8,01,000 | 8,01,000 |
| Total options outstanding at the end of the year | - | - | 5,38,586 |
| Weighted average share price for options granted during the year (in Rs.) | - | - | - |
| Average exercise price (Rs.) | - | - | 11.54 |
| Weighted average remaining contractual life (years) | - | - | 1.59 |

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42.2. Employee Stock Option Plan – 2012 ("The 2012 Plan"):

- a. The Company established the Employees Stock Option Scheme 2012 ("ESOP 2012") which was approved by the Board of Directors in their meeting held on 17 August 2012. Under the plan, the Company is authorised to issue up to 1,570,252 equity shares of Rs. 10 each to eligible employees. Employees covered by the plan are granted an option to purchase shares of the Company subject to the requirements of vesting.

The HR and remuneration committee consisting of independent members from the Board of Directors administer the plan.

- b. The salient terms of the scheme are set out hereunder:

| Particulars | ESOP 2012 | | | | | |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| | 01 October 2012 | 01 October 2013 | 15 March 2014 | 22 January 2015 | 08 June 2016 | |
| Date of grant | Rs. 13.27 per option | Rs. 14.18 per option | Rs. 16.84 per option | Rs. 20.32 per option | Rs. 83.20 per option | |
| Exercise price | | | | | | |
| Vesting dates: | | | | | | |
| Tranche I* | 01 October 2013 | 01 October 2014 | 01 October 2014 | 21 January 2016 | 09 June 2017 | |
| Tranche II* | 01 October 2014 | 01 October 2015 | 01 October 2015 | 21 January 2017 | 09 June 2018 | |
| Tranche III* | 01 October 2015 | 01 October 2016 | 01 October 2016 | 21 January 2018 | 09 June 2019 | |
| Tranche IV* | 01 October 2016 | 01 October 2017 | 01 October 2017 | 21 January 2019 | 09 June 2020 | |

* Grant on 01 October 2012, 01 October 2013, 15 March 2014 and 22 January 2015 to be vested equally in each tranche. However, option granted on 08 June 2016 to be vested in the ratio of (3:5:5:7)

Vesting condition:

Vesting of options would be subject to continued employment with the Company and certain covenants, on the fulfilment of which the granted options would vest in terms of agreement with employees. Thus the vesting of the options would be time and compliance of covenants to the ESOP 2012 agreement with employees.

Exercise period

Exercise period would expire at the end of 5 years and 3 months period from the date of vesting or listing of shares on a recognised stock exchange, whichever is later. It is clarified that in the event the shares of the Company are not listed by the end of 5 (five) years from the date of vesting of the relevant options then the option grantee shall have the ability to exercise any vested option regardless of the fact that the shares of the Company have not been listed provided however such right to exercise shall at all times cease to exist at the end of the exercise period mentioned in the preceding sentence.

Total options granted

23,45,500

- c. Employee stock option details as on the balance sheet date are as follows:

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|--|------------------------|--------|------------------------|--------|------------------------|--------|
| | Number of options | Amount | Number of options | Amount | Number of options | Amount |
| Outstanding at the beginning of the year | 11,45,200 | 556.39 | 15,37,650 | 662.59 | 15,37,650 | 662.59 |
| Granted during the year | - | - | - | - | - | - |
| Forfeited during the year | 7,450 | 0.99 | 62,000 | 39.70 | - | - |
| Exercised during the year | 1,75,250 | 23.60 | 3,30,450 | 86.50 | - | - |
| Expired during the year | - | - | - | - | - | - |
| Outstanding at the end of the year | 9,62,500 | 531.80 | 11,45,200 | 556.39 | 15,37,650 | 662.59 |
| Exercisable at the end of the year | 7,65,625 | 368.01 | 8,07,700 | 277.45 | 10,40,775 | 212.98 |

- d. The fair value of the options, calculated by an external value, was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

1. Grant date- 01 October 2012

| Particulars | ESOP 2012 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 13.27 | 13.27 | 13.27 | 13.27 |
| Expected volatility (standard deviation - annual) | 39.37% | 39.37% | 39.37% | 39.37% |
| Risk free rate | 7.90% | 7.94% | 7.98% | 8.02% |
| Exercise price-Rs. | 13.27 | 13.27 | 13.27 | 13.27 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 25% | 25% | 25% | 25% |
| Option fair value- Rs. | 6.16 | 6.73 | 7.23 | 7.68 |
| Life of the options granted (vesting and exercise period) in years | 5.5 | 6.5 | 7.5 | 8.5 |

2. Grant date- 01 October 2013

| Particulars | ESOP 2012 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 14.18 | 14.18 | 14.18 | 14.18 |
| Expected volatility (standard deviation - annual) | 43.73% | 43.73% | 43.73% | 43.73% |
| Risk free rate | 8.94% | 9.02% | 9.08% | 9.13% |
| Exercise price-Rs. | 14.18 | 14.18 | 14.18 | 14.18 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 25% | 25% | 25% | 25% |
| Option fair value- Rs. | 7.14 | 7.88 | 8.49 | 8.49 |
| Life of the options granted (vesting and exercise period) in years | 4.76 | 5.76 | 6.76 | 7.76 |

