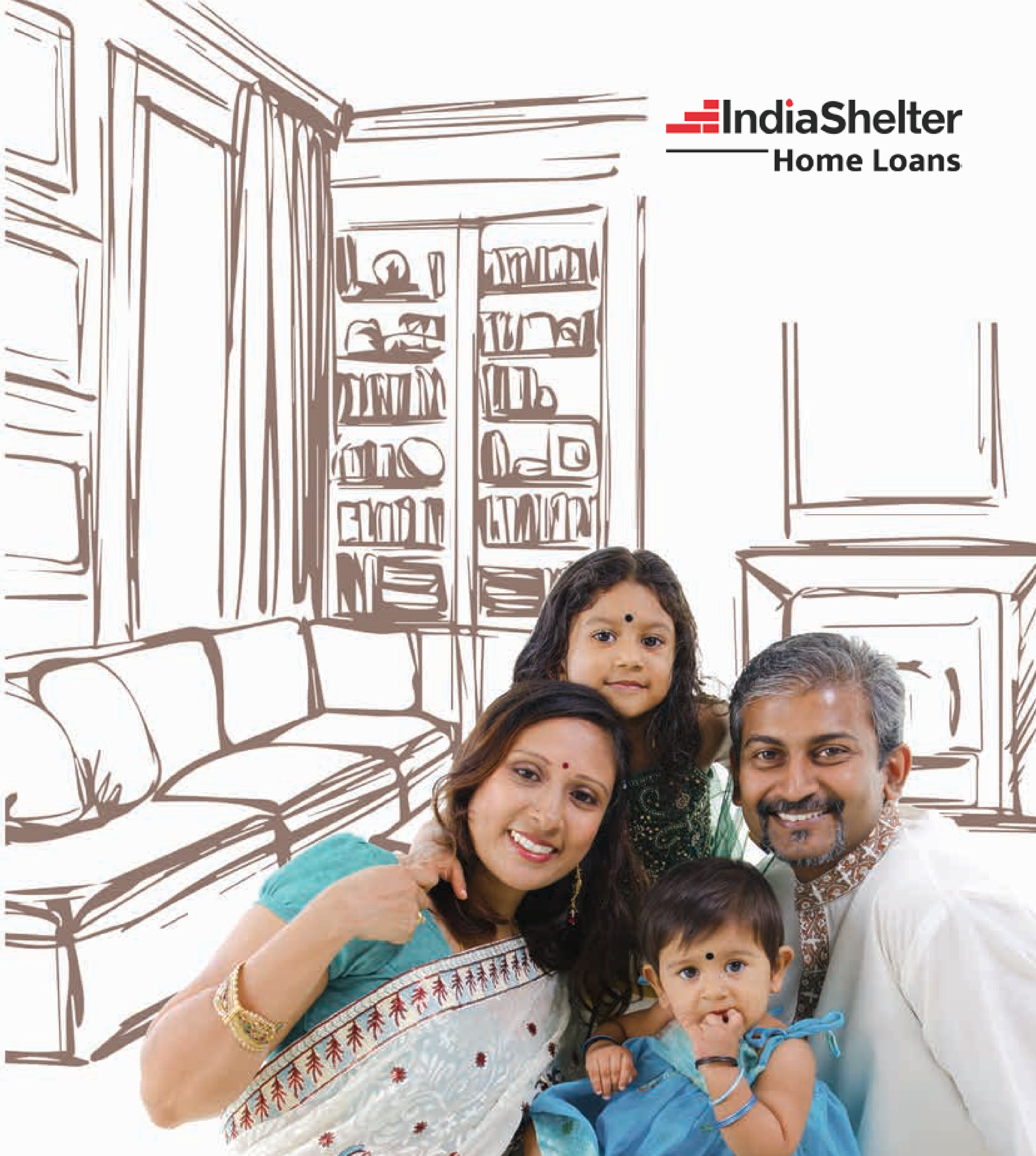
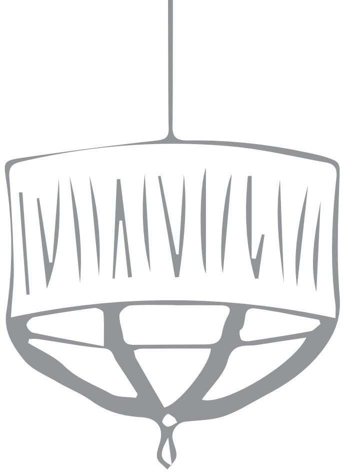
IndiaShelter Home Loans



# Advancing Financial Inclusion.
# Enhancing Lives.

India Shelter Finance Corporation Limited Annual Report 2020-21



# AS YOU ADVANCE...

## CORPORATE OVERVIEW 01–21



## STATUTORY REPORTS 22-81



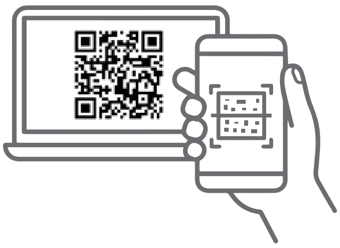
## FINANCIAL STATEMENTS 82-151



Please find our online version at:

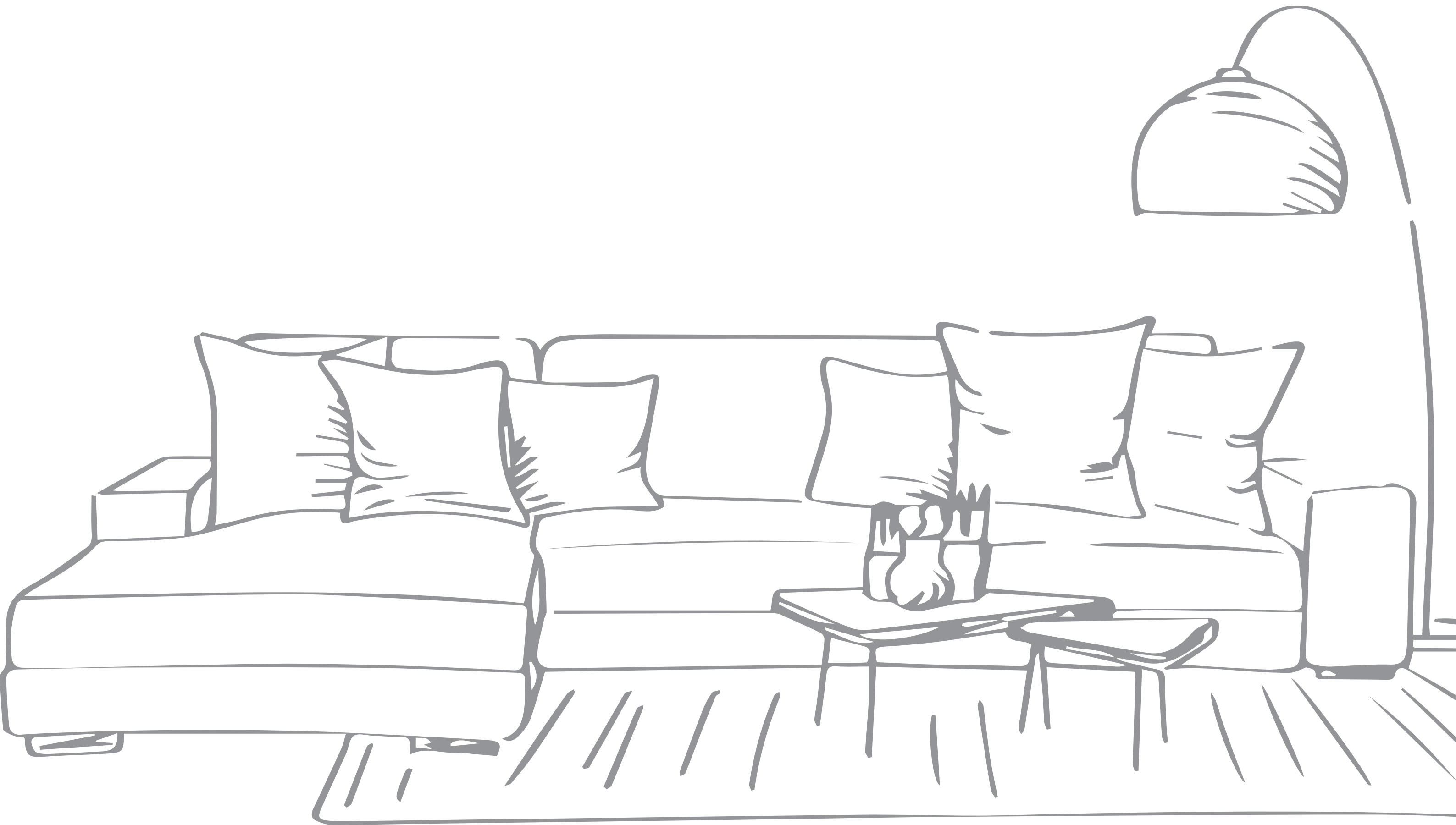
**https://www.indiashelter.in/Download**

Or simply scan to download:



Disclaimer

This document contains statements about expected future events and financials of India Shelter Finance Corporation Limited, which are forward looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.



# ADVANCING FINANCIAL INCLUSION. ENHANCING LIVES.

2020 would be remembered for its challenges, but, more so, for the endurance and perseverance we found within, and for the advancements we made despite the catastrophe. Not leaving anybody behind, we, at India Shelter, continued to grow alongside our borrowers, who would otherwise find financial aid inaccessible at such times.

The theme 'Advancing Financial Inclusion. Enhancing Lives' aptly captures our 2020 journey as we endeavoured to provide quality credit to our society's underserved segments, despite the pandemic widening the socio-economic gap. With a well-defined assessed income approach, we aim to serve the first-to-credit customers and help them achieve their aspirations. Owning a home is a lifetime goal for many. At India Shelter, our endeavour is to help people make this lifetime dream a reality through our affordable housing loans, catering to the low and middle-income groups. We also prioritise women borrowers and co-borrowers to contribute towards women empowerment.

Further, our digital processes, extensive reach, and an experienced workforce propelled us to the next leg of growth. Going ahead, we aim at inclusive and sustainable value creation, keeping the development of our customers and communities among our priorities.

# INDIA SHELTER FINANCE CORPORATION LIMITED

## Advancing Financial Inclusion. Extending Affordable Home Loans.

India Shelter Finance Corporation Limited (ISFC), previously known as Satyaprakash Housing Finance India Limited (SHFIL), is amongst the more prominent affordable housing finance companies in India. The Company was registered with National Housing Bank (NHB) in 1998 and later, in 2010, the Company has been relaunched by a group of professionals. The first course of action for the new management, was to revamp the organisation into a more professional lending business, which continues to remain our USP.

With more than 11 years of presence in the housing finance space, the Company primarily caters to the middle and lower-middle sections of the society with informal income documentation and provides affordable housing loans & non-housing loans. Our product portfolio comprises financing for new home purchase, expanding and upgrading existing homes, loans for home construction on pre-purchased land and Loan Against Property (LAP).

With a strong presence in Tier 2 and Tier 3 cities spread across 15 states, the Company continues to lead the way towards financial inclusion with a strong foundation, retail-focused strategy, and transparent business processes.

# Advancement Through the Years

| Branches | |
|---|---|
| 2010-11 | 11 |
| 2014-15 | 33 |
| 2016-17 | 61 |
| 2018-19 | 81 |
| 2020-21 | 115 |

| AUM (₹ Crores) | |
|---|---|
| 2010-11 | 4 |
| 2014-15 | 228 |
| 2016-17 | 548 |
| 2018-19 | 1,178 |
| 2020-21 | 2,198 |

| Disbursement (₹ Crores) | |
|---|---|
| 2010-11 | 4 |
| 2014-15 | 146 |
| 2016-17 | 234 |
| 2018-19 | 556 |
| 2020-21 | 900 |

| States | |
|---|---|
| 2010-11 | 2 |
| 2014-15 | 5 |
| 2016-17 | 9 |
| 2018-19 | 12 |
| 2020-21 | 15 |

## Honesty

We believe that honesty and transparency are fundamental to building a sustainable brand.

## Respect

We believe in treating all our stakeholders with utmost respect and dignity.

## Hard work

At India Shelter, hard work is the backbone, which carries the weight of our aspirations and core duties as we continue to provide better access to housing credit for every individual in the country.

## Values that Drive Us

We, at India Shelter, have stood by our defining fundamental values right from our inception, and they continue to develop us into a better organisation with each passing day. Our firm yet adaptive guiding principles play a key role in dictating our actions and behaviour.

**2,198 Crores**
Assets Under Management (AUM)

**115**
Branches

**99%**
Collection Efficiency

**894 Crores**
Disbursements

**A Stable**
Credit Rating by ICRA/CARE

**6.5 Lacs**
Average Ticket Size on AUM

**87 Crores**
Profit After Tax

**1.78%**
GNPA*

**36%**
Loan-to-Value

**GNPA: Gross Non-Performing Assets*
*Note: Numbers as of 31 March, 2021*

**The Company was accorded the 'Inclusive Finance India Award' under the category 'Housing Finance Company Lending for Affordable Housing' in the year FY 21. The selection was based on the organisation's outreach, steady asset quality and growth, strong governance practices & commitment to the development of the country's underserved.**

# Our Offerings for Inclusive Growth

### Hassle-free Loans with Minimal Documentation

**Home Loans**

India Shelter's product offerings include loans up to ₹ 50 Lacs to middle-income urban households. These loans primarily help with purchase of new home, renovations needed for old home, and construction of home on existing land at flexible interest rates.

New Home Purchase → Home Improvement → Home Construction

## Loan Against Property (LAP)

We provide secured loans up to ₹ 50 lacs against property (both, residential and commercial) and land. Our hassle-free procedures and fixed, but marginal, interest rates make our LAPs utilisable for personal use, business funding, financing child's education and wedding, building a new home, covering medical expenses, among others.

# Core Competencies

Standing tall on transparency, our business helps the lower and middle-income groups attain financial knowledge and the right suite of housing loans.

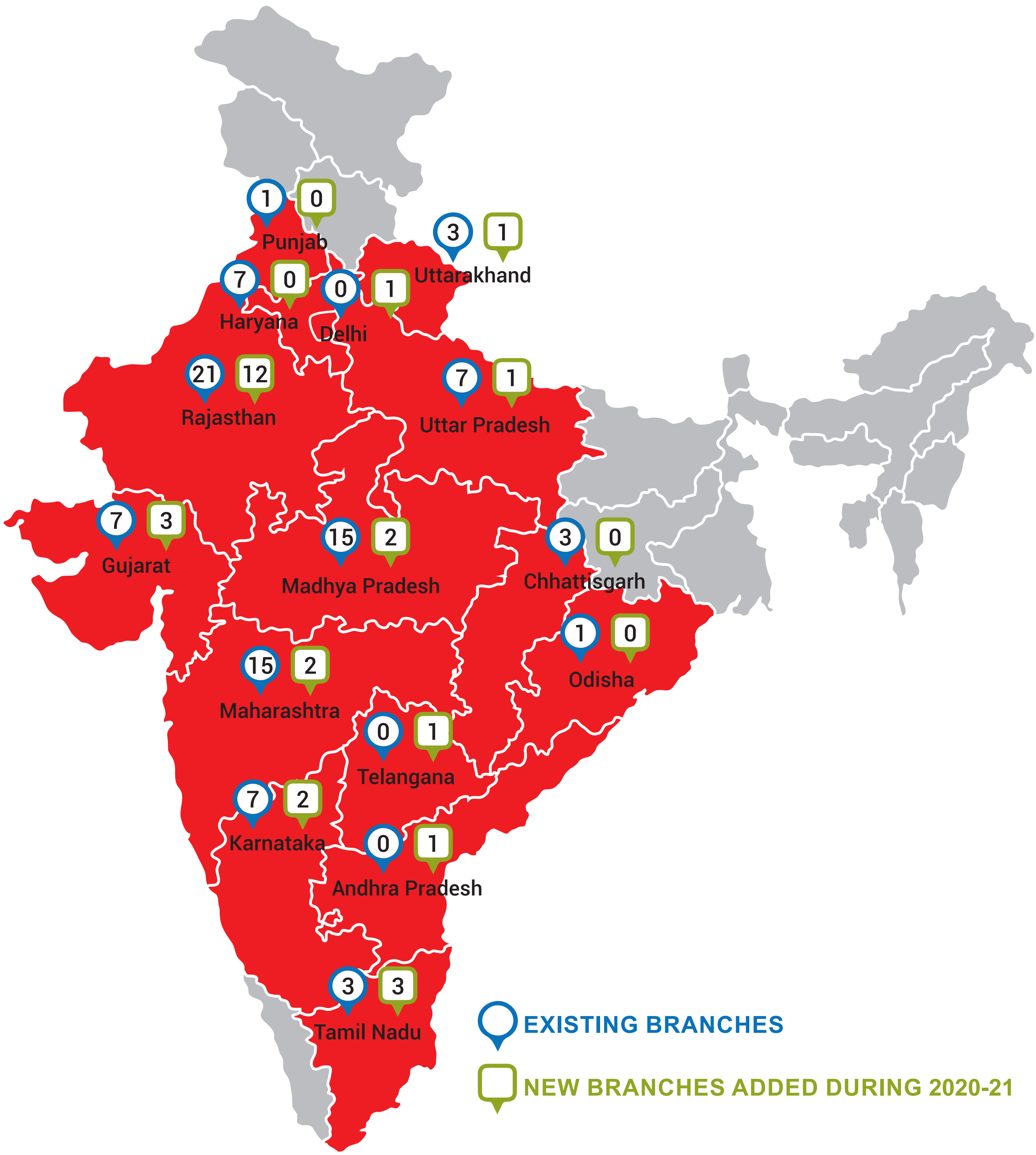
Advanced digital integration leading to a faster turnaround time, cost efficiencies, faster scalability, and accurate data analysis.

An experienced management team leading the Company with strategic planning and result-oriented approach.

Cutting-edge risk mitigating technology for accurate and reliable data management, risk-based pricing, enhanced management reporting, controls and compliance, and improved collection efficiency.

# ENHANCING LIVES ACROSS INDIA

At ISFC, we pledge to advance financial inclusion to the underserved segments of the society. Quality financing is inadequate in remote areas across the country, owing to insufficient credit profile and informal income documentation. Our presence across topographies, backed by our digital capabilities, helps advance our vision and enhance the various lives we touch and reinvent as proud homeowners.




This map is a generalised illustration only for the ease of the reader to understand the locations and it is not intended to be used for reference purposes. The representation of political boundaries and the names of geographical features/states do not necessarily reflect the actual position. The Company or any of its directors, officers or employees cannot be held responsible for any misuse or misinterpretation of any information or design thereof. The Company does not warrant or represent any kind of connection to its accuracy or completeness.

*Note: Branch details are as on March 31, 2021*

# BOARD OF DIRECTORS

### MR. ANIL MEHTA
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Anil Mehta is MMS from SP Jain Institute of Management & Research and is a graduate in Economics. With more than 35 years of experience in mortgage, banking, and insurance space, Mr. Mehta has been the leading force behind India Shelter for 10 years now. He has also served as the senior director at Max New York Life Insurance Company Limited, prior to handling ISFC.

### MR. RUPINDER SINGH
EXECUTIVE DIRECTOR & CHIEF OPERATING OFFICER

Mr. Rupinder Singh is MBA, Marketing from FORE School of Management, New Delhi. Out of 20 years of total work experience, Mr. Singh has handled the mortgage business across India for more than 15 years. He has led the mortgage finance business in Cholamandalam, where he managed a book of ~ ₹ 135 Bn.

### DR. SHAILESH J MEHTA
INDEPENDENT DIRECTOR

Dr. Shailesh J Mehta holds a Ph.D. in Operation Research and Computer Science from Case Western Reserve University and a B.Tech from the Indian Institute of Technology (IIT), Bombay. He was the Chairman of the Board and CEO of Providian Financial Corporation. He has also been the president and COO of Capital Holding. Dr. Mehta is a Managing General Partner of Granite Hill Capital Partners since 2007. He has received several awards for excellence in leadership, as an individual and as a community leader. Dr. Mehta was awarded an Honorary Doctorate from California State University and recognised as Doctor of Humane Letters.

### MS. RACHNA DIKSHIT
INDEPENDENT DIRECTOR

Ms. Rachna Dikshit finished her CAIIB and pursued her Master's in Political Science at the Allahabad University and graduated from Lucknow University. She served under the Reserve Bank of India for over a period of 33 years in various capacities including Regional Director, Punjab, Haryana and UT Chandigarh; General Manager, Financial Inclusion & Development Department, Chandigarh and New Delhi; General Manager, Department of Banking Regulation, Mumbai Central Office, to name a few of her accolades. During her tenure as the Regional Director, she was responsible for all supervisory/operational functions of inter alia banks, NBFCs, and cooperative banks. She also chaired the Empowered Committee for MSME and co-chaired State level Meetings including the SLBC, SLSC, and SLCC.

## MR. GV RAVISHANKAR
NOMINEE DIRECTOR

Mr. GV Ravishankar is a Managing Director with Sequoia Capital. At Sequoia Capital, he focuses on sectors like Technology, Consumer, and Healthcare. He currently serves on the board of companies such as Byjus, Suburban Diagnostics, Prataap Snacks, Faaso's, Wildcraft, Via, CloudNine, and ISFC. Prior to this, Mr. Ravishankar worked at McKinsey & Co. and Wipro Technologies. He received an MBA from IIM-A, where he was awarded the President's Gold Medal. He also holds a BE in Computer Science and Engineering from REC Trichy.

## MR. ANUP GUPTA
NOMINEE DIRECTOR

Mr. Anup Gupta is a Managing Director at Nexus Venture Partners. Previously, he was the Group Chief Operating Officer at WNS (NYSE: WNS), a leading IT Enabled Services (ITES) company. Before that, Mr. Gupta was with eVentures India, a pioneer in the venture capital sector in India and a management consultant at Booz & Company. Mr. Gupta holds MBA from IIM Calcutta and B-Tech from IIT Kharagpur.

## MR. SUMIR CHADHA
NOMINEE DIRECTOR

Mr. Sumir Chadha has an MBA (with Distinction) from Harvard Business School and a BSE degree in Computer Science from Princeton University. He is a co-founder and Managing Director of WestBridge Capital, a leading investment firm focused on Indian public companies and selectively later stage private companies. He was also a co-founder and Managing Director of Sequoia Capital India. Prior to that, Mr. Chadha was part of the Principal Investment Area at Goldman Sachs & Co. He began his career as a management consultant at McKinsey & Co. He served as Chairman of the Indian Private Equity and Venture Capital Association (IVCA) for 2 years. He currently serves on the India Advisory Board of Harvard Business School and on the Advisory Board of the Princeton Institute for International and Regional Studies at Princeton University.

IndiaShelter Home Loans

# MANAGEMENT TEAM

## MR. ASHISH GUPTA
CHIEF FINANCIAL OFFICER

Mr. Ashish Gupta is a Chartered Accountant and holds a Master's in Banking & Finance with experience of more than 14 years. He has worked with Satin Creditcare Network Limited, (NHHFDL) promoted by the WAVE Group, HSBC, IFCI Factors Limited (IFL), and Price Waterhouse.

## MR. NILAY DUTT
HEAD, HR

Mr. Nilay Dutt is MBA (HR) with 22 years of experience in HR management.
Mr. Dutt has a rich portfolio with names like Gujarat Heavy Chemicals, Aksh Optifibre, Max New York Life, New York Life International, Max Life Insurance, and Standard Chartered.

## MR. VARUN GULIANI
CHIEF TECHNICAL OFFICER

Mr. Varun Guliani is MCA and is recognised as a Project Management Professional. With more than 14 years of experience, he has previously worked with Publicis Groupe, Max New York Life Insurance Company Limited, Religare Finvest Limited, and Hero Fincorp Limited.

## MR. SIDHARTH VIJ
HEAD, CREDIT UNDERWRITING

Mr. Sidharth Vij is a Chartered Accountant and received his CAIIB certification from the Indian Institute of Banking and Finance and also undertook MBA in Finance. He has previously worked with HDFC Bank, Development Bank of Singapore, CBOP, GE Money, ICICI Bank and Australian Trade Commission.

## MS. MUKTI CHAPLOT

COMPANY SECRETARY & HEAD-INTERNAL AUDIT

Ms. Mukti Chaplot is a Company Secretary and Chartered Accountant with 8 years of experience in corporate governance, equity raise, finance & audit.

## MR. PRAKASH BHAWNANI

HEAD-TREASURY & FP&A

Mr. Prakash Bhawnani is a Chartered holder from CFAI, USA and has completed MBA, MS Finance, CAIIB. With 12 years of experience, he has worked with ICICI Bank, Union Bank, Reliance Industries and Home Credit.

## MR. SAURABH SHARMA

HEAD-BUSINESS OPERATIONS

Mr. Saurabh Sharma is a Graduate. He has 18 years of experience in operations management for Financial, Banking and Insurance sector. He has worked with Associate India Financial Ltd, Max Life Insurance, ING Vysya Life Insurance, Canara HSBSObc Life.

## MR. VINAYAK MISHRA

HEAD- COLLECTIONS

Mr. Vinayak Mishra is a professional with 24 years of experience in FCU, RCU, audit, recovery & collections. He has worked with Orix India, India Bulls, Citi Bank, HDFC Bank and Magma Leasing.

# A NOTE FROM THE MD AND CEO

Your Company recorded an impressive growth of 62% in disbursements during 2020-21, our revenue grew by 40% and profitability grew by 86%. During the year, we prioritised our employees' safety and customers' well-being via our digital channels.

## Dear Shareholders,

The year 2020 changed the way we presumed 'normal' . It taught us an important lesson on adaptability in the face of uncertainty. The Covid-19 pandemic dented many lives and wreaked havoc worldwide. However, despite such rough tides, India Shelter is proud to have sailed farther and smoother.

It is our honesty, hard work, and respect towards our communities that has helped the Company not only sustain its previous momentum but also push itself ahead.

The Covid-19 pandemic resulted in an unpredictable chain of events across the globe. With reduced production and consumption, every economy witnessed a fiscal crunch like never before. The pandemic shook the Indian economy, which was already under the effects of demonetisation and GST enforcement. As Covid-19 swiftly made its way into the nation, the Indian Government imposed a strict nationwide lockdown. Trade and travel restrictions along with shutdown of business activities led to a GDP contraction of 23.9%.

The Indian Economy underwent a phase of uncertainty, which was only normalised by the gradual reopening of the economy in the second half of 2020-21. With the resumption in activities across sectors and the general rise in public sentiments, the economy geared up for recovery. The Reserve Bank of India (RBI) along with the Centre further came to the rescue and provided a stimulus package of ₹ 29.87 Tn. These in aggregate led to a GDP growth of 0.4% in Q3 of 2020-21, while also stirring positive momentum across sectors and macro-indicators.

Indian Housing Finance space has seen its fair share of uncertainties in the recent times. The sector that faced demand, funding, and liquidity challenges in the last two financial years is now witnessing a rise on both, the demand and the supply side. With the rollout of multiple vaccines and preference towards work from home, the wide consensus is that housing finance is a need of the hour. It has led to increase in consumer demand for new homes. Further, investments towards aesthetic and hygienic renovation of existing homes are picking up. Moreover, on the supply side, co-lending and co-origination has provided the necessary boost in terms of funding and liquidity to housing finance companies (HFCs).

At India Shelter, our business, too, felt a sudden jolt when Covid first hit the country. However, your Company took prompt action and implemented Business Continuity Planning (BCP), which enabled a seamless transition to a home-based working setup for our employees. All operations went online. With commendable support and resilence shown by our entire team, we bounced back in the second half of 2020-21, recording an impressive growth of 62% in disbursements at ₹894 Crores. However, exceptional times call for exceptional customer support as well. ISFC, particularly, keeps its customers first, and with continued focus on customers, we ended the financial year with more than 35,000 happy customers, serviced through an existing network of 115 branches.

Despite these challenging times, our overall loan book grew by 45% to ₹2,198 Crores in 2020-21. Total Revenue for the year stood at ₹322.80 Crores, a growth of 40% Y-o-Y from ₹229.92 Crores in 2019-20. Total Comprehensive income for the year grew by 86% to ₹87.39 Crores in 2020-21. Further, our profitability has increased due to cost rationalisation measures. Providing continued support to our customers has not only bolstered our consumer engagement, but, it has also advanced our vision towards women empowerment and financial inclusion.

ISFC's funding primarily comes from banks, larger Non-banking Financial Companies (NBFCs), and refinancing from NHB. Due to the benign credit market, mutual fund support was subdued in 2020-21, but we expect more activity from this segment in the coming years. During the year ended 31 March, 2021, 43.2% of our total borrowings were from leading private sector banks, 37.8% from NHB, 8.7% from Public Sector Banks, 6.9% from bigger NBFCs, and 3.4% of borrowings were from Mutual Funds. With a comfortable liquidity position, we actively focus on Asset-Liability matching. At ISFC, we have a balance asset-liability management (ALM) with long-term borrowing and an average ALM tenure of 6 years.

Digitisation has always been at the forefront of ISFC, and with the Covid-19 pandemic, we took the next big leap. Your Company quickly implemented digital initiatives as our modus operandi, right from on-boarding customers to collecting payments. ISFC is now equipped with a fully integrated digital platform that can handle paperless loan applications. Your Company also undertook strategic alliances with multiple FinTechs to encourage digital sourcing. Further, we have also developed an android native application to manage the collection process. Our technology has enabled us to provide best-in-class services to our customers.

ISFC holds the safety and well-being of its employees at par with other priorities. We conduct frequent skill development and learning sessions to nurture our talented workforce. Your Company believes in performance-based incentives and rewards its employees on their achievements. During the tough times of Covid-19, our adaptive and customer-focussed team smoothly transitioned to work from home, taking most of our operations online. We made deliberate attempts to ensure employee wellness and provided the much-needed insurance cover to cope with Covid-related hospitalisation. We provided financial aid to our people, who suffered from Covid-19, and promoted the vaccination drive by reimbursing our employees for their vaccination-related costs.

At the time of writing this report, India is facing the second wave of the Covid-19 pandemic. However, with the large-scale vaccination drive and widespread acceptance of this post-Covid 'normal', the economy has started to recover. Though uncertainty remains, we are delighted that India's GDP growth was 1.6% in Q4 of 2020-21, and so, we are optimistic about the future.

