FINANCING SOLUTIONS
ANNUAL REPORT
2020-21

FINANCING YOUR DREAMS IS NOW JUST A CLICK AWAY.

Aditya Birla Finance Ltd.

(A part of Aditya Birla Capital Ltd.)

ADITYA BIRLA CAPITAL

PROTECTING INVESTING FINANCING ADVISING

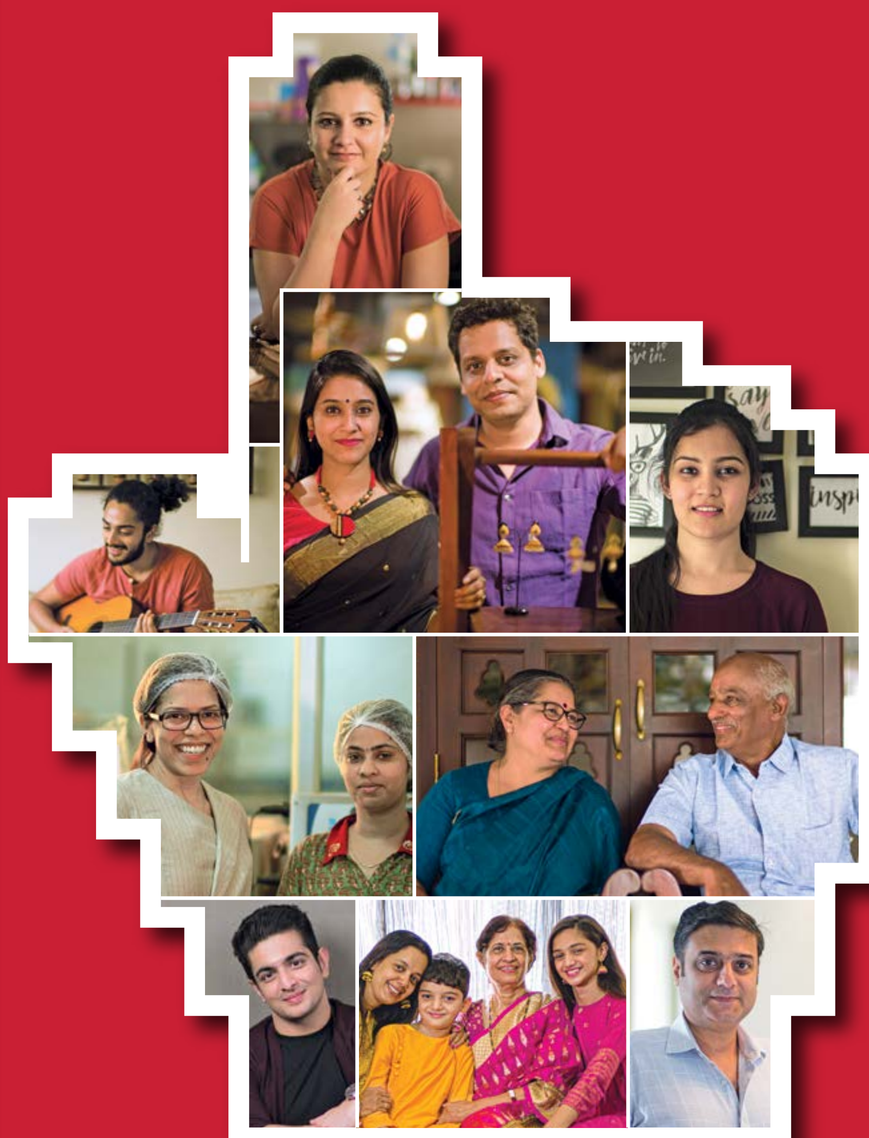
Contents

Key highlights

₹48,689 Crore
Loan Assets

₹15,543 Crore
Wealth Management AUA*

*AUA-Asset Under Administration



Financing your dreams is now just a click away.

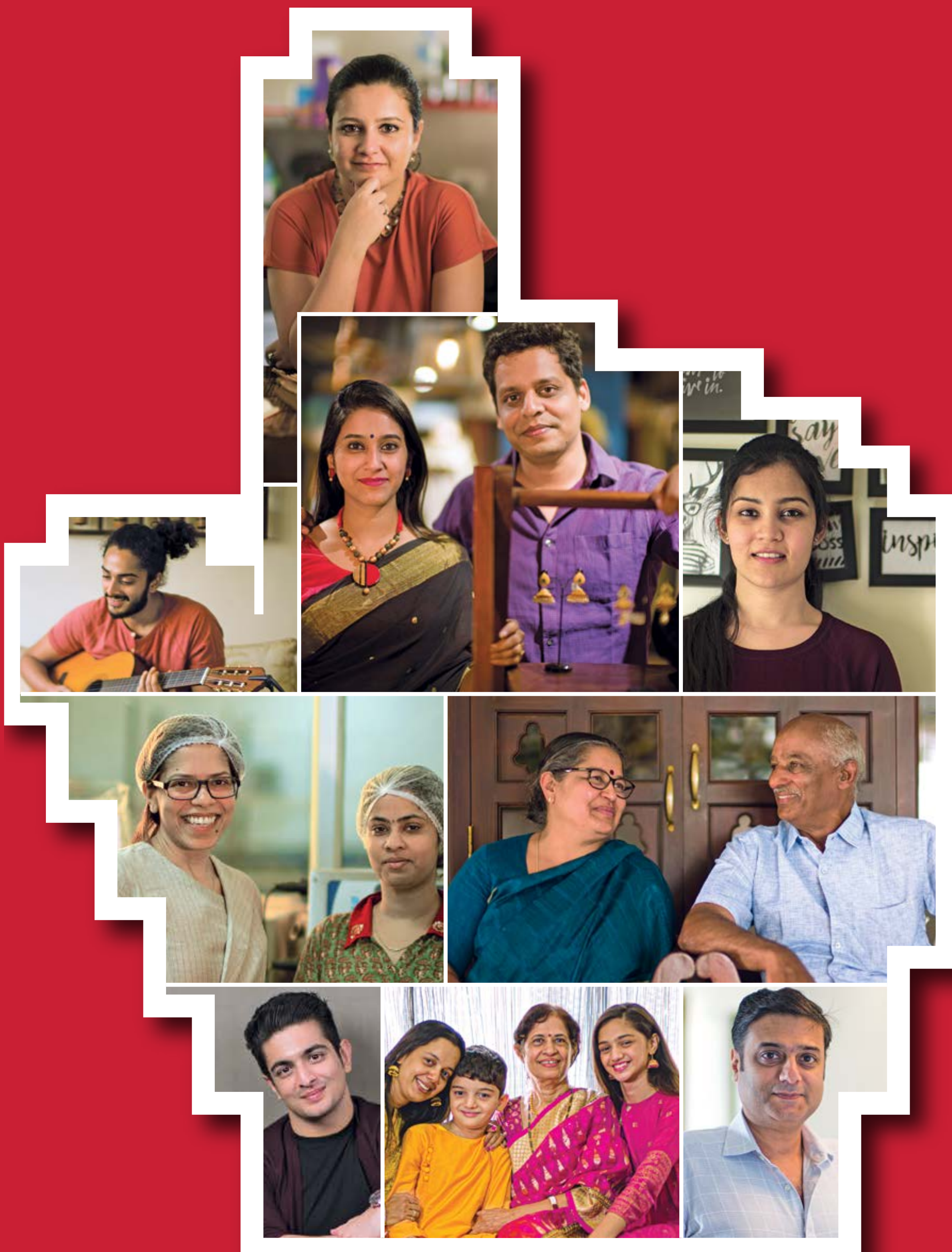
Besides providing a safe anchor, money does a lot of things. It powers hopes, fulfils ambitions, secures the future, and funds the little joys of life. However, making financial decisions is often neither simple nor convenient.