3. Grant date- 15 March 2014

| Particulars | ESOP 2012 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 16.84 | 16.84 | 16.84 | 16.84 |
| Expected volatility (standard deviation - annual) | 43.73% | 43.73% | 43.73% | 43.73% |
| Risk free rate | 8.94% | 9.02% | 9.08% | 9.13% |
| Exercise price-Rs. | 16.84 | 16.84 | 16.84 | 16.84 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 25% | 25% | 25% | 25% |
| Option fair value- Rs. | 8.48 | 9.38 | 10.45 | 10.82 |
| Life of the options granted (vesting and exercise period) in years | 4.76 | 5.76 | 6.76 | 7.76 |

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India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

4. Grant date- 22 January 2015

| Particulars | ESOP 2012 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 20.32 | 20.32 | 20.32 | 20.32 |
| Expected volatility (standard deviation - annual) | 50.24% | 50.24% | 50.24% | 50.24% |
| Risk free rate | 7.78% | 7.78% | 7.77% | 7.77% |
| Exercise price-Rs. | 20.32 | 20.32 | 20.32 | 20.32 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 25% | 25% | 25% | 25% |
| Option fair value- Rs. | 11.95 | 12.79 | 13.53 | 14.19 |
| Life of the options granted (vesting and exercise period) in years | 6.05 | 7.07 | 8.07 | 9.07 |

5. Grant date- 09 June 2016

| Particulars | ESOP 2012 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 83.2 | 83.2 | 83.2 | 83.2 |
| Expected volatility (standard deviation - annual) | 43.55% | 43.55% | 43.55% | 43.55% |
| Risk free rate | 7.82% | 7.78% | 7.97% | 7.74% |
| Exercise price-Rs. | 83.2 | 83.2 | 83.2 | 83.2 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 15% | 25% | 25% | 35% |
| Option fair value- Rs. | 46.31 | 49.65 | 53.00 | 55.33 |
| Life of the options granted (vesting and exercise period) in years | 6.26 | 7.26 | 8.26 | 9.26 |

e. Details of weighted average exercise price, fair value of the stock options granted and weighted average remaining contractual life are as follows:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Total options granted (in nos) | 23,45,500 | 23,45,500 | 23,45,500 |
| Total options outstanding at the end of the year | 9,62,500 | 11,45,200 | 15,37,650 |
| Weighted average share price for options granted during the year (in Rs.) | - | - | - |
| Average exercise price (Rs.) | 29.56 | 29.56 | 29.56 |
| Weighted average remaining contractual life (years) | 2.27 | 2.69 | 2.66 |

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42.3. Employee Stock Option Scheme 2017 (ESOP 2017):

a. The Company established the Employees Stock Option Scheme 2017 ("ESOP 2017") which was approved by the Board of Directors in their meeting held on 10 November 2017. Under the plan, the Company is authorised to issue up to 11,85,763 equity shares of Rs. 10 each to eligible employees. Employees covered by the plan are granted an option to purchase shares of the Company subject to the requirements of vesting. In the extraordinary general meeting held on 31 January 2017, the shareholders approved the issue and option.

The HR and nomination and remuneration committee consisting of independent members from the Board of Directors administer the plan.

b. The salient terms of the scheme are set out hereunder:

Grant

Particulars

| | ESOP 2017 | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Date of grant | 31 January 2018 | 15 February 2019 | 17 May 2019 | 13 August 2019 | 04 November 2019 |
| Exercise price | Rs. 118.48 per option | Rs. 159.01 per option | Rs. 179.92 per option | Rs. 184.55 per option | Rs. 189.56 per option |
| Vesting dates: | | | | | |
| Tranche I (10% of the options granted) | 31 January 2019 | 15 February 2020 | 17 May 2020 | 13 August 2020 | 04 November 2020 |
| Tranche II (20% of the options granted) | 31 January 2020 | 15 February 2021 | 17 May 2021 | 13 August 2021 | 04 November 2021 |
| Tranche III (30% of the options granted) | 31 January 2021 | 15 February 2022 | 17 May 2022 | 13 August 2022 | 04 November 2022 |
| Tranche IV (40% of the options granted) | 31 January 2022 | 15 February 2023 | 17 May 2023 | 13 August 2023 | 04 November 2023 |

Vesting condition

Vesting of options would be subject to continued employment with the Company and certain covenants, on the fulfilment of which the granted options would vest in terms of agreement with employees. Thus the vesting of the options would be time and compliance of covenants to the ESOP 2017 agreement with employees.

Exercise period

The Vested options shall be exercised by the relevant employee post listing of the shares of the Company. In the event, listing is not done within a period of 5 (five) years from the date of first vesting of the relevant option, the employee shall have a right to exercise the vested option within a period of 3 (three) months from the date of expiry of the 5 (five) years from the date of first vesting.