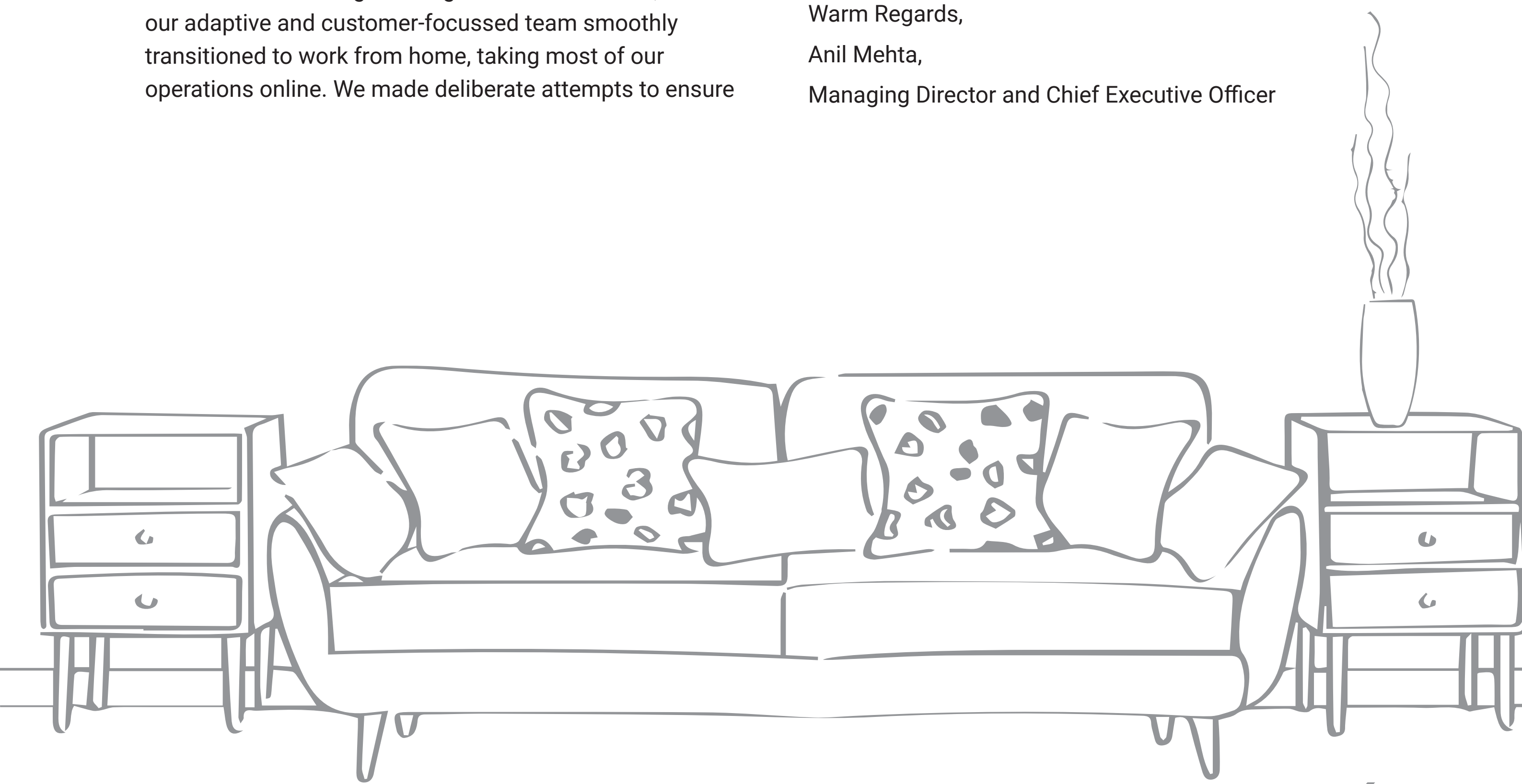
At ISFC, our primary focus will be on enhancing our digital infrastructure with sophisticated use of analytics and FinTech integration. The way ahead is paved with rigorous credit assessment systems with an organisation-wide robust governance framework, strong liability portfolio of counterparties, and a diversified lending profile across states.

With this, I would like to express my gratitude to our Board of Directors, Senior Management, Customers, and Employees for their continuous support. I would also like to thank our partner banks and financial institutions for their assistance. We shall ride out of these difficult times together and come out stronger.

Warm Regards,

Anil Mehta,

Managing Director and Chief Executive Officer



# OUR TECHNOLOGICALLY ADVANCED LOAN JOURNEY

We understand the pride and self-satisfaction that comes with owning a home. Many people spend a lifetime worth of grit and financial resources to realise this dream. However, due to an insufficient credit profile and lower financial reach in India, a lot of home seekers cannot access quality credit. At ISFC, our philosophy has always been to reach the underserved and help them get closer to this dream of becoming proud homeowners. At the core of everything we do, we evaluate our intrinsic principles: Financial inclusion, enriching lives, and empowering women.

To support our mission, we have been continually moving towards to a technology-driven model. We have also tied up with various FinTech players for digital sourcing. Some of our digital capabilities include:

### Lead Generation

Data-driven qualification criteria with centralised call centres that provide regional language support also.

### Onboarding

Processing though sales application facilitating online application and KYC login.

### Verification

KYC verification with PD by credit manager, bureau checks and technical verifications.

### Evaluations & Credit Scoring

Scorecard to evaluate the applicant, risk-based pricing and delinquencies as well as conducting bureau scrubbing (credit score and detailed report).

### Approval

Collecting necessary documents from the applicant before approval, sourcing insurance details from the applicant to cover the risk of default, execution of the agreement, E-sign of agreement, E-stamping and E-mandate.

### Disbursement

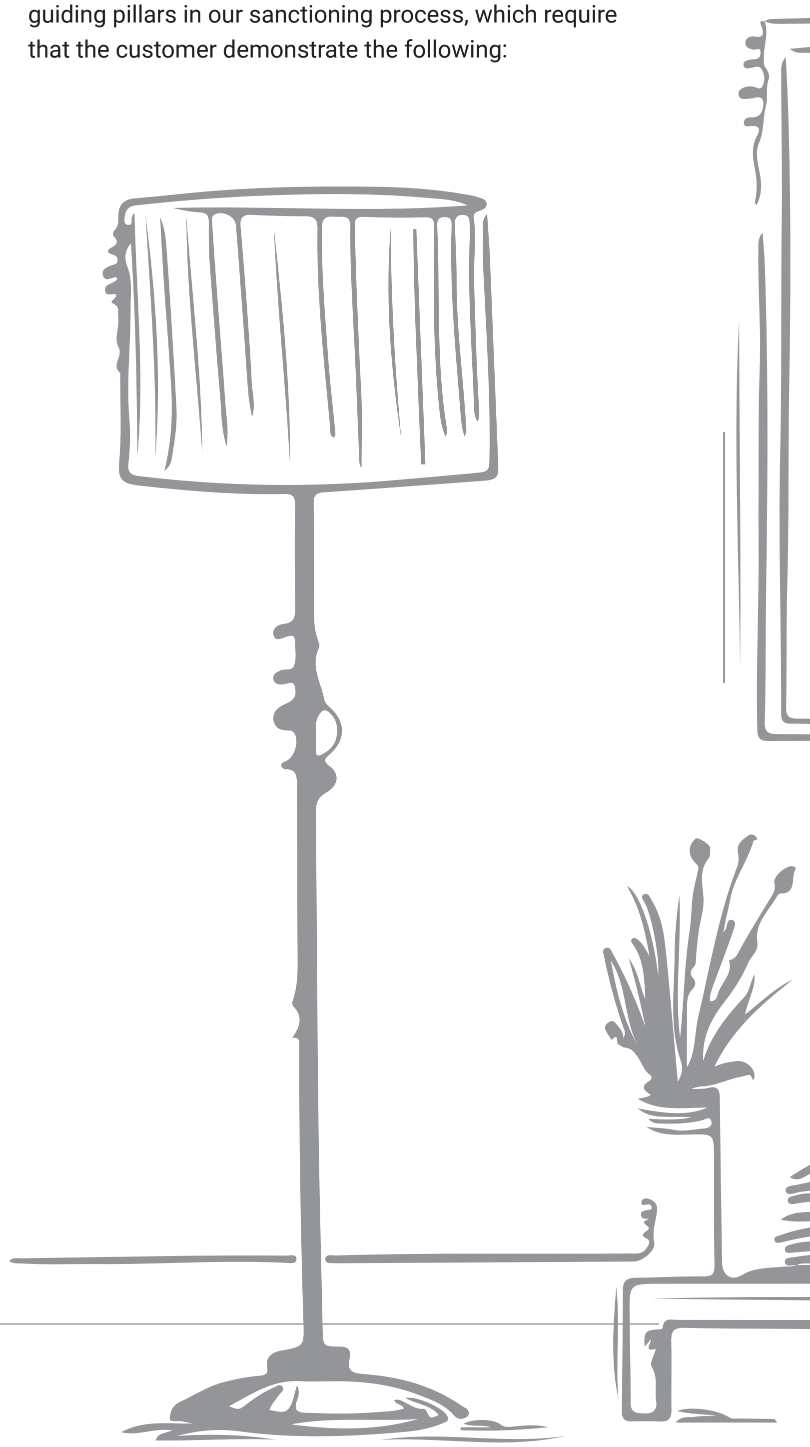
Centralised processing of disbursement amount to customer's bank account.

### Vendor Management

A well-developed vendor portal for our partners, wherein they can access the orders, submit their reports and invoices, and track the payments made by the Company.

## Prudent Credit Underwriting Principles

Our foundational credit underwriting principles are the guiding pillars in our sanctioning process, which require that the customer demonstrate the following:



- Essential lifestyle indicators like television, washing machine, smartphone, and toilet
- A minimum income of ₹20,000-25,000 per month, depending on their location
- School attendance for their children
- Women applicant with multiple streams of income in the household (optional but preferable)
- Total repayment max up to 70% of household disposable income
- Current address within 60 kilometres of ISFC office location

## Our Effective Collection Process

We work towards establishing a long-term relationship with our customers and have adopted a collaborative collection mechanism. To instil a habit of regular repayments, we remain consistent with our follow-up cycles and payment reminders. Some measures taken in line with that are:

- Automated early reminders processed through short message service (SMS) and interactive voice response (IVR)
- Real-time mobile enabled collection dashboard
- Mobile route map for collection agents to visit customers
- Assessment of default – wilful/permanent or temporary
- Legal and collateral actions to recover money

# IMPACT CREATED BY ISFC

Irrespective of the socioeconomic status of a person, a stable shelter, i.e. a house, is a primary need for all people alike. Through our products, we help home seekers fulfil their aspirations of becoming proud home owners, especially applicants  of the underserved segments who lack access to quality credit.

## Financial Inclusion for the Underserved

At ISFC, financial inclusion underlines the very essence of all our projects. We extend affordable housing loans to low and middle-income groups, who remain underserved due to lack of knowledge, proper documentation, or necessary resources. With just a little push from India Shelter, our clients successfully achieve their long-term goals of becoming independent and stable home owners.

**18%**

**Loan to First-to-credit customers**

### Here is what Moor Saleem has to say about us...

Moor Saleem is an honest and profitable businessman. However, due to his business involving large cash-based transactions, Saleem could never present his income proof, thus, withholding his ambition of owning a home. It was when he attended a customer meeting at India Shelter that a hope was rekindled as a Relationship Officer took him through the loan process at his own pace. He now owns a home in Dewas, MP.

## Financial Resilience to our Customers

We are a customer-centric organisation and prioritise our borrowers' financial well-being. Any home owner would tell you that buying a home is more feasible in the longer haul than renting one for years. ISFC extends continuous support to our existing customers, to help them ride the storm and grow stronger together. Here is a story on resilience.

### Neeraj

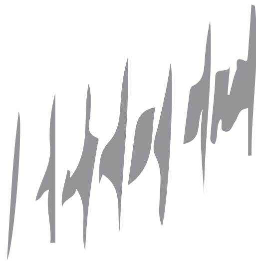
Small business owner Neeraj plans for his future in the present. So, when he realised that paying rent was denting his growth prospects and not generating value for the family, he approached India Shelter. We approved his loan within 14 days, and now, he owns a flat, a real asset.

## Empowering and Uplifting Indian Women

With more and more women filling up crucial jobs, the future of gender equality is bright. To further accelerate this movement, we, at ISFC, prioritise lending to women applicants. Our loans can help them reach farther out and fulfil their goals, while also maintain a financially stable life. We help them in uplifting their lifestyle, social status and even suppor their children's education.

**100%**

**Loans we sanctioned to women borrowers/co-borrowers**



# ENHANCING LIVES. ADVANCING INCLUSIVE DEVELOPMENT.

### Our CSR Initiatives

At India Shelter, we believe in an all-rounded development which includes our customers as well as the communities we operate in. Our initiatives encompass strategies to better the underserved fragments of the Indian society; some of our core strategic points include:

- Providing support for livelihood,
- Promoting women empowerment, and
- Delivering education to lesser-advantaged children

## Some Prominent CSR Initiatives

### Promoting Education

We, at India Shelter, truly believe that education should be an easily accessible resource, not a privilege limited to only a few. So, we focus our CSR activities to promote fun and viable education methods among the lesser privileged sub-groups.

### Fighting for Children with Cancer

ISFC feels compassionately about childcare, and our heart goes out for our brave little heroes, who at such an early age, have to confront the reality of Blood Cancer. We have partnered with Leukaemia Crusaders, an effort by the Bansi Vidya Memorial Trust (BVMT), to financially assure  children with leukaemia or blood cancer. BVMT works towards facilitating early detection of Leukaemia in children by creating awareness in addition to providing the facilities needed for treatment.

### Transforming Lives and Strengthening our Communities

Beyond our business, operations, and loans too, we know a lot can be done to further improve our quality of lives. So, with our dedicated CSR initiatives, we continually aspire to make a better and happier society. We contribute to Seva Mandir, a grassroot NGO based in Udaipur, to empower individuals from diverse backgrounds and make the world a better place, one day at a time.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Anil Mehta
Managing Director & CEO

Mr. Rupinder Singh
Executive Director & COO

Dr. Shailesh J Mehta
Independent Director

Ms. Rachna Dikshit
Independent Director

Mr. GV Ravishankar
Nominee Director

Mr. Anup Gupta
Nominee Director

Mr. Sumir Chadha
Nominee Director

## COMMITTEES OF BOARD

**Audit Committee**

Ms. Rachna Dikshit

Dr. Shailesh J Mehta

Mr. Anil Mehta

## NOMINATION AND REMUNERATION COMMITTEE

Ms. Rachna Dikshit

Dr. Shailesh J Mehta

Mr. Anup Gupta

Mr. GV Ravishankar

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Anil Mehta

Ms. Rachna Dikshit

Mr. GV Ravishankar

Mr. Rupinder Singh

## ENTERPRISE RISK MANAGEMENT COMMITTEE

Dr. Shailesh J Mehta

Ms. Rachna Dikshit

Mr. Anil Mehta

Mr. Rupinder Singh

## ASSET LIABILITY MANAGEMENT COMMITTEE

Mr. Anil Mehta

Mr. Rupinder Singh

Mr. Ashish Gupta, CFO

Mr. Varun Guliani, CTO (Invitee)

## IT STRATEGY COMMITTEE

Dr. Shailesh J. Mehta

Mr. Anil Mehta

Mr. Varun Gulaini, CTO

## WILFUL DEFAULTER REVIEW COMMITTEE

Mr. Anil Mehta

Dr. Shailesh J. Mehta

Ms. Rachna Dikshit

Mr. Rupinder Singh

## CUSTOMER SERVICE & GRIEVANCE REDRESSAL COMMITTEE

Mr. Anil Mehta

Mr. Rupinder Singh

Mr. Ashish Gupta, CFO

Mr. Saurabh Sharma, Head-Operations & Chief Grievance Redressal Officer

## CHIEF FINANCIAL OFFICER

Mr. Ashish Gupta

## COMPANY SECRETARY AND HEAD-INTERNAL AUDIT

Ms. Mukti Chaplot

## STATUTORY AUDITORS

M/s. Walker Chandiok & Co, LLP, Chartered Accountants
Registration number 001076N/N500013

## INTERNAL AUDITORS

I.P Pasricha & Co.

## SECRETARIAL AUDITORS

**Mr. Jitender Singh**
**(Membership No.: A33610 & CP. 12463)**

## CORE MANAGEMENT TEAM

**Mr. Nilay Dutt**
Chief HR officer

**Mr. Varun Guliani**
Chief Technical Officer

**Mr. Sidharth Vij**
Head, Credit

**Mr. Prakash Bhawnani**
Head-Treasury & FP&A

**Mr. Saurabh Sharma**
Head-Business Operations

**Mr. Vinayak Mishra**
Head, Collections

## REGISTRAR AND TRANSFER AGENT

**Skyline Financial Services Private Limited**
D-153, 1st Floor, Okhla Industrial Area, Phase I,
New Delhi-110020

## DEBENTURE TRUSTEES

**Catalyst Trusteeship Limited**
CIN: U74999PN1997PLC110262
GDA House, First Floor,
Plot No. 85 S. No. 94 & 95,
Bhusari Colony (Right),
Kothrud Pune MH 411038 IN

## RATING AGENCIES

**CARE Ratings Limited**
13th Floor, E-1 Block,
Videocon Tower Jhandewalan Extension,
New Delhi-110055

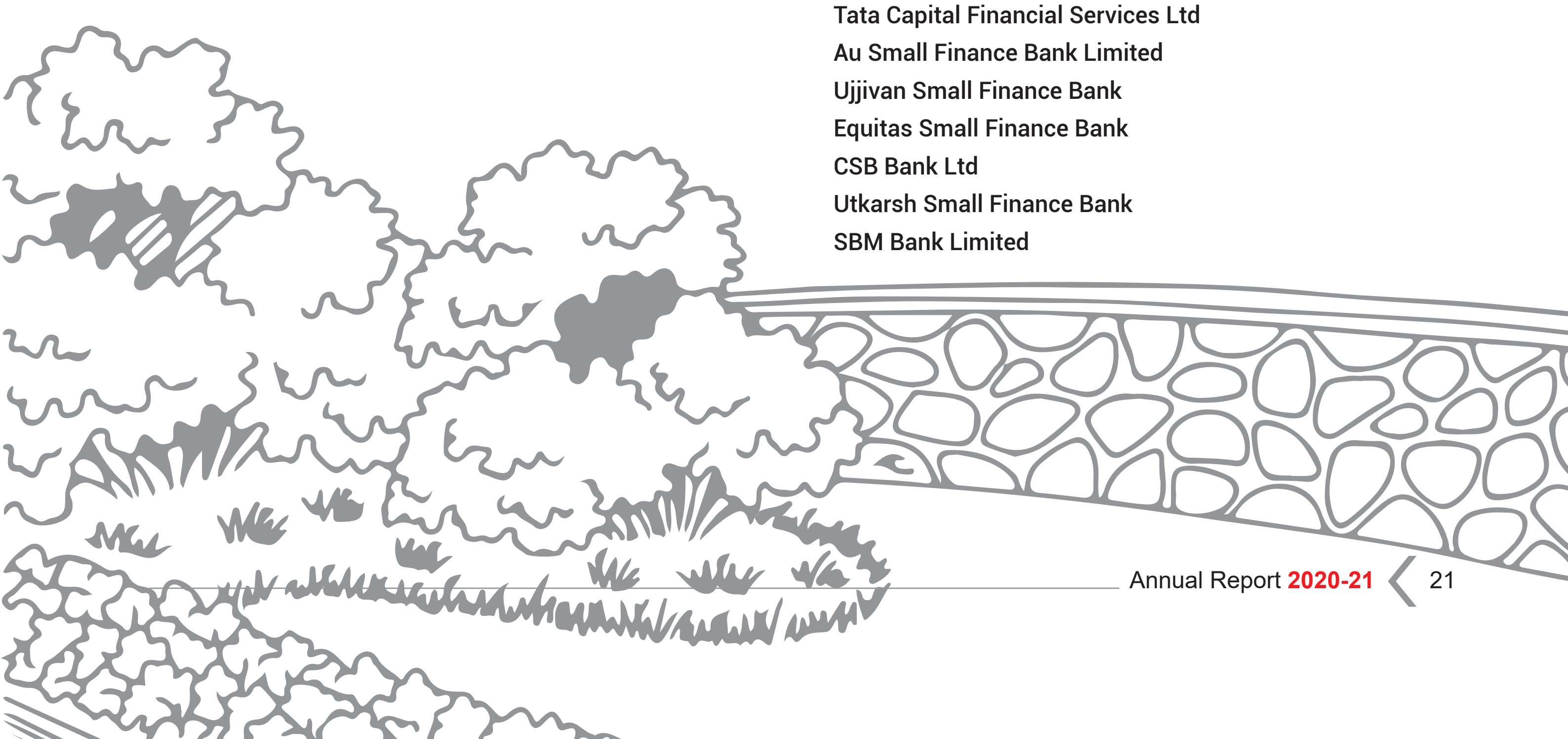
**ICRA Limited**
B-710, Statesman House,
148, Barakhamba Road,
New Delhi- 110001

## REGISTERED OFFICE

**6th Floor, Plot No 15,**
**Institutional Area, Sector 44,**
**Gurgaon, Haryana-122002**

## LIST OF BANKERS

**National Housing Bank**
**HDFC Bank Limited**
**HDFC Limited**
**State Bank Of India**
**Bank Of Baroda**
**The Federal Bank Limited**
**RBL Bank Limited**
**Bandhan Bank**
**Yes Bank Ltd**
**Axis Bank Limited**
**IndusInd Bank Limited**
**Kotak Bank Limited**
**Karnataka Bank Limited**
**Bank Of Maharashtra**
**Punjab And Sind Bank**
**Bajaj Finance Limited**
**Aditya Birla Finance Limited**
**Tata Capital Financial Services Ltd**
**Au Small Finance Bank Limited**
**Ujjivan Small Finance Bank**
**Equitas Small Finance Bank**
**CSB Bank Ltd**
**Utkarsh Small Finance Bank**
**SBM Bank Limited**



# DIRECTOR'S REPORT

To,

The Members of,

**India Shelter Finance Corporation Limited**

6th Floor, Plot -15,

Institutional Area,

Sector – 44,

Gurgaon-122002

Your Directors have pleasure in presenting the 23rd Annual Report on the Business and Operations of the Company and the Audited Financial Statements for the Financial Year ended 31 March, 2021.

## Financial Results

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

(₹ in Lacs)

| Sl. No. | Particulars | Year Ended 31 March, 2021 | Year Ended 31 March, 2020 |
|---|---|---|---|
| | **Revenue from operations** | | |
| (i) | Interest Income | 27,457.21 | 21,213.58 |
| (ii) | Fees and commission Income | 999.26 | 957.34 |
| (iii) | Net gain on fair value changes | 291.85 | 737.14 |
| (iv) | Net gain on derecognition of financial instruments under amortised cost category | 2,922.29 | - |
| **(I)** | **Total Revenue from Operations** | **31,670.61** | **22,908.06** |
| **(II)** | Other Income | 609.22 | 82.98 |
| **(III)** | **Total Income (I+II)** | **32,279.83** | **22,991.04** |
| | **Expenses** | | |
| (i) | Finance Costs | 10,534.81 | 7,534.87 |
| (ii) | Impairment on financial instruments | 1,984.73 | 1,173.32 |
| (iii) | Employee Benefits Expenses | 6,168.58 | 5,037.61 |
| (iv) | Depreciation, amortisation and impairment | 509.84 | 586.88 |
| (v) | Other expenses | 1,786.18 | 2,274.48 |
| **(IV)** | **Total Expenses** | **20,984.14** | **16,607.16** |
| **(V)** | **Profit/(loss) before tax (III-IV)** | **11,295.69** | **6,383.88** |
| **(VI)** | **Tax Expense:** | | |
| | (1) Current Tax | 2,477.20 | 1,842.95 |
| | (2) Deferred Tax | 79.63 | (150.21) |
| | | **2,556.83** | **1,692.74** |
| **(VII)** | **Profit / (loss) for the period (V-VI)** | **8,738.86** | **4,691.14** |
| | A Items that will not be reclassified to profit or loss (specify items and amounts) | - | - |
| | (i) Remeasurements of the defined benefit plans; | (28.39) | (0.20) |
| | (ii) Income tax relating to items that will not be reclassified to profit or loss | 7.15 | 0.05 |
| | **Other Comprehensive Income** | **(21.24)** | **(0.15)** |
| **(IX)** | **Total Comprehensive Income for the period** | **8,717.62** | **4,690.99** |
| | Paid-up equity share capital | 4,297.84 | 4,283.02 |
| | Other equity as per Balance sheet | 89,429.12 | 80,545.35 |
| **(X)** | **Earnings per equity share** | | |
| | Basic (₹) | 20.39 | 10.99 |
| | Diluted (₹) | 19.86 | 10.80 |

## 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 31 March, 2021.

## Change in Share Capital

During the year 1,48,250 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 10 January, 2021.

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

(₹ in Lacs)

| S. No. | Name of shareholder | % of Share Capital As on 31 March, 2021 | % of Share Capital As on 31 March, 2020 |
|---|---|---|---|
| 1 | Anil Mehta | 2.41% | 2.15% |
| 2 | Other Individual Investors | 2.05% | 1.99% |
| 3 | Milestone Trusteeship Services Private Limited acting as trustee for Madison India Opportunities Trust Fund | 5.24% | 5.24% |
| 4 | Sequoia Capital India Investments III | 3.19% | 6.64% |
| 5 | Nexus Ventures III, Ltd. | 21.92% | 21.92% |
| 6 | Sequoia Capital India Growth Investments I | 4.78% | 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 | 23.31% | 14.69% |
| 10 | Madison India Opportunities IV | 1.39% | 1.39% |
| 11 | ESOP and Other Rights | 5.42% | 5.75% |
| | **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.

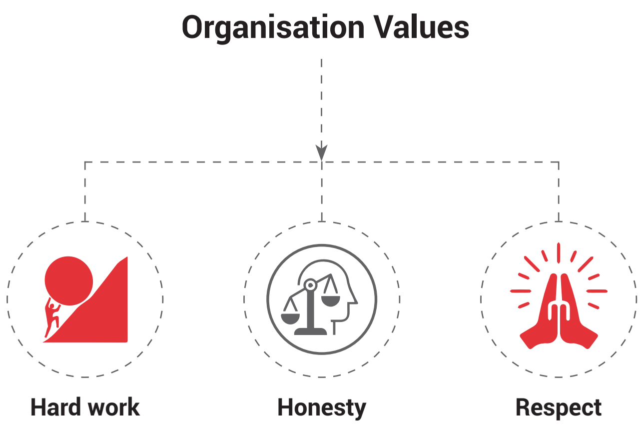
## Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

No Material change and commitment occurred between the end of the financial year 2020-21 of the company and this report date except as disclosed below that may affect the financial position of the company.

## Net Worth

As of 31 March, 2021, the net worth of your Company stood at ₹ 937.27 Crores compared to ₹ 848.28 Crores on 31 March, 2020 registering an increase of 10.5%.

## Performance of Company

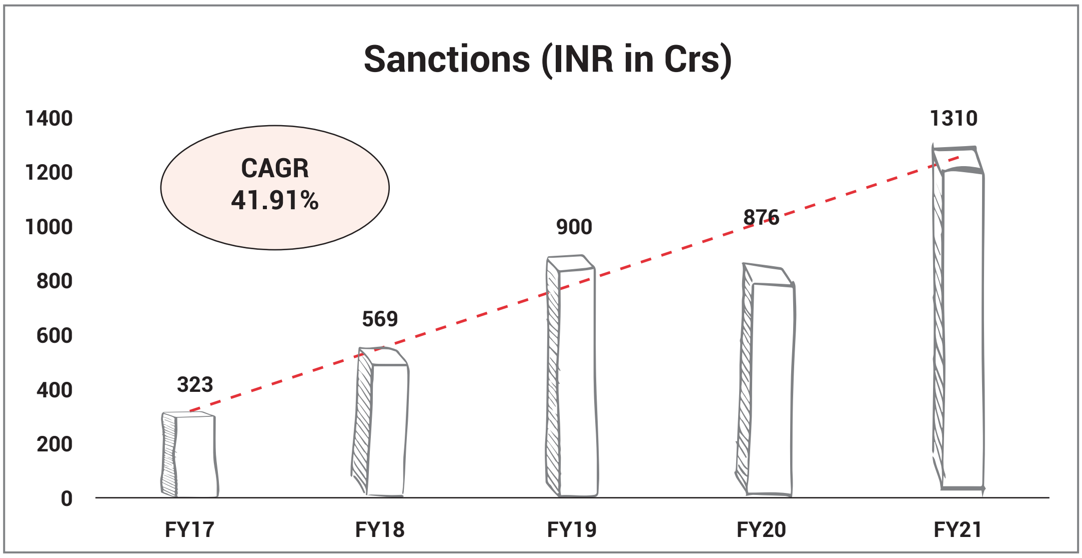



Your Company has in line with its motto, "Hard Work, Honesty & Respect" conducted its activities and has emerged as a Company of choice for providing finance solutions to the mid to low income segment in the area of home loans.

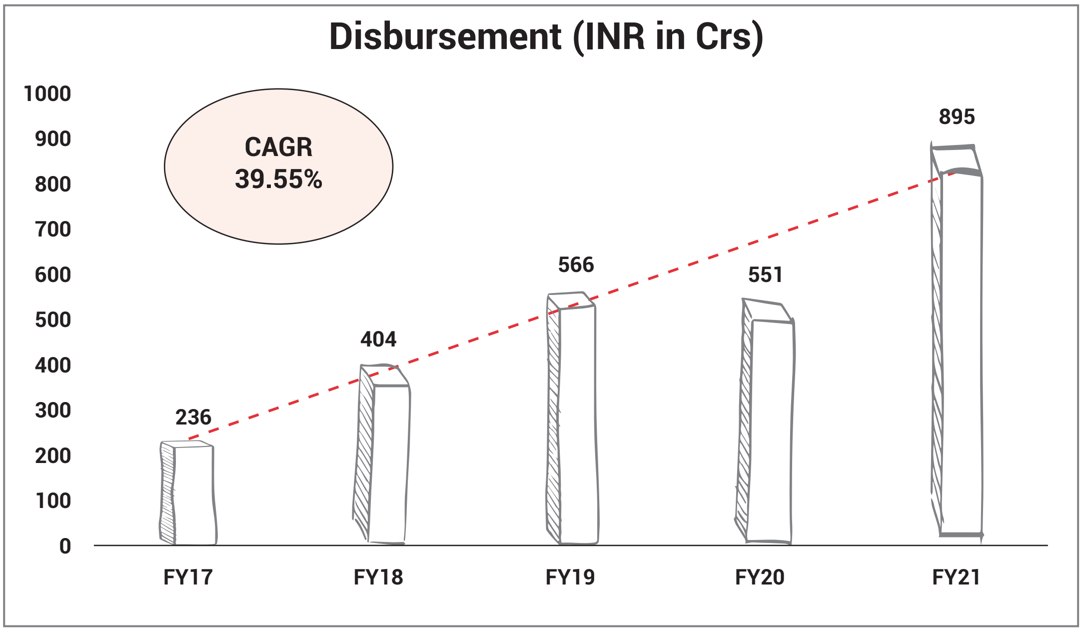
In order to build a high-quality loan book, your Company endeavours to adopt superior underwriting practices backed by robust monitoring and recovery mechanisms. Your Company is always committed towards improving efficiency in all its processes and service levels for its customers. Your Company has worked within the paradigm set by the shareholders and there has been no change in the nature of business during 2020-21.

**Sanctions & Disbursement**

During the year, your Company sanctioned loans to 13365 customers amounting to ₹ 1310 Crores as compared to ₹ 876 Crores in the previous year.




During the year, your Company disbursed ₹ 895 crore compared to ₹ 551 crore in the previous year.