At ABFL, we enable our customers, through the click of a button, to choose from our extensive suite of financial products and solutions that take them closer to their goals. Be it individuals, or businesses, big and small, we design solutions crafted to evolving expectations and aspirations in a rapidly changing world.

We also ensure ease and convenience of this choice. Our tech-enabled applications and processes that guide customers through the entire lifecycle, from onboarding, to underwriting to collection, are enhancing customer experience besides enabling greater access to financial services, offering wider choices and increasing the efficiency with which we operate.

This year saw us further leverage the prowess of technology to strengthen our operations, further our reach and grow our value chain. We now offer complete digital onboarding of partners and self-service for customers that give them a seamless experience, while securing their privacy and money through our best-in-class cyber systems.

Reaching goals never seemed easier and more convenient.



INTRODUCTION

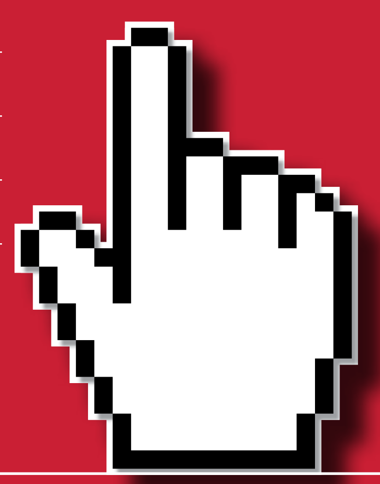
Our purpose is to enable people to live the fulfilling life they have imagined for themselves by partnering them in all their Financing needs, throughout their life. We endeavour to stay ahead of our customers' expectations, by continuously understanding their needs through insightful engagements, and by constantly innovating to deliver in a fast-changing world.

There can be no denying that the past year-and-a-half has been an enormous battle for humanity against the COVID-19 outbreak. The pandemic has created pervasive uncertainty, and ensured sustained attention on health, reshaping customer behaviour. Digital engagements have seen a dizzying acceleration, and the offline to online service transition, that may have otherwise taken several years to complete, has happened in less than a few months.

In order to stay ahead of our customers' needs , we, at Aditya Birla Finance Limited, have accelerated our digital transformation journey. We have been working hard to instil a digital-first culture amongst our people. Many leading Fintech companies around the globe partner with us in creating innovative solutions that help our businesses deliver customer delight. We have been re-engineering our technology stack and our processes as per business needs, and data-driven decision-making has become a norm across the organisation.