Total options granted

5,45,000

c. Employee stock option details as on the Balance sheet date are as follows:

Particulars

| | As at 31 March 2020 | | As at 31 March 2019 | | As at 01 April 2018 | |
|--|---------------------|--------|---------------------|--------|---------------------|--------|
| | Number of options | Amount | Number of options | Amount | Number of options | Amount |
| Outstanding at the beginning of the year | 2,20,000 | 333.61 | 2,15,000 | 254.73 | - | - |
| Granted during the year | 1,50,000 | 275.47 | 1,50,000 | 286.22 | 2,15,000 | 254.73 |
| Forfeited during the year | - | - | 1,75,000 | 267.34 | - | - |
| Exercised during the year | - | - | - | - | - | - |
| Expired during the year | - | - | - | - | - | - |
| Outstanding at the end of the year | 3,70,000 | 609.08 | 2,20,000 | 333.61 | 2,15,000 | 254.73 |
| Exercisable at the end of the year | - | - | - | - | - | - |

d. The fair value of the options, calculated by an external value, was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

(i) Grant Date: 31 January 2018

Particulars

| | ESOP 2017 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 118.48 | 118.48 | 118.48 | 118.48 |
| Expected volatility (standard deviation - annual) | 36.91% | 36.91% | 36.91% | 36.91% |
| Risk free rate | 7.73% | 7.73% | 7.73% | 7.73% |
| Exercise price- Rs. | 118.48 | 118.48 | 118.48 | 118.48 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 10% | 20% | 30% | 40% |
| Option fair value- Rs. | 60.85 | 60.85 | 60.85 | 60.85 |
| Life of the options granted (vesting and exercise period) in years | 6.25 | 6.25 | 6.25 | 6.25 |

(ii) Grant Date: 15 February 2019

Particulars

| | ESOP 2017 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 179.92 | 179.92 | 179.92 | 179.92 |
| Expected volatility (standard deviation - annual) | 48.76% | 48.76% | 48.76% | 48.76% |
| Risk free rate | 7.49% | 7.49% | 7.49% | 7.49% |
| Exercise price- Rs. | 159.01 | 159.01 | 159.01 | 159.01 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 10% | 20% | 30% | 40% |
| Option fair value- Rs. | 110.47 | 110.47 | 110.47 | 110.47 |
| Life of the options granted (vesting and exercise period) in years | 6.25 | 6.25 | 6.25 | 6.25 |

(iii) Grant Date: 17 May 2019

Particulars

| | ESOP 2017 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 179.92 | 179.92 | 179.92 | 179.92 |
| Expected volatility (standard deviation - annual) | 52.23% | 52.23% | 52.23% | 52.23% |
| Risk free rate | 7.75% | 7.75% | 7.75% | 7.75% |
| Exercise price- Rs. | 179.92 | 179.92 | 179.92 | 179.92 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 10% | 20% | 30% | 40% |
| Option fair value- Rs. | 106.28 | 106.28 | 106.28 | 106.28 |
| Life of the options granted (vesting and exercise period) in years | 6.25 | 6.25 | 6.25 | 6.25 |

(iv) Grant Date: 13 August 2019

Particulars

| | ESOP 2017 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 179.92 | 179.92 | 179.92 | 179.92 |
| Expected volatility (standard deviation - annual) | 51.46% | 51.46% | 51.46% | 51.46% |
| Risk free rate | 7.75% | 7.75% | 7.75% | 7.75% |
| Exercise price- Rs. | 184.55 | 184.55 | 184.55 | 184.55 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 10% | 20% | 30% | 40% |
| Option fair value- Rs. | 106.66 | 106.66 | 106.66 | 106.66 |
| Life of the options granted (vesting and exercise period) in years | 6.25 | 6.25 | 6.25 | 6.25 |

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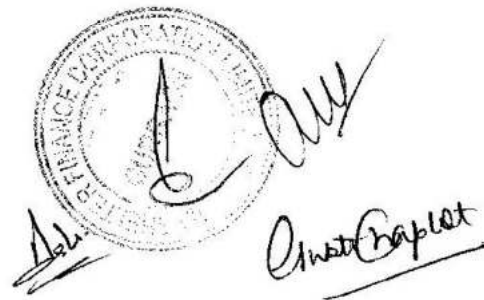
(vi) Grant Date: 04 November 2019

| Particulars | ESOP 2017 | | | |
|--|-----------|----------|----------|----------|
| | Vest - 1 | Vest - 2 | Vest - 3 | Vest - 4 |
| Stock price- Rs. | 189.56 | 189.56 | 189.56 | 189.56 |
| Expected volatility (standard deviation - annual) | 50.55% | 50.55% | 50.55% | 50.55% |
| Risk free rate | 7.75% | 7.75% | 7.75% | 7.75% |
| Exercise price- Rs. | 189.56 | 189.56 | 189.56 | 189.56 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 10% | 20% | 30% | 40% |
| Option fair value- Rs. | 112.48 | 112.48 | 112.48 | 112.48 |
| Life of the options granted (vesting and exercise period) in years | 6.25 | 6.25 | 6.25 | 6.25 |

e. Details of weighted average exercise price, fair value of the stock options granted and weighted average remaining contractual life are as follows:

| Particulars | As at 31 March 2020 | As at 31 March 2019 | As at 01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Total options granted (in Nos) | 5,45,000 | 3,85,000 | 2,15,000 |
| Total options outstanding at the end of the year | 3,70,000 | 2,20,000 | 2,15,000 |
| Weighted average share price for options granted during the year (in Rs.) | 183.65 | 159.01 | 118.48 |
| Average exercise price (Rs.) | 168.30 | 138.75 | 118.48 |
| Weighted average remaining contractual life (years) | 4.75 | 5.15 | 6.09 |

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India Shelter Finance Corporation Limited

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

43 Disclosures required by National Housing Bank

Additional disclosures required in terms of Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2018 NHB(ND)/DRS/REG/MC-07/2019, 01 July 2019 have been prepared on the basis of the Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) pursuant to the NHB circular no. NHB (ND)/DRS/Policy Circular No.89/2017-18 dated 14 June 2018 is given below, which have been presented solely based on the information compiled by the management. These figures are not traceable to the Financial Statements.