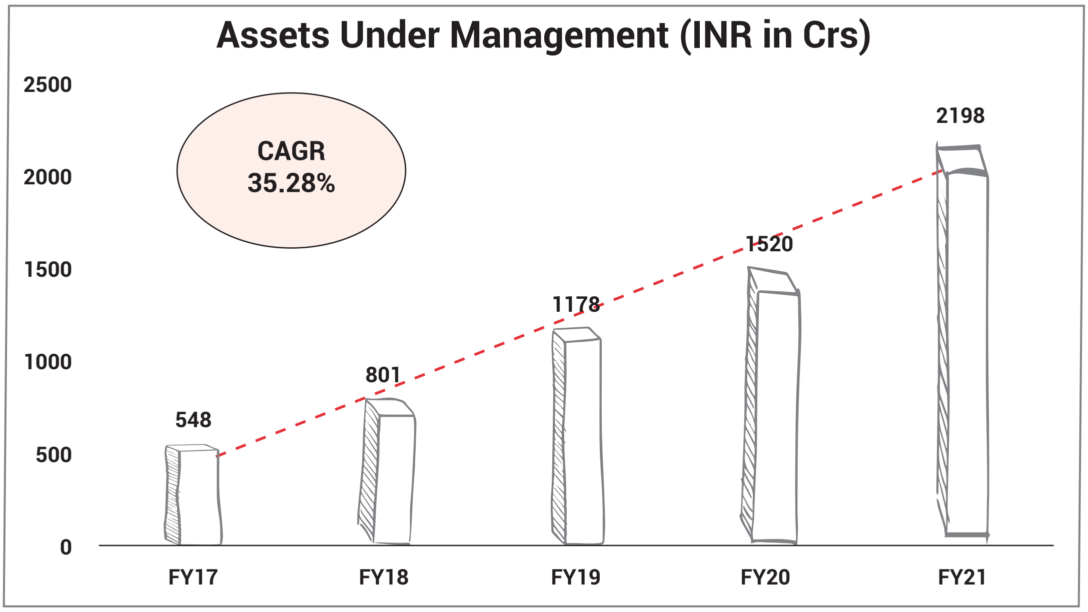


DIRECTOR'S REPORT (Contd.)

Of the total disbursements of ₹ 895 crore disbursement, of ₹ 476.86 (53%) Crores was in the housing loan category and ₹ 423.86 Crores (47%) in non-housing loan category.

## Loan outstanding

Your Company had total loan outstanding of ₹ 2198 Crores compared to total loan outstanding of ₹ 1520 Crores in the previous year and recorded a growth of 45% over last year. Your Company had total housing loans of ₹ 1305.36 Crores and non-housing loans of ₹ 899.86 Crores.




## Resource Mobilisation

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 which includes the diversification of funding sources, tenure optimisation, 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 31 March, 2021, your Company's total borrowings stood ₹ 1447 Crores with the average cost of borrowing at 8.24% 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 ₹ 15 Crores in 2020-21. The above Non-convertible Debentures were listed on the Bombay Stock Exchange on 19 June, 2020.

Your Company has redeemed following Secured, Rated, Non-Convertible, Cumulative, Redeemable, Taxable Debentures (NCD) in 2020-21.

| ISIN NO. | Date of Delisting | ₹ In Crore | Type of Redemption |
|---|---|---|---|
| INE922K07047 | 21 December, 2020 | 100 | Fully |
| INE922K07013 | 12 January, 2020 | 50 | Fully |
| INE922K07039 | - | 50 | Partially |

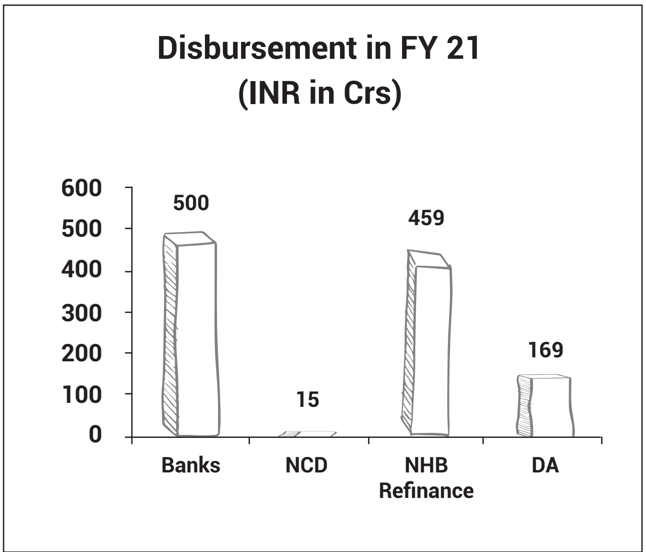
During the financial year under review, the interest on Non-Convertible Debentures issued on private placement basis were paid by your Company on their respective due dates.

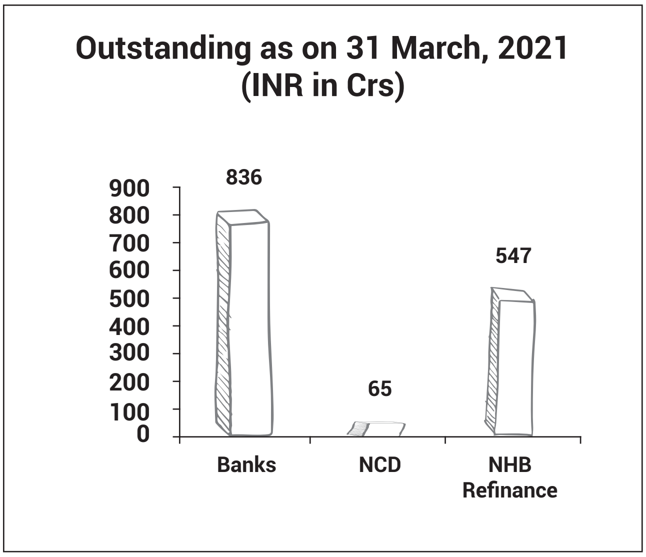
## National Housing Bank (NHB) Refinance

NHB is the biggest source of funds for the Company. During the year, the regulator reposed faith in your Company by disbursing refinance of ₹ 459 Crores. With this disbursement, your Company had an outstanding of ₹ 547 Crores with the NHB as on 31 March, 2021. As NHB refinance is for > 11 years the tenure profile of the debt is increasing. During the year, your company has been granted refinance assistance for the year 2020-21 (July-June) not exceeding ₹ 159 Crores (Rupees One Hundred Fifty Nine Crores only) by NHB.

## Borrowings from Other Sources

During the year, your Company raised ₹ 500 crore funds from Banks and Financial Institutions. The total outstanding of your Company towards Banks and Financial Institutions as on 31 March, 2021 stood at ₹ 836 Crores.




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 10 June, 2020 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.

## 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 your 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 your Company after the date on which the same became due for payment.

The disclosures under the RBI Master Directions 2021 on NBFC and HFC dated 17 February, 2021 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 Limited

CIN: U74999PN1997PLC110262

GDA House, First Floor,

Plot No. 85 S. No. 94 & 95,

Bhusari Colony (Right),

Kothrud Pune MH 411038 IN

DIRECTOR'S REPORT (Contd.)

## Credit Rating

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

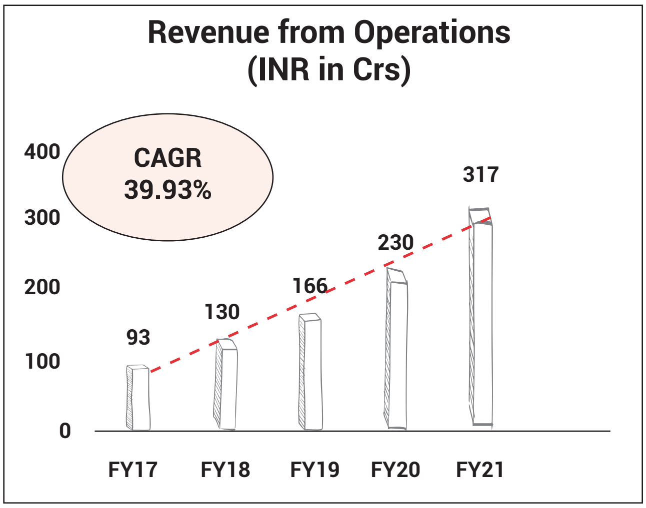
| Agency | Instrument | Rating |
|---|---|---|
| ICRA | Bank Lines | ICRA A (Stable) |
| ICRA | Non-Convertible Debentures | ICRA A (Stable) |
| CARE | Bank Facilities – Fund Based – LT- Term Loan | CARE A (Stable) |

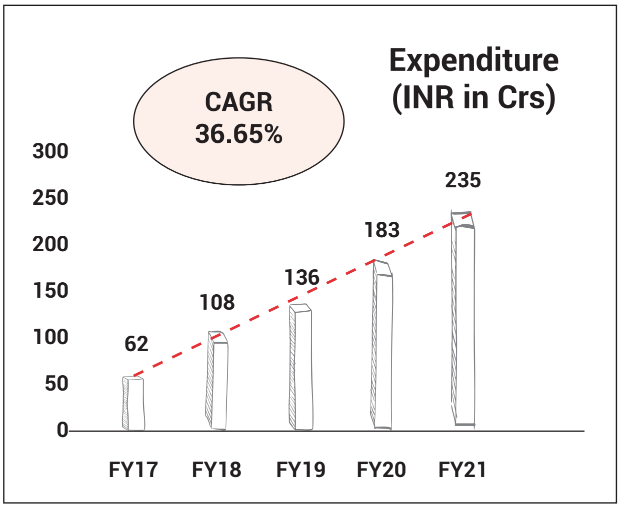
## Reserves

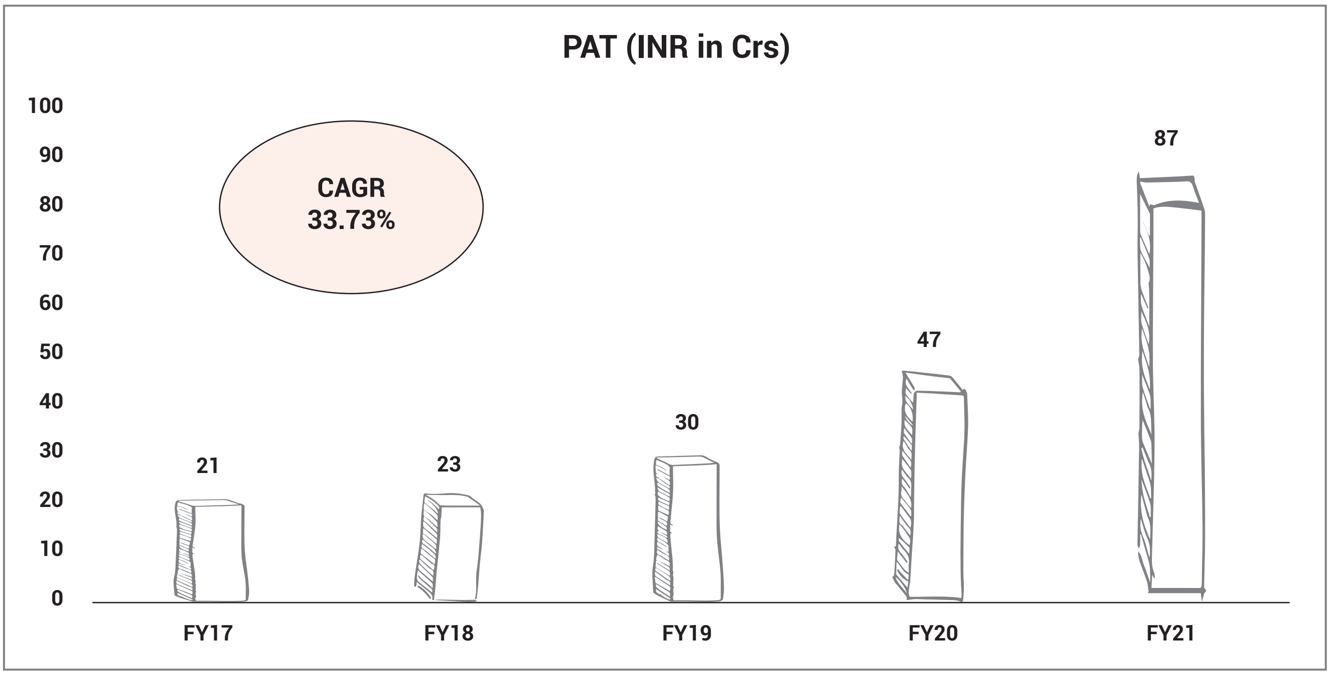
In terms of Section 29C of the National Housing Bank Act, 1987, every Housing Finance Company is required to transfer at least 20% of its net profit every year to Statutory Reserve account before any dividend is declared. Accordingly, your Company has transferred an amount of ₹ 17.48 crores (Previous Year ₹ 9.38 crore) to 'Statutory Reserve' and it stands at ₹ 44.24 Crores as on 31 March, 2021.

## Profitability

During the year, your Company earned total revenue of ₹ 323 crore compared to ₹ 230 crore of revenue earned last year registering an increase of 40.43%. The total expenditure of your Company was ₹ 210 crore compared to ₹ 166 crore of expenditure incurred last year registering an increase of 27%. Your Company earned a profit of ₹ 87 crore compared to ₹ 47 crore earned last year registering an increase of 85%.



## Robustness of Assets

Your Company has adhered to the Policy on Provisioning for NPAs and Write off approved by its Board Of Directors and as per the Expected Credit Loss Methodology subject to minimum classification and provisioning norms required under NHB/RBI from time to time.

The GNPA of your Company as on 31 March, 2021 stood at 1.78% which has shown increase with GNPA of 31 March, 2020 which was at 1.23%. In terms of absolute amount, GNPA as on 31 March, 2021 stood at ₹ 36 crore as compared to ₹ 19.57 crore as on 31 March, 2020. The NNPA of your Company as on 31 March, 2021 stood at 1.29% which has shown minor increase with NNPA of 31 March, 2020 which was 0.86%.

## Recovery Mechanism

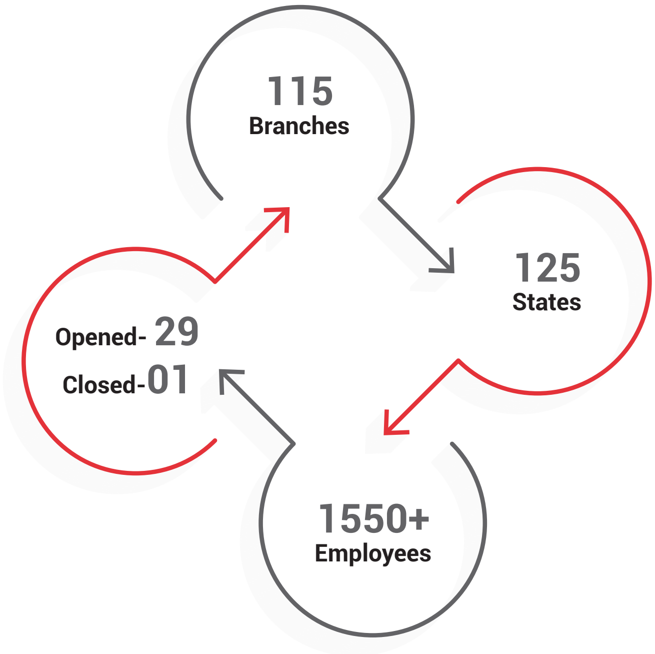
Your Company is a "Financial Institution" under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and it has initiated proceedings under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI)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

## 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 71.51 % (comprising Tier I capital of 70.81 % and Tier II capital of 0.70 %) as on 31 March, 2021, compared to 81.12 % (comprising Tier I capital of 80.61 % and Tier II capital of 0.51 %) as on 31 March, 2020. This provides your Company adequate cushion to withstand business risks and is above the minimum requirement of 14% stipulated by the NHB/RBI.

During the year, your Company added 29 additional branches with total of 115 branches in 15 states and 3 offices across India as on 31 March, 2021. This increase in branches has contributed to the better performance showcased by your Company.

## Marketing & Distribution




Your Company now operates in the states of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Chhattisgarh, Uttar Pradesh, Uttarakhand, Punjab, Tamil Nadu, Karnataka, Orissa, Telangana, Uttarakhand and Delhi. 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:

(₹ in Lacs)

| Particulars | For Year ended March, 2021 | For Year ended March, 2020 |
|---|---|---|
| a) Total Foreign exchange earned | 0 | 0 |
| b) Total Foreign exchange out go | 150.00 | 111.54 |

### Regulatory Guidelines

During the Year under review, the RBI/NHB has issued various Notifications, Circulars and Guidelines to Housing Finance Companies. The Circulars and the Notifications issued by RBI/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 RBI/NHB from time to time.

Your Company has been complying with the guidelines, circulars and directions issued by the following: Reserve Bank of India, 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 your Company's website and in company's records.

Your Company has strived to be compliant with the above and pre-existing provisions.

Your company has been levied penalty by NHB vide its letter NHB (ND)/DOS/Sup/6654/2020 dated 19 October, 2020 of ₹ 7,45,000/- (Rupees Seven Lakh Forty Five Thousand only) +GST@18%, regarding non-compliance of Paragraph 2 (1)(zc)(ii) of Housing Finance Companies (NHB) Directions, 2010, read with Policy Circular 55 in 148 cases and NHB(ND)/DRS/Policy Circular No. 75/2016-17 dated 1 July , 2016 in one case, which was duly paid by the company.

### 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 your 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 and other applicable laws. 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 your Company comprises of Seven Directors, consisting of two Independent Directors (including one Woman Director), three Non-Executive Nominee Directors, one Executive Director and Managing Director & CEO who bring in a wide range of skills and experience to the Board.

The Board of Directors of your Company are:

| Director | Designation | DIN |
|---|---|---|
| Mr. Anil Mehta | Managing Director | 02132315 |
| *Ms. Rachna Dikshit | Additional (Non-Executive & Independent Director) | 08759332 |
| #Mrs. Anisha Motwani | Independent Director | 06943493 |
| Mr. 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 |
| **Mr. Rupinder Singh | Executive Director | 09153382 |

*The Board of Directors of the Company, at its meeting held on 12 February, 2021, appointed Ms. Rachna Dikshit as an Additional Director of the company with effect from 12 February, 2021.

#The Board of Directors of the Company, at its meeting held on 12 February, 2021, accepted resignation of Mrs. Anisha Motwani with effect from the closure of business hours as of 17 February, 2021.

** The Board of Directors of the Company, at its meeting held on 12 May, 2021, appointed Mr. Rupinder Singh as an Additional & Executive Director of the company with effect from 12 May, 2021.

## COMMITTEES OF THE BOARD

Your 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. Customer Service & Grievance Redressal Committee

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 four times on the following dates:

- 10 June, 2020
- 17 September, 2020
- 9 November, 2020
- 12 February, 2021

As on 31 March, 2021, the Board comprised of six Directors, consisting of two Independent Directors (including one Woman Director), three Non-Executive Nominee Directors and Managing Director & CEO.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting ["AGM"] are as under:

| Name | Category | Number of Meetings | | Last AGM attended |
|---|---|---|---|---|
| | | Held | Attended | |
| Mr. Anil Mehta (DIN: 02132315) | Managing Director | 4 | 4 | Yes |
| Mrs. Anisha Motwani (DIN: 06943493) | Independent Director | 4 | 4 | Yes |
| Ms. Rachna Dikshit (DIN: 08759332)* | Additional (Non-executive & Independent Director) | - | - | - |
| Dr. Shailesh J Mehta (DIN: 01633893) | Independent Director | 4 | 4 | - |
| Mr. Anup Gupta (DIN: 02284944) | Nominee Director | 4 | 4 | - |
| Mr. G V Ravishankar (DIN: 02604007) | Nominee Director | 4 | 4 | - |
| Mr. Sumir Chadha (DIN:00040789) | Nominee Director | 4 | 4 | - |

*The Board of Directors of the Company, at its meeting held on 12 February, 2021, appointed Ms. Rachna Dikshit as an Additional Director of the company with effect from 12 February, 2021.

**Audit Committee**

The Audit Committee of your Company comprises three members including two independent directors having expertise in financial and regulatory areas and their attendance at the Audit Committee Meetings during the

DIRECTOR'S REPORT (Contd.)

year is as below:

| Name | Category | Number of Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Anil Mehta (DIN: 02132315) | MD & CEO | 4 | 4 |
| Ms. Anisha Motwani (DIN: 06943493) | Independent Director | 4 | 4 |
| Ms. Rachna Dikshit(DIN: 08759332)* | Additional (Non-executive & Independent Director) | - | - |
| Mr. Shailesh J Mehta (DIN: 01633893) | Independent Director | 4 | 4 |

*The Board of Directors of the Company, at its meeting held on 12 February, 2021, appointed Ms. Rachna Dikshit as an Additional Director of the company with effect from 12 February, 2021.

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 [1] 09 June, 2020; [2] 15 September, 2020; [3] 7 November, 2020 and [4] 08 February, 2021.

**Nomination and Remuneration Committee**

The Nomination and Remuneration Committee of your Company comprises four members including two independent directors and their attendance at the Nomination and Remuneration Committee Meetings during the year is as below:

| Name | Category | Number of Meetings | |
|---|---|---|---|
| | | Held | Attended |
| • Ms. Anisha Motwani (DIN: 06943493) | Independent Director | 4 | 4 |
| • Ms. Rachna Dikshit (DIN: 08759332)* | Additional (Non-executive & Independent Director) | NA | NA |
| • Mr. Shailesh J Mehta (DIN: 01633893) | Independent Director | 4 | 4 |
| • Mr. Anup Gupta (DIN: 02284944) | Nominee Director | 4 | 4 |
| • Mr. GV Ravishankar (DIN: 02604007) | Nominee Director | 4 | 4 |

*The Board of Directors of the Company, at its meeting held on 12 February, 2021, appointed Ms. Rachna Dikshit as an Additional Director of the company with effect from 12 February, 2021.

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

The Nomination and Remuneration Committee met four times during the year under consideration on (1) 10 June, 2020; (2) 17 September, 2020; (3) 9 November, 2020 and (4) 12 February, 2021.

**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 31 May, 2016 as below that reviews the CSR policy, steers activities to be undertaken by your Company towards CSR activities and formulate a monitoring mechanism to ensure implementation of projects and activities undertaken by your Company:

| Name | Category | Number of Meetings | |
|---|---|---|---|
| | | Held | Attended |
| • Mr. Anil Mehta (DIN: 02132315) | MD & CEO | 1 | 1 |
| • Ms. Anisha Motwani (DIN: 06943493) | Independent Director | 1 | 1 |
| • Ms. Rachna Dikshit (DIN: 08759332)* | Additional (Non-executive & Independent Director) | NA | NA |
| • Mr. GV Ravishankar (DIN: 02604007) | Nominee Director | 1 | 1 |

*The Board of Directors of the Company, at its meeting held on 12 February, 2021, appointed Ms. Rachna Dikshit as an Additional Director of the company with effect from 12 February, 2021.

The CSR Committee met one times in the year under consideration on 5 February, 2021.

Your Company spent a sum of ₹ 90 Lacs in the 2020-21 in the below manner:

| Name of organisation | Category | 2020-21 ₹ In Lacs |
|---|---|---|
| Vidhya Bhawan | Vidya Bhawan Society was established in 1931 in Udaipur, Rajasthan, it seeks to establish linkages between education, society and humanity. | 60.00 |
| Seva Mandir | The Grassroots NGO founded in 1968. with following Two Goals: 1) Transforming Lives –tackle development problems 2) Strengthening Communities –facilitate democracy | 25.00 |
| Bansi Vidya Memorial Trust | The Trust was formed in 2013 to work and contribute towards the noble cause of financially supporting leukemia or blood cancer affected children. | 5.00 |
| **Total** | | **90.00** |

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

The company has developed and implemented the Corporate Social Responsibility Policy which is placed on the website at https://www.indiashelter.in/Download and is attached as Annexure 03.

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

| | |
|---|---|
| 9 June, 2020 | Enterprise Risk Management Committee |
| 15 September, 2020 | Enterprise Risk Management Committee |
| 7 November, 2020 | Enterprise Risk Management Committee |
| 8 February, 2021. | Enterprise Risk Management Committee |
| 10 August, 2020 | IT Strategy Committee |
| 5 February, 2021 | IT Strategy Committee |
| 29 April, 2020 | Customer Service & Grievance Redressal Committee |
| 28 September, 2020 | Customer Service & Grievance Redressal Committee |
| 23 December, 2020 | Customer Service & Grievance Redressal Committee |
| 19 March, 2021 | Customer Service & Grievance Redressal Committee |
| 28 September, 2020 | Wilful Defaulter Committee |
| 23 December, 2020 | Wilful Defaulter Committee |
| 19 March, 2021 | Wilful Defaulter Committee |
| 29 April, 2020 | Asset Liability Management Committee |
| 15 July, 2020 | Asset Liability Management Committee |
| 14 August, 2020 | Asset Liability Management Committee |
| 28 September, 2020 | Asset Liability Management Committee |
| 26 November, 2020 | Asset Liability Management Committee |
| 23 December, 2020 | Asset Liability Management Committee |
| 28 January, 2021 | Asset Liability Management Committee |
| 22 February, 2021 | Asset Liability Management Committee |
| 26 February, 2021 | Asset Liability Management Committee |
| 19 March, 2021 | Asset Liability Management Committee |
| 26 March, 2021 | Asset Liability Management Committee |
| 31 March, 2021 | Asset Liability Management Committee |

**Risk Management Framework**

The Company has in place a Board Constituted Enterprise Risk Management Committee comprising of three members including two independent director and their attendance at the Enterprise Risk Management Committee Meetings during the year is as below:

| Name | Category | Number of Meetings | |
|---|---|---|---|
| | | Held | Attended |
| • Mr. Anil Mehta (DIN: 02132315) | MD & CEO | 4 | 4 |
| • Ms. Anisha Motwani (DIN: 06943493) | Independent Director | 4 | 4 |
| • Ms. Rachna Dikshit (DIN: 08759332)* | Additional (Non-executive & Independent Director) | NA | NA |
| • Mr. Shailesh J Mehta (DIN: 01633893) | Independent Director | 4 | 4 |

*The Board of Directors of the Company, at its meeting held on 12 February, 2021, appointed Ms. Rachna Dikshit as an Additional Director of the company with effect from 12 February, 2021.

The Enterprise Risk Management Committee met four times during the year under consideration on [1] 09 June, 2020; [2] 15 September, 2020; [3] 7 November, 2020 and [4] 08 February, 2021.

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

DIRECTOR'S REPORT (Contd.)

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 the 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 minimise the frequency and impact of risks, have adopted Risk Management Policy.

The Risk Management Policy of your Company has been approved by the Board which is enclosed as Annexure 04 which is also available at the Website of your Company at https://www.indiashelter.in/Download

## Human Resources Development

Your Company has been following best human resource practices and had 1576 employees on its rolls as on 31 March, 2021 compared to 1219 employees as on 31 March, 2020 registering an increase of 29.28 %.

## 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 recognises 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 31 March, 2021 comprises of the following four members out of which at least 2 members are women:

| Presiding Officer | Member 1 | Member 2 | NGO |
|---|---|---|---|
| Madhu Sharma | Mukti Chaplot | Manmohan Singh | Samta Ahuja |

An Appellate Committee is also constituted as below:

| Members | Designation |
|---|---|
| Ms. Rachna Dikshit (DIN: 08759332) | 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 your 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 1 August, 2016 and has been reviewed in their meeting held on 12 August, 2019 and 10 June , 2020. The said policy has been uploaded on the Website of your Company. Your 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

As per Section 152 of the Companies Act, 2013, Mr. Sumir Chadha (DIN: 00040789) Nominee Director of your 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 12 February, 2021 and by Board Of Directors in their meeting held on 12 February, 2021 took note of the retirement of Ms. Anisha Motwani (DIN: 06943493) with effect from the closure of business hours as of 17 February, 2021.

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

**Appointment of Independent Director**

Pursuant to the provisions of Section 149, 150, 152 read with schedule IV and Section 161(1) read with Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable provisions, sections, rules of the Companies Act, 2013. On the recommendation of by the members of Nomination and Remuneration Committee in their meeting held on 12 February, 2021 and Board Of Directors in their meeting held on 12 February, 2021 appointed Ms Rachna Dikshit as an Additional Director (Non-Executive & Independent) (DIN: 08759332) on the Board of your Company w.e.f. 12 February, 2021 to hold office till the conclusion of the next Annual General Meeting.

**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.

**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 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 your 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 your 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 your Company is placed on the website of your Company at https://www.indiashelter.in/ Download 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 (1) & (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report as an Annexure 06.

Your company 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 1 February, 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 your 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. Your Company has framed a Related Party Transaction policy for your Company as per NHB/RBI Directions. 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 your 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 your 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 your 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 your Company are dematerialised 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 dematerialisation by National Securities Depository Limited (NSDL) with ISIN No INE922K07054 with effect from 16 June, 2020 in addition to already existing ISIN No's. i.e. INE922K07039 and has delisted ISIN bearing number INE922K07013 and INE922K07047 w.e.f 12 January, 2020 and 18 December, 2020 respectively.

### 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 your 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.

### Annual return

The annual return is placed on the website of your Company at https://www.indiashelter.in/Download

### Management Discussion and Analysis

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 2020-21 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 28 May, 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 22 August, 2019 as Statutory Auditors of India Shelter to hold the office from the conclusion of 21st Annual General Meeting held on 22 August, 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 your Company for the year 2020-21 by the Board Of Directors in their meeting held on 9 November, 2020. Company has provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for 2020-21 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 your 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 your Company is able to achieve the results.

For and on behalf of the Board of Directors

| | |
|---|---|
| Sd/- | Sd/- |
| **Mr. Anil Mehta** | **Mr. Rupinder Singh** |
| DIN:02132315 | DIN: 09153382 |
| Place: Gurugram | Place: Chennai |
| Date: 12 May, 2021 | Date: 12 May, 2021 |

# ANNEXURE 01

## 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 your 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 your Company and its goals;

3.4 To guide your 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 your 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 your 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 your Company; and

e. Such other officer of your Company as may be decided by the Nomination and Remuneration Committee.

4.9 **"Member"** means a Director of your 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 COMMITEE**

**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 your 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

ANNEXURE 01 (Contd.)

in a manner it achieves the objectives of your Company as a successful organisation;

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 your Company and such terms as may be recommended by the Committee to the Board.

## 14. REMUNERATION STRUCTURE

### 14.1 Remuneration to Director & KMP

#### 14.1.1General

(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

#### 14.2.1Remuneration / 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.

#### 14.2.2Sitting 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 ₹ 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.

ANNEXURE 01 (Contd.)

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

IndiaShelter Home Loans

# ANNEXURE 02

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 your 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. Your 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 your Company largely fall in the areas of improving awareness of communities towards Education and medical aid.

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.

- **Transforming Lives and Strengthening Communities**

  Seva Mandir work to construct the conditions in which citizens of plural backgrounds and perspectives can come together to benefit and empower the least advantaged in society:

  The Grassroots NGO founded in 1968 with following Two Goals:

  1) Transforming Lives –tackle development problems
  2) Strengthening Communities –facilitate democracy

  It provides education at primary level to children aged between 6 and 14 years who have never attended school or have dropped out entirely and to prepare children for government-run schools by giving them the necessary literacy and numeracy skills

  Facilitate Primary Healthcare centre through Seva Mandir AMRIT Clinic

  Addressing & treating malnutrition children and promoting a healthy and nutritious.