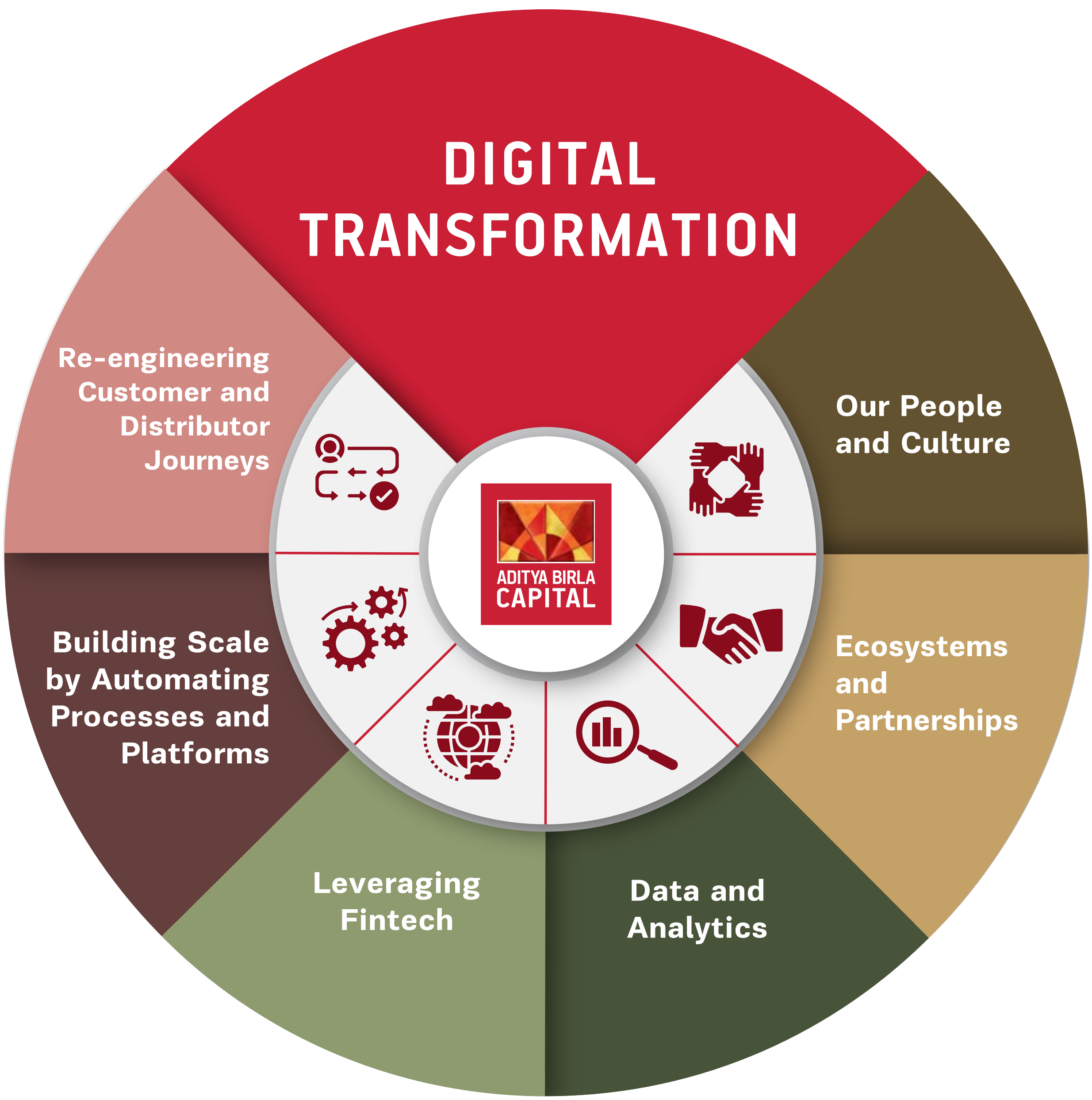
As a result, when the pandemic struck in 2020, we were not caught off guard. Headquartered out of our homes, we were able to take our ongoing digital transformation journey to its next level. In a matter of weeks, over 90% of all our services were made available to our customers at their fingertips. We further accelerated our digital transformation across all key enablers:

- Re-engineering Customer and Distributor Journeys
- Building Scale by Automating Processes and Platforms
- Leveraging Fintech
- Data and Analytics
- Ecosystems and Partnerships
- Our People and Culture



CORPORATE OVERVIEW

Pillars of Digital Transformation at ABFL



Digital Transformation at ABFL

1. RE-ENGINEERING CUSTOMER AND DISTRIBUTOR JOURNEYS:

With fast-changing customer behaviour and expectations, it is essential to regularly revisit and re-engineer customer journeys in order to deliver delightful customer experiences and stay ahead of customer expectations. To this end, we have renewed and re-engineered Customer Onboarding, Service and Distributor Journeys in FY21:

a. **Onboarding Journeys:** In FY21 we focused on end-to-end customer journey re-engineering for our Personal Loan, Business Loan and Digital Lending verticals, leveraging new technologies such as OKYC, Intelligent OCR, APIs from India Stack (ITR, GSTN), E-Contract (eSign + E-Stamping), eNach and Video based personal discussion among others. We now have best-in-class digital onboarding journeys in Personal Loans and Business Loans in the Lending industry. We were amongst the first in the industry to launch Video KYC for contactless onboarding of customers. The customers onboarded digitally for personal loans went from 0% in FY20 to 100% in Q4 FY21, which helped in customer acquisition during the pandemic and reduced turnaround time and cost of acquisition.

b. **Service Journeys:** We have developed digital service journeys on multiple digital platforms including Web, WhatsApp, Chatbot and Voice Bot with increased focus on Self-Serve & Straight-Through Processing. Availability of our services on digital channels has increased to 65% in FY21. Our WhatsApp Services are the industry's most comprehensive.

c. **Retention & Collections Journeys:** We have implemented Machine Learning based Voice Bot for moratorium and customer collections in FY21. With activation of BBPS for payments, we are on the way to further increase our cost & process efficiency in collections, with E2E Straight-Through Processing.

2. BUILDING SCALE BY AUTOMATING PROCESSES AND PLATFORMS:

We have made advancements in disciplines like Artificial Intelligence, Process Automation and Intelligent Information Management. Our mid-offices and back-offices have been transformed by the implementation of key digital automated processes to run operations with greater automation:

a. **Core System Replacement:** To improve scalability and create a common system across our line of businesses we are migrating to FinnOne.

b. **Robotic Process Automation:** We have automated a number of processes and have implemented Robots for automation of mid office and back office processes. We have witnessed a significant improvement in scalability and reduction in errors and turnaround time.

c. **Implementation of Machine-Learning based Email Bot:** Our Email Bots are attending to customer emails and helped us significantly to handle spikes in volumes during the lockdown. We have significantly improved the classification accuracy of our email bot to 89% in FY21, which also helps us to resolve & auto-reply to 65% of customer emails.

3. LEVERAGING FINTECH:

India has a flourishing Fintech ecosystem and this provides an opportunity to collaborate with Fintechs. We have built a network of over 1,400 Fintechs across the globe to identify innovative solutions and collaborate in implementing new technology solutions in order to address business problems with agility and speed. Currently , we are working with Fintechs in various fields including Voice Technologies, Conversational UI, Digital KYC, E-Contracts, Biometrics, Intelligent OCR, Payments and Automation.