43.01 Capital to risk assets ratio (CRAR)

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| CRAR % | 81.12% | 91.16% |
| CRAR-Tier I capital % | 80.61% | 90.16% |
| CRAR-Tier II capital % | 0.51% | 1.00% |
| Amount of subordinated debt raised as Tier- II Capital | - | - |
| Amount raised by issue of perpetual debt instruments | - | - |

43.02 Reserve fund u/s 29C of National Housing Bank Act, 1987 ("NHB Act, 1987")

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| Balance at the beginning of the year | | |
| a. Statutory reserve u/s 29 C of the National Housing Bank Act, 1987 | 295.50 | 79.86 |
| b. Amount of special reserve u/s 36(1)(viii) of Income Tax Act 1961 taken into account for the purposes of Statutory reserve under Section 29C of the NHB Act, 1987 | 1,442.06 | 1,090.49 |
| Total | 1,737.56 | 1,170.35 |
| Addition / Appropriation / Withdrawal during the year | | |
| a. Add:- Amount transferred u/s 29 C of the NHB Act, 1987 | 271.28 | 215.64 |
| b. Add:- Amount of special reserve u/s 36(1)(viii) of Income Tax Act 1961 taken into account for the purposes of Statutory reserve under Section 29C of the NHB Act, 1987 | 666.96 | 351.57 |
| c. Less:- Amount appropriated from the Statutory reserve u/s 29 C of the NHB Act, 1987 | - | - |
| d. Less:- Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act 1961 which has been taken into account for the purposes of provision under Section 29C of the NHB Act, 1987 | - | - |
| Balance at the end of the year | | |
| a. Statutory Reserve u/s 29 C of the National Housing Bank Act, 1987 | 566.78 | 295.50 |
| b. Amount of special reserve u/s 36(1)(viii) of Income Tax Act 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987 | 2,109.02 | 1,442.06 |
| Balance at the end of the year | 2,675.79 | 1,737.56 |

43.03 A) Investments

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|----------------------------------|------------------------|------------------------|
| Value of investments | | |
| (i) Gross value of investments | | |
| (a) In India | 9,385.88 | 7,857.77 |
| (b) Outside India | - | - |
| (ii) Provisions for depreciation | | |
| (a) In India | - | - |
| (b) Outside India | - | - |
| (iii) Net value of investments | | |
| (a) In India | 9,385.88 | 7,857.77 |
| (b) Outside India | - | - |

B) Movement of provisions held towards depreciation on investments

| | | |
|--|---|---|
| (i) Opening balance | - | - |
| (ii) Add: Provisions made during the year | - | - |
| (iii) Less: Write-off/written back of excess provision during the year | - | - |
| (iv) Closing balance | - | - |

43.04 Derivatives

- The Company has no transactions/exposure in derivatives in the current and previous year.
- The Company has no unhedged foreign currency exposure on 31 March 2020 (31 March 2019: 0.44 lakhs).

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Signature of the authorized signatory, dated 31 March 2020.

43.05 Securitisation**A) Disclosure as per NHB guidelines for assignment/securitisation transactions as an originator :**

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| 1 No. of special purpose vehicle's (SPV's) sponsored by HFC for securitisation transaction | 4 | 4 |
| 2 Total amount of securitised assets as per books of SPVs sponsored by the HFC | 5,932.24 | 5,166.58 |
| 3 Total amount of exposures retained by the HFC to comply with MRR | | |
| i) Off-balance sheet exposures | | |
| a) First loss | - | - |
| b) Others | - | - |
| ii) On-balance sheet exposures | | |
| a) First Loss- Cash collateral | 392.01 | 274.01 |
| b) Others- Over collateral | 1,778.00 | 1,104.63 |
| 4 Amount of exposures to securitisation transactions other than MRR | | |
| i) Off-balance sheet exposures | - | - |
| a) Exposure to own securitisations | | |
| First loss | - | - |
| Others | - | - |
| b) Exposure to third party securitisation | | |
| First loss | - | - |
| Others | - | - |
| ii) On-balance sheet exposures towards credit enhancement | | |
| a) Exposure to own securitisations | | |
| First loss | - | - |
| Others | - | - |
| b) Exposure to third party securitisation transaction | | |
| First loss | - | - |
| Others | - | - |

B) Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

During the year, the Company has not sold any financial assets to Securitisation / Reconstruction Company for Asset Reconstruction (31 March 2019: Nil)

C) Details of Assignment transactions undertaken by Company

During the year, the Company has not undertaken any assignment transaction (31 March 2019: Nil).