## 2. The Composition of the CSR Committee.

The Composition of the CSR Committee is as below:

- Mr. Anil Mehta (DIN: 02132315)
- Ms. Rachna Dikshit (DIN: 08759332)
- Mr. G.V Ravishankar (DIN: 02604007)

ANNEXURE 02 (Contd.)

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

   The average profit of your Company for the last three financial year is ₹ 44.70 Cr.

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 ₹ 89.94 Lakhs.

5. **Details of CSR spent during the financial year.**

   (a) **Total amount spent for the 2020-21;**

| | |
|---|---|
| Vidhya Bhawan | ₹ 60,00,000/- |
| Seva Mandir | ₹ 25,00,000/- |
| Leukemia Crusaders | ₹ 5,00,000/- |
| **Total** | **₹ 90,00,000 /-** |

   (b) **Amount unspent, if any;** NA

6. **In case your 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 your Company**

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

Sd/-
CEO and MD

Sd/-
Chairman of CSR Committee

ANNEXURE 03

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 ₹ 500 Crore or more; or

b) Turnover of ₹ 1000 Crore or more; or

c) Net profit of ₹ 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 your 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. Any other area which the CSR Committee may deems fit.

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 and, unless the unspent amount relates to any ongoing project referred

ANNEXURE 03 (Contd.)

in Companies Act, 2013, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

CSR expenditure shall include all expenditure including contribution to corpus, or on projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the areas or subjects, specified in Schedule VII of the Companies Act, 2013.

Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135 , such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions that –

(i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.

(ii) the Board of the company shall pass a resolution to that effect

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.

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.

Any surplus arising out of CSR activities shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of 6 months of the expiry of the financial year.

Any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of 180 days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than 90 days with the approval of the Board based on reasonable justification

(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:

- The list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Companies Act, 2013;
- The manner of execution of such projects or programmes as specified in sub-rule (1) of Rule 4;
- The modalities of utilisation of funds and implementation schedules for the projects or programmes;

- Monitoring and reporting mechanism for the projects or programmes; and
- Details of need and impact assessment, if any, for the projects undertaken by the company
- Compliance with CSR objectives and Policy of the company.

The Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee.

The Board's Report of a company pertaining to any financial year shall include an annual report on CSR containing particulars as specified in the Companies Act, 2013.

## 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:

- 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 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.

The Board of Directors of your Company shall mandatorily disclose the composition of the CSR Committee and CSR Policy and Projects approved by the Board on their website, if any, for public access.

### 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 itself or independent professional third party institutions, especially on the strategic and high value programs.
- CSR initiatives will also be reported in its Annual Report

# ANNEXURE 04

## ENTERPRISE RISK MANAGEMENT POLICY

### 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 organisation. Risk management works towards identifying and managing threats that could adversely impact the organisation. This involves reviewing operations, processes & procedures of the organisation, 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 organisation's business strategy.
- To undertake business activities that are well understood and within acceptable risk appetite.
- To manage the risks proactively across the organisation.
- To adopt best risk management practices leading to shareholder value creation and increased stakeholder confidence.
- To develop a strong risk culture across the organisation.

### 2. Target Audience

The members of the Board, ERMC, 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.
- 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 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:

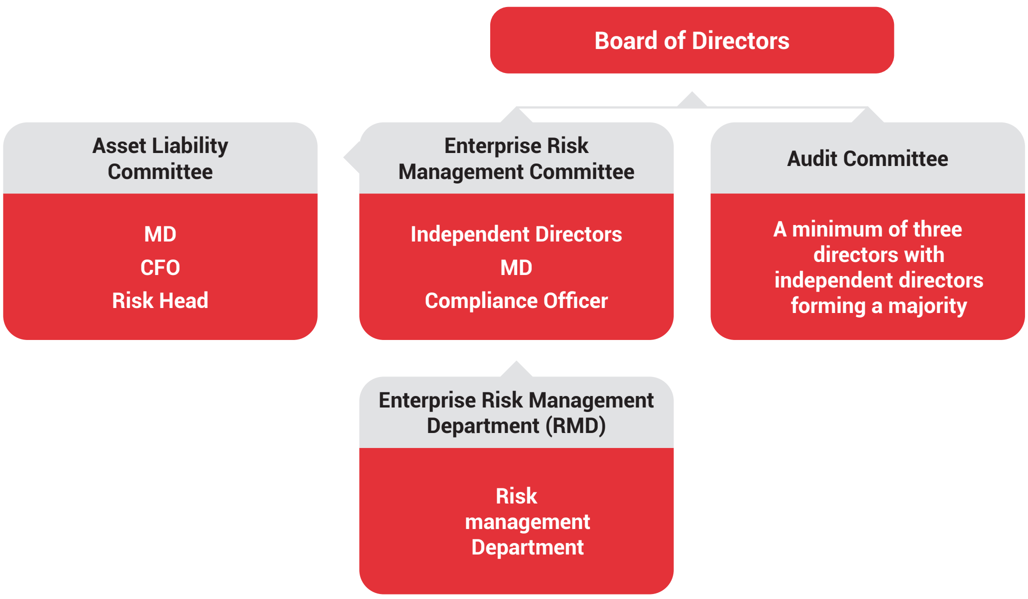
- Sets clear strategic direction and tolerances around controls;
- Reflective of strategy, including organisational objectives, business plans and stakeholder expectations;
- Reflective of all key aspects of the business;
- Considers the skills, resources and technology required to manage and monitor risk exposures in the context of the risk appetite;
- Inclusive of a tolerance of loss or negative events that can be reasonably quantified;
- 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 organisation's risk appetite. Data shall be captured to measure performance against the risk appetite statement of the organisation. 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.



ANNEXURE 04 (Contd.)

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)

## 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 ERMC 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 (ERMC)

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.

### 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
- 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 summarises the key risks India Shelter needs to address.

ANNEXURE 04 (Contd.)


**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 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 minimise the risk and maximise 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 organisation, 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

c) Foreign Exchange 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 capitalised company and the capability to raise long term funds has never faced a situation of being probable "Out of Money". However, certain 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 of transmit the changes to the borrowers when the same has been received from the lenders. This is exacerbated in case a company has a mis-match 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.

### Foreign exchange risk

FX risk is a financial risk that exists when a financial transaction is denominated in a currency other than the domestic currency of the company. The exchange risk arises when there is a risk of an unfavourable change in exchange rate between the domestic currency and the denominated currency before the date when the transaction is completed

### Strategic Risk

Risks that derive from the decisions that the management takes about the products or services that the organisation 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 minimise 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

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, formalisation, 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

ANNEXURE 04 (Contd.)

**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 | • Frame credit policy, set prudential limits<br>• Implementing and monitoring of Risk Management Framework<br>• Periodic Review of the effectiveness of the Risk Management Plan and activities<br>• Monitor portfolio risk |
| **Market Risk:**<br>• Interest rate Risk<br>• Liquidity Risk<br>• Foreign Exchange Risk | ALCO/Board | • CEO<br>• Risk Head<br>• Company Secretary<br>• Compliance Officer | • Overall Responsibility to monitor and manage enterprise wide risk<br>• Approval and periodic evaluation of ALCO Policy<br>• Provide Directions for formulation of policies |
| **Operational Risk:**<br>• People<br>• Process<br>• System<br>• External Events | Board/Risk Management Department and Functional Heads | Risk Head will be supervising the department.<br>Business Heads | • To ensure compliance with internal policies on risk management and regulatory guidelines issued by RBI / NHB<br>• To ensure that Risks are identified and steps to mitigate are laid down and adhered to<br>• Initiate action when portfolio triggers are breached<br>• MIS/Reporting on a regular basis |
| **Strategic Risk**<br>(Includes Emerging & External Risks) | MD & CEO | MD & CEO, Business Head of various products | • Compare the risk versus expected ROI. All business strategy initiation should have risk Vs return assessment at the launch of new initiatives.<br>• Undertake data analytics for key decisions based on the defined critical parameters<br>• Periodic Review of the effectiveness of the strategies<br>• For every Strategic Business initiative prepare alternate plans. |
| **Reputational Risk** | Compliance Dept./ Customer Service/ Functional Heads | NA | • All media communications would be handled by Company's Management team.<br>• Timely response to statutory/ regulatory queries/ requirements.<br>• Respond to the customers' queries and needs within the committed turn-around time.<br>• Be vigilant to customer's/ stakeholder's/ media feedback (including social media) and take quick remedial actions |

| Type of Risk | Risk Ownership | Constitution | Key Roles & Responsibilities |
|---|---|---|---|
| **Compliance Risk** | Compliance Department | NA | • Guidance to business & support functions on all compliance laws, rules & standards<br>• Compliance function shall guide the company for seeking clarifications/ interpretation of various regulatory statutory guidelines<br>• Analysis and review of new products, policies and processes from a compliance perspective<br>• Co-ordination of the regulatory/ statutory inspections and correspondence with the authorities |
| **Legal Risk** | Legal Department | NA | • Ensure that India Shelter does not enter into a transaction which does not allocate rights and obligations and associated risks in the manner intended<br>• 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<br>• 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<br>• Ensuring that India Shelter does not misunderstand the effect of one or more transactions. |

## 9. 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.

### 9.1 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

### 9.2 Risk prioritisation & 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 customer, regulatory penalties and financial loss) as well as opportunity costs (like loss in realisation of revenue, customer dissatisfaction) may be captured to arrive at the total cost impact of materialisation of the risk.

### 9.3 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:

ANNEXURE 04 (Contd.)

- 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.

As part of risk management strategy, company may enter into derivative transactions (Including OTC). The purpose of such transactions should be to hedge the identified exposure like interest rate risk or currency risk and not to speculate. Further, for each product type or identified risk, prior approval of ALCO is mandatory.

ALCO to ensure that periodic review of such transactions (At least quarterly) is undertaken by the committee to have the regular monitoring in place. Further, such transactions to be subject to annual audit review.

**9.4 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 organisation. The risk monitoring and reporting is used as a management decision support system enabling them to perceive the overall risks of the organisation 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.

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 organisation.

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.

**9.4.1 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.

**9.4.2 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.

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.

## 10. 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

## 11. 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

ANNEXURE 04 (Contd.)

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 finalisation 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 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 recognises 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**

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 15% of owned funds
- Tier-2 capital adequacy ratio should not exceed Tier-1 capital
- Overall capital adequacy ratio should not fall below 15% 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 one year | -15% |
| 3 | Cash Coverage Ratio | Above 1x |

Interest Rate Risk

| Interest Rate Risk Management | | Parameters Triggers |
|---|---|---|
| 1 | Impact of 0.25% consecutive increase in market interest rate per quarter over 2 years (200 bps change) on the Net Interest Margin (assuming constant assets and liability position) | Below 10% of NIM of Year-1 and 20% of NIM of Year-2 |

Foreign Exchange Risk

| Foreign Exchange Risk | | Parameters Triggers |
|---|---|---|
| 1 | Vendor Payment | Amount > 0.25 mn $ to be hedged is payable after 3 months |
| 2 | Liability/ Borrowings | Entire exposure to be hedged unless specifically approved by ALCO and allowed as per regulatory guidelines |

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 Concentration Limits (Qtrly) | Policy Trigger Limit |
|---|---|
| LTV | Portfolio Simple Avg > 65% |
| Max Loan Amount | 50 Lakhs not to be >10% of O/s Portfolio |
| Bounce rate (Insufficient Funds) | >20% |
| Cash Collection | >20% |

ANNEXURE 04 (Contd.)

| **Delinquency Trigger (Qtr end)** | |
|---|---|
| 30+ | >5% |
| 90+ | >3% |
| **Rejection Rates (Qtrly)** | |
| Decline Rate (1- Sanction/ Login)% | >60% |
| FCU Rejection Rate | >10% |

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

IndiaShelter Home Loans

# 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: 2,71,11,250 p.a<br>Variable Pay: Upto 60% of Fixed Pay based on performance metrics to be defined by the Board or its relevant committee |
| Service Contract | Upto 20 May, 2022 as approved by the Board of Directors in there meeting held on 17 May, 2019 and by shareholder's in the Annual General Meeting held on 22 August, 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 8 January, 2019. |
| ESOP's | 3,90,000 | At Fair Market Value | 5 years | 5 years and 3 months from the date of vesting;<br>Exercised 3,15,000 options and Board Of Directors allotted 97,500 equity shares each vide Circular Resolution dated 8 January, 2019 and 6 January, 2020. Further, Board Of Directors allotted 1,20,000 equity shares each vide Circular Resolution dated 10 January, 2021 |
| 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 ₹ 30 as against Fair Market Value of ₹ 118.48 as on the date of grant and ₹ 159.01 as on the date of subscription. | Immediately, however the offer period is open upto 31 January, 2019 | Alloted 3,00,000 Sweat Equity Shares to Mr Anil Mehta by Board Of Directors vide Circular Resolution dated 01 February, 2019. |

# ANNEXURE 06

**I. The information required under Section 197 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is given below:**

| Name/ Designation | Date of Joining | Age Years | Experience (in Years) | Remuneration Per Annum (₹ Lakhs)* | Ratio of Remuneration of each Director/ KMP to median Remuneration of employees | Percentage increase in Remuneration | Particulars of previous Employment |
|---|---|---|---|---|---|---|---|
| Mr. Anil Mehta | 1-Apr-10 | 60 | 31 | 254.90 | 274.45 | 15% | Max New York Life Insurance |
| Mr. Ashish Gupta | 12-Jul-19 | 39 | 15 | 62.21 | 70.46 | 17% | Satin Credicare Network Limited |
| Ms. Mukti Chaplot | 1-Apr-13 | 32 | 8 | 24.74 | 26.73 | 50% | - |

* This does not include perquisite value on exercise of ESOP's and ESOP's granted during the year.

1. The percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary, if any, in the financial year 2020-21;

| Name | Designation | Increase in Fixed Remuneration |
|---|---|---|
| Mr. Anil Mehta | MD | 15.00% |
| Mr. Ashish Gupta | CFO | 17.00% |
| Ms. Mukti Chaplot | CS | 50.00% |

The performance linked variable pay given to the above managerial personnel in 2019-20 is `NIL'.

2. The percentage increase in the median remuneration of employees in the financial year 2020-21: 22.65%.
3. The number of permanent employees on the rolls of company as on 31 March, 2020 and 31 March, 2021: 1219 and 1576 respectively.
4. 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 11% compared to the average increase of 13% 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.
5. 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 06 (Contd.)

**II. The information required under Section 197 read with Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is given below:-**

| 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 | 254.90 lakhs* | Permanent | MMS from SP Jain Institute of Management & Research, Mumbai and a graduate in Economics with 23 yearsof experience. | 1-Apr-10 | 60 years | Max Newyork Life Insurance | 2.55% | - | - |
| Ashish Gupta | CFO | 62.21 lakhs | Permanent | Ashish Gupta is a Chartered Accountant and MBF with 15 years if experience | 13-Aug-19 | 39 years | Satin Creditcare Network Limited | - | - | - |
| Rupinder Singh | COO | 165.53 lakhs | Permanent | MBA from FORE School of Management, New Delhi with 20+ experience | 1-Jul-20 | 45 years | Cholamandalam Investment & Finance Company | - | - | - |

* This does not include perquisite value on exercise of ESOP's and ESOP's granted during the year.

**Remuneration of Top 10 employees**

| EMPC code | Employee Name | Designation | Remuneration (In lakhs) | Nature of Employment | Qualifications and Experience | Date of Commencement of Employment | Age | 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. |
|---|---|---|---|---|---|---|---|---|---|---|
| GUR 2003 | Anil Mehta | CEO & MD | 254.90 | Full Time | MBA with 31 years of experience | 01-Apr-10 | 60 | Max New York Life Insurance | 2.55% | - |
| ISFC 4627 | Rupinder Singh | Executive Director and Chief Operating Officer | 165.53 | Full Time | MBA with 17 years of experience | 01-Jul-20 | 45 | Chola Mandalam Investment and Finance Company Limited | - | - |

ANNEXURE 06 (Contd.)

| Remuneration of Top 10 employees | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **EMPC code** | **Employee Name** | **Designation** | **Remuneration (In lakhs)** | **Nature of Employment** | **Qualifications and Experience** | **Date of Commencement of Employment** | **Age** | **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.** |
| GUR 2042 | Sunil Jain | Chief Business Officer | 79.38 | Full Time | CA with 21 years of experience | 05-Jan-15 | 45 | Magma Housing Finance | - | - |
| ISFC 3419 | Ashish Gupta | Chief Financial Officer | 62.21 | Full Time | MBF/CA with 15 years of experience | 12-Jul-19 | 39 | Satin Credicare Network Limited | - | - |
| ISFC 820 | Varun Guliani | Chief Information Officer | 55.70 | Full Time | MCA with 19 years of experience | 12-Dec-16 | 42 | Hero Fincorp | - | - |
| ISFC 2633 | Nilay | Head-HR | 56.10 | Full Time | MBA with 22 years of experience | 01-Dec-18 | 49 | Standard Chartered Global business Services Pvt Ltd | - | - |
| ISFC 2344 | Gautam Vijh | Head-Distribution | 42.41 | Full Time | B.Com with 28 years of experience | 05-Oct-18 | 53 | Mahindra Holidays & Resorts Pvt Ltd | - | - |
| ISFC 3068 | Prakash Bhawnani | Head-Treasury and FP&A | 38.97 | Full Time | CFA with 11 years of experience | 11-Mar-19 | 34 | Home Credit India Strategic Advisory Services Private Limited | - | - |
| GUR 2044 | Vikram Chopra | Director-Recovery | 38.45 | Full Time | MBA with 27 years of experience | 04-Mar-15 | 53 | Gold SOUK | - | - |
| ISFC 211 | Devraj Dutta | Director-New Markets | 34.98 | Full Time | PGDHRM with 17 years of experience | 19-Oct-15 | 44 | Videocon Mobiles Handset Division | - | - |

IndiaShelter Home Loans

# ANNEXURE 07

| Particulars | ESOP 2011 | ESOP 2012 | ESOP 2017 | Total |
|---|---|---|---|---|
| Options granted | 8,01,000 | 23,45,500 | 7,70,000 | 39,16,500 |
| Options vested | 6,77,004 | 16,53,250 | 81,000 | 24,11,254 |
| Options exercised | 5,13,001 | 6,94,550 | - | 12,07,551 |
| The total number of shares arising as a result of exercise of option | - | 8,09,750 | 5,41,000 | 13,50,750 |
| Options lapsed | 1,64,003 | 8,41,200 | 2,29,000 | 12,34,203 |
| 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/ 197.80 | NA |
| Variation of terms of options | NA | NA | NA | |
| Money realised by exercise of options | 59,20,035 | 1,15,86,339 | - | 1,75,06,374 |
| Total number of options in force | - | 8,09,750 | 5,41,000 | 13,50,750 |
| 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 12 August, 2019)[1] | - | 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 12 August, 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 |

ANNEXURE 07 (Contd.)

| Particulars | ESOP 2011 | ESOP 2012 | ESOP 2017 | Total |
|---|---|---|---|---|
| **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 | - | - | 40,000 | 40,000 |
| Jayaraman V | - | - | 1,75,000 | 1,75,000 |
| **2019** | | | | |
| Varun Guliani | | | 60,000 | 60,000 |
| Nilay Dutt | | | 60,000 | 60,000 |
| Gautam Vijh | | | 60,000 | 60,000 |
| **2020** | | | | |
| Siddharth Vij | | | 15,000 | 15,000 |
| Prakash Bhawnani | | | 10,000 | 10,000 |
| Mr.Ashish Gupta | | | 1,00,000 | 1,00,000 |
| Shashikant Sharma | | | 10,000 | 10,000 |
| **2021** | | | | |
| Mr. Rupinder Singh | | | 2,00,000 | 2,00,000 |
| Nilay Dutt | | | 15,000 | 15,000 |
| (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 | NA |

Notes

1. This includes options exercised.
2. This includes lapsed options.

IndiaShelter Home Loans

# 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 your Company 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 your Company that resulted in the introduction and improvement of the information and communication, technology solutions to your 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 your Company to achieve investment and refinance from the market at minimum cost to your 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 October, 2017 entered into by and between the members of this Company. The valuation of the equity shares of your 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 March, 2021 |
| The consideration (including consideration other than cash) received or benefit accrued to the company from the issue of sweat equity shares. | The cash consideration amount of ₹ 30 (Rupees Thirty Only) has been received per sweat equity issued. The balance ₹ 88.48 shall be by way of consideration other than cash, ₹ 118.48 being the fair market value per equity share of your Company as on 30 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 November, 2017. |
| The diluted Earnings per Share (EPS) pursuant to issuance of sweat equity shares | 19.86 as at 31 March, 2021 |

# ANNEXURE 09

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**

| | | |
|---|---|---|
| (a) | Name(s) of the related party and nature of relationship | Mr. Gaj Singh Mehta (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 17 February, 2020 for 3 years w.e.f 1 March, 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 March, 2020) of lease amount of ₹ 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: | 17 February, 2020 |
| (f) | Amount paid as advances, if any: | Nil |

For and on behalf of the Board of Directors

| | |
|---|---|
| Sd/- | Sd/- |
| **Mr. Anil Mehta** | **Mr. Rupinder Singh** |
| DIN:02132315 | DIN: 09153382 |
| Place: Gurugram | Place: Chennai |
| Date: 12 May, 2021 | Date: 12 May, 2021 |

# ANNEXURE 10

## RELATED PARTY 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 9 February, 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.

ANNEXURE 10 (Contd.)

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 as below

**"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

4.14 **"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

4.15 **"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 your 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.

## 8. DISCLOSURE

The Company shall disclose the particulars of contracts or arrangements entered with the Related Parties in such form and manner as may be required under the provisions of the Act and rules made thereunder.

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.

# ANNEXURE 11

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDIAN ECONOMIC REVIEW

2020-21 for India and other nations was particularly a test of resilience as the economy went back and forth in terms of growth. The Covid-19 pandemic, which caught the world unawares towards the end of 2020-21, badly bruised the Indian fiscal spine. The nationwide lockdown, imposed by the Government to curb the spread of the Covid-19 virus, brought India to an abrupt halt leading to an economic mayhem.

To counter this havoc, the Government announced several policy measures and stimulus to revive the economy. Among the many economic boosters, was the May 2020 announcement of the ₹ 20 Lacs Crores package under the *Atmanirbhar Bharat Abhiyaan*, which was tailor-made to tackle the Covid crisis.

The Reserve Bank of India (RBI), too, maintained an accommodative stance by keeping the repo rate unchanged at 4% and strengthened the bedrock of macroeconomic stability. The fiscal stimulus under *Atmanirbhar Bharat* 2.0 and 3.0 is likely to accelerate public investments, which will eventually help in boosting private investment climate going forward.

Unlike the breakdowns in other markets, one positivity during the fiscal was rural demand. It remained very healthy with record agriculture production in 2020-21. The urban demand is, however, gaining traction and it is likely to get a boost with the ongoing Covid-19 vaccination drives. The RBI further plans a secondary market G-Sec acquisition programme to enable comfortable liquidity condition.

Though uncertainty looms large in India amid the upcoming Covid-19 tides, the Government is confident of revival in the second half of 2021-22, with the GDP estimated to be at 10.5%. *(Source: IMF, RBI Bulletin, The Hindu,* https://www.thehindu.com/business/Economy/rbi-keeps-policy-rates-unchanged-projects-gdp-growth-of-105/article34260167.ece)

### INDUSTRY OVERVIEW

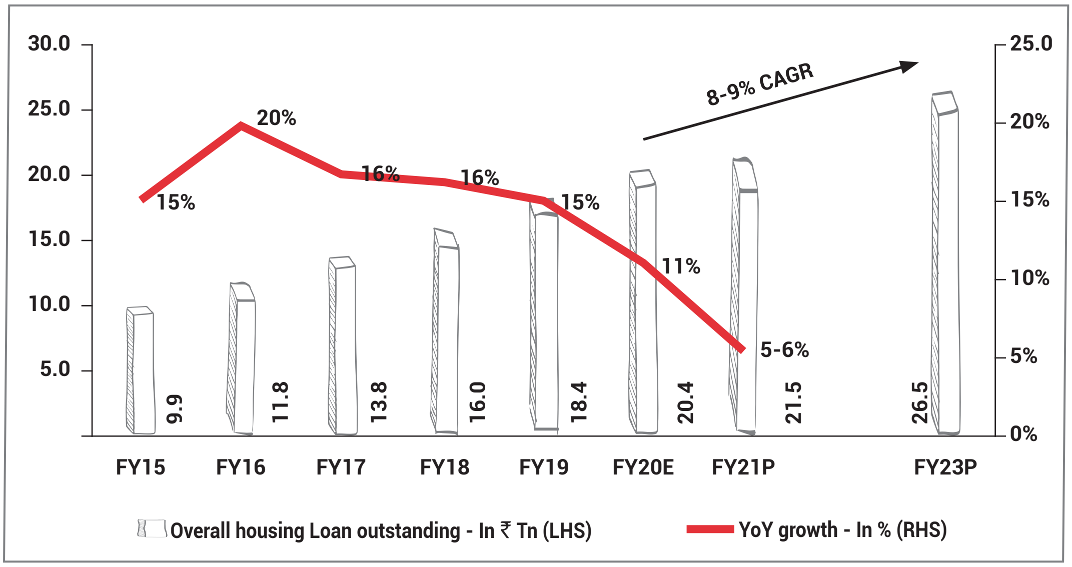
India's real estate sector comprises housing, retail, hospitality and commercial segments. It is the second largest employer after agriculture, currently contributing around 6.5-7% to the nation's GDP. From ₹ 12,000 Crores in 2019, the real estate market is estimated to be worth ₹ 65,000 Crores by 2040. It would contribute as much as 13% to India's GDP.

Growing at a rapid pace, affordable housing plays a crucial role in India's real estate industry. Rapid urbanisation, rising per capita income, decreasing average household size and easy availability of loans are some of the crucial deciders to this growth. Improved affordability ensuing higher demand is also a result of the easy availability of home loans especially for the middle- and low-income groups.

The affordable housing segment survived the Covid-19 impact, as it caters to the price bracket having maximum demand. Besides, several factors worked in favour of affordable housing, including the ₹ 3.74-Lacs-Crores liquidity infusion announced by the RBI on 27 March, 2020, the CLSS extension announced in May and relief under EPF, among others. Simultaneously, the unprecedented cut in the repo rates led to the decline in home loan interests to sub-7%, favouring several buyers. Sales and new launches rebounded to almost 70% of pre-Covid-19 level by the end of 2020 with Mumbai Metropolitan Region (MMR), National Capital Region (NCR) and Pune having the larger offtake. The reduction in stamp duty charges in Maharashtra and Karnataka coupled with developers' incentives and all-time-low home loan interest rates gave the sector a reason to thrive further.

India's housing sector is largely funded by banks, financial institutions and Non-Banking Financial Companies (NBFCs), including Housing Finance Companies (HFCs). India's housing finance industry has witnessed a steady growth of over 15% between 2015 and 2020 on account of healthy demand and more players entering the space. As per CRISIL estimates, the total outstanding housing loan is close to ₹ 20.7 Tn in 2020-21.

**OVERALL OUTSTANDING HOUSING LOAN**



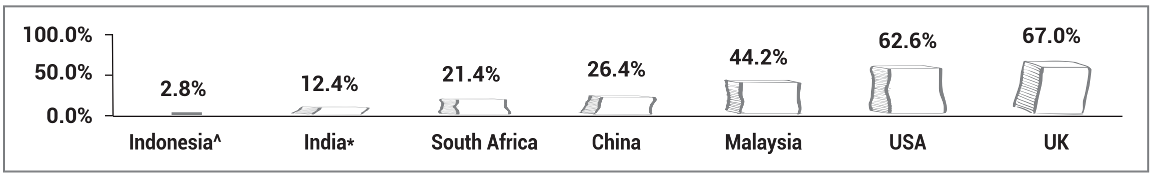

*(Source: CRISIL)*

However, Covid-19 made people rethink about buying homes and real estate investment plans. The idea is to either buy a home for self-stay or as an additional source of income during crisis. Today's millennials are, however, more comfortable with home loans and digital technology has only made it more accessible to prospective home buyers.

**GROWTH DRIVERS AND OPPORTUNITIES**

**Uptick in mortgage penetration:** India is highly underpenetrated compared to other nations owing to lower per capita income and higher proportion of informal employment. India's mortgage to GDP ratio stands at 12.4% and has a huge headroom for growth, supported by rising urbanisation, growing disposable income and favourable demographics.

**Mortgage to GDP ratio (%)**

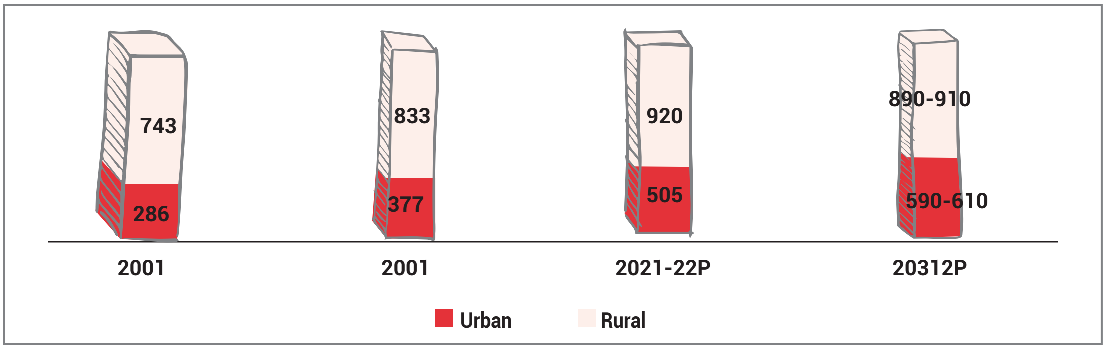



*(Source: CRISIL)*

**Housing shortage:** Over 40% of India's population is expected to live in urban areas by 2030 as against 34% at present. At least 25 Mn of additional affordable units will be required to meet the demand. At present, the housing shortage in urban areas is around 10 Mn units concentrated between Economically Weaker Section (EWS) and Lower Income Group Segment (LIG). Most of the housing demand is expected to arise from the bottom of the pyramid, providing financiers the opportunity to disburse more affordable loans. (Source: Knight Frank Report https://realty.economictimes.indiatimes.com/news/residential/india-needs-additional-25-million-affordable-houses-by-2030-report/70450083)

ANNEXURE 11 (Contd.)

## RISING URBAN AND RURAL POPULATION




**Favourable demographics:** India has a young population with two thirds of it being below the age of 35 years. In India, people prefer buying their first home at the age of 37-38 years. Additionally, International Monetary Fund (IMF) predicts India's per capita income to witness a CAGR of 6.7% over 2020-25, largely attributed to the economic growth. The twin factors combined will lead to more financial independence and aspiration for own house, resulting in a strong demand for both housing and housing credit.

**Nuclearisation:** Increase in urbanisation leads to rise in nuclear families. Nuclear households are expected to increase from 52% in 2011 to 74% by 2025. This is expected to augment the housing demand.

**Low interest rates and steady home prices:** Decadal low interest rates, accompanied by correction in property prices, reduction in stamp duties, loan moratorium have uplifted the sentiments of the property market. The change in buyer preference for additional space, amenities and property, being the safest investment haven in troubled times, has made affordable housing an attractive proposition.