4. DATA AND ANALYTICS:

Data is a key pillar for digital transformation because every interaction in the digital world generates data that provides insights. This insight, based on customer behaviour, guides the business in making the right decisions with personalisation built in. Data Analytics has become a game changer and has begun to play a key role at Aditya Birla Finance:

a. **Driving Acquisition and Onboarding:** Analytics is providing us insights from the digital data available on the customers from various sources and helping us acquire customers at scale using automated scorecards across products and customer segments, and even first-time credit takers.

b. **Driving Hyper-personalization and Upsell:** We are using analytics to develop pre-approved and pre-qualified upsell and cross-sell loan offers for existing customers of ABFL and within ABC ecosystem leveraging disruptive technology and data analytics tools for application and behavioural scores.

c. **Driving Collections:** Analytics is helping us better understand customer behaviour, identifying propensity to pay and developing collections strategy.

5. ECOSYSTEMS AND PARTNERSHIPS:

Our digital ecosystem partners include E-Commerce Platforms, Financial Services Aggregators, Mobile phone manufacturers and Fintechs in travel and education domain. Over 50% of new customers in our business are through ecosystem partners. These partnerships are already contributing substantially to our businesses and are expected to grow rapidly in the coming years.

6. OUR PEOPLE AND CULTURE:

Training our people and building a culture of adaptability to constant change has played an important part in our digital transformation journey. 100% of our learning interventions have been delivered virtually over the past few years. This has enabled us to increase the reach of learning beyond the physical classroom and this proved very handy during the lockdown phase. Today, we are able to touch over 90% of our workforce through digital learning. Our focus has also been on enabling our workforce to become future-ready by gaining exposure to AI, Machine Learning, Cloud Computing and Robotic Process Automation. We have also digitally enabled our workforce with tools and techniques that they can use to collaborate digitally and work from anywhere. Our emerging leaders who are being prepared for future leadership roles receive planned exposures to tech start-ups, Fintech companies and leading digital businesses. Such initiatives are helping shape our organisation’s culture into one that is agile and ready to embrace technology-led change.

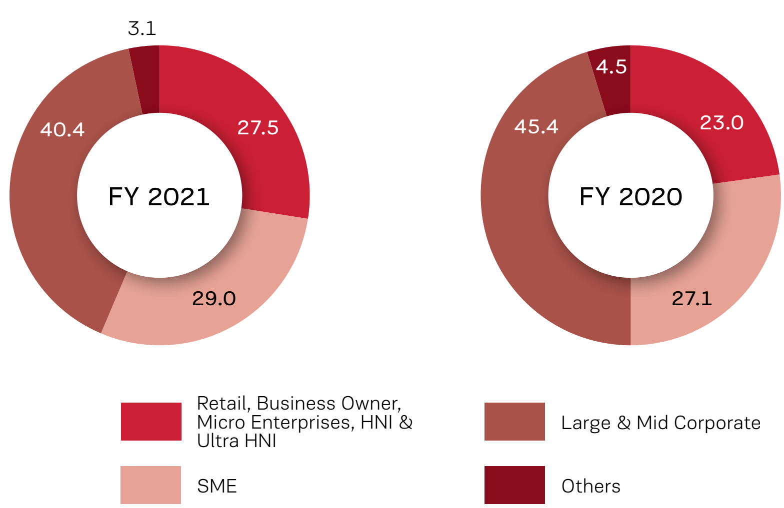
Catering to India's diverse needs

Aditya Birla Finance Limited (ABFL), is a wholly owned subsidiary of Aditya Birla Capital Limited, and part of the Aditya Birla Group. We are amongst India's top five private diversified Non-banking Financial Companies (NBFCs) in terms of Asset under Management (AUM) and are registered as a systemically important non deposit accepting NBFC with the RBI. We offer end-to-end lending and financing solutions and have also forayed into the wealth management business to expand our offerings.

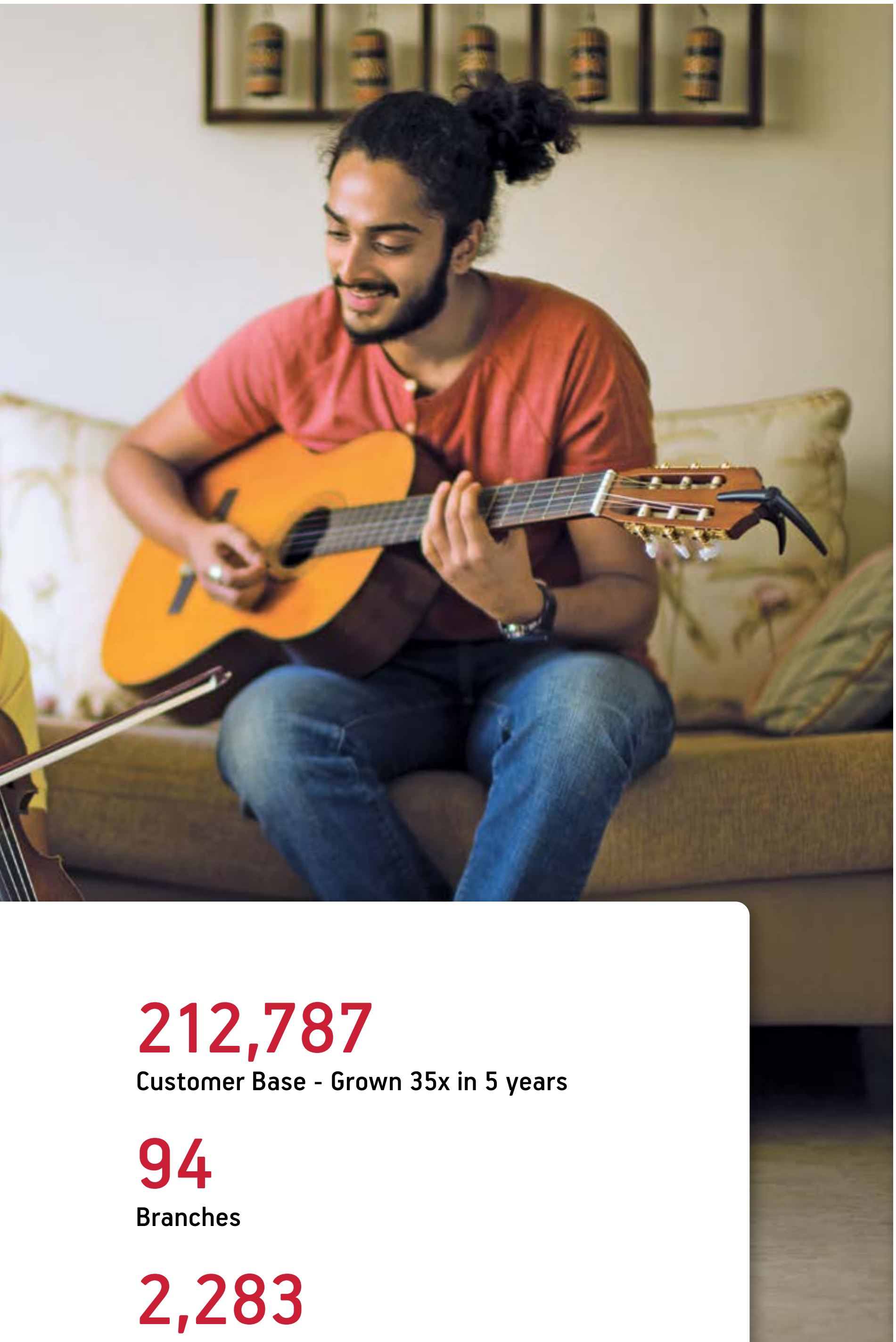
We cater to the varied requirements of a wide range of customers through our diversified portfolio from our branches and our seamless online financing platform. Our customers include mid-sized and large corporates, retail, Small and Medium-sized Enterprises (SMEs) as well as micro enterprises, along with ultra HNI and HNIs among others. In addition to our wide bundle of products, we also offer customised solutions in the areas of personal finance, mortgage finance, SME finance, corporate finance, wealth solutions, debt capital markets and loan syndication.