D) Details of Non-performing financial assets purchased/sold

During the year, the Company has not purchased / sold any non-performing financial assets (31 March 2019: Nil).

43.06 Asset Liability Management (Maturity pattern of certain items of asset and liabilities)**As at 31 March 2020**

| Particulars | Liabilities | | Assets | |
|-----------------------------|------------------|------------------|--------------------|-----------------|
| | Borrowings | Debt securities | Loans* | Investments |
| Upto 30/31 DAYS(1 Month) | 816.13 | - | 682.60 | 9,385.88 |
| Over 1 Month upto 2 Months | 1,028.25 | 357.14 | 586.39 | - |
| Over 2 Months upto 3 Months | 1,087.01 | - | 593.43 | - |
| Over 3 Months upto 6 Months | 3,457.59 | 1,757.14 | 1,817.65 | - |
| Over 6 Months upto 1 Year | 6,936.46 | 714.29 | 3,821.53 | - |
| Over 1 Year upto 3 Years | 26,775.43 | 4,228.57 | 18,080.77 | - |
| Over 3 Years upto 5 Years | 15,730.53 | 2,800.00 | 22,828.50 | - |
| Over 5 Years upto 7 Years | 3,888.70 | 13,000.00 | 25,377.43 | - |
| Over 7 Years upto 10 Years | 2,345.45 | - | 33,008.45 | - |
| Over 10 Years | 276.37 | - | 44,321.86 | - |
| Total | 62,341.92 | 22,857.14 | 1,51,118.61 | 9,385.88 |

* The disclosures made are based on the contractual terms as at the year-end, however, subsequent to the year-end, the Company has granted a moratorium to eligible customers as disclosed in Note no. 44.

As at 31 March 2019

| Particulars | Liabilities | | Assets | |
|-----------------------------|------------------|------------------|--------------------|-----------------|
| | Borrowings | Debt securities | Loans | Investments |
| Upto 30/31 DAYS(1 Month) | 584.13 | - | 529.35 | 5,505.66 |
| Over 1 Month upto 2 Months | 304.95 | 357.14 | 407.95 | 2,352.11 |
| Over 2 Months upto 3 Months | 584.74 | - | 412.61 | - |
| Over 3 Months upto 6 Months | 1,475.27 | 357.14 | 1,264.74 | - |
| Over 6 Months upto 1 Year | 3,056.88 | 714.29 | 2,663.63 | - |
| Over 1 Year upto 3 Years | 11,905.43 | 2,857.14 | 12,641.13 | - |
| Over 3 Years upto 5 Years | 9,482.24 | - | 16,264.52 | - |
| Over 5 Years upto 7 Years | 4,918.40 | 10,000.00 | 19,179.19 | - |
| Over 7 Years upto 10 Years | 2,803.74 | - | 25,381.68 | - |
| Over 10 Years | 1,561.65 | - | 36,921.68 | - |
| Total | 36,677.43 | 14,285.71 | 1,15,666.48 | 7,857.77 |



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43.07 Exposure:

1 Exposure to Real Estate Sector

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| (i) Direct Exposure | | |
| A. Residential Mortgage : Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual Housing Loans Up to Rs. 15 lakhs: Rs. 75,143.08 lakhs (31 March 2019: Rs. 46,997.18 lakhs) | 1,48,874.86 | 1,14,550.18 |
| B. Commercial Real Estate : Lending fully secured by mortgages on commercial real estates. | 2,243.75 | 1,116.30 |
| C. Investments in Mortgage Backed Securities and other securitised exposures: | | |
| a. Resident | - | - |
| b. Commercial Real estate | - | - |
| (ii) Indirect Exposure | | |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | - | - |

- 2 As on 31 March 2020, the Company does not have any exposure to Capital Market (31 March 2019: Nil).
3 As on 31 March 2020, the Company has not financed any product of the parent Company (31 March 2019: Nil).
4 As on 31 March 2020, the Company has not exceeded the prudential exposure limit prescribed by National Housing Bank for single borrower or group borrower (31 March 2019: Nil).
5 As on March 31, 2020, the Company has not given any unsecured advances (31 March 2019: Nil).

43.08 Regulator registrations

- 1 National Housing Bank 09.0087.10
2 Ministry of Corporate Affairs (CIN) U65922HR1998PLC042782
In addition to above, the Company's non-convertible debentures (NCDs) are listed on stock exchange in India, thereby, regulations of Securities and Exchange Board of India are also applicable.

43.09 Disclosure of penalties imposed by National Housing Bank (NHB) and other regulators

During the year ended 31 March, 2020, there is no penalty imposed by NHB and/or other regulators on the Company.

43.10 Related party transactions

Refer note 39 For related party transactions.

43.11 Ratings assigned by Credit Rating Agencies and migration during the year

| Nature of Instrument | Rating agency | Ratings |
|----------------------------|---------------|----------|
| Bank term loans | ICRA | A stable |
| Bank term loans | CARE | A stable |
| Non-convertible debentures | ICRA | A stable |

43.12 Remuneration of Directors

Remuneration of Directors has been disclosed separate note, Refer note 39.