### GOVERNMENT'S IMPETUS

***Aatmanirbhar 3.0* stimulus package**

- Additional allocation of ₹ 180 Bn for Pradhan Mantri Awaas Yojana Urban (PMAY-U) over and above ₹ 8,000 Crores allocated in the budget
- First-time buyers of houses up to ₹ 2 Crores will get income tax relief of up to 20 % and this will be available till 30 June, 2021
- Bank guarantees for construction activity, which constituted 10-15% of the total project cost, reduced to only 3% of the overall project value. This will ensure availability of additional liquidity to companies and reduce the burden on contractors.

### SPECIAL WINDOW FOR COMPLETION OF CONSTRUCTION OF AFFORDABLE AND MID-INCOME HOUSING PROJECTS' (SWAMIH) FUND

A USD 3.5-Bn fund has been set-up for the revival of stalled projects. The fund has approved 159 projects with an outlay of ₹ 145 Bn to complete and deliver around 1,00,000 homes. According to Anarock Property Consultants, India had USD63 billion stuck in stalled projects across its seven biggest cities in 2019. It has reduced to USD 55.8 Bn in December 2020.

*(Source: Business Standard,* https://www.business-standard.com/article/economy-policy/3-5-bn-govt-fund-for-finishing-stalled-housing-projects-begins-to-pay-off-121021900361_1.html)

### Affordable housing

Under the Pradhan Mantri Awas Yojna Urban (PMAY-U), the Government aims to ensure 'Housing for all by 2022'. Under this scheme, the Government has approved the construction of another 1.68 Lacs houses in January 2021, taking the total count of sanctioned homes to 1.1 Crores.

*(Source: LiveMint,* https://www.livemint.com/news/india/govt-approves-construction-of-over-1-68-lakh-houses-under-pmayurban-11611225209992.html)

### LAST-MILE AFFORDABLE HOUSING FUNDING PACKAGE

The Government had set up an alternate investment fund (AIF) to boost the stalled housing projects. Through this special window, it has sanctioned ₹ 10,284 Crores financing 101 projects, which will enable completion of 71,559 houses across the nation.

*(Source: Financial Express,* https://www.financialexpress.com/industry/last-mile-funding-govt-gives-rs-10284-crore-for-completion-of-101-stalled-housing projects/2062264/#:~:text=An%20alternate%20investment%20fund%20(AIF,71%2C559%20houses%20across%20the%20country)

### REDUCTION IN STAMP DUTY

The Ministry of Housing and Urban Affairs (MoHUA) recommended all the states to reduce their stamp duty on property transaction to give real-estate activities the much-needed thrust. Some of the states with key property markets have reduced stamp duty, resulting in higher property sales and registration activities. In Delhi, the Government announced a 20% reduction in the circle rate for all types of properties. This temporary reduction, which will remain effective until 30 September 2021, would significantly reduce the cost of buying property in the national capital. *(Source:* https://mobilityforesights.com/product/housing-finance-market-in-india/

### LOAN MORATORIUM AND RESTRUCTURING

During the pandemic, loan moratorium and restructuring extended a temporary relief to the borrowers. The restructuring aided in reducing the burden of hefty EMIs and helped the industry sail through liquidity crunch.

### OUTLOOK

The long-term outlook remains favourable for Affordable Housing Finance Companies (AHFCs). The growth rate of the AHFCs would be moderate in 2021-22, but remain higher than the overall industry growth. Further, they are likely to register a 12-15% growth in 2022-23 *(Source: ICRA)*. Interestingly, the total portfolio in the AHFC space stood over ₹ 55,000 Crores by the mid of 2020, growing by 9% YoY, against the negative growth of the overall industry. Given the large untapped market, the Government impetus on housing for all by 2022, demographic profile and Government support through tax sops and subsidies will be the driving factors for the growth of the housing finance companies. Besides this increase in financial inclusion is emerging as a major growth driver, with rising demand for housing from tier-II and tier-III cities and a subsequent surge in construction activities, enhancing financiers' focus on these geographies.

### KEY THREATS

**Funds availability:** Housing loans have a long maturity period. Lack of adequate funds at competitive interest rates would challenge the growth and profitability of the HFCs.

**Economic cycle:** Economic growth, employment generation would be some of the key factors that would help in dealing with defaults and managing asset quality.

**Rise in unsold inventory:** The housing segment depends on the growth of the real estate sector. Any situation such as the current pandemic or The Great Recession of 2008 would be a threat to economic growth and challenge job securities. This would not only reduce the purchasing power, but also dissuade potential buyers in the interest to save for the future. This would eventually lead to high unsold inventories and real estate players would abstain from fresh launches.

**Intensity in competition:** The financial system has evolved over the years and with the increase in the credit demand there has been close to 100 HFCs entering the arena. The biggest challenge for the HFCs is to constantly update and upgrade themselves with new, innovative, hassle-free products and sustain the brand recall.

### COMPANY OVERVIEW

#### Operational Highlights and Strategies: Segment Overview

India Shelter is a retail affordable Housing Finance Company, primarily serving low- and middle-income self-employed and salaried customers majorly in urban and semi-urban areas of India. The Company offers customers home loans for the purchase or construction of residential properties, extension and repair of existing housing units and loan against property for various purposes.

The Company believes that progressively larger number of first-generation urban families will require access to essential housing credit. This credit will be first utilised in the extension and improvement in their current dwelling

ANNEXURE 11 (Contd.)

units as families grow. As incomes rise, the ability to service the credit to acquire higher quality new housing will also improve.

India Shelter has built a profitable and socially useful business by fulfilling the housing credit needs of these families. Your Company's support will increase housing stock and improve health and education outcomes for these families.

**LOAN PRODUCTS**

The Company offers two types of products - Housing Loan (HL) and Loan Against Property (LAP). HL is offered for purchase or construction of residential properties and for the extension and repair of existing housing units. LAP on the other hand accounted for 43% of the Company's Gross Loan Assets as of 31 March, 2021. During the same tenure, 66.60% of the Gross Loan Assets were from customers who belonged to the economically weaker section and low-income group, earning less than ₹ 50,000 per month.

**SANCTIONS**

the Company sanctioned a total of 1310 Crores loans during the year compared to 876 Crores in the previous year, a growth of 49.5%. The cumulative loan sanctions since the inception of the Company in the year 2010 stood at more than ₹ 4,660 Crores.

**DISBURSEMENTS**

The Company disbursed 895 Crores loans during the year as compared to 551 Crores in the previous year, a growth of 62.43%. The cumulative loan disbursement since inception as on 31 March 2021, was ₹ 3,165 Crores.

**ASSETS UNDER MANAGEMENT (AUM)**

The Company's AUM stood at ₹ 2,198 Crores, including direct assignment & PTC- off book of ₹ 161.86 Crores, as on 31 March, 2021, as against ₹ 5.52 Crores in the previous financial year. As of 31 March, 2021, the average loan sanctioned was ₹ 10.54 Lacs and the average tenure was 159 months in the AUM (on origination basis).

**SPREAD ON LOANS**

The average yield on loan assets during the year remained at 15% per annum. The average all-inclusive cost of funds was 8.8% per annum, as compared to 9.7% in the previous year. The spread for the year was 5.7%.

**NON-PERFORMING ASSETS (NPAS)**

The Company maintained its gross NPAs at ₹ 36.19 Crores (1.78% of the On Balance Sheet Book as on 31 March, 2021. The Company has a strong underwriting and collection mechanism in place. The Company further tightened its policy over the last one year with stricter underwriting norms and additional procedures to address delinquencies and collections. As a result, despite Covid-19 and the lockdowns, the Gross NPA and Net NPA increased marginally as on 31 March, 2021, to 1.78% and 1.23% respectively against 1.29% and 0.86% respectively in the previous financial year.

**CAPITAL ADEQUACY RATIO (CAR)**

The Company's CAR as on 31 March, 2021, was 69.65% compared to 81.12% in the previous financial year, which was far above the minimum required level of 14%.

**AFFORDABLE HOUSING**

In June 2015, our Honourable Prime Minister launched the Pradhan Mantri Awas Yojana (PMAY) scheme. It envisions housing for all by 2022. Credit-Linked Subsidy Scheme (CLSS) under PMAY is a scheme that makes home loan affordable, as the subsidy provided on the interest component reduces the EMI on the home loan. India Shelter offers CLSS under PMAY focusing on Economically Weaker Sections (EWS) and Lower Income Group (LIG) segments, along with Middle Income Group (MIG 1 and MIG 2). The Company signed a Memorandum of Understanding (MoU) with National Housing Bank (NHB) for the CLSS under the PMAY for the EWS, LIG and MIG segments. During 2020-21, your Company contributed to the same and provided CLSS subsidy of ₹ 3.22 Crores for 134 beneficiaries. Since the inception of the scheme, the Company received CLSS subsidy of ₹ 5.18 Crores for 221 beneficiaries and the same was passed on to the customers.

**BRANCH NETWORK**

India Shelter is present in 15 states through 115 branches as on 31 March, 2021. The Company had started its operations from two states and since then it has diversified with significant presence in Rajasthan, Gujarat, Maharashtra and Madhya Pradesh.The Company has its registered office in Gurugram, Haryana.

**RESOURCE MOBILISATION**

**Share Capital**

The issued and paid-up Equity Share Capital of the Company as on 31 March, 2021, stood at ₹ 42,978,4050 consisting of 42,978,405 Equity Shares of ₹ 10/- each compared to ₹ 42,830,1550 consisting of 42,830,155 Equity Shares of ₹ 10 each in the previous year.

### EMPLOYEE STOCK OWNERSHIP PLAN (ESOP) ALLOTMENT

The Company has issued and allotted 1,48,250 Equity Shares during the year pursuant to the exercise of stock options by the eligible employees of the Company under ESOP plans.

### TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

The Company received fresh sanctions from banks and financial institutions amounting to ₹ 500 Crores and the outstanding term loans from banks and financial institutions as on 31 March, 2021, were ₹ 836 Crores. The average tenure of term loans raised during the financial year under review was ~5 years.

### SECURITISATION/ASSIGNMENT OF LOAN PORTFOLIO

During the year under review, the Company received a purchase consideration of ₹ 169.49 Crores from assets assigned in pool buyout transactions. The pool buyout transactions were de-recognised in line with RBI guidelines on the securitisation of standard assets and securitised assets de-recognised in the books of the Company.

### REFINANCE FROM NATIONAL HOUSING BANK (NHB)

During the year, the Company received a sanction of fresh refinance assistance of ₹ 160 Crores under the NHB refinance scheme to HFCs. The Company availed funds of ₹ 459 Crores from NHB under the Refinance Scheme for Affordable Housing Fund and Regular Refinance Scheme and Refinance Outstanding at the end of the 2020-21 stood at ₹ 547 Crores compared to previous year's ₹ 150 Crores. The Company availed funds of ₹ 9 Crores under the subsidised scheme of NHB (Affordable Housing Fund) and reduced the effective rate of interest for eligible customers to 9.39% being fixed for next seven years.

### NON-CONVERTIBLE DEBENTURES (NCDS) ISSUED TO PSU BANKS

During 2020-21, the Company added Bank of Maharashtra as a new lender for listed NCD. The Company raised aggregate amount of ₹ 15 Crores through the issue of Rated, Secured, Listed, Redeemable, Non-Convertible Debentures to Bank of Maharashtra during the year.

### PERFORMANCE HIGHLIGHTS: SEGMENT OVERVIEW

#### Income & Profits

The total income of the Company for the year ended 31 March, 2021, was ₹ 322.80 Crores compared to ₹ 229.92 Crores in the previous year, a growth of 40.40%. For the year ended 31 March, 2021, the Company reported a Profit Before Tax of ₹ 112.96 Crores, as against ₹ 63.84 Crores in the previous year, representing a growth of 76.94%. The Company reported ₹ 87.17 Crores Total Comprehensive Income for the year ended 31 March, 2021, against ₹ 46.91 Crores, a growth of 85.84% over the previous year.

#### Statement of Profit and Loss

#### Key elements of profit & loss statement for the year ended 31 March, 2021:

- Profit Before Tax grew by 76.94% over ₹ 63.84 Crores of the previous year
- Total Comprehensive Income grew by 85.84% over ₹ 46.91 Crores of the previous year
- Net Interest Margin for the year was 12.42% as against 9.32% in the previous year
- The Company's Operating Expense Ratio (to average total assets) was 3.97% for the year ended 31 March, 2021
- Total expenses of the Company grew by 26.36% during the year under review
- The Earnings per Share (basic) was ₹ 20.39 in 2020-21 as against ₹ 10.99 in the previous year
- Return on average net worth for the year was 9.76% as against 5.69% in the previous year
- Interest Service Coverage Ratio for the year was 2.12 as against 1.87 in the previous year
- Debt-Equity Ratio for the year was 1.59 as against 1.10 in the previous year
- Operating Profit Margin for the year was 35.03% as against 35.40% in the previous year
- Net Profit Margin for the year was 27.07% as against 20.40% in the previous year.

### HUMAN RESOURCE

Skilful employees can help a company flourish and attain greater heights. India Shelter is committed to equip its employees with the desired skills, enable them to evolve with the ongoing technological advancements.The Company has thus maintained a strong employee connect. It has adopted a partnership-oriented approach and

ANNEXURE 11 (Contd.)

employee-friendly systems and policies.

Human Resource (HR) management of India Shelter goes beyond the set boundaries of compensation, performance reviews and development. The Company looks at the employee's entire work-life cycle, to ensure timely interventions that help build a long-lasting and fruitful career. Its employees possess in-depth knowledge of the sector and are seasoned resources.

**EMPLOYEE HEALTH & SAFETY**

For the well-being of our employees during a pandemic, we undertook initiatives such as social distancing, thermal screening and awareness campaigns. We ensured the availability of face masks and sanitisers, regular fumigation and sanitisation of our offices.

These steps boosted employees' morale and resulted in smooth functioning of the offices. During the lockdown, the Company provided work from home facilities to its employees, along with the requisite connectivity, ensuring all IT security measures were in place and all systems were monitored remotely. Some of the other steps taken for the well-being of the employees during the year include, GTL and GPA insurance for all employees, free vaccination for employees and their families and financial help for people who suffered from Covid-19 among others.

**TRAINING & DEVELOPMENT**

India Shelter considers the human capital an essential component of its business. To foster the capabilities of its people, the Company has conducted several training programmes during the year. In addition to the in-house training programmes, the Company has also nominated employees for various external training sessions and seminars.

Giving utmost importance to human capital, right from recruitment of quality staff to their induction to training and their growth, the Company believes the ambition to grow can only be achieved through its own people.

India Shelter thus regularly provides leadership development training to its managers, conducts in-house training programmes for its employees covering specialised functions such as lending operations, KYC and AML, underwriting, POSH and information technology.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

India Shelter strives towards making the society better each day. Through its Corporate Social Responsibility (CSR) policies, The Company lays down the action plans, defining how CSR is to be implemented. It is in compliance with the Schedule VII of the Companies Act, 2013. The CSR programmes undertaken by the Company largely fall in the areas of improving awareness of communities towards education.

**INTERNAL CONTROL FRAMEWORK**

As per the provisions of Section 134(5)(e) of the Companies Act, 2013, the Directors have an overall responsibility to ensure 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.

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.

Significant audit observations and follow-up actions thereon are reported to the Audit Committee on a 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 the Audit Committee.

Based on the information provided, nothing has come to the attention of the 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.

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

**RISK MANAGEMENT FRAMEWORK**

Risk management forms an integral part of our business. At India Shelter, our risk methodology is designed to identify and manage risks in the best possible way that impede our set goals and targets. These are some of the key business risks for which we have formulated adequate risk management policies:

**Credit Risk:** This risk refers to the risk of decrease in the asset quality of the Company arising on account of uncertainty about a stakeholder's ability to pay.

**MITIGATION MEASURE:**

- The Company has a distinct credit risk architecture, policies, procedures and systems for managing credit risks. The factors considered while loan sanctioning include income, demographics, previous credit history of the borrower
- Stringent credit approval processes and periodic post-disbursement monitoring and remedial measures.

**Market Risk:** A rise in the value of liabilities or decline in the value of assets of a Company held for trading resulting from fluctuations in interest rates, credit spreads, external factors or prices in the market where the assets and liabilities are traded.

**MITIGATION MEASURE:**

- The Company's exposure to market risk is primarily on account of interest rate risk
- Interest rate risk is measured through regular monitoring of maturity profiles and stress testing.

Liquidity Risk: Risk arising due to insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements or the investment needs of the Company.

**MITIGATION MEASURE:**

- The Company manages its liquidity risk by maintaining adequate cash reserves and undrawn credit facilities
- The Company's framework for liquidity and interest rate risk management is spelt out in its Asset Liability Management Policy that is implemented, monitored and periodically reviewed by the Asset Liability Committee.

**Reputation Risk:** Any indirect loss expected to arise from adverse experience or adverse perception in public domain.

**MITIGATION MEASURE:**

- The Company has a dedicated Compliance department, which works with the business and operations teams to ensure active compliance, failure of which may lead to damage to its reputation, financial loss, legal or regulatory sanctions.

**Technology Risk:** Losses due to any inadequacies or failures that could compromise the availability, integrity, accessibility and security of software, hardware and data.

**MITIGATION MEASURE:**

- The Company operates in a highly automated environment and makes use of latest technologies to support various operations
- The Company has put in place a governance framework, information security practices to mitigate the information technology risks
- The Board has constituted an IT strategy Committee to oversee the information technology related risks.

https://www.ibef.org/industry/real-estate-india.aspx#:~:text=By%202040%2C%20real%20estate%20market,the%20country's%20GDP%20by%202025.

https://www.financialexpress.com/economy/size-of-real-estate-market-will-reach-1-trillion-by-2030-interview/2143717/

https://www.nationalheraldindia.com/national/indias-housing-sector-facing-its-worst-ever-crisis-credai-chairman

https://timesofindia.indiatimes.com/blogs/voices/growth-of-the-affordable-housing-segment-in-india-in-2021/

https://www.statista.com/statistics/955598/india-real-estate-industry-market-size/

https://economictimes.indiatimes.com/industry/banking/finance/housing-finance-companies-likely-to-witness-growth-of-8-10-in-fy22-report/articleshow/82034784.cms?from=mdr

https://www.businesstoday.in/current/economy-politics/housing-finance-firms-likely-to-see-8-10-growth-in-fy22-icra/story/436476.html

**OUTLOOK**

https://www.moneycontrol.com/news/business/real-estate/outlook-positive-for-affordable-housing-finance-companies-likely-to-grow-at-15-in-fy22-icra-6535001.html

https://economictimes.indiatimes.com/industry/banking/finance/housing-finance-companies-likely-to-witness-growth-of-8-10-in-fy22-report/articleshow/82034784.cms?from=mdr

# ANNEXURE 12

SECRETARIAL AUDIT REPORT

**FORM No. MR-3**
**SECRETARIAL AUDIT REPORT**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH, 2021**

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

To,

The Members,

**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 authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company, during the audit period covering the financial year ended on 31 March, 2021 has complied with the statutory provisions listed hereunder and also that your 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 31 March, 2021 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 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 are fit and proper with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. During the year under review Ms. Anisha Motwani has retired from the office of Independent Director due to completion of her tenure and Ms. Rachna Dikshit was appointed as the Additional cum Independent Director.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven Business 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 your Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, the Company has:

- Issued and allotted 150 Non-Convertible Debentures having face value of ₹ 10,00,000/- each through private placement approved by the meeting of shareholder dated 24 September, 2019, thereafter the allotment of 150 Non-Convertible Debentures was made by Resolution by Circulation ("RBC") on 14 June, 2020
- Allotted 1,48,250 Equity Shares pursuant to exercise of vested options under the Employee Stock Option Plan 2012 on 10 January, 2021.
- Retired Ms. Anisha Motwani from the office of Independent Director in the Company due to completion of her tenure and the resolution for the same was passed by the Board of Director in the meeting dated 12 February, 2021 which came into effect from the closure of business hours as of 17 February, 2021.
- Appointed Ms. Rachna Dikshit as Additional cum Independent Director of the Company and the resolution for the same was passed by the Board of Director in the meeting dated 12 February, 2021 to hold office till the conclusion of next Annual General Meeting.
- Increased the managerial remuneration of Mr. Anil Mehta, MD & CEO of the Company to fixed pay of ` 2.71 Crores p.a. and variable pay of upto 60% of fixed pay based on performance metrics. The members of Nomination and Remuneration Committee and Board of Directors in their meetings dated 9 November, 2020 recommended such increase which was subsequently approved by the members of the Company at the Extra-Ordinary General Meeting held on 29 December, 2020.
- Amended the Employee Stock Option Plan 2012 and 2017 in the meetings of Board of Director dated 12 February, 2021
- During the audit period the Company has received a Show Cause Notice vide letter NHB (ND)/HFC/DOS/5136/2020 dated 03 September, 2020 was issued to the Company for non-compliance of Paragraph 2(1)(zc)(ii) (Housing Finance Companies (NHB) Directions, 2010) read with Policy Circular 55 in 148 cases and NHB(ND)/DRS/Policy Circular No. 75/2016-17 dated 1 July, 2016 in 1 case and the Company replied to the same vide its letter dated 18 September, 2020. However, NHB was not satisfied with the submission of the Company and after due examination levied a penalty INR 7,40,000/- and INR 5,000/- plus GST for the above- mentioned non- compliances, respectively.
- Appointed I.P. Pasricha & Co. as Internal Auditor for the Financials Year 2020-21.

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

**Date:** 12 May, 2021
**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.

ANNEXURE 12 (Contd.)

'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

**Date:** 12 May, 2021
**Place:** New Delhi

# 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, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March, 2021, and its 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.

**Key Audit Matters**

4. 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.
5. We have determined the matter described below to be the key audit matter to be communicated in our report.

**Expected Credit Losses ('ECL') on loans and other financial assets**

**(Refer Note 2.9 to the accompanying financial statements for significant accounting policy and note 5 and 7 for the loan assets, other financial assets and ECL related disclosures)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| As at 31 March, 2021, the Company has reported gross loans assets amounting to ₹ 201,217.29 lakhs and other financial assets amounting to ₹ 2,825.26 against which impairment of ₹ 3,100.33 lakhs and ₹ 16.71 lakhs respectively has been recorded.<br><br>Ind AS 109- Financial Instruments, requires the Company to provide for impairment of its financial assets using 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. | 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 are reasonable and the related disclosures in the financial statements made by the management are appropriate. These procedures included, but were not limited, to the following:<br><br>(a) 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; |

INDEPENDENT AUDITOR'S REPORT (Contd.)

**Expected Credit Losses ('ECL') on loans and other financial assets**

**(Refer Note 2.9 to the accompanying financial statements for significant accounting policy and note 5 and 7 for the loan assets, other financial assets and ECL related disclosures)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Estimation of expected credit losses is a complex matter since it uses statistical model and requires the management to exercise significant judgements. Refer to Note 5.<br><br>Considering the significance of the above matter to the overall financial statements, and the degree of management's judgment, this area required significant auditor attention to test such complex accounting estimates. Therefore, we have identified this as a key audit matter for current year audit.<br><br>We also draw attention to note 44 of the accompanying financial statements, regarding the possible effects of the uncertainties involved on the appropriateness of allowance for ECL on the above-mentioned loan assets and other financial assets as on 31 March, 2021, as the same is fundamental to the understanding of the users of financial statements. | (b) considered the Company's accounting policies for estimation of expected credit loss on loans and other financial assets, and assessing compliance with the policies in terms of Ind AS 109;<br><br>(c) Tested the design and operating effectiveness of the key controls over calculation of the expected credit losses;<br><br>(d) tested the accuracy and completeness of inputs through substantive procedures and assessing the reasonableness of the assumptions used which included the following:<br><br>• 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 losses incurred within the portfolios;<br><br>• 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 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;<br><br>• Assessed the critical assumptions including management's assessment of the impact of COVID-19 on these assumptions, 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);<br><br>• Performed an assessment of the adequacy of the credit losses expected by developing a point estimate by making reference to the expected credit losses recognised by entities that carry comparable financial assets;<br><br>• Tested on test check basis, the reasonableness of estimates of expected realizable values of underlying collaterals;<br><br>➢ tested the arithmetical calculation of the expected credit losses;<br><br>➢ obtained written representations from management on whether they believe significant assumptions used in calculation of expected credit losses are reasonable;<br><br>Assessed the appropriateness and adequacy of the related presentation and disclosures in note 38.5 "Financial risk management" to the accompanying financial statements in accordance with the applicable accounting standards. |

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

6. 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**

7. 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.

8. 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.

9. 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**

10. 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.

11. 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;

12. 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.

13. 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.

14. 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.

**Report on Other Legal and Regulatory Requirements**

15. 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.

16. 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.

17. 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, 2021 from being appointed as a director in terms of section 164(2) of the Act;

    f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 12 May, 2021 as per Annexure B expressed unmodified opinion; and

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

        i. the Company, as detailed in note 33 to the financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March, 2021.

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

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

        iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November, 2016 to 30 December, 2016, which are not relevant to these 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: 21095256AAAAAO1644

Place: Noida
Date: 12 May, 2021

# 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) 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, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. 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 became 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 (₹) | Amount paid under Protest (₹) | Period to which the amount relates | Forum where dispute is pending | Remarks, if any |
|---|---|---|---|---|---|---|
| **Income-tax Act, 1961** | **Income tax** | **445.23** | **89.05** | **Assessmentyear 2017-18** | **Commissioner of Income-tax (Appeals)** | **Assessing officer has passed a stay order till the disposal of appeal** |

(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 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

ANNEXURE A (Contd.)

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.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

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

**Lalit Kumar**
Partner
Membership No.: 095256
UDIN:21095256AAAAAO1644

Place: Noida
Date: 12 May, 2021

# 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, 2021, 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 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

ANNEXURE B (Contd.)

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, 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

**Lalit Kumar**
Partner
Membership No.: 095256
UDIN: 21095256AAAAAO1644

Place: Noida
Date: 12 May, 2021

IndiaShelter Home Loans

# BALANCE SHEET

AS AT 31 MARCH, 2021

(All amounts in ₹ Lacs, unless otherwise stated)

| | Notes | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **(1) Financial assets** | | | |
| (a) Cash and cash equivalents | 3 | 23,309.46 | 1,733.99 |
| (b) Bank balance other than cash and cash equivalents | 4 | 18,058.31 | 16,513.80 |
| (c) Loans | 5 | 1,98,116.96 | 1,47,515.19 |
| (d) Investments | 6 | - | 9,385.88 |
| (e) Other financial assets | 7 | 2,808.55 | 209.50 |
| **(2) Non-financial assets** | | | |
| (a) Current tax assets (net) | 8 | 3.55 | 344.55 |
| (b) Deferred tax assets (net) | 9 | 933.65 | 1,006.14 |
| (c) Property, plant and equipment | 10 | 1,403.13 | 1,621.19 |
| (d) Other intangible assets | 11 | 107.74 | 163.53 |
| (e) Other non-financial assets | 12 | 1,174.97 | 1,153.18 |
| (f) Assets held for sale | | 347.85 | 252.18 |
| **Total assets** | | **2,46,264.17** | **1,79,899.13** |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| **(1) Financial liabilities** | | | |
| (a) Trade payables | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | 13 | 12.12 | 2.58 |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 13 | 450.63 | 404.48 |
| (b) Debt securities | 14 | 8,222.38 | 24,588.20 |
| (c) Borrowings (other than debt securities) | 15 | 1,40,906.65 | 68,872.16 |
| (d) Other financial liabilities | 16 | 2,088.81 | 633.74 |
| **(2) Non-financial liabilities** | | | |
| (a) Provisions | 17 | 359.73 | 401.13 |
| (b) Other non-financial liabilities | 18 | 496.89 | 168.47 |
| **Total liabilities** | | **1,52,537.21** | **95,070.76** |
| **(3) Equity** | | | |
| (a) Equity share capital | 19 | 4,297.84 | 4,283.02 |
| (b) Other equity | 20 | 89,429.12 | 80,545.35 |
| **Total equity** | | **93,726.96** | **84,828.37** |
| **Total liabilities and equity** | | **2,46,264.17** | **1,79,899.13** |

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

**Lalit Kumar**
Partner

Membership No.: 095256

Place: Noida
Date: 12 May, 2021

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: Gurugram
Date: 12 May, 2021

**Rupinder Singh**
Director

DIN: 09153382

Place: Chennai
Date: 12 May, 2021

**Ashish Gupta**
Chief Financial Officer

Place: Delhi
Date: 12 May, 2021

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

Place: Delhi
Date: 12 May, 2021

# STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH, 2021

(All amounts in ₹ Lacs, unless otherwise stated)

| | | Notes | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|---|---|
| **REVENUE FROM OPERATIONS** | | | | |
| (i) | Interest income | 21 | 27,457.21 | 21,213.58 |
| (ii) | Fees and commission income | 22 | 999.26 | 957.34 |
| (iii) | Net gain on fair value changes | 23 | 291.85 | 737.14 |
| (iv) | Net gain on derecognition of financial instruments under amortised cost category | | 2,922.29 | - |
| **(I)** | **Total revenue from operations** | | **31,670.61** | **22,908.06** |
| (II) | Other income | 24 | 609.22 | 82.98 |
| **(III)** | **Total income (I+II)** | | **32,279.83** | **22,991.04** |
| **EXPENSES** | | | | |
| (i) | Finance costs | 25 | 10,534.81 | 7,534.87 |
| (ii) | Impairment on financial instruments | 26 | 1,984.73 | 1,173.32 |
| (iii) | Employee benefits expenses | 27 | 6,168.58 | 5,037.61 |
| (iv) | Depreciation and amortisation | 28 | 509.84 | 586.88 |
| (v) | Other expenses | 29 | 1,786.18 | 2,274.48 |
| **(IV)** | **Total expenses** | | **20,984.14** | **16,607.16** |
| **(V)** | **Profit before tax (III-IV)** | | **11,295.69** | **6,383.88** |
| **(VI)** | **Tax expense:** | 30 | | |
| | (1) Current tax | | 2,477.20 | 1,842.95 |
| | (2) Deferred tax charge/(credit) | | 79.63 | (150.21) |
| | **Total tax expense** | | **2,556.83** | **1,692.74** |
| **(VII)** | **Profit for the year (V-VI)** | | **8,738.86** | **4,691.14** |
| **(VIII)** | **Other comprehensive income** | | | |
| | (i) Items that will not be reclassified to profit or loss | | | |
| | - Remesurment of defined benefit obligations | | (28.39) | (0.20) |
| | (ii) Income tax relating to items that will not be reclassified to profit or loss | | 7.15 | 0.05 |
| | **Total other comprehensive income** | | **(21.24)** | **(0.15)** |
| **(IX)** | **Total comprehensive income for the year(VII+VIII)** | | **8,717.62** | **4,690.99** |
| **(X)** | **Earnings per equity share** | 40 | | |
| | Basic (₹) | | 20.39 | 10.99 |
| | Diluted (₹) | | 19.86 | 10.80 |

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

**Lalit Kumar**
Partner

Membership No.: 095256

Place: Noida
Date: 12 May, 2021

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: Gurugram
Date: 12 May, 2021