Customer Segment - wise Portfolio Mix

(in %)



Note: Others includes Loans, NCDs held and Investments



212,787
Customer Base - Grown 35x in 5 years

94
Branches

2,283
Employees

ICRA A1+/AAA
CARE AAA
Credit Ratings

Our Vision

To be a leader and role model in partnering dreams with our broad-based financing solutions.

Our Values

Integrity

Commitment

Passion

Seamlessness

Speed

Retaining our growth momentum

Dear Stakeholders,

I hope you and your family are safe and in good health during these difficult times. People around the world have faced unprecedent challenges during the year, with the pandemic impacting lives and livelihoods of millions. The turn of the decade will forever be marked in history for the resilience and solidarity shown by mankind while facing an invisible adversary.

Even though the impact of the pandemic varied across countries and regions, it distressed all – from large conglomerates to small businesses – leading to a 3.3% contraction in the global economy. Back home, we were already facing some headwinds when the pandemic struck, sending the economy into a downward spiral and a reported contraction of 7.3%. The government policy of 'lives over livelihoods' sent 1.3 Billion people into strict confinement of their homes following the imposition of the national lockdown in March 2020. The Indian economy registered the worst ever quarterly contraction of 22.4% in the first quarter of FY 2020-21. The gradual removal of the restrictions did help the economy to rev up, with people gradually adapting to the 'new normal'. A slew of measures announced by the Government of India and stimulus packages also aided in cushioning the impact of the pandemic to a certain extent. Like most businesses across the globe, we, at ABFL, were also adversely impacted by the pandemic.

Responding to the pandemic, the ABFL way

We prioritised our employees' health over everything else, and were among the first in the industry to transition our employees across branches to the work-from-home model even before the national lockdown had been announced. We activated our Business Continuity Plan that brought together multiple verticals for a seamless transition to digital, which became the need of the hour. With the dedication of our teams and our collective efforts, we were able to ensure uninterrupted customer service. We were also the first in the industry to reopen and welcome our customers back to our branches. We adapted quickly and embraced the new operating model that prioritised the health and well-being of our employees, while continuing to support and cater to the needs of our customers.

Our Business Continuity Plan brought together multiple verticals for a seamless transition to digital, which was becoming the need of the hour.

CEO'S MESSAGE

Supportive central bank measures[1]

Multiple regulatory and fiscal measures undertaken by the government and the RBI helped keep the economy afloat and maintain sufficient liquidity in the market. Pre-emptive monetary easing announced by the RBI through three measures, LTROs, CRR cut of 100 bps, and an increase in marginal standing facility (MSF) to 3% of the Statutory Liquidity Ratio (SLR) – secured enough liquidity in the market. Regulatory measures undertaken to promote credit flows to the retail and MSMEs sector, which was later extended to loans from NBFCs, was a huge plus. Exemption of CRR maintenance for all additional retail loans and extension of priority sector classification for bank loans to NBFCs till the end of the fiscal year were also favourable measures for the banking and financial services sector.

We extended the benefit of the relief measures to our eligible customers, in line with the guidance of the government and the RBI. This included Guaranteed Emergency Credit Line (GECL) under the Emergency Credit Line Guarantee Scheme (ECLGS) of the National Credit Guarantee Trustee Company Ltd., extension of Date of Commencement of Commercial Operations (DCCO), and restructuring options under the guidelines of the RBI.

[1] IMF and Atmanirbhar Bharat presentations

Strong performance despite the headwinds

In spite of several challenges faced during the year, we were resolute in our efforts. Supported by our robust fundamentals, we were able to close the year on a strong footing. While our operations were severely impacted during the initial months of operations, we closed the year with a 3% growth in our loan book, which stood at ₹48,689 Crore at the end of FY 2020-21 against ₹47,057 Crore at end of FY 2019-20. Our Net Interest Income reduced by 60 bps to ₹2,512 Crore as against ₹2,528 Crore in the previous year. We did see some adverse impact on our revenue and PAT, which declined to ₹5,528 Crore and ₹769 Crore respectively, as against ₹6,089 Crore and ₹805 Crore the previous year. Despite the multiple restrictions during the pandemic, we were able to add 26 branches, taking the total count of branches to 94 by the end of the year.

We maintained our record of consistent margin growth by optimising our borrowing costs, along with the multiple re-pricing and margin improvement measures that we undertook. This was further backed by well-considered product mix changes with a focus on retail expansion strategy in order to increase proportion of higher margin segments in the portfolio.