43.13 Management

Management discussion and Analysis report shall form part of Board Of Directors' report.

43.14 During the year, expense amounting Rs. 5.92 lakhs was accounted which was related to prior period (31 March 2019: Rs. 0.14 lakhs).

43.15 During the year, no item of revenue recognition has been postponed except as disclosed in accounting policy for revenue recognition.

43.16 The Company does not have any parent company or subsidiary.

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Signature of Ashu
Signature of Anurag
Circular stamp of India Shelter Finance Corporation Limited, Chennai.

43.17 Provisions and contingencies

A) Break-up of Provisions and Contingencies shown under the head expenditure in Profit and Loss account

| S.No | Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------|--|-------------------------------------|-------------------------------------|
| 1 | Provisions for depreciation on investment | - | - |
| 2 | Provision made towards income tax | 1,842.95 | 1,106.06 |
| 3 | Provision towards NPA* | (160.21) | 151.45 |
| 4 | Provision for Standard assets (with details like teaser loan, CRE, CRE-RH etc.)* | (337.00) | 282.44 |
| 5 | Other provision and contingencies (Provision for Gratuity and compensated absences) | 73.08 | 110.12 |

* The provision on loans has been made as per the provisioning requirement of Master Circular - The Housing Finance Companies (NHB) Directions, 2010.

B) Break up of Loan & Advances and provisions thereon

| S.No | Particulars | Housing | | Non-housing | |
|------|--------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | For the year ended 31 March 2020 | For the year ended 31 March 2019 | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
| 1 | Standard assets | | | | |
| a) | Total outstanding amount | 88,637.17 | 70,764.17 | 60,721.70 | 43,313.61 |
| b) | Provisions made | 248.94 | 529.92 | 272.58 | 328.60 |
| 2 | Sub-standard assets | | | | |
| a) | Total outstanding amount | 1,013.35 | 744.80 | 463.70 | 277.31 |
| b) | Provisions made | 152.00 | 186.20 | 69.56 | 69.33 |
| 3 | Doubtful assets - Category-I | | | | |
| a) | Total outstanding amount | 360.36 | 447.69 | 103.89 | 63.03 |
| b) | Provisions made | 90.10 | 179.07 | 25.96 | 33.80 |
| 4 | Doubtful assets - Category-II | | | | |
| a) | Total outstanding amount | 8.93 | - | 6.69 | - |
| b) | Provisions made | 3.57 | - | 2.68 | - |
| 5 | Doubtful assets - Category-III | | | | |
| a) | Total outstanding amount | - | - | - | - |
| b) | Provisions made | - | - | - | - |
| 6 | Loss assets | | | | |
| a) | Total outstanding amount | - | 23.21 | - | 12.67 |
| b) | Provisions made | - | 23.21 | - | 12.67 |
| | TOTAL | | | | |
| a) | Total outstanding amount | 90,019.81 | 71,979.87 | 61,295.86 | 43,686.62 |
| b) | Provisions made | 494.51 | 918.40 | 370.78 | 444.20 |

43.18 There has been no draw down from reserves during the year ended 31 March 2020 (31 March 2019: Nil).

43.19 Concentration of public deposits (for public deposit taking/holding HFCs)

During the year ended 31 March 2020, the Company has not accepted any public deposits, as per Certificate of Registration (CoR) issued by National Housing Bank (NHB) and as per the board resolution passed in the board meeting dated 17 May 2019.

43.20 Concentration of Loans & Advances

| S.No | Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------|---|-------------------------------------|-------------------------------------|
| 1 | Total loans and advances to twenty largest borrowers | 2,071.53 | 2,069.77 |
| 2 | Percentage of loans and advances of twenty largest borrowers to total advances of the Housing Finance Company | 1.37% | 1.79% |

43.21 Concentration of all exposure (including off-balance sheet exposure)

| S.No | Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------|---|-------------------------------------|-------------------------------------|
| 1 | Total exposure to twenty largest borrowers/customers | 2,071.53 | 2,069.77 |
| 2 | Percentage of exposures to twenty largest borrowers/customers to total exposure of the HFC on borrowers / customers | 1.36% | 1.79% |

43.22 Concentration of NPAs

| S.No | Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------|--|-------------------------------------|-------------------------------------|
| 1 | Total exposure to top ten NPA accounts | 304.30 | 67.28 |

43.23 Sector-wise NPAs

| S.No | Sector | Percentage of NPAs to total advances in that sector | |
|------|------------------------|---|-------------------------------------|
| | | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
| 1 | Housing Loans: | | |
| a. | Individuals | 1.54% | 1.69% |
| b. | Builders/Project Loans | - | - |
| c. | Corporates | - | - |
| d. | Others (specify) | - | - |
| 2 | Non-Housing Loans: | | |
| a. | Individuals | 0.94% | 0.85% |
| b. | Builders/Project Loans | - | - |
| c. | Corporates | - | - |
| d. | Others (specify) | - | - |

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Handwritten signatures and stamps, including a circular stamp of the National Housing Bank (NHB) and a signature of the Managing Director.