**Rupinder Singh**
Director

DIN: 09153382

Place: Chennai
Date: 12 May, 2021

**Ashish Gupta**
Chief Financial Officer

Place: Delhi
Date: 12 May, 2021

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

Place: Delhi
Date: 12 May, 2021

IndiaShelter Home Loans

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH, 2021

(All amounts in ₹ Lacs, unless otherwise stated)

## A. EQUITY SHARE CAPITAL

| Particulars | Balance as at 01 April, 2019 | Changes during the year | Balance as at 31 March, 2020 | Changes during the year | Balance as at 31 March, 2021 |
|---|---|---|---|---|---|
| Equity share capital | 4,240.45 | 42.57 | 4,283.02 | 14.82 | 4,297.84 |

## B. OTHER EQUITY

| Particulars | Share application money pending allotment | Reserves and Surplus | | | | Items of other comprehensive income | Total |
|---|---|---|---|---|---|---|---|
| | | Statutory reserve | Securities premium | Employee share based payment reserve | Retained earnings | Re-measurements of defined benefit plans | |
| **Balance as at 01 April, 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 | - | **4,691.14** |
| Other comprehensive income | - | - | - | - | - | (0.20) | **(0.20)** |
| Income tax on other comprehensive income | - | - | - | - | - | 0.05 | **0.05** |
| **Balance as at 31 March, 2020** | **-** | **2,675.79** | **67,819.42** | **389.13** | **9,630.52** | **30.49** | **80,545.35** |
| Transfer to statutory reserve | - | 1,747.77 | - | - | (1,747.77) | - | **-** |
| Movement during the year | - | - | 5.17 | 160.98 | - | - | **166.15** |
| Profit for the year | - | - | - | - | 8,738.86 | - | **8,738.86** |
| Other comprehensive income | - | - | - | - | - | (28.39) | **(28.39)** |
| Income tax on other comprehensive income | - | - | - | - | - | 7.15 | **7.15** |
| **Balance as at 31 March, 2021** | **-** | **4,423.56** | **67,824.59** | **550.11** | **16,621.61** | **9.25** | **89,429.12** |

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

**Lalit Kumar**
Partner

Membership No.: 095256

Place: Noida
Date: 12 May, 2021

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: Gurugram
Date: 12 May, 2021

**Rupinder Singh**
Director

DIN: 09153382

Place: Chennai
Date: 12 May, 2021

**Ashish Gupta**
Chief Financial Officer

Place: Delhi
Date: 12 May, 2021

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

Place: Delhi
Date: 12 May, 2021

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH, 2021

(All amounts in ₹ Lacs, unless otherwise stated)

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| **(A) CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | 11,295.69 | 6,383.88 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 509.84 | 586.88 |
| Effective interest rate adjustment on financial assets | 533.26 | 739.08 |
| Effective interest rate adjustment on debt securities and borrowings | (9.59) | (283.59) |
| Share based payments to employees | 161.21 | 159.41 |
| Impairment on financial instruments | 1,984.73 | 1,173.32 |
| Impairment on assets held for sale | 4.62 | 31.23 |
| Net loss on derecognition of property, plant and equipment | 14.65 | 6.28 |
| Net unrealised gain on fair value change of investments | - | (35.88) |
| Net gain on derecognition of financial instruments under amortised cost category | (2,922.29) | - |
| Gain on termination of leases | (22.02) | - |
| Interest expense on lease liabilities | 77.33 | 126.13 |
| **Operating profit before working capital changes** | **11,627.43** | **8,886.74** |
| **Movements in working capital** | | |
| Increase in loans | (53,068.15) | (35,346.09) |
| Decrease/(increase) in investments | 9,385.88 | (1,373.12) |
| Decrease in other financial assets | 306.52 | 108.56 |
| Increase in other non-financial assets | (137.21) | (316.23) |
| Increase in trade payables | 55.69 | 19.84 |
| Increase/(decrease) in other financial liabilities | 1,455.06 | (611.00) |
| Increase/(decrease) in other non-financial liabilities | 328.41 | (60.99) |
| (Decrease)/increase in provisions | (104.69) | 42.99 |
| (Decrease)/increase in interest accrued on debt securities and borrowings | (411.95) | 1,258.90 |
| **Cash flows used in operating activities post working capital changes** | **(30,563.01)** | **(27,390.40)** |
| Income tax paid (net) | (2,136.19) | (1,764.57) |
| **Net cash flows used in operating activities (A)** | **(32,699.20)** | **(29,154.97)** |
| **(B) CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payments made for purchase of property, plant and equipment and intangible assets | (177.95) | (146.35) |
| Proceeds from sale of property, plant and equipment | 0.76 | 2.04 |
| Investment in other bank balance (net) | (1,544.51) | (14,881.21) |
| **Net cash used in investing activities (B)** | **(1,721.70)** | **(15,025.52)** |

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| **(C) CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of equity share capital | 19.99 | 24.24 |
| Proceeds from debt securities | 1,500.00 | 10,000.00 |
| Proceeds from borrowings(other than debt securities) | 97,840.02 | 44,346.23 |
| Repayment of borrowings | (25,184.81) | (13,019.74) |
| Repayment of debt securities | (17,857.15) | (1,428.58) |
| Payment towards lease liabilities | (321.68) | (385.46) |
| **Net cash flows from financing activities (C)** | **55,996.37** | **39,536.69** |
| **Net increase/(decrease) in cash and cash equivalents (A+B+C)** | **21,575.47** | **(4,643.80)** |
| Cash and cash equivalents at the beginning of the year | 1,733.99 | 6,377.79 |
| Cash and cash equivalents at the end of the year | 23,309.46 | 1,733.99 |
| Components of cash and cash equivalents | | |
| Cash on hand | 53.61 | 10.60 |
| Balances with banks (of the nature of cash and cash equivalents) | | |
| (a) Balance with banks in current accounts | 4,051.21 | 1,723.39 |
| (b) Deposits with original maturity of less than 3 months | 19,204.64 | - |
| **Total cash and cash equivalents** | **23,309.46** | **1,733.99** |

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

**Lalit Kumar**
Partner

Membership No.: 095256

Place: Noida
Date: 12 May, 2021

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: Gurugram
Date: 12 May, 2021

**Rupinder Singh**
Director

DIN: 09153382

Place: Chennai
Date: 12 May, 2021

**Ashish Gupta**
Chief Financial Officer

Place: Delhi
Date: 12 May, 2021

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

Place: Delhi
Date: 12 May, 2021

# SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021

(All amounts in ₹ Lacs, unless otherwise stated)

**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.

**1.1. 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, 2021 were authorised and approved for issue by the Board of Directors on 12 May, 2021.

**(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;
- 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. 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.

(All amounts in ₹ Lacs, unless otherwise stated)

**2.1. 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 he 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.

*Income from assignment*

Gains arising out of direct assignment transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the direct assignment is entered into with the assignee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the statement of profit and loss. EIS is evaluated and adjusted for ECL and expected prepayment.

*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.

**2.2. 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.

**2.3. 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.

**2.4. 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.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

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 ₹ 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 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.

**2.5. 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.

**2.6. 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.

**2.7. Taxation**

Tax expense recognised in Statement of Profit and Loss comprises the sum of deferred tax and current tax except to the extent it recognised 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.

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 2020-21 and previous 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).

**2.8. 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

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

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 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.

**2.9. 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.

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.

**2.10. 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.

**2.11. Leases**

**The Company as a Lessee:**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

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.

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.

**2.12. 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 vaue through other comprehensive income (FVTOCI)
- Financial asset at fair valur through profit and loss(FVTPL)

**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 assets (debt instruments) at FVOCI**

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

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- 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 the 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.

*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.

**2.13. 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

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

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.

**2.14. 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 (₹), 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.

**2.15. 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.

**2.16. 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.

**2.17. 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.

**2.18. 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.

**2.19. 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.

**2.20. 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.

**2.21 Recent Accounting Pronouncements**

**Amendment to Ind AS 116 "Leases" – Insertion of practical expedient for COVID-19 related lease concessions**

The amendment provides lessee with a practical expedient and an exemption to assess whether a COVID-19 related rent concession is a lease modification to payments originally due on or before 30 June, 2021.

**Amendment to Ind AS 109 "Financial Instruments" and Ind AS 107 "Financial Instruments: Disclosures" – Interest rate Benchmark Reform**

The amendments provide relief from the specific hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

**Recent pronouncements:** On 24March, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 1 April, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

**Balance Sheet**

a) Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.

b) Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.

c) Specified format for disclosure of shareholding of promoters.

d) Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.

e) If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.

f) Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

**Statement of Profit and Loss**

a) Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.

The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 3. CASH AND CASH EQUIVALENTS

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| I. Cash on hand | 53.61 | 10.60 |
| II. Balances with banks (of the nature of cash and cash equivalents) | | |
| (a) Balance with banks in current accounts | 4,051.21 | 1,723.39 |
| (b) Deposits with original maturity of less than 3 months | 19,204.64 | - |
| **Sub-total (a and b)** | **23,255.85** | **1,723.39** |
| **Total (I and II )** | **23,309.46** | **1,733.99** |

## 4. BANK BALANCE OTHER THAN CASH AND CASH EQUIVALENTS

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Deposits with original maturity of more than 3 months* | 18,058.31 | 16,513.80 |
| **Total** | **18,058.31** | **16,513.80** |

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

a. Deposits under lien aggregating to ₹ 392.01 Lacs (31 March, 2020: ₹ 392.01 Lacs) being securitisation comfort provided to investors as collateral.

b. Margin money amounting to ₹ 1,675 Lacs (31 March, 2020: ₹ 1,225 Lacs) 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.

c. Deposits amounting to ₹ 1,378.69 Lacs (31 March, 2020: ₹ 385 Lacs) are under lien against borrowings from banks.

## 5. LOANS

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **At amortised cost** | | |
| Term loans | 2,01,084.25 | 1,48,933.25 |
| Staff loans | 133.04 | 201.19 |
| **Total gross** | **2,01,217.29** | **1,49,134.44** |
| Less: Impairment loss allowance | 3,100.33 | 1,619.25 |
| **Total net** | **1,98,116.96** | **1,47,515.19** |
| Secured by tangible assets | 2,01,217.29 | 1,49,134.44 |
| **Total** | **2,01,217.29** | **1,49,134.44** |
| Less: Impairment loss allowance | 3,100.33 | 1,619.25 |
| **Total net** | **1,98,116.96** | **1,47,515.19** |
| **Loans in India** | | |
| Public sectors | - | - |
| Others (individuals and other corporates) | 2,01,217.29 | 1,49,134.44 |
| **Total gross** | **2,01,217.29** | **1,49,134.44** |
| Less: Impairment loss allowance | 3,100.33 | 1,619.25 |
| **Total net** | **1,98,116.96** | **1,47,515.19** |

(All amounts in ₹ Lacs, unless otherwise stated)

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, 2021 | 2,03,685.22 | 726.90 | (3,194.83) | 2,01,217.29 |
| As at 31 March, 2020 | 1,51,422.94 | 373.08 | (2,661.58) | 1,49,134.44 |

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, 2020: Nil).

5.4 Loans sanctioned but undisbursed amount to ₹ 11,022.64 Lacs as on 31 March, 2021 (31 March, 2020: ₹ 13,295.16 Lacs).

5.5 The Company has securitised assets amounting to ₹ 6,143.84 Lacs (31 March, 2020: ₹ 5,472.75 Lacs). 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 During the financial year 2020-21, the Company has assigned pools of certain loans amounting to ₹ 16,949.36 Lacs (31 March, 2020: Nil) by way of a direct assignment transactions. These loans have been de-recognised from the loan portfolio of the Company as the sale of loan assets is an absolute assignment and transfer on a 'no-recourse' basis. The Company continues to act as a servicer to the assignment transaction on behalf of assignee. In terms of the assignment agreements, the Company pays to assignees, on a monthly basis, the pro-rata collection amounts.

**5.7 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.

**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.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**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, 2021 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:**

**Reconciliation of gross carrying amount balance is as follows:**

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **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** |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Loans to customers at amortised cost** | | | | |
| **Balance as at 01 April, 2020** | 1,45,308.13 | 2,149.87 | 1,676.44 | **1,49,134.44** |
| Transfer to Stage 1 | 762.84 | (602.26) | (160.58) | - |
| Transfer to Stage 2 | (4,437.05) | 4,586.77 | (149.72) | - |
| Transfer to Stage 3 | (3,075.76) | (832.18) | 3,907.94 | - |
| New financial assets originated | 85,656.78 | 35.17 | 66.64 | **85,758.59** |
| Financial assets that have been de-recognised | (32,644.91) | (252.43) | (778.40) | **(33,675.74)** |
| **Balance as at 31 March, 2021** | **1,91,570.03** | **5,084.94** | **4,562.32** | **2,01,217.29** |

**Reconciliation of ECL balance is as follows:**

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Balance as at 01 April, 2019** | 474.71 | 4.56 | 361.46 | **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 | 66.88 | 4.18 | **804.05** |
| New financial assets originated | 204.76 | 3.16 | 13.88 | **221.80** |
| Financial assets that have been de-recognised | (58.00) | (0.54) | (188.79) | **(247.33)** |
| **Balance as at 31 March, 2020*** | **906.15** | **36.30** | **676.80** | **1,619.25** |

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Balance as at 01 April, 2020** | 906.15 | 36.30 | 676.80 | **1,619.25** |
| Transfer to Stage 1 | 7.33 | (5.81) | (1.52) | - |
| Transfer to Stage 2 | (134.95) | 139.55 | (4.60) | - |
| Transfer to Stage 3 | (1,015.17) | (246.82) | 1,261.99 | - |
| ECL re-measurements due to changes in EAD/ assumptions (net) | 1,339.71 | 232.23 | (100.89) | **1,471.05** |
| New financial assets originated | 363.79 | 2.44 | 27.91 | **394.14** |
| Financial assets that have been de-recognised | (89.05) | (4.52) | (290.54) | **(384.11)** |
| **Balance as at 31 March, 2021*** | **1,377.81** | **153.37** | **1,569.15** | **3,100.33** |

*includes ECL amount of ₹ 15.49 Lacs (31 March, 2020: ₹ 5.42 Lacs) created on securitised loans derecognised from the books which has been adjusted from EAD as at 31 March, 2021.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**ix) Comparison of ECL provision and NHB required provision**

**As at 31 March, 2021**

| 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* | 1,93,430.38 | 1,373.54 | 626.12 | 747.42 |
| | Stage 2 | 4,993.66 | 152.75 | 36.84 | 115.91 |
| | Stage 3** | 1,315.69 | 409.31 | 131.42 | 277.89 |
| **Sub-total** | | **1,99,739.73** | **1,935.60** | **794.38** | **1,141.22** |
| **Non- performing assets (NPA)** | | | | | |
| Substandard | Stage 3 | **2,857.44** | **895.79** | **462.47** | **433.32** |
| Doubtful - up to 1 year | Stage 3 | 717.56 | 238.23 | 221.62 | 16.61 |
| Doubtful - 1 to 3 years | Stage 3 | 20.27 | 6.38 | 10.76 | (4.38) |
| Doubtful - More than 3 years | Stage 3 | - | - | - | - |
| **Sub-total for doubtful** | | **737.83** | **244.61** | **232.38** | **12.23** |
| Loss | Stage 3 | 23.43 | 8.84 | 23.43 | (14.59) |
| **Sub-total for NPA** | | **3,618.70** | **1,149.24** | **718.28** | **430.96** |
| **Total** | | **2,03,358.43** | **3,084.84** | **1,512.66** | **1,572.18** |

* Does not includes ECL amount of ₹ 15.49 Lacs created on securitised loans derecognised from the books which has been adjusted from EAD as at 31 March, 2021.

** Loans which were restructured during the year as per RBI notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August, 2020 have been classified as stage 3 for the purpose of computation of ECL.

**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 | 900.69 | 471.51 | 429.18 |
| | Stage 2 | 2,087.05 | 36.33 | 50.01 | (13.68) |
| **Sub-total** | | **1,49,161.68** | **937.02** | **521.52** | **415.50** |
| **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 | - | - | - | - |
| **Sub-total for doubtful** | | **479.88** | **170.43** | **122.31** | **48.12** |
| Loss | Stage 3 | - | - | - | - |
| **Sub-total for NPA** | | **1,956.93** | **676.81** | **343.87** | **332.94** |
| **Total** | | **1,51,118.61** | **1,613.83** | **865.39** | **748.44** |

* Does not includes ECL amount of ₹ 5.42 Lacs created on securitised loans derecognised from the books which has been adjusted from EAD as at 31 March, 2020.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 6. INVESTMENTS

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **At fair value through profit and loss** | | |
| **Investments in India** | | |
| Mutual funds | - | 9,385.88 |
| **Total** | **-** | **9,385.88** |

## 7. OTHER FINANCIAL ASSETS

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Security deposits | 214.35 | 179.11 |
| Receivables on securitised loans (refer note a) | 27.79 | 6.11 |
| EIS receivable on direct assignment (refer note b) | 2,425.87 | - |
| Insurance premium recoverable | 11.27 | 22.57 |
| Other receivables | 145.98 | 1.71 |
| **Total gross** | **2,825.26** | **209.50** |
| Less: Impairment loss allowance (on EIS Receivable assets) | (16.71) | - |
| **Total** | **2,808.55** | **209.50** |

**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.

b) Under Ind AS, with respect to Assignment deals, the Company has created an Excess Interest Spread (EIS) receivable, with corresponding credit to Statement of Proft and loss for the year, which has been computed by discounting EIS to present value.

## 8. CURRENT TAX ASSETS (NET)

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Advance income tax {net of provisions: ₹ 4,231.05 Lacs (31 March, 2020: ₹ 4,174.22 Lacs)} | 3.55 | 344.55 |
| **Total** | **3.55** | **344.55** |

## 9. DEFERRED TAX ASSETS (NET)

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Deferred tax assets** | | |
| Provision for employee benefits | 76.79 | 95.99 |
| Difference in written down value as per Companies Act and Income Tax Act | 53.40 | 43.89 |
| Impairment loss allowance | 681.83 | 295.77 |
| Financial assets measured at amortised cost | 804.07 | 669.86 |
| Provision for bonus | 1.10 | 1.10 |
| Lease liabilities | 26.11 | 20.25 |
| Assets held for sale | 9.01 | 7.85 |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Fair valuation of financial instruments through profit and loss | - | (9.03) |
| Financial liabilities measured at amortised cost | (121.95) | (119.54) |
| EIS income on direct assignment | (596.71) | - |
| **Net deferred tax assets** | **933.65** | **1,006.14** |

**Movement in deferred tax assets (net)**

| Particulars | As at 1 April, 2020 | (Charged)/ credited to statement of profit and loss | Credited/(charged) to other comprehensive income | As at 31 March, 2021 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Provision for employee benefits | 95.99 | (26.35) | 7.15 | 76.79 |
| Difference in written down value as per Companies Act and Income Tax Act | 43.89 | 9.51 | - | 53.40 |
| Impairment loss allowance | 295.77 | 386.06 | - | 681.83 |
| Financial assets measured at amortised cost | 669.86 | 134.21 | - | 804.07 |
| Provision for bonus | 1.10 | - | - | 1.10 |
| Lease liability | 20.25 | 5.86 | - | 26.11 |
| Assets held for sale | 7.85 | 1.16 | - | 9.01 |
| **Deferred tax liabilities** | | | | |
| Fair valuation of financial instruments through profit and loss | (9.03) | 9.03 | - | - |
| Financial liabilities measured at amortised cost | (119.54) | (2.41) | - | (121.95) |
| EIS income on direct assignment | - | (596.71) | - | (596.71) |
| **Net deferred tax assets** | **1,006.14** | **(79.63)** | **7.15** | **933.65** |

| Particulars | As at 01 April, 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 | 50.96 | - | 295.77 |
| Financial assets measured at amortised cost | 559.28 | 110.58 | - | 669.86 |
| 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** | **150.19** | **0.05** | **1,006.14** |

(All amounts in ₹ Lacs, 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, 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) | - | (14.49) | - | (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** |
| Additions during the year | - | 94.80 | 17.14 | 4.49 | 55.45 | 11.98 | 616.15 | 800.01 |
| Disposals/adjustments | - | (57.37) | (25.68) | (8.75) | - | (20.72) | (676.92) | (789.44) |
| **Balance as at 31 March, 2021** | **9.17** | **422.27** | **141.85** | **150.65** | **77.74** | **360.04** | **1,464.47** | **2,626.19** |
| **Accumulated depreciation** | | | | | | | | |
| **Balance as at 01 April, 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** |
| Depreciation charge for the year | | 60.52 | 22.34 | 12.53 | 4.16 | 55.65 | 289.63 | 444.83 |
| Disposals/adjustments | | (54.67) | (24.85) | (6.48) | - | (11.79) | (118.41) | (216.20) |
| **Balance as at 31 March, 2021** | **-** | **307.61** | **85.48** | **73.38** | **14.16** | **231.44** | **510.99** | **1,223.06** |
| **Net block** | | | | | | | | |
| **Balance as at 31 March, 2020** | **9.17** | **83.08** | **62.40** | **87.58** | **12.29** | **181.20** | **1,185.47** | **1,621.19** |
| **Balance as at 31 March, 2021** | **9.17** | **114.66** | **56.37** | **77.27** | **63.58** | **128.60** | **953.48** | **1,403.13** |

*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.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 11. OTHER INTANGIBLE ASSETS

| Gross block | Computer software |
|---|---|
| **Balance as at 01 April, 2019** | **183.55** |
| Additions during the year | 111.88 |
| **Balance as at 31 March, 2020** | **295.43** |
| Additions during the year | 9.22 |
| **Balance as at 31 March, 2021** | **304.65** |
| **Accumulated amortisation** | |
| **Balance as at 01 April, 2019** | **75.80** |
| Amortisation charge during the year | 56.10 |
| **Balance as at 31 March, 2020** | **131.90** |
| Amortisation charge during the year | 65.01 |
| **As at 31 March, 2021** | **196.91** |
| **Net block** | |
| **Balance as at 31 March, 2020** | **163.53** |
| **Balance as at 31 March, 2021** | **107.74** |

## 12. OTHER NON-FINANCIAL ASSETS

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Prepaid expenses | 453.58 | 467.20 |
| Capital advances | 15.95 | 31.08 |
| Advance to employees | 44.46 | 76.26 |
| Advance to suppliers | 88.07 | 51.60 |
| Balance with government authorities | 572.91 | 527.04 |
| **Total** | **1,174.97** | **1,153.18** |

## 13. TRADE PAYABLES

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| (i) total outstanding dues of micro enterprises and small enterprises (refer note 34) | 12.12 | 2.58 |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 450.63 | 404.48 |
| **Total** | **462.75** | **407.06** |

## 14. DEBT SECURITIES (AT AMORTISED COST)

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Secured** | | |
| Non-convertible debentures (including interest accrued) | 8,222.38 | 24,588.20 |
| **Total** | **8,222.38** | **24,588.20** |
| Debt securities in India | 8,222.38 | 24,588.20 |
| Debt securities outside India | - | - |
| **Total** | **8,222.38** | **24,588.20** |

(All amounts in ₹ Lacs, unless otherwise stated)

i) Nil (31 March, 2020: 5,000), @ 9.99% Secured unlisted non-convertible debentures (NCD) of face value ₹ 1,00,000 each aggregating to ₹ 5,000 Lacs 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, 2021 Nil (31 March, 2020: ₹ 2,857.14 Lacs).

(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).

These NCD's were prepaid during the current year.

ii) Nil (31 March, 2020: 1,000), @ 11.25% Secured listed non-convertible debentures (NCD) of face value ₹ 10,00,000 each aggregating to ₹ 10,000 Lacs payable in 7 yearly installments ending on 01 October, 2026. The date of allotment is 01 October, 2019. The amount outstanding as 31 March, 2021 Nil (31 March, 2020: 10,000 Lacs).

(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). These NCD's were prepaid during the current year

iii) 150 (31 March, 2020: Nil), @ 10.25% Secured listed non-convertible debentures of face (NCD) value ₹10,00,000 each aggregating to ₹ 1,500 Lacs repayable on 12 June, 2023. The date of allotment of NCD was 12 June, 2020. The amount outstanding as 31 March, 2021 ₹ 1,500 Lacs (31 March, 2020: Nil).

(These NCD are secured by way of a first ranking exclusive and continuing charge created pursuant to the deed of hypothecation over certain identified receivables of the Issuer. A security cover of 110% of the value of the aggregate principal amount outstanding on the NCD and interest accrued thereon (if any) shall be maintained at all times until the redemption of these NCD).

iv) 500 (31 March, 2020: 1,000), @ 9.90% Secured listed non-convertible debentures of face (NCD) value ₹ 10,00,000 each aggregating to ₹ 5,000 Lacs repayable on 02 May, 2025 (Refer note v below). The date of allotment of NCD amounting to ₹ 2,500 Lacs was 04 May, 2018 and of NCD amounting to ₹ 7,500 Lacs was 10 July, 2018. The amount outstanding as 31 March, 2021 ₹ 5,000 Lacs (31 March, 2020: ₹ 10,000 Lacs).

(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).

(v) As at the date of allotment, these 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 |

vi) **Amounts repayable from the date of balance sheet***

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| less than 1 year | - | 2,828.57 |
| one to three years | 1,500.00 | 4,228.57 |
| three to five years | 5,000.00 | 2,800.00 |
| more than five years | - | 13,000.00 |

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

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 15. BORROWINGS (OTHER THAN DEBT SECURITIES)

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **At amortised cost** | | |
| (a) Term loans - Secured (including interest accrued) | | |
| (i) from banks | 73,434.06 | 37,810.69 |
| (ii) from other parties | | |
| - Financial institutions | 9,919.00 | 9,889.23 |
| - National Housing Bank | 52,854.52 | 14,548.57 |
| (b) Lease liabilities | 1,057.19 | 1,265.91 |
| (c) Liability against securitised assets (net of over collateralisation amount) | 3,641.88 | 5,357.76 |
| **Total** | **1,40,906.65** | **68,872.16** |
| Borrowings in India | 1,40,906.65 | 68,872.16 |
| Borrowings outside India | - | - |
| **Total** | **1,40,906.65** | **68,872.16** |

i) Secured term loans from National Housing Bank carry rate of interest in the range of 3.00% to 7.80% p.a (31 March, 2020: 4.61% to 8.85%). The loans are having tenure of 1 to 15 years from the date of disbursement and are repayable in quarterly or yearly 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 7.65% to 11.20% p.a (31 March, 2020: 8.80% to 11.44%). The loans are having tenure of 34 to 97 months 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 ₹ 4,306 Lacs (31 March, 2020: ₹ 6,631 Lacs ) from banks and ₹ 2,500 Lacs (31 March, 2020: ₹ 3,453 Lacs) from National Housing Bank are also personally guaranteed by a director.

**Terms of repayment of borrowings as at 31 March, 2021***

| Particulars | Number of installments | Monthly repayment | Number of installments | Quarterly repayment |
|---|---|---|---|---|
| less than one year | 372 | 17,209.20 | 97 | 17,728.06 |
| one to three years | 677 | 32,932.06 | 225 | 25,801.10 |
| three to five years | 315 | 15,165.62 | 145 | 16,528.68 |
| more than five years | 105 | 4,334.20 | 131 | 11,441.61 |

**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 |

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

(All amounts in ₹ Lacs, unless otherwise stated)

**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, 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** |
| **Cash flows:** | | | |
| - Repayments | (17,857.15) | (25,184.81) | (43,041.96) |
| - Proceeds (including interest accrued) | 1,308.36 | 97,620.59 | 98,928.95 |
| - Payment of lease liability | - | (321.68) | (321.68) |
| **Non-cash:** | | | |
| - Amortisation of upfront fees and others | 182.97 | (192.56) | (9.59) |
| - Recognition of lease liabilities | - | 112.95 | 112.95 |
| **31 March, 2021** | **8,222.38** | **1,40,906.65** | **1,49,129.03** |

## 16. OTHER FINANCIAL LIABILITIES

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Employee related payable | 854.30 | 184.96 |
| Payable towards securitisation transactions | 225.05 | 222.51 |
| Payable towards assignment transactions | 512.21 | - |
| Insurance payables | 120.71 | 2.37 |
| Advance received from customers | 376.54 | 223.90 |
| **Total** | **2,088.81** | **633.74** |

## 17. PROVISIONS

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Provisions for employee benefits** | | |
| - Provision for compensated absences | 51.34 | 219.76 |
| - Provision for gratuity (Refer note 36) | 253.74 | 161.62 |
| Impairement loss allowance on Undrawn commitments | 54.65 | 19.75 |
| **Total** | **359.73** | **401.13** |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 18. OTHER NON-FINANCIAL LIABILITIES

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Statutory dues payables | 199.80 | 168.47 |
| Others | 297.09 | - |
| **Total** | **496.89** | **168.47** |

## 19. EQUITY SHARE CAPITAL

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **(a) Authorised capital** | | |
| 81,000,000 (31 March, 2020: 81,000,000) equity shares of ₹ 10 each | 8,100.00 | 8,100.00 |
| **(b) Issued capital** | | |
| 42,978,405 (31 March, 2020: 42,830,155) equity shares of ₹ 10 each | 4,297.84 | 4,283.02 |
| **(c) Subscribed and paid up capital** | | |
| 42,978,405 (31 March, 2020: 42,830,155) equity shares of ₹ 10 each | 4,297.84 | 4,283.02 |

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

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Equity shares outstanding at the beginning of the year | 4,28,30,155 | 4,24,04,487 |
| Issued during the year (Refer note (e) below) | 1,48,250 | 4,25,668 |
| Equity shares outstanding at the end of the year | **4,29,78,405** | **4,28,30,155** |

### (e) Issue of shares against exercise of ESOPs

A) During the current year, the board of directors vide circular resolution dated 10 January, 2021 have approved allotment of 148,250 equity shares to 9 option holders, who exercised their options as per the following:

a. 138,250 shares of ₹ 10 each at a premium of ₹ 3.27 each (aggregating to ₹ 18.35 Lacs).

b. 10,000 shares of ₹ 10 each at a premium of ₹ 4.18 each (aggregating to ₹ 1.42 Lacs).

B) During the previous 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:

a. 137,750 shares of ₹ 10 each at a premium of ₹ 3.27 each (aggregating to ₹ 18.28 Lacs).

b. 37,500 shares of ₹ 10 each at a premium of ₹ 4.18 each (aggregating to ₹ 5.32 Lacs).

C) Share application money

During the previous year, vide circular resolution dated 06 April, 2019, the Company has alloted 250,418 shares against share application money of ₹ 53.11 Lacs received from the option holders in the year ended 31 March, 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 ₹ 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.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**(g) Detail of shareholders holding 5 percent or more**

| Name of shareholders | As at 31 March, 2021 | | As at 31 March, 2020 | |
|---|---|---|---|---|
| | No. of shares | % of holding | No. of shares | % of holding |
| Sequoia Capital India Investments III | 14,48,776 | 3.37% | 30,17,195 | 7.04% |
| Nexus Ventures III Limited | 99,61,798 | 23.18% | 99,61,798 | 23.26% |
| Sequoia Capital India Growth Investments I | 21,70,560 | 5.05% | 45,20,371 | 10.55% |
| WestBridge Crossover Fund, LLC | 1,08,54,151 | 25.25% | 1,08,54,151 | 25.34% |
| Milestone Trusteeship Services Private Limited | 23,79,954 | 5.54% | 23,79,954 | 5.56% |
| Aravali Investment Holdings | 1,05,92,073 | 24.65% | 66,73,843 | 15.58% |
| Nexus Opportunity Fund II, Limited | 29,10,037 | 6.77% | 29,10,037 | 6.79% |

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

The Company has reserved 2,463,494 (31 March, 2020: 2,611,744) number of shares for creating a pool of employee stock options/right to subscribe to equity shares representing 5.42% (31 March, 2020: 5.75%) of share capital for the benefit of employees on such terms and conditions as determined by the Investors and Board of Directors. Out of this, Board of Directors in their meeting held on 28 April 2016, has approved to issue 3,55,000 Rights to Subscribe to equity shares to Mr. Anil Mehta.