Maintaining liquidity in uncertain times

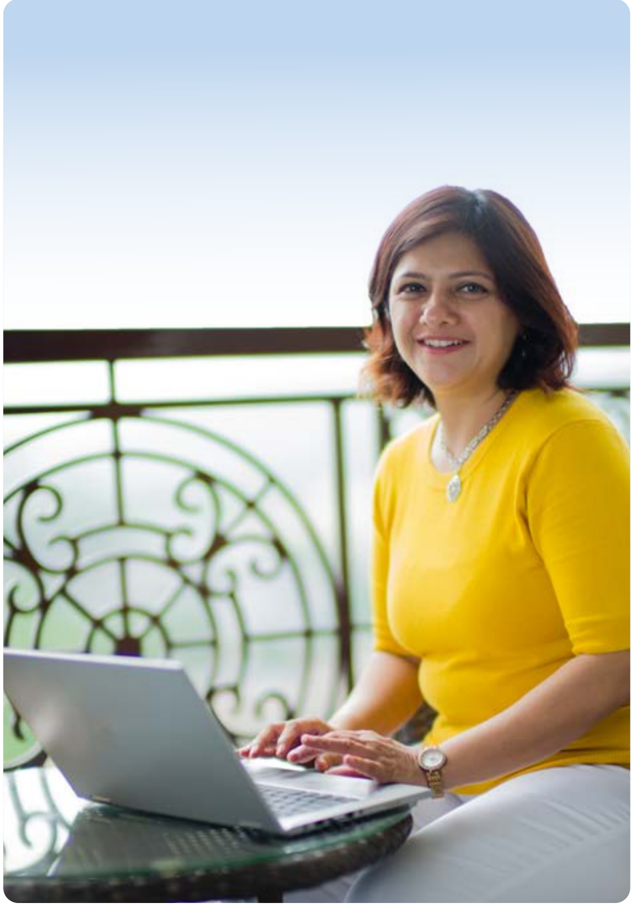
We have one of the lowest interest rates in the market on the back of our vigorous and effective treasury management strategy. We continue to focus on the diversification of our borrowing products, which helps optimise the pricing and reducing the overall cost of borrowing. Our Cost of Borrowing (COB) and Cost of Fund (COF) were reduced by 64 bps and 77 bps to 7.58% and 6.35%, respectively, during the year. We also raised long term funds through multiple sources, amounting to ₹8,276 Crore, thus taking our outstanding debt to ₹41,215 Crore.

As a testament to our dynamic liquidity management, we received international recognition and won the AAA Asset Award under the category 'Best Trade Finance Solution' for our unique structured borrowings of ₹500 Crore, backed by our ECLGS portfolio with Deutsche Bank.

Maintaining credit quality

In these volatile times, we were able to maintain as well as improve the credit quality of our assets, in some segments. This was achieved with our strong underwriting capabilities, enhancement of our collection infrastructure, and focused Stage 3 resolutions. We strategically reduced exposures in the corporate and Loan against Shares (LAS) segments, and continued to increase our focus on the high margin retail and SME segments.

During the year, we resolved stressed assets worth ₹725 Crore, amounting to ~50% of our GS3 book of the previous financial year. At the same time, we further increased our GS3 provision coverage by ~12% to 45.2% by the end of the year and created a floating COVID-19 provision of ₹129 Crore. ~77% of our total loan portfolio is secured and an additional 3.4% of the portfolio is guaranteed under the CGTSME guarantee scheme (SIDBI). We held security value of ₹79,697 Crore against loan book of ₹48,689 Crore, and security value of ₹1,194 Crore against Net Stage 3 assets of ₹716 Crore thereby closing the year with a net security cover of 1.7x.



Digital intervention

We are leveraging our robust digital capability to stay ahead of the curve, while enhancing customer experience, driving digital reach and strengthening our operations. We have created an agile platform for a completely digital onboarding process and state-of-the-art LOS and LMS systems for ease of loan origination and management. Further, to enhance customer engagement, we have built multiple platforms for digital customer self-service. We used digital interventions for improving our collections as well.

Going forward

The second wave of the pandemic has posed a temporary challenge to economic revival, but we remain buoyed by the resilience and green shoots of recovery seen post the first wave. We believe that the government's mega push through huge capital outlays will bring about favourable trends in private investments too. With the long-term macro-factors remaining intact, the growing tempo of the vaccination drive, favourable policy and increasing adaptability of the public and business to operate amid the altered conditions, we feel that the situation will stabilise and businesses will return back to normalcy. We expect the revival and further growth to be the strongest in the retail and SME segment, outperforming overall credit growth, and we plan to increase our stronghold in these segments going forward.

We remain buoyed by India's strong growth and will be expanding our footprint in the underserved semi-urban areas while leveraging our digital platforms to provide a secure, superior, and seamless experience to our customers. We will also be leveraging our existing alliances and expanding our partnerships by anchoring on the group ecosystem to augment growth especially for retail acquisition. We will continue to invest in technology and analytical tools, which will play an integral part in expanding our digital footprint and increasing upsell and cross-sell to our existing customer base. The trust and confidence of our customers have remained our strongest anchor, encouraging us to consistently improve our products and service propositions.

We remain persistent in our resolve to being a future-ready organisation, consistently evolving our capabilities and capacity to ensure superior value creation for our stakeholders. Along with other members of the Board, I would like to take this opportunity to thank our customers, suppliers, partners and governments for their continued support. We would also like to take this moment to express our gratitude to each member of our team whose commitment and determination have helped us navigate these uncertain times.