43.24 Movement of NPAs

| S.No | Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------|---|-------------------------------------|-------------------------------------|
| 1 | Net NPAs to Net Advances (%) | 1.07% | 0.94% |
| 2 | Movement of NPAs (Gross) | | |
| a) | Opening balance | 1,588.71 | 1,016.33 |
| b) | Additions during the year | 1,460.90 | 1,031.77 |
| c) | Reductions during the year | 1,092.69 | 459.39 |
| d) | Closing balance | 1,956.92 | 1,588.71 |
| 3 | Movement of Net NPAs | | |
| a) | Opening balance | 1,084.63 | 663.70 |
| b) | Additions during the year | 1,241.22 | 718.51 |
| c) | Reductions during the year | 712.79 | 297.58 |
| d) | Closing balance | 1,613.06 | 1,084.63 |
| 4 | Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| a) | Opening balance | 504.08 | 352.63 |
| b) | Provisions made during the year | 219.68 | 313.26 |
| c) | Write-off/write-back of excess provisions | 379.89 | 161.81 |
| d) | Closing balance | 343.87 | 504.08 |

43.25 The Company does not have any Overseas assets.

43.26 The Company does not have any Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms).

43.27 Customer complaints

| S.No | Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|------|---|-------------------------------------|-------------------------------------|
| 1 | Number of complaints pending at the beginning of the year | 1 | 6 |
| 2 | Number of complaints received during the year | 19 | 11 |
| 3 | Number of complaints redressed during the year | 19 | 16 |
| 4 | Number of complaints pending at the end of the year | 1 | 1 |

43.28 Frauds

During the financial year 2019-2020, the Company has reported a case of fraud involving Rs. 5.00 lakhs (31 March 2019: reported a case of Rs 19 lakhs) to NHB.

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Handwritten signatures and stamps. One circular stamp reads "INDIA SHELTER FINANCE CORPORATION LIMITED CHENNAI". There are several handwritten signatures, including one that appears to be "D. S. S." and another that is more stylized.

India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

44 The COVID-19, declared as pandemic by World Health Organization (WHO) on 11 March 2020, is continuing to spread across the world and India. Besides its impact on human life, it has caused disruption in the social, economic and financial system of the world. Since March 2020, the Indian Government has announced a 21 days nationwide lockdown which has been extended in multiple tranches till 31 May 2020 with relaxation to essential services and selected economic activities. Effective from 1 June 2020, the Government has allowed resumption of economic activities with strict compliance of social distancing norms etc. in selected geographies. Pursuant to relaxation in the lockdown rules, most of the branches of the Company have recommenced their operations.

In accordance with Reserve Bank of India ('RBI') guidelines in relation to COVID-19 Regulatory Package dated 27 March 2020, 27 April 2020 and 22 May 2020, the Company has granted a moratorium for three months on the payments of installments falling due between 1 March 2020 to 31 May 2020, to all eligible borrowers and has now extended the same for further three months i.e. up to 31 August 2020. For all such accounts where moratorium is granted, prudential assets classification shall remain stand still during the moratorium period, based on position as on 29 February 2020 (i.e., the number of days past due shall exclude the period of moratorium for the purpose of asset classification).

The Company has strong capitalisation, low leverage and high liquidity to mitigate the impact of COVID-19 pandemic. Based on the available information from internal and external sources, the Company has used prudent judgements, estimates and possible forward looking scenarios to assess the impact of pandemic on the provisions in accordance with the expected credit loss (ECL) method on financial assets. However, the extent to which the COVID-19 pandemic will impact the Company's operations and financial metrics including expected credit losses on financial assets will depend on future developments which are uncertain.

45 Prior year adjustments

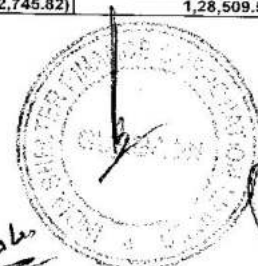
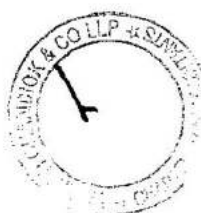
During the year, the Company has restated its comparative financial statements to account for the impact of certain incremental costs and income directly attributable to loans computed basis effective interest rate method. Further, figures of previous year have been regrouped to present amortised cost of respective financial assets/ liabilities, few other heads of expenses and other financial statements line items have been reclassified wherever considered necessary to make them comparable with those of the current year. The effect of restatement due to above adjustment is summarised below:

Extract of Balance Sheet
As at 01 April 2018

| Particulars | As previously reported | Adjustment | As restated |
|---|------------------------|-------------------|------------------|
| Assets | | | |
| Financial assets | | | |
| Bank balance other than cash and cash equivalents | 6,616.20 | 110.31 | 6,726.51 |
| Receivables | 307.67 | (307.67) | - |
| Loans | 76,681.41 | (538.40) | 76,143.01 |
| Other financial assets | 1,358.22 | (931.29) | 426.93 |
| Non-financial assets | | | |
| Deferred tax assets (net) | 985.26 | (159.39) | 825.87 |
| Other non-financial assets | 652.66 | (266.07) | 386.59 |
| Asset held for sale | - | - | - |
| | 86,601.42 | (2,092.51) | 84,508.91 |
| Financial liabilities | | | |
| Debt securities | 4,962.84 | 25.86 | 4,988.70 |
| Borrowings (Other than Debt Securities) | 29,656.65 | (90.80) | 29,565.85 |
| Other financial liabilities | 908.46 | (32.85) | 875.61 |
| Non-financial liabilities | | | |
| Other non-financial liabilities | 2,495.52 | (2,382.67) | 112.85 |
| Equity | | | |
| Other equity | 52,804.53 | 387.95 | 53,192.48 |
| | 90,828.00 | (2,092.51) | 88,735.49 |