**(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.**

**(j) The Board of Directors have not proposed any dividend for the year ended 31 March, 2021 and 31 March, 2020.**

## 20. OTHER EQUITY

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Securities premium | 67,824.59 | 67,819.42 |
| Statutory reserve | 4,423.56 | 2,675.79 |
| Employee share based payment reserve | 550.11 | 389.13 |
| Retained earnings | 16,630.86 | 9,661.01 |
| **Total** | **89,429.12** | **80,545.35** |

**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 the Company's employee stock option plan.

**Retained earnings**

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

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 21. INTEREST INCOME (ON FINANCIAL ASSETS MEASURED AT AMORTISED COST)

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Interest on loans | 25,719.71 | 20,134.02 |
| Interest on investments | 28.86 | 47.24 |
| Interest on deposits with banks | 1,658.48 | 908.01 |
| Income on securitised loans | 50.16 | 124.31 |
| **Total** | **27,457.21** | **21,213.58** |

## 22. FEES AND COMMISSION INCOME

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Fee based income | 999.26 | 957.34 |
| **Total** | **999.26** | **957.34** |

## 23. NET GAIN ON FAIR VALUE CHANGES

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| **Net gain on financial instruments at fair value through profit or loss** | | |
| On trading portfolio | | |
| - Investments | 291.85 | 737.14 |
| **Total net gain on fair value changes** | **291.85** | **737.14** |
| Fair value changes | | |
| - Realised | 291.85 | 701.26 |
| - Unrealised | - | 35.88 |
| **Total net gain on fair value changes** | **291.85** | **737.14** |

## 24. OTHER INCOME

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Gain on termination of leases | 22.02 | - |
| Marketing support income | 587.20 | 75.50 |
| Other income | - | 7.48 |
| **Total** | **609.22** | **82.98** |

## 25. FINANCE COSTS (ON FINANCIAL LIABILITIES MEASURED AT AMORTISED COST)

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| **(a) Interest expenses on** | | |
| - Borrowings | 8,352.47 | 4,745.06 |
| - Debt securities | 1,611.33 | 2,067.25 |
| - Securitised loans | 485.04 | 585.93 |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| **(b) Other borrowing costs** | | |
| - Securitisation expense | 7.49 | 10.22 |
| - Interest expense on lease liabilities | 77.33 | 126.13 |
| - Other interest expense | 1.15 | 0.28 |
| **Total** | **10,534.81** | **7,534.87** |

## 26. IMPAIRMENT ON FINANCIAL INSTRUMENTS (MEASURED AT AMORTISED COST)

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Impairment loss on loans | 1,532.68 | 798.27 |
| Net loans written off | 452.05 | 375.05 |
| **Total** | **1,984.73** | **1,173.32** |

## 27. EMPLOYEE BENEFITS EXPENSES

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Salaries, wages and bonus | 5,665.43 | 4,501.50 |
| Contribution to provident and other funds | 328.56 | 339.48 |
| Share based payments to employees | 161.21 | 159.41 |
| Staff welfare expenses | 13.38 | 37.22 |
| **Total** | **6,168.58** | **5,037.61** |

## 28. DEPRECIATION AND AMORTISATION

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Depreciation of property, plant and equipment (Refer note 10) | 444.83 | 530.78 |
| Amortisation of intangible assets (Refer note 11) | 65.01 | 56.10 |
| **Total** | **509.84** | **586.88** |

## 29. OTHER EXPENSES

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Legal and professional charges | 407.77 | 590.98 |
| Advertisement and marketing expenses | 77.88 | 56.32 |
| Rent and hire charges | 67.63 | 52.43 |
| Travelling and conveyance | 114.27 | 260.75 |
| Software licenses | 284.82 | 239.04 |
| Communication expenses | 100.43 | 114.27 |
| Rates and taxes expenses | 2.92 | 175.27 |
| Repairs and maintenance - others | 212.97 | 126.09 |
| Office expenses | 85.32 | 85.68 |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Electricity and water expenses | 55.56 | 83.30 |
| Printing, stationery and office supplies | 23.92 | 34.49 |
| Workshop, seminar and conference expenses | 5.66 | 65.84 |
| Insurance expenses | 119.17 | 155.22 |
| Directors' sitting fees | 31.07 | 37.50 |
| Auditor's remuneration (Refer note 29.1 below) | 32.00 | 31.00 |
| Bank charges | 36.67 | 50.72 |
| Loss on derecognition of property, plant and equipment | 14.65 | 6.28 |
| Corporate social responsibility expenses (Refer note 29.2 below) | 90.00 | 66.00 |
| Impairment on assets held for sale | 4.62 | 31.23 |
| Miscellaneous expenses | 18.85 | 12.07 |
| **Total** | **1,786.18** | **2,274.48** |

### 29.1 Auditor's remuneration

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| a) As auditors | 31.20 | 29.50 |
| b) for re-imbursement of expenses | 0.80 | 1.50 |

### 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, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| a) Gross amount required to be spent by the Company during the year | 90.00 | 66.00 |
| b) Amount spent during the year on: | | |
| i) Construction/acquisition of any asset | - | - |
| ii) On purpose other than (a) above | | |
| Contribution towards Trust/NGOs | 90.00 | 66.00 |
| c) Amount unpaid | - | - |

## 30. TAX EXPENSE

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| In respect of the current year | 2,477.20 | 1,842.95 |
| | **2,477.20** | **1,842.95** |
| Deferred tax charge/(credit) | 79.63 | (150.21) |
| | **79.63** | **(150.21)** |
| Total income tax expense recognised (excluding tax recognised in other comprehensive income) | **2,556.83** | **1,692.74** |

(All amounts in ₹ Lacs, unless otherwise stated)

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, 2021** | **For the year ended 31 March, 2020** |
|---|---|---|
| Profit before tax | 11,295.69 | 6,383.88 |
| Applicable tax rate | 25.17% | 25.17% |
| **Expected tax expense [A]** | **2,842.90** | **1,606.69** |
| Effect of expenses that are not deductible in determining taxable profit | 13.83 | 104.67 |
| Deductions under section 80JJAA of the Income-tax Act, 1961 | (38.90) | (55.95) |
| Deductions under Section 36(1)(viii) of the Income-tax Act, 1961 | (261.00) | (167.87) |
| Adjustment in respect of current income tax of prior years | - | 89.10 |
| Effect of change in the tax rates | - | 116.10 |
| **Total** | **2,556.83** | **1,692.74** |

With introduction of Taxation Laws (Amendment) Ordinance, 2019 in previous year, 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 and previous financial year, has been computed considering the revised tax provisions.

### Income tax expense recognised in other comprehensive income

| **Particulars** | **For the year ended 31 March, 2021** | **For the year ended 31 March, 2020** |
|---|---|---|
| Income tax relating to re-measurement loss on defined benefit plans | 7.15 | 0.05 |
| **Total** | **7.15** | **0.05** |

## 31. EXPENDITURE IN FOREIGN CURRENCY

| **Particulars** | **For the year ended 31 March, 2021** | **For the year ended 31 March, 2020** |
|---|---|---|
| Software license expense | 149.96 | 108.44 |
| Legal and professional expenses | - | 3.10 |
| **Total** | **149.96** | **111.54** |

The Company's unhedged foreign currency exposure as on 31 March, 2021 is Nil (31 March, 2020: Nil).

**For the year ended 31 March, 2021 and 31 March, 2020**

| **Particulars** | **Unhedged** | | | **Hedged through forward or derivative** | | | **Natural hedge** |
|---|---|---|---|---|---|---|---|
| | **</=1 year** | **> 1 year** | **Total** | **</=1year** | **> 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** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 32. SEGMENT REPORTING

The Company is a housing finance the company registered with the National Housing Bank predominantly engaged in a single business segment i.e. providing housing loans and loan against properties 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. 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, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| a) In respect of following: | | |
| - Income tax matters | 445.50 | 445.50 |
| b) Commitments | | |
| - Loan financing | 11,022.64 | 13,295.16 |
| c) Overcollateralisation for securitisation | 309.16 | 309.16 |
| d) Capital commitments | 2.05 | 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 ₹ 445.23 Lacs 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 ₹ 89.05 Lacs 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 | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| (i) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year; | | |
| - Principal due | 12.12 | 2.58 |
| - Interest due | 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 |
| (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 |
| (iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and | 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 |

## 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.

(All amounts in ₹ Lacs, unless otherwise stated)

## 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, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Employer's contribution to provident and other funds | 328.56 | 339.48 |
| | **328.56** | **339.48** |

### 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, 2021 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, 2021 | 31 March, 2020 |
|---|---|---|
| Discount rate(s) | 7.00% | 6.75% |
| Expected rate(s) of salary increase | 10.00% | 7.00% |
| Retirement age | 58 | 58 |
| Withdrawal rate | 8.00% | 8.00% |
| In service mortality | IALM (2012-14) | IALM (2012-14) |

**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, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| **Service cost:** | | |
| Current service cost | 89.74 | 55.40 |
| Interest cost | 11.31 | 8.59 |
| **Components of defined benefit costs recognised in profit or loss** | **101.05** | **63.99** |
| **Remeasurement on the net defined benefit liability:** | | |
| Actuarial losses/(gains) arising from changes in financial assumptions | 35.68 | (20.10) |
| Actuarial (gains)/losses arising from experience adjustments | (7.29) | 20.30 |
| **Components of defined benefit costs recognised in other comprehensive income** | **28.39** | **0.20** |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, 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, 2021 | As at 31 March, 2020 |
|---|---|---|
| Present value of funded defined benefit obligation | 253.74 | 161.62 |
| Fair value of plan assets | - | - |
| **Net liability arising from defined benefit obligation** | **253.74** | **161.62** |

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

| Particulars | Year ended 31 March, 2021 | Year ended 31 March, 2020 |
|---|---|---|
| Opening defined benefit obligation | 161.62 | 127.32 |
| Current service cost | 89.74 | 55.40 |
| Interest cost | 11.31 | 8.59 |
| **Remeasurement (gains)/losses:** | | |
| Actuarial losses/(gains) arising from changes in financial assumptions | 35.68 | (20.10) |
| Actuarial (gains)/losses arising from experience adjustments | (7.29) | 20.30 |
| Benefits paid | (37.32) | (29.89) |
| **Closing defined benefit obligation** | **253.74** | **161.62** |

**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 ₹ 24.82 Lacs (increase by ₹ 29.76 Lacs) [31 March, 2020: ₹ 12.54 Lacs (increase by ₹ 14.70 Lacs)].

- If the expected salary growth increases (decreases) by 100 basis points, the defined benefit obligation would increase by ₹ 28.58 Lacs (decrease by ₹ 24.40 Lacs) [31 March, 2020: increase by ₹ 14.51 Lacs (decrease by ₹ 12.62 Lacs)].

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, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Average duration of the defined benefit obligation (in years)** | | |
| Less than 1 year | 24.32 | 24.78 |
| Between 1-2 years | 1.21 | 1.98 |
| Between 2-5 years | 6.26 | 7.77 |
| Over 5 years | 221.95 | 127.08 |

- The expected contributions to the plan for the next year is ₹ 152.33 Lacs.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

| Assets | 31 March, 2021 | | | 31 March, 2020 | | |
|---|---|---|---|---|---|---|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 23,309.46 | - | 23,309.46 | 1,733.99 | - | 1,733.99 |
| Bank balance other than cash and cash equivalents | 16,062.94 | 1,995.37 | 18,058.31 | 14,990.43 | 1,523.37 | 16,513.80 |
| Loans* | 9,870.88 | 188,246.08 | 198,116.96 | 7,321.75 | 140,193.44 | 147,515.19 |
| Investments | - | - | - | 9,385.88 | - | 9,385.88 |
| Other financial assets | 1,192.74 | 1,615.81 | 2,808.55 | 209.50 | - | 209.50 |
| **Non-financial assets** | | | | | | |
| Current tax assets (net) | - | 3.55 | 3.55 | - | 344.55 | 344.55 |
| Deferred tax assets (net) | - | 933.65 | 933.65 | - | 1,006.14 | 1,006.14 |
| Property, plant and equipment | - | 1,403.13 | 1,403.13 | - | 1,621.19 | 1,621.19 |
| Other intangible assets | - | 107.74 | 107.74 | - | 163.53 | 163.53 |
| Other non-financial assets | 427.21 | 747.76 | 1,174.97 | 831.74 | 321.44 | 1,153.18 |
| Assets held for sale | 347.85 | - | 347.85 | 252.18 | - | 252.18 |
| **Total assets** | **51,211.08** | **195,053.09** | **246,264.17** | **34,725.47** | **145,173.66** | **179,899.13** |
| **Liabilities** | | | | | | |
| **Financial liabilities** | | | | | | |
| Trade payables | | | | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | 12.12 | - | 12.12 | 2.58 | - | 2.58 |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 450.63 | - | 450.63 | 404.48 | - | 404.48 |
| Debt securities | 111.08 | 8,111.30 | 8,222.38 | 2,798.66 | 21,789.54 | 24,588.20 |
| Borrowings (Other than debt securities) | 34,703.38 | 106,203.27 | 140,906.65 | 14,512.76 | 54,359.40 | 68,872.16 |
| Other financial liabilities | 2,088.81 | - | 2,088.81 | 633.74 | - | 633.74 |
| **Non-financial liabilities** | | | | | | |
| Provisions | 84.89 | 274.84 | 359.73 | 60.33 | 340.80 | 401.13 |
| Other non-financial liabilities | 496.89 | - | 496.89 | 168.47 | - | 168.47 |
| **Total liabilities** | **37,947.80** | **114,589.41** | **152,537.21** | **18,581.02** | **76,489.74** | **95,070.76** |
| **Net** | **13,263.28** | **80,463.68** | **93,726.96** | **16,144.45** | **68,683.92** | **84,828.37** |

* For the previous year ended 31 March, 2020, the above disclosures were made based on the contractual terms as at the year-end, however, subsequent to the year-end, the Company had granted a moratorium to eligible customers as disclosed in Note no. 46.

## 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) and Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by NHB and RBI.

**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

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**Gearing ratio**

The gearing ratio at the end of reporting period was as follows:

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Debt** | | |
| Borrowings(other than debt securities) | 140,906.65 | 68,872.16 |
| Debt securities | 8,222.38 | 24,588.20 |
| Cash and cash equivalents | (23,309.46) | (1,733.99) |
| **Net debt** | **125,819.57** | **91,726.37** |
| Total equity | 93,726.96 | 84,828.37 |
| **Net debt to equity ratio** | **1.34** | **1.08** |

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, 2021**

| Particulars | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total carrying value |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | 23,309.46 | 23,309.46 |
| Bank balance other than cash and cash equivalents | - | - | 18,058.31 | 18,058.31 |
| Loans | - | - | 198,116.96 | 198,116.96 |
| Other financial assets | - | - | 2,808.55 | 2,808.55 |
| **Total financial assets** | **-** | **-** | **242,293.28** | **242,293.28** |
| **Financial liabilities** | | | | |
| Trade payables | - | - | 462.75 | 462.75 |
| Debt securities | - | - | 8,222.38 | 8,222.38 |
| Borrowings (Other than debt securities) | - | - | 140,906.65 | 140,906.65 |
| Other financial liabilities | - | - | 2,088.81 | 2,088.81 |
| **Total financial liabilities** | **-** | **-** | **151,680.59** | **151,680.59** |

**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 | - | - | 147,515.19 | 147,515.19 |
| Investments | 9,385.88 | - | - | 9,385.88 |
| Other financial assets | - | - | 209.50 | 209.50 |
| **Total financial assets** | **9,385.88** | **-** | **165,972.48** | **175,358.36** |
| **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** |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 38.3 Fair value measurement of assets and liabilities

- **Fair value hierarchy**

Assets and 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 assets measured at fair value on a recurring basis:

**As at 31 March, 2021**

| Particulars | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Asset measured at fair value on a recurring basis** | | | | |
| **Assets measured at fair value on a non recurring basis** | | | | |
| Assets held for sale | - | 347.85 | - | **347.85** |

**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** |
| **Assets measured at fair value on a non recurring basis** | | | | |
| Assets held for sale | - | 252.18 | - | **252.18** |

**Valuation methodologies of financial instruments 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:

a) **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.

b) **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.

## 38.4 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, 2021**

| Particulars | Carrying value | Fair value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 23,309.46 | - | - | 23,309.46 | 23,309.46 |
| Bank balance other than cash and cash equivalents | 18,058.31 | - | - | 18,058.31 | 18,058.31 |
| Loans | 198,116.96 | - | - | 198,116.96 | 198,116.96 |
| Other financial assets | 2,808.55 | - | - | 2,808.55 | 2,808.55 |
| | **242,293.28** | **-** | **-** | **242,293.28** | **242,293.28** |
| **Financial liabilities** | | | | | |
| Trade payables | 462.75 | - | - | 462.75 | 462.75 |
| Debt securities | 8,222.38 | - | - | 8,222.38 | 8,222.38 |
| Borrowings (Other than debt securities) | 140,906.65 | - | - | 140,906.65 | 140,906.65 |
| Other financial liabilities | 2,088.81 | - | - | 2,088.81 | 2,088.81 |
| | **151,680.59** | **-** | **-** | **151,680.59** | **151,680.59** |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**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 | 147,515.19 | - | - | 147,515.19 | 147,515.19 |
| Other financial assets | 209.50 | - | - | 209.50 | 209.50 |
| | **165,972.48** | **-** | **-** | **165,972.48** | **165,972.48** |
| **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** |

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 there net carrying value.

## 38.5 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.

**As at 31 March, 2021**

| 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 minimise cost and maximise 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 RBI and 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).

(All amounts in ₹ Lacs, unless otherwise stated)

**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:

The gearing ratio at the end of reporting period was as follows:

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Loans | 198,116.96 | 147,515.19 |
| Cash and cash equivalents | 23,309.46 | 1,733.99 |
| Bank balance other than cash and cash equivalents | 18,058.31 | 16,513.80 |
| Investments | - | 9,385.88 |
| Other financial assets | 2,808.55 | 209.50 |

**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 amortised cost includes security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

**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 except EIS receivables on direct assignment included in other financial assets. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**Maturities of financial assets**

| 31 March, 2021 | Less than 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | 23,309.46 | - | - | - | **23,309.46** |
| Bank balance other than cash and cash equivalents | 16,062.94 | 1,868.43 | 101.64 | 25.30 | **18,058.31** |
| Loans | 9,870.88 | 23,528.34 | 29,174.48 | 140,784.73 | **203,358.43** |
| Other financial assets | 1,192.74 | 1,120.57 | 495.24 | - | **2,808.55** |
| **Total** | **50,436.02** | **26,517.34** | **29,771.36** | **140,810.03** | **247,534.75** |

| 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* | 7,501.60 | 18,080.77 | 22,828.50 | 102,707.74 | **151,118.61** |
| Investments | 9,385.88 | - | - | - | **9,385.88** |
| Other financial assets | 209.50 | - | - | - | **209.50** |
| **Total** | **33,821.40** | **19,296.95** | **23,110.69** | **102,732.74** | **178,961.78** |

* 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. 46.

**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, 2021 | Less than 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---|---|---|---|---|---|
| Borrowings (Other than debt securities) | 35,175.87 | 58,733.16 | 31,694.30 | 15,775.81 | **141,379.14** |
| Debt securities | 123.42 | 1,500.00 | 6,611.30 | - | **8,234.72** |
| Trade payables | 462.75 | - | - | - | **462.75** |
| Other financial liabilities | 2,088.81 | - | - | - | **2,088.81** |
| **Total** | **37,850.85** | **60,233.16** | **38,305.60** | **15,775.81** | **152,165.42** |

| 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 | 6,901.81 | **68,981.18** |
| 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** | **19,901.81** | **92,879.12** |

**Concentration based liquidity risk**

Funding concentration based on significant counterparty*# (borrowings)

| Number of significant counterparties | As at 31 March, 2021 | |
|---|---|---|
| | **Amount** | **% of total liabilities** |
| 20 | 140,419.16 | 92.06% |

| Number of significant counterparties | As at 31 March, 2020 | |
|---|---|---|
| | **Amount** | **% of total liabilities** |
| 16 | 84,359.76 | 88.73% |

*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.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**Funding concentration based on significant instrument/product*#**

| Name of the instrument | As at 31 March, 2021 | | As at 31 March, 2020 | |
|---|---|---|---|---|
| | Amount | % of total liabilities | Amount | % of total liabilities |
| Term loans from banks and financial institutions | 83,574.58 | 54.79% | 48,096.57 | 50.18% |
| Term loans from National Housing Bank | 52,866.79 | 34.66% | 14,260.93 | 15.31% |
| Non-convertible debentures | 6,500.00 | 4.26% | 22,857.14 | 25.87% |
| Securitisation | 3,641.88 | 2.39% | 5,357.76 | 5.64% |
| | **146,583.25** | | **90,572.40** | |

*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, 2021 | | As at 31 March, 2020 | |
|---|---|---|---|
| Loan/NCD | % of total borrowings | Loan/NCD | % of total borrowings |
| 54,672.64 | 37.30% | 22,857.14 | 25.24% |
| 5,000.00 | 3.41% | 15,044.42 | 16.61% |
| 6,845.83 | 4.67% | 5,982.47 | 6.61% |
| 4,808.36 | 3.28% | 5,015.73 | 5.54% |
| 13,657.24 | 9.32% | 5,000.00 | 5.52% |
| 4,190.78 | 2.86% | 4,750.81 | 5.25% |
| 7,340.80 | 5.01% | 4,586.63 | 5.06% |
| 7,136.90 | 4.87% | 4,333.36 | 4.78% |
| 4,928.55 | 3.36% | 3,277.09 | 3.62% |
| 4,625.00 | 3.16% | 2,785.71 | 3.08% |

#All the above mentioned outstanding borrowings are disclosed at gross carrying value.

**Stock Ratios:**

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Commercial papers issued to total liabilities | Nil | Nil |
| Commercial papers issued to total assets | Nil | Nil |
| NCD (original maturity < one year) to total liabilities | Nil | Nil |
| NCD (original maturity < one year) to total assets | Nil | Nil |
| Other short-term liabilities to total liabilities | 2.00% | 1.27% |
| Other short-term liabilities to total assets | 1.24% | 0.67% |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, 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, 2021, 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:

The gearing ratio at the end of reporting period was as follows:

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Variable rate borrowing | 103,837.45 | 46,246.66 |
| Fixed rate borrowing | 39,103.92 | 38,967.98 |
| **Total borrowings** | **142,941.37** | **85,214.64** |

**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, 2021 | Year ended 31 March, 2020 |
| Interest rate - Increase by 100 basis points* | 697.28 | 425.30 |
| Interest rate - Decrease by 100 basis points* | (697.28) | (425.30) |

* Holding all other variables constant

## 39. RELATED PARTY TRANSACTIONS

**List of related parties:**

**Stock Ratios:**

| | | |
|---|---|---|
| **i. Key management personnel** | a. | Anil Mehta - Chief Executive Officer and Managing Director |
| | b. | Ashish Gupta - Chief Financial Officer (w.e.f 13 August, 2019) |
| | c. | Mukti Chaplot - Company Secretary |
| | d. | GV Ravishankar - Nominee Director |
| | e | Anup Gupta - Nominee Director |
| | f. | Sumir Chadha - Nominee Director |
| | g. | Sanjaya Gupta - Independent Director (till 15March, 2020) |
| | h. | Anisha Motwani - Independent Director(till 17 February, 2021) |
| | i. | Shailesh J Mehta - Independent Director |
| | j. | Rachna Dikshit - Additional Independent Director (w.e.f 12 February, 2021) |
| | k. | Sunil Jain- Chief Financial Officer (till 12 August, 2019) |
| **ii. Entities having significance influence** | a. | Sequoia Capital India Investments III, Mauritius (Holder of Equity Shares) |
| | b. | Nexus Ventures III Limited, 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, Limited (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 |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**Transactions with related parties**

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| **Rent paid** | | |
| Gaj Singh Mehta | 3.56 | 3.56 |

**Transaction with key management personnel**

| Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| **Remuneration** | | |
| Anil Mehta* | 433.16 | 307.00 |
| Ashish Gupta | 99.42 | 35.60 |
| Sunil Jain | - | 69.79 |
| Mukti Chaplot* | 29.37 | 16.77 |
| **Sitting fees** | | |
| Anisha Motwani | 16.50 | 17.25 |
| Sanjaya Gupta | - | 9.75 |
| Shailesh J Mehta | 11.25 | 10.50 |
| Rachna Dikshit | 0.75 | - |

* This does not include perquisite value on exercise of ESOP's and ESOP's granted during the year.

**Amount payable to key management personnel**

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Short-term benefits** | | |
| Anil Mehta | 178.93 | - |
| Ashish Gupta | 37.21 | - |
| Mukti Chaplot | 4.63 | 1.40 |

**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 10 January, 2021 allotted 1,20,000 equity shares (31 March, 2020: 97,500 equity shares) to Mr. Anil Mehta and 2,500 equity shares (31 March, 2020: Nil) to Mrs. Mukti Chaplot pursuant to exercise of Employee Share Option Plan (ESOP) as per the ESOP schemes. Further, 10,000 ESOP were granted to Mrs. Mukti Chaplot in the current year.

**Note 3:** Term loans amounting to ₹ 4,306 Lacs (31 March, 2020: ₹ 6,631 Lacs ) from banks and ₹ 2,500 Lacs (31 March, 2020: ₹ 3,453 Lacs) from National Housing Bank are personally guaranteed by Mr. Anil Mehta.

**Key management personnel**

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Proceeds from issue of equity shares** | | |
| Anil Mehta | 12.00 | 9.75 |
| Mukti Chaplot | 0.25 | - |

**Key management personnel**

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Proceeds towards securities premium pursuant to exercise of ESOP's** | | |
| Anil Mehta | 3.92 | 3.19 |
| Mukti Chaplot | 0.10 | - |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**Balances outstanding as at the year end**

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Share capital** | | |
| WestBridge Crossover Fund, LLC | 1,085.42 | 1,085.42 |
| Aravali Investment Holdings | 1,059.21 | 667.38 |
| Nexus Opportunity Fund II, Limited | 291.00 | 291.00 |
| Nexus Ventures III Limited | 996.18 | 996.18 |
| Sequoia Capital India Investments III | 144.88 | 301.72 |
| Sequoia Capital India Growth Investments I | 217.06 | 452.04 |
| Anil Mehta | 109.54 | 97.54 |
| Ankit Aggarwal* | 0.75 | 0.75 |
| Mukti Chaplot | 0.25 | - |

*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, 2021 | For the year ended 31 March, 2020 |
|---|---|---|
| Profits for the year | 8,738.86 | 4,691.14 |
| Weighted average number of equity shares used as the denominator in calculating basic earnings per share | 42,862,737 | 42,692,286 |
| Effect of potential ordinary shares on Employee Stock Options and right to subscribe outstanding | 1,132,392 | 730,638 |
| Total weighted average number of equity shares and potential equity shares used as the denominator in calculating diluted earnings per share | 43,995,129 | 43,422,924 |
| Earnings per share on profit for the year (Face value of ₹ 10 per share) | | |
| a) Basic earnings per share (₹) | 20.39 | 10.99 |
| b) Diluted earnings per share (₹) | 19.86 | 10.80 |

## 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, 2021 | 31 March, 2020 |
|---|---|---|
| Short-term leases | 67.63 | 52.43 |
| Leases of low value assets | - | - |
| Variable lease payments | - | - |

**B** Total cash outflow for leases for the year ended 31 March, 2021 was ₹ 321.68 Lacs (31 March, 2020: ₹ 385.46 Lacs).

**C** The Company has total commitment for short-term leases as at 31 March, 2021 Nil (31 March, 2020: ₹ 7.50 Lacs).

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**D Maturity of lease liabilities**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments were as follows:

| 31 March, 2021 | Minimum lease payments due | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
| Lease payments | 384.41 | 355.68 | 204.84 | 113.36 | 93.83 | 58.96 | **1,211.08** |
| Interest expense | 68.25 | 39.25 | 22.29 | 11.45 | 6.61 | 6.04 | **153.89** |
| **Net present values** | **316.16** | **316.43** | **182.55** | **101.91** | **87.22** | **52.92** | **1,057.19** |

| 31 March, 2020 | Minimum lease payments due | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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

**As at 31 March, 2021**

| 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 | 122 | 1 to 8 years | 2.60 years | 122 | - | **122** |
| Car lease | 5 | 3-4 years | 2.5 years | - | - | - |

**As at 31 March, 2020**

| 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, 2021 for leases that had not yet commenced is of Nil (31 March, 2020: Nil).