Mr. Rakesh Singh
Managing Director & CEO

PERFORMANCE INDICATORS

A consistently improving performance

Loan Assets

(₹ in Crore)

FY17	34,703
FY18	43,242
FY19	51,714
FY20	47,057
FY21	**48,689**

8.83% (4-year CAGR)

Balance Sheet Size

(₹ in Crore)

FY17	35,420
FY18	44,195
FY19	52,178
FY20	51,975
FY21	**50,755**

9.41% (4-year CAGR)

Total Income

(₹ in Crore)

FY17	3,427
FY18	4,481
FY19	5,613
FY20	6,089
FY21	**5,528**

12.7% (4-year CAGR)

Net Interest Income (NII)

(₹ in Crore)

FY17	1,350
FY18	1,841
FY19	2,273
FY20	2,528
FY21	**2,512**

Pre-provision Operating Profit

(₹ in Crore)

FY17	931
FY18	1,254
FY19	1,535
FY20	1,760
FY21	**1,713**

16.47% (4-year CAGR)

Profit After Tax (PAT)

(₹ in Crore)

FY17	585
FY18	731
FY19	869
FY20	805
FY21	**769**

7.08% (4-year CAGR)

Cost of Founding (CoF) (in %)

FY17	7.36
FY18	6.75
FY19	7.02
FY20	7.13
FY21	**6.35**

Cost of Borrowing (CoB) (in %)

FY17	8.60
FY18	7.83
FY19	8.13
FY20	8.22
FY21	**7.58**

Net Interest Margin (NIM) (in %)

FY17	4.4
FY18	4.5
FY19	4.9
FY20	5.1
FY21	**5.3**

Cost Income Ratio (CIR) (in %)

FY17	29
FY18	31
FY19	34
FY20	30
FY21	**31**

Gross Non-Performing Assets (GNPA)* (in %)

FY17	0.47
FY18	0.92
FY19	1.19
FY20	3.61
FY21	**2.68**

Net Non-Performing Assets (NNPA)* (in %)

FY17	0.21
FY18	0.65
FY19	0.65
FY20	2.40
FY21	**1.47**

Return on Assets (RoA)# (in %)

FY17	2.07
FY18	1.90
FY19	1.80
FY20	1.66
FY21	**1.67**

Return on Equity (RoE) (in %)

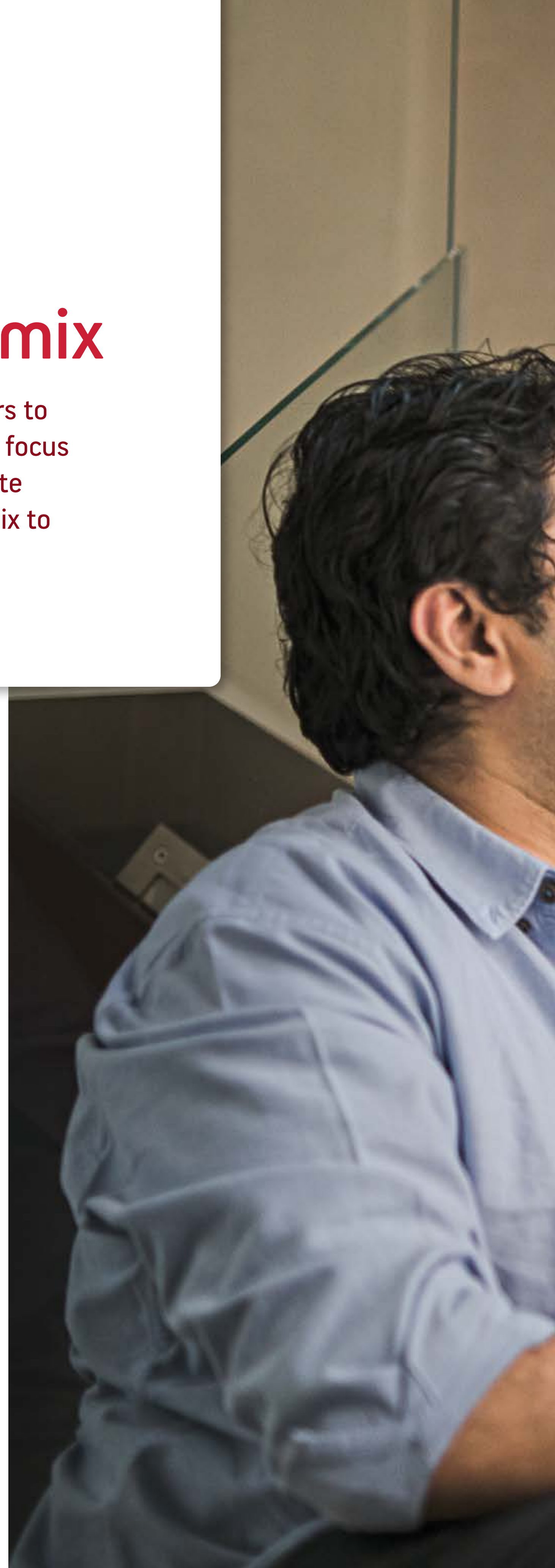
FY17	14.2
FY18	14.2
FY19	13.7
FY20	11.0
FY21	**9.6**

Note:
*The calculation for GNPA and NNPA has changed from FY20 as per the RBI updated guidelines.
*The above are excluding Interest Accrued.
#RoA remained stable despite tough environment

PRODUCT PORTFOLIO

Gaining from an enriched product mix

We have a well-diversified portfolio that caters to multiple customer segments and sectors. We focus on maintaining our asset quality with adequate provisions and leverage our robust product mix to maintain higher margins.



We offer a wide range of services including end-to-end lending, financing and wealth management solutions to our retail, HNI, ultra HNI, micro enterprises, SMEs and corporates customers. Even as we continue to diversify across customers and product categories, we are focused on leveraging higher margin MSME and retail lending, which has seen a strong revival in recent times and holds out promise for the future.