As at 31 March 2019

| Particulars | As previously reported | Adjustment | As restated |
|---|------------------------|-------------------|--------------------|
| Assets | | | |
| Financial assets | | | |
| Bank balance other than cash and cash equivalents | 1,616.20 | 16.39 | 1,632.59 |
| Receivables | 153.72 | (153.72) | - |
| Loans | 1,14,825.75 | (763.19) | 1,14,062.56 |
| Other financial assets | 1,432.05 | (1,114.00) | 318.05 |
| Non-financial assets | | | |
| Deferred tax assets (net) | 1,101.32 | (245.42) | 855.90 |
| Other non-financial assets | 1,651.71 | (586.02) | 1,065.69 |
| Asset held for sale | - | 100.14 | 100.14 |
| | 1,20,780.75 | (2,745.82) | 1,18,034.93 |
| Financial liabilities | | | |
| Debt securities | 14,216.75 | 812.83 | 15,029.58 |
| Borrowings (Other than Debt Securities) | 36,555.01 | (263.35) | 36,291.66 |
| Other financial liabilities | 1,966.05 | (721.31) | 1,244.74 |
| Non-financial liabilities | | | |
| Other non-financial liabilities | 3,400.82 | (3,171.36) | 229.46 |
| Equity | | | |
| Other equity | 75,116.76 | 597.37 | 75,714.13 |
| | 1,31,255.39 | (2,745.82) | 1,28,509.57 |



Prakash Chandra

India Shelter Finance Corporation Limited
Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

Extract of statement of profit and loss for the year ended 31 March 2019

| Particulars | As previously reported | Adjustment | As restated |
|--|------------------------|---------------|-----------------|
| Revenue from operations | | | |
| Interest Income | 15,035.10 | 5.71 | 15,040.81 |
| Fees and commission Income | 1,036.60 | (619.15) | 417.45 |
| Net gain on fair value changes | 124.77 | 1,012.99 | 1,137.76 |
| Profit on sale of investments | 1,012.99 | (1,012.99) | - |
| Expenses | | | |
| Finance costs | 4,883.29 | (448.70) | 4,434.59 |
| Impairment on financial instruments | 255.05 | 71.29 | 326.34 |
| Employee benefits expenses | 4,296.01 | 182.74 | 4,478.75 |
| Other expenses | 3,799.18 | (765.03) | 3,034.15 |
| Profit before tax | 3,765.96 | 346.25 | 4,112.21 |
| Tax expense | | | |
| Deferred tax | (133.56) | 100.83 | (32.74) |
| Profit after tax | 2,793.46 | 245.43 | 3,038.89 |
| Other comprehensive income | | | |
| Remeasurements of the defined benefit plans | 60.11 | (50.82) | 9.29 |
| Income tax relating to above item | (17.50) | 14.79 | (2.71) |
| Total comprehensive income for the year | 2,836.07 | 209.40 | 3,045.47 |

Impact on earnings per share - 31 March 2019

| Particulars | As previously reported | Adjustment | As restated |
|---------------------------|------------------------|------------|-------------|
| Earnings per share | | | |
| Basic (Rs.) | 7.36 | 0.53 | 7.89 |
| Diluted (Rs.) | 7.31 | 0.37 | 7.68 |

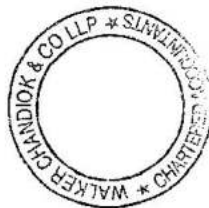
Extract of statement of cash flows - 31 March 2019

| Particulars | As previously reported | Adjustment | As restated |
|--------------------------------------|------------------------|------------|-------------|
| Cash flows from operating activities | (34,102.24) | (964.51) | (35,066.75) |
| Cash flows from investing activities | 2,561.72 | (644.09) | 1,917.63 |
| Cash flows from financing activities | 34,376.73 | 1,608.61 | 35,985.33 |

46 The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the financial year and expects such records to be in existence latest by the due date of filing of the return of income, as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

For Walker Chandlok & Co LLP
Chartered Accountants
Firm's Registration No.: 001078/N/500013

Laht Kumar
Partner
Membership No.: 095256



For and on behalf of the Board of Directors of
India Shelter Finance Corporation Limited

Ami Mehta
Chief Executive Officer
and Managing Director
DIN: 02132315
Place: Udaipur
Date: 10 June 2020

Ashish Gupta
Chief Financial Officer

Place: Delhi
Date: 10 June 2020

Anisha Metwani
Director
DIN: 06943493
Place: Delhi
Date: 10 June 2020

Mukti Chaplot
Company Secretary
Membership No. 38326

Place: Delhi
Date: 10 June 2020

Place: Noida
Date: 10 June 2020