## 42. EMPLOYEE STOCK OPTION SCHEME

### 42.1 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 15,04,300 equity shares of ₹ 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 | | | | |
|---|---|---|---|---|---|
| **Date of grant** | 01 October, 2012 | 01 October, 2013 | 15March, 2014 | 22 January, 2015 | 08 June, 2016 |
| **Exercise price** | ₹ 13.27 per option | ₹ 14.18 per option | ₹ 16.84 per option | ₹ 20.32 per option | ₹ 83.20 per option |
| **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, 15March, 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)

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**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** | **2,345,500** |

c. Employee stock option details as on the balance sheet date are as follows:

| **Particulars** | **As at 31 March, 2021** | | As at 31 March, 2020 | |
|---|---|---|---|---|
| | **Number of options** | **Amount** | **Number of options** | **Amount** |
| Outstanding at the beginning of the year | 962,500 | 531.80 | 1,145,200 | 556.39 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | 4,500 | 0.61 | 7,450 | 0.99 |
| Exercised during the year | 148,250 | 19.76 | 175,250 | 23.60 |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 809,750 | 511.43 | 962,500 | 531.80 |
| Exercisable at the end of the year | 809,750 | 511.43 | 765,625 | 368.01 |

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- ₹ | 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-₹ | 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- ₹ | 6.18 | 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- ₹ | 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-₹ | 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- ₹ | 7.14 | 7.88 | 0.49 | 0.49 |
| Life of the options granted (vesting and exercise period) in years | 4.76 | 5.76 | 6.76 | 7.76 |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**2. Grant date- 01 October, 2013**

| Particulars | ESOP 2012 | | | |
|---|---|---|---|---|
| | **Vest – 1** | **Vest – 2** | **Vest – 3** | **Vest – 4** |
| Stock price- ₹ | 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-₹ | 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- ₹ | 7.14 | 7.88 | 0.49 | 0.49 |
| Life of the options granted (vesting and exercise period) in years | 4.76 | 5.76 | 6.76 | 7.76 |

**3. Grant date- 15March, 2014**

| Particulars | ESOP 2012 | | | |
|---|---|---|---|---|
| | **Vest – 1** | **Vest – 2** | **Vest – 3** | **Vest – 4** |
| Stock price- ₹ | 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-₹ | 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- ₹ | 8.48 | 9.36 | 10.45 | 10.82 |
| Life of the options granted (vesting and exercise period) in years | 4.76 | 5.76 | 6.76 | 7.76 |

**4. Grant date- 22 January, 2015**

| Particulars | ESOP 2012 | | | |
|---|---|---|---|---|
| | **Vest – 1** | **Vest – 2** | **Vest – 3** | **Vest – 4** |
| Stock price- ₹ | 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-₹ | 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- ₹ | 11.95 | 12.79 | 13.53 | 14.19 |
| Life of the options granted (vesting and exercise period) in years | 6.06 | 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- ₹ | 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-₹ | 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- ₹ | 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 |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**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, 2021 | As at 31 March, 2020 |
|---|---|---|
| Total options granted (in nos) | 2,345,500 | 2,345,500 |
| Total options outstanding at the end of the year | 809,750 | 962,500 |
| Weighted average share price for options granted during the year (in ₹) | - | - |
| Average exercise price (₹) | 29.56 | 29.56 |
| Weighted average remaining contractual life (years) | 2.69 | 3.39 |

## 42.2 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 1,294,246 equity shares of ₹ 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 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 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Date of grant** | 31 January, 2018 | 15 February, 2019 | 17 May, 2019 | 13 August, 2019 | 04 November, 2019 | 01 July, 2020 | 17 September, 2020 |
| **Exercise price** | ₹118.48 per option | ₹ 159.01 per option | ₹ 179.92 per option | ₹ 184.55 per option | ₹ 189.56 per option | ₹ 197.80 per option | ₹ 197.80 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 | 01 July, 2021 | 17 September, 2021 |
| Tranche II (20% of the options granted) | 31 January, 2020 | 15 February, 2021 | 17 May, 2021 | 13 August, 2021 | 04 November, 2021 | 01 July, 2022 | 17 September, 2022 |
| Tranche III (30% of the options granted) | 31 January, 2021 | 15 February, 2022 | 17 May, 2022 | 13 August, 2022 | 04 November, 2022 | 01 July, 2023 | 17 September, 2023 |
| Tranche IV (40% of the options granted) | 31 January, 2022 | 15 February, 2023 | 17 May, 2023 | 13 August, 2023 | 04 November, 2023 | 01 July, 2024 | 17 September, 2024 |

**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** | **770,000** |

**c.** Employee stock option details as on the Balance sheet date are as follows:

| Particulars | As at 31 March, 2021 | | As at 31 March, 2020 | |
|---|---|---|---|---|
| | Number of options | Amount | Number of options | Amount |
| Outstanding at the beginning of the year | 370,000 | 609.08 | 220,000 | 333.61 |
| Granted during the year | 225,000 | 445.05 | 150,000 | 275.47 |
| Forfeited during the year | 54,000 | 85.86 | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 541,000 | 968.27 | 370,000 | 609.08 |
| Exercisable at the end of the year | 81,000 | 122.77 | - | - |

(All amounts in ₹ Lacs, unless otherwise stated)

**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- ` | 118.48 | 118.48 | 118.48 | 118.48 |
| Expected volatility (standard deviation - annual) | 36.81% | 36.81% | 36.81% | 36.81% |
| Risk free rate | 7.73% | 7.73% | 7.73% | 7.73% |
| Exercise price-` | 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- ` | 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- ` | 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-` | 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- ` | 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- ` | 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-` | 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- ` | 109.28 | 109.28 | 109.28 | 109.28 |
| 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- ` | 179.92 | 179.92 | 179.92 | 179.92 |
| Expected volatility (standard deviation - annual) | 51.46% | 51.46% | 52.23% | 52.23% |
| Risk free rate | 7.75% | 7.75% | 7.75% | 7.75% |
| Exercise price-` | 184.55 | 184.55 | 179.92 | 179.92 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 10% | 20% | 30% | 40% |
| Option fair value- ` | 106.66 | 106.66 | 109.28 | 109.28 |
| Life of the options granted (vesting and exercise period) in years | 6.25 | 6.25 | 6.25 | 6.25 |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**(v) Grant Date: 04 November, 2019**

| Particulars | ESOP 2017 | | | |
|---|---|---|---|---|
| | Vest – 1 | Vest – 2 | Vest – 3 | Vest – 4 |
| Stock price- ₹ | 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-₹ | 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- ₹ | 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 |

**(vi) Grant Date: 01 July, 2020**

| Particulars | ESOP 2017 | | | |
|---|---|---|---|---|
| | Vest – 1 | Vest – 2 | Vest – 3 | Vest – 4 |
| Stock price- ₹ | 197.80 | 197.80 | 197.80 | 197.80 |
| Expected volatility (standard deviation - annual) | 62.52% | 62.52% | 62.52% | 62.52% |
| Risk free rate | 5.89% | 5.89% | 5.89% | 5.89% |
| Exercise price-₹ | 197.80 | 197.80 | 197.80 | 197.80 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 10% | 20% | 30% | 40% |
| Option fair value- ₹ | 127.18 | 127.18 | 127.18 | 127.18 |
| Life of the options granted (vesting and exercise period) in years | 6.25 | 6.25 | 6.25 | 6.25 |

**(vii) Grant Date: 17 September, 2020**

| Particulars | ESOP 2017 | | | |
|---|---|---|---|---|
| | Vest – 1 | Vest – 2 | Vest – 3 | Vest – 4 |
| Stock price- ₹ | 197.80 | 197.80 | 197.80 | 197.80 |
| Expected volatility (standard deviation - annual) | 62.52% | 62.52% | 62.52% | 62.52% |
| Risk free rate | 5.89% | 5.89% | 5.89% | 5.89% |
| Exercise price-₹ | 197.80 | 197.80 | 197.80 | 197.80 |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Vesting | 10% | 20% | 30% | 40% |
| Option fair value- ₹ | 127.18 | 127.18 | 127.18 | 127.18 |
| 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, 2021 | As at 31 March, 2020 |
|---|---|---|
| Total options granted (in Nos) | 770,000 | 545,000 |
| Total options outstanding at the end of the year | 541,000 | 370,000 |
| Weighted average share price for options granted during the year (in ₹) | 197.45 | 183.65 |
| Average exercise price (₹) | 171.56 | 166.30 |
| Weighted average remaining contractual life (years) | 4.58 | 4.75 |

(All amounts in ₹ Lacs, unless otherwise stated)

## 43. DISCLOSURES REQUIRED BY RESERVE BANK OF INDIA ('RBI')

Additional disclosures required in terms of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 RBI/2020-21/73/DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated 17 February, 2021 issued by RBI. Figures for current year have been prepared in accordance with Ind AS specified under section 133 of the Companies Act, 2013.

Figures for year ended 31 March, 2020 are disclosed as per last year audited financial statements and 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. The same were 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.

### 43.1 Capital to risk assets ratio (CRAR)

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| CRAR % | 71.51% | 81.12% |
| CRAR-Tier I capital % | 70.81% | 80.61% |
| CRAR-Tier II capital % | 0.70% | 0.51% |
| Amount of subordinated debt raised as Tier- II Capital | - | - |
| Amount raised by issue of perpetual debt instruments | - | - |

### 43.2 Reserve fund u/s 29C of National Housing Bank Act, 1987 ("NHB Act, 1987")

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| Balance at the beginning 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 | 2,109.01 | 1,442.06 |
| **Total** | **2,675.79** | **1,737.56** |
| **Addition / Appropriation / Withdrawal during the year** | | |
| a. **Add:-** Amount transferred u/s 29 C of the NHB Act, 1987 | 647.04 | 271.28 |
| 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 | 1,100.73 | 666.95 |
| 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 | 1,213.82 | 566.78 |
| 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 | 3,209.74 | 2,109.01 |
| **Balance at the end of the year** | **4,423.56** | **2,675.79** |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 43.3

### A) Investments

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **Value of investments** | | |
| (I) Gross value of investments | | |
| (a) In India | - | 9,385.88 |
| (b) Outside India | - | - |
| (II) Provisions for depreciation | | |
| (a) In India | - | - |
| (b) Outside India | - | - |
| (III) Net value of investments | | |
| (a) In India | - | 9,385.88 |
| (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

## 43.4 Derivatives

1 The Company has no transactions/exposure in derivatives in the current and previous year.

2 The Company has no unhedged foreign currency exposure on 31 March, 2021 (31 March, 2020: Nil).

## 43.5 Securitisation

### A) Disclosure as per NHB guidelines for securitisation transactions as an originator :

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| 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 | 3,903.09 | 5,932.24 |
| 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 | 392.01 |
| b) Others- Over collateral | 1,800.66 | 1,778.00 |
| 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 | - | - |

(All amounts in ₹ Lacs, unless otherwise stated)

**B) Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction**

During the year, the Company Company has not sold any financial assets to Securitisation / Reconstruction Company for Asset Reconstruction (31 March, 2020: Nil)

**C) Details of Assignment transactions undertaken by the Company***

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| (I) No. of accounts | 3,468.00 | - |
| (ii) Aggregate value (net of provisions) of accounts assigned | 16,949.36 | - |
| (iii) Aggregate consideration | 16,949.36 | - |
| (iv) Additional consideration realised in respect of accounts transferred in earlier years | - | - |
| (v) Aggregate gain / loss over net book value | - | - |

*The details are as on date of assignment transaction and amount disclosed are as per contractual terms

**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, 2020: Nil).

## 43.6 Asset Liability Management (Maturity pattern of certain items of asset and liabilities)

**As at 31 March, 2021**

| Particulars | Liabilities | | Assets | |
|---|---|---|---|---|
| | Borrowings* | Debt securities* | Loans* | Investments |
| Upto 30/31 DAYS (1 Month) | 1,430.65 | - | 939.52 | - |
| Over 1 Month upto 2 Months | 1,880.14 | - | 768.67 | - |
| Over 2 Months upto 3 Months | 1,577.33 | - | 777.86 | - |
| Over 3 Months upto 6 Months | 14,229.36 | - | 2,381.31 | - |
| Over 6 Months upto 1 Year | 14,619.06 | - | 5,003.52 | - |
| Over 1 Year upto 3 Years | 56,135.83 | 1,500.00 | 23,528.34 | - |
| Over 3 Years upto 5 Years | 30,846.20 | 5,000.00 | 29,174.48 | - |
| Over 5 Years upto 7 Years | 10,096.80 | - | 32,896.41 | - |
| Over 7 Years upto 10 Years | 5,410.85 | - | 49,510.51 | - |
| Over 10 Years | 215.12 | - | 58,377.81 | - |
| **Total** | **136,441.34** | **6,500.00** | **203,358.43** | **-** |

**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** | **151,118.61** | **9,385.88** |

* The disclosures made are based on the contractual obligations

** The disclosures made are based on the contractual terms as at the year-end, however, subsequent to the year-end, the Company had granted a moratorium to the eligible customers as disclosed in Note no. 46.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

## 43.7 Exposure:

1. **Exposure to Real Estate Sector**

| Particulars | As at 31 March, 2021 | As at 31 March, 2020 |
|---|---|---|
| **(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. | 202,940.85 | 148,874.86 |
| **B. Commercial Real Estate :** | | |
| Lending fully secured by mortgages on commercial real estates. | 417.58 | 2,243.75 |
| **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) | - | - |

* The disclosures made are based on the contractual obligations.

2. As on 31 March, 2021, the Company does not have any exposure to Capital Market (31 March, 2020: Nil)
3. As on 31 March, 2021, the Company has not financed any product of the parent the Company (31 March, 2020: Nil)
4. As onMarch, 31, 2021, the Company has not given any unsecured advances (31 March, 2020: Nil).
5. As on 31 March, 2021, the Company has not exceeded the prudential exposure limit prescribed by RBI and NHB for single borrower or group borrower (31 March, 2020: Nil).

## 43.8 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.

## 43.9 Disclosure of penalties imposed by National Housing Bank (NHB) and other regulators

National Housing Bank (NHB) levied a penalty of ₹ 7.45 lacs (31 March, 2020:- NIL) for contravention of the provisions of paragraph 2(i)(zc)(ii) of the Housing Finance Companies Directions, 2010 and provisions of NHB (ND)/DRS/Policy Circular No. 75/2016-17 in relation to inspection done for year ended 31 March, 2019.

## 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 |

There is no change in credit rating from previous year

## 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, no expense was accounted which was related to prior period (31 March, 2020: ₹ 5.92 Lacs).

**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 the Company or subsidiary.

(All amounts in ₹ Lacs, unless otherwise stated)

## 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, 2021 | For the year ended 31 March, 2020 |
|---|---|---|---|
| 1 | Provisions for depreciation on investment | - | - |
| 2 | Provision made towards Income tax | 2,477.20 | 1,842.95 |
| 3 | Provision towards NPA | 472.43 | (160.21) |
| 4 | Provision for Standard assets (with details like teaser loan, CRE, CRE-RH etc.) | 998.57 | (337.00) |
| 5 | Other provision and contingencies (Provision for Gratuity,compensated absences, undrawn commitments and EIS receivables) | (24.68) | 73.08 |

### B) Break up of Loan & Advances and provisions thereon

| S. No | Particulars | Housing | | Non-housing | |
|---|---|---|---|---|---|
| | | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
| **1** | **Standard assets** | | | | |
| | a) Total outstanding amount | 123,081.40 | 88,637.17 | 76,852.58 | 60,721.70 |
| | b) Provisions made | 1,364.79 | 248.94 | 570.81 | 272.58 |
| **2** | **Sub-standard assets** | | | | |
| | a) Total outstanding amount | 1,558.82 | 1,013.35 | 1,298.62 | 463.70 |
| | b) Provisions made | 529.40 | 152.00 | 366.39 | 69.56 |
| **3** | **Doubtful assets – Category-I** | | | | |
| | a) Total outstanding amount | 485.21 | 360.36 | 232.35 | 103.89 |
| | b) Provisions made | 167.18 | 90.10 | 71.05 | 25.96 |
| **4** | **Doubtful assets – Category-II** | | | | |
| | a) Total outstanding amount | 8.87 | 8.93 | 12.82 | 6.69 |
| | b) Provisions made | 2.48 | 3.57 | 3.90 | 2.68 |
| **5** | **Doubtful assets – Category-III** | | | | |
| | a) Total outstanding amount | - | - | - | - |
| | b) Provisions made | - | - | - | - |
| **6** | **Loss assets** | | | | |
| | a) Total outstanding amount | 22.01 | - | - | - |
| | b) Provisions made | 8.84 | - | - | - |
| | **Total** | | | | |
| | **a) Total outstanding amount** | **125,156.31** | **90,019.81** | **78,396.37** | **61,295.98** |
| | **b) Provisions made** | **2,072.69** | **494.61** | **1,012.15** | **370.78** |

43.18 There has been no draw down from reserves during the year ended 31 March, 2021 (31 March, 2020: Nil).

## 43.19 Concentration of public deposits (for public deposit taking/holding HFCs)

During the year ended 31 March, 2021 and 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 10 June, 2020.

## 43.20 Concentration of Loans and Advances

| S. No | Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|---|
| 1 | Total loans and advances to twenty largest borrowers | 1,951.17 | 2,071.53 |
| 2 | Percentage of loans and advances of twenty largest borrowers to total advances of the Housing Finance Company | 0.96% | 1.37% |

## 43.21 Concentration of all exposure (including off-balance sheet exposure)

| S. No | Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|---|
| 1 | Total exposure to twenty largest borrowers/customers | 2,080.75 | 2,071.53 |
| 2 | Percentage of exposures to twenty largest borrowers/customers to total exposure of the HFC on borrowers / customers | 0.95% | 1.36% |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

### 43.22 Concentration of NPAs

| S. No | Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|---|
| 1 | Total exposure to top ten NPA accounts | 367.80 | 304.30 |

### 43.23 Sector-wise NPAs

| S. No | Particulars | Percentage of NPAs to total advances in that sector | |
|---|---|---|---|
| | | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
| **1** | **Housing Loans:** | | |
| | a. Individuals | 1.66% | 1.54% |
| | b. Builders/Project Loans | - | - |
| | c. Corporates | - | - |
| | d. Others (specify) | - | - |
| **2** | **Non-Housing Loans:** | | |
| | a. Individuals | 1.97% | 0.94% |
| | b. Builders/Project Loans | - | - |
| | c. Corporates | - | - |
| | d. Others (specify) | - | - |

### 43.24 Movement of NPAs

| S. No | Particulars | For the year ended 31 March, 2021 | For the year ended 31 March, 2020 |
|---|---|---|---|
| **1** | **Net NPAs to Net Advances (%)** | 1.23% | 0.86% |
| **2** | **Movement of NPAs (Gross)** | | |
| | a) Opening balance | 1,956.92 | 1,588.71 |
| | b) Additions during the year | 2,781.99 | 1,460.90 |
| | c) Reductions during the year | 1,120.21 | 1,092.69 |
| | d) Closing balance | **3,618.70** | **1,956.92** |
| **3** | **Movement of Net NPAs** | | |
| | a) Opening balance | 1,280.21 | 1,084.63 |
| | b) Additions during the year | 1,889.07 | 1,241.22 |
| | c) Reductions during the year | 699.82 | 712.80 |
| | d) Closing balance | **2,469.46** | **1,613.05** |
| **4** | **Movement of provisions for NPAs (excluding provisions on standard assets)** | | |
| | a) Opening balance | 676.71 | 504.08 |
| | b) Provisions made during the year | 892.92 | 219.68 |
| | c) Write-off/write-back of excess provisions | 420.39 | 379.89 |
| | d) Closing balance | **1,149.24** | **343.87** |

**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, 2021 | For the year ended 31 March, 2020 |
|---|---|---|---|
| 1 | Number of complaints pending at the beginning of the year | 1 | 1 |
| 2 | Number of complaints received during the year | 17 | 19 |
| 3 | Number of complaints redressed during the year | 18 | 19 |
| 4 | Number of complaints pending at the end of the year | 0 | 1 |

### 43.28 Frauds

During the financial year 2020-2021, the Company has reported 2 cases of fraud involving ₹ 23.52 Lacs (31 March, 2020: reported a case of ₹ 5 Lacs) to NHB.

(All amounts in ₹ Lacs, unless otherwise stated)

## 43.29 Schedule to Balance Sheet

| Particulars | | As at 31 March, 2021 | |
|---|---|---|---|
| **Liabilities Side** | | **Amount outstanding** | **Amount overdue** |
| **1** | **Loans and advances availed by the HFC inclusive of interest accrued thereon but not paid:** | | |
| | (a) Debentures : Secured | 8,222.38 | - |
| | : Unsecured (other than falling within the meaning of public deposits*) | - | - |
| | (b) Deferred Credits | - | - |
| | (c) Term Loans | 136,207.58 | - |
| | (d) Inter-corporate loans and borrowing | - | - |
| | (e) Commercial Paper | - | - |
| | (f) Public Deposits | - | - |
| | (g) Securitisation Loans | 3,641.88 | - |
| **2** | **Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):** | | |
| | (a) In the form of Unsecured debentures | - | - |
| | (b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security | - | - |
| | (c) Other public deposits | - | - |

| **Asset Side** | | **Amount outstanding as at 31 March, 2021** |
|---|---|---|
| **3** | **Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:** | |
| | (a) Secured | 198,116.96 |
| | (b) Unsecured | |
| **4** | **Break up of Leased Assets and stock on hire and other assets counting towards asset financing activities** | |
| | (i) Lease assets including lease rentals under sundry debtors | |
| | (a) Financial Lease | - |
| | (b) Operating Lease | - |
| | (ii) Stock on hire including hire charges under sundry debtors | |
| | (a) Asset on hire | - |
| | (b) Repossessed Assets | - |
| | (iii) Other loans counting towards asset financing activities | |
| | (a) Loans where assets have been repossessed | - |
| | (b) Loans other than (a) above | - |
| **5** | **Breakup of investments** | |
| | 1 Quoted | |
| | (i) Shares | |
| | (a) Equity | - |
| | (b) Preference | - |
| | (ii) Debentures and Bonds | - |
| | (iii) Units of mutual funds | - |
| | (iv) Government Securities | - |
| | (v) Others (please specify) | - |
| | 2 Unquoted | |
| | (i) Shares | |
| | (a) Equity | - |
| | (b) Preference | - |
| | (ii) Debentures and Bonds | - |
| | (iii) Units of mutual funds | - |
| | (iv) Government Securities | - |
| | (v) Others (please specify) | - |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

| **Asset Side** | **Amount outstanding as at 31 March, 2021** |
|---|---|
| **Long term investments** | |
| 1 Quoted | |
| (i) Shares | |
| (a) Equity | - |
| (b) Preference | - |
| (ii) Debentures and Bonds | - |
| (iii) Units of mutual funds | - |
| (iv) Government Securities | - |
| (v) Others (please specify) | - |
| 2 Unquoted | |
| (i) Shares | |
| (a) Equity | - |
| (b) Preference | - |
| (ii) Debentures and Bonds | - |
| (iii) Units of mutual funds | - |
| (iv) Government Securities | - |
| (v) Others (please specify) | - |

| **6 Borrower group-wise classification of assets financed as in (3) and (4) above:** | **Amount net of provisions as at 31 March, 2021** | | |
|---|---|---|---|
| **Category** | **Secured** | **Unsecured** | **Total** |
| 1 Related Parties | | | |
| (a) Subsidiaries | - | - | - |
| (b) Companies in the same group | - | - | - |
| (c) Other related parties | - | - | - |
| 2 Other than related parties | 198,116.96 | - | 198,116.96 |
| Total | | | |

| **7 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :** | | |
|---|---|---|
| **Category** | **Market Value / Break up or fair value or NAV** | **Book Value (Net of Provisions)** |
| 1 Related Parties | | |
| (a) Subsidiaries | - | - |
| (b) Companies in the same group | - | - |
| (c) Other related parties | - | - |
| 2 Other than related parties | - | - |
| Total | | |
| **8 Other information** | | |
| (i) Gross Non-Performing Assets | | |
| (a) Related parties | - | - |
| (b) Other than related parties | | 1.78% |
| (ii) Net Non-Performing Assets | | |
| (a) Related parties | - | - |
| (b) Other than related parties | | 1.23% |
| (iii) Assets acquired in satisfaction of debt | | |

**43.30 Disclosure on Principal business criteria**

As at 31 March, 2021, the housing loans and individual housing loans of the company constitue 51.09% and 51.08% of its total assets (netted off with intangible assets) respectively. The same is complied as per circular no. DOR.NBFC (HFC). CC.No.118/03.10.136/ 2020-21 dated 22 October, 2020 issued by RBI.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**44.** The COVID-19 pandemic has adversely impacted the economic activities across the globe and changed the customer behaviour, which may persist. 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 COVID-19 on the provisions in accordance with the expected credit loss (ECL) method on loans and other financial assets. Given the dynamic and evolving nature of the pandemic, these estimates are subject to uncertainties and may be affected by the severity, duration of the pandemic and other variables.

**45.** Hon'ble Supreme Court vide order dated 23March, 2021, in the matter of Small-Scale Industrial Manufacturers Associations vs UOI & Others has stated that the interim relief or stay granted on recognition of Non-Performing Account ('NPA') vide an interim order dated 3 September, 2020 stands vacated. Accordingly, during such period, the Company has not classified any additional borrower account as NPA after 31 August, 2020 which were not NPA as of 31 August, 2020. However, during such period the Company has classified such accounts as stage 3 for financial reporting and provisioning purpose. Further, in accordance with the instructions in paragraph 5 of the RBI circular no. RBI/2021-22/17 DOR. STR. REC.4/21.04.048/2021-22 dated 7 April, 2021, the Company has carried out asset classification of the borrower accounts as prescribed in the aforementioned RBI circular as at 31 March, 2021.

**46.** In accordance with the Reserve Bank of India ('RBI') guidelines in relation to COVID-19 Regulatory Package dated 27March, 2020, 17 April, 2020 and 23 May, 2020, the Company had granted moratorium up to six months on the payment of installments which became due between 1March, 2020 to 31 August, 2020, to eligible borrowers. For all such accounts where moratorium was granted, prudential assets classification remained stand still during the moratorium period and was based on position as on 29 February, 2020. The quantitative disclosures as required by the RBI's Circular ('the Circular') dated 17 April, 2020 for the year ended 31 March, 2021 are given below:

| **Particulars** | **As at Wednesday,March, 31, 2021** | **As at Tuesday,March, 31, 2020** |
|---|---:|---:|
| Amount in SMA/overdue categories as on 29 February, 2020 | 2,820.80 | 2,820.80 |
| Respective amounts in SMA/overdue categories, where the moratorium/ deferment was extended, in terms of paragraph 2 and 3 of the Circular (as of 29 February, 2020) | 2,287.16 | 2,621.43 |
| Respective amount where asset classification benefit is extended (as of 29 February, 2020) | 1,293.12 | 850.31 |
| Provisions made in terms of paragraph 5 of the circular (as per Para 4, applicable to entities covered under Ind AS) (as of 31 March, 2021/ 31 March, 2020) | 300.64 | 41.13 |
| Provisions adjusted against slippages in terms of paragraph 6 of the circular | Nil | Nil |
| Residual provisions as of 31 March, 2021/ 31 March, 2020 in terms of paragraph 6 of the circular | 300.64 | 41.13 |

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH, 2021 (Contd.)

(All amounts in ₹ Lacs, unless otherwise stated)

**47.** Disclosure as per RBI notification no.DOR.No.BP.BC/3/21.04.048/2020-21 dated 21 August, 2020 on resolution framework for COVID-19- related stress

| Type of Borrower | (A) Number of Accounts where resolution Plan has been implemented under this window | (B) Exposure to accounts mentioned at (A) before implementation of the Plan | (C) of (B) aggregate amount of debt that was converted into other securities | (D) Additional funding sanctioned, if any, including between invocation of the plan and implementation | (E) Increase in provisions on account of the implementation of the resolution plan |
|---|---|---|---|---|---|
| Personal Loan | 260 | 1,618.17 | - | - | 370.49 |
| Corporate persons | - | - | - | - | - |
| of which MSMEs | - | - | - | - | - |
| Others | - | - | - | - | - |
| **Total** | **260** | **1,618.17** | **-** | **-** | **370.49** |

**48.** The Government of India, Ministry of Finance, vide its notification dated 23 October, 2020, had announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (Scheme), as per the eligibility criteria and other aspects specified therein and irrespective of whether the moratorium was availed or not. the Company has implemented the Scheme and credited the accounts of or remitted amounts to the eligible borrowers as per the Scheme.

**49.** In accordance with the instructions in RBI circular no. RBI/2021-22/17 DOR. STR.REC.4/21.04.048/2021-22 dated 7 April, 2021 and Indian Bank Association ('IBA') advisory letter dated 19 April, 2021, the Company shall refund/adjust 'interest on interest' to all the borrowers including those who had availed facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. The Company has estimated the amount of ₹ 0.69 Lacs and income thereon has been reversed for the year ended 31 March, 2021.

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

**Lalit Kumar**
Partner

Membership No.: 095256

Place: Noida
Date: 12 May, 2021

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: Gurugram
Date: 12 May, 2021

**Rupinder Singh**
Director

DIN: 09153382

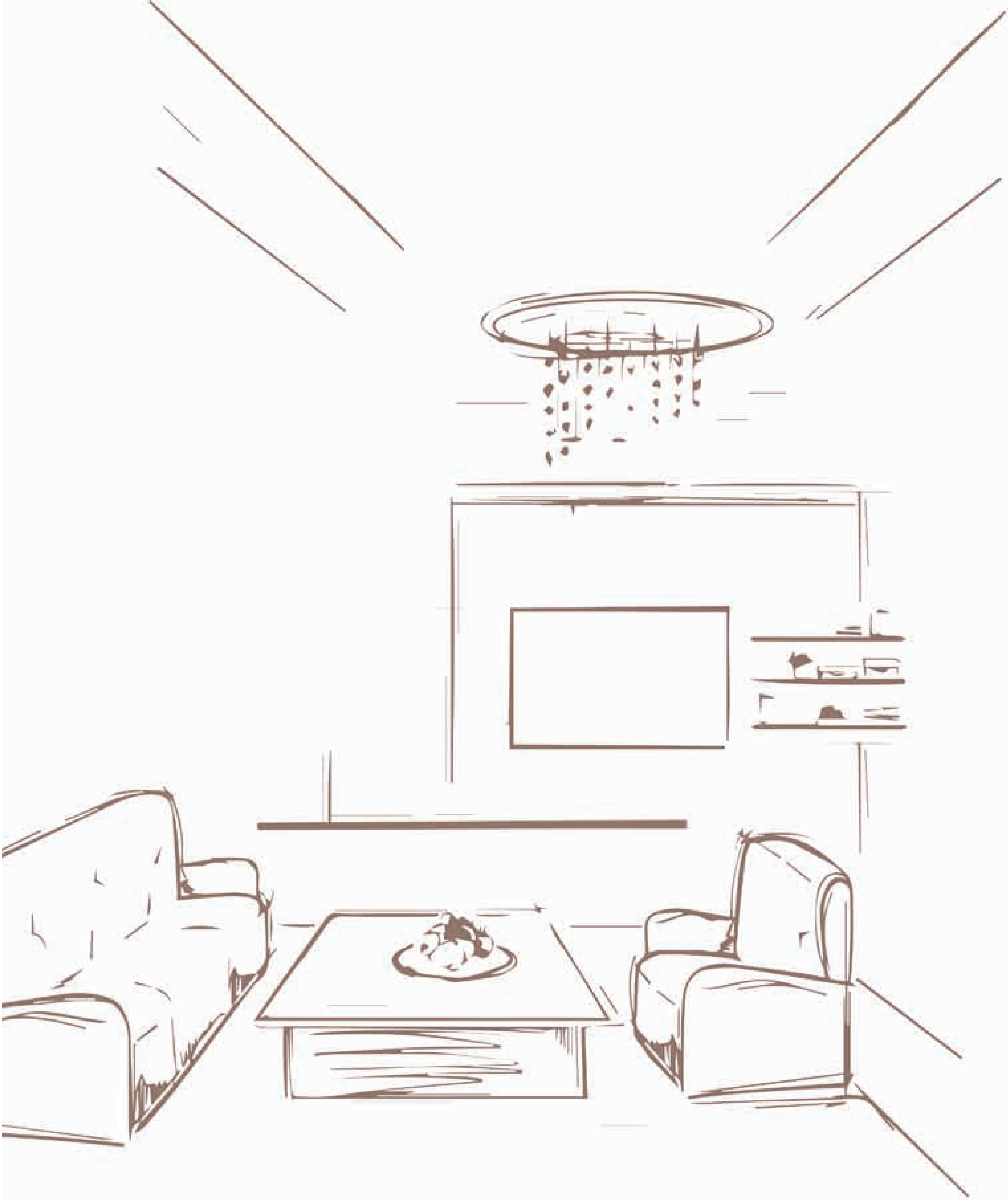
Place: Chennai
Date: 12 May, 2021

**Ashish Gupta**
Chief Financial Officer

Place: Delhi
Date: 12 May, 2021

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

Place: Delhi
Date: 12 May, 2021



**India Shelter Finance Corporation Limited,**
6th Floor, Plot No 15, Institutional Area,
Sector 44, Gurugram – 122002