Loan book of

₹48,689 Crore

Gross disbursal of

₹14,763 Crore*

Retail + SME + HNI Mix (Highest till date)

56%

*Excluding CMG bond book, TID, Treasury lending, DCM (INFRA) and Line of credit

PRODUCT PORTFOLIO

Product offering by customer group

Retail / HNI / Business Owner / Micro Enterprises	Ultra HNI	SME	Mid Corporates	Large Corporates
Loan Against Property (LAP)	Loan Against Property (LAP)	Term Loan	Term Loan	Term Loan
Unsecured Personal Loans	Promoter Funding	Working Capital Demand Loan (WCDL)	Working Capital Demand Loan (WCDL)	Structured Finance
Unsecured Business Loans	Loan against Securities (LAS)	Loan against Property (LAP)	Structured Finance	Project Finance
Unsecured Loan for Travel, Health and Education	IPO Financing	Lease Rental Discounting (LRD)	Construction Finance	Debt Syndication
Wealth Business	Debt Syndication	Vendor Financing	Debt Syndication	Debt Capital Market Desk
Micro LAP	Wealth Business	Channel Financing	Debt Capital Market Desk	Treasury Services
		Broker Funding	Treasury Services	Wealth Business
		Wealth Business	Wealth Business	

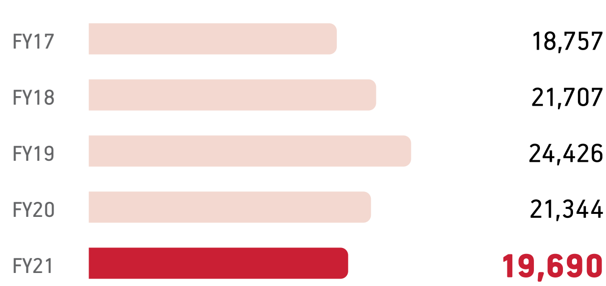
Loan book

(₹ in Crore)

SME + Retail + HNI

16.13% (4-year CAGR)

Large + Mid Corporate



1.22% (4-year CAGR)

Stable asset quality

Our diversified customer base gives us significant advantage in terms of maintaining a healthy asset quality with optimal risk-reward considerations. We maintain this asset quality through vigorous due diligence and systematic credit risk management. Our external environmental and operational risks are consistently monitored for immediate provisioning against volatility and conserving our stable asset quality.

77%

Total loan book secured

Stage 3 Provisioning Coverage Ratio (PCR)

(in %)

₹129 Crore

Total floating COVID-19 provision at

26 bps

of loan book as of March 2021

Net Security Cover

Customer Segment	GS3	Provision	NS3	Security Value	Net Security Cover[1]
SME	252	99	153	305	2.0x
Retail – Secured	81	22	59	115	2.0x
Retail – Unsecured	232	128	103	-	-
Large Corp (ex IL&FS)	521	234	287	587	2.0x
Large Corp (IL&FS)	220	106	114	187	1.6x
HNI & Others	-	-	-	-	-
Total Book	**1,305**	**590**	**716**	**1,194**	**1.7x**

Adequate provisioning and security cover across segments with Net Security Cover[1] of 1.7 times

- 77% of total loan book secured. ~Additional 3.4% secured through CGTMSE guarantee scheme
- **Security Cover:**
  - Overall Loan Book: Security value of ₹79,697 Crore Vs. loan book of ₹48,689 Crore
  - Net Stage 3 Book: Security value of ₹1,194 Crore Vs. Net Stage 3 assets of ₹716 Crore (Net Security Cover[1] : 1.7x)
  - 60%[2] of Existing MSME Unsecured Loans are covered under credit guarantee with SIDBI (CGTMSE Program)
- Total disbursement under ECLGS scheme during FY21 of ₹1,297 Crores (largely in retail and SME segments)

[1]Net Security Cover = Security Value/ (GS3 – Provision)

[2]JFM disbursals were not covered under CGTMSE scheme due to system development at CGTMSE end. Q3 had 75% coverage under this scheme.

WEALTH MANAGEMENT

Capitalising on multiple opportunities

Aditya Birla Finance is uniquely positioned to provide highly personalized wealth management solutions to clients across segments. With a strengthened and diversified portfolio, we have emerged as a one-stop solution for the varied financial needs of our diverse clientele across urban and semi-urban locations. We leverage technology including one of the country's first conversational chatbot to make our offering robust across all financial product needs of our clients.

The Wealth Business operates through 2 verticals – non-retail and retail, which are further divided into 4 business segments:

High Net-worth Individual Business (HNI) caters to the requirements of Individual HNIs and UHNIs and aims to provide customized investment options to meet their long-term goals.

Corporate and Treasury Services (CTS) caters to the requirements of SMEs, Mid and Large Corporates and aims to provide customized Investment solutions to meet their short and long term investment requirements. This business works to develop and execute investment solutions for the diverse corporate client base through our research and advisory

Business Partner Group (BPG) caters to clients sourced and serviced by independent financial advisors (IFAs) and business partners who aid us in indirectly reaching millions of retail clients across the country, especially in Tier II and III locations. Our partners augment our business while decreasing time-to-market and help us access a wider geography at relatively lower costs.

Online Business (ONL) is the segment for self-directed individuals who are comfortable in using technology for their financial needs. We also work to leverage cohorts of customers across corporates including the employees at the Aditya Birla Group, those of our corporate lending clients and other similar homogenous groups.

₹15,543 Crore

AUA growth of 13%

1,82,654

Customers

20,129

Business partners

Products

- Mutual Fund
- Digital Gold
- Financing
- Group Health Insurance
- Tax Filing
- Equity Services

WEALTH MANAGEMENT

Business verticals

Verticals	Segment	Customers	Solution Provided	AUA
Non-Retail	**High Net-worth Individual Business**	**HNIs and UHNIs**	Customised investment options to meet long-term goals	**₹6,423 Crore** AUA growth of 25%
	Corporate and Treasury Services	**SMEs, mid and large corporates**	Customised investment solutions to meet short and long-term investment requirements Develop and execute investment through our research and advisory services	**₹6,354 Crore** AUA growth of 5%
Retail	**Business Partner Group (BPG)**	**IFAs and channel partners**	Multiple products, especially Mutual Funds	**₹1,783 Crore** AUA growth of 17%
	Online Business (ONL)	**Individuals**	Investment – Mutual Funds, direct equity via referral to Aditya Birla Money, Digital Gold, Fixed Deposits. Financing – Personal Loans, Home Loans, Business Loans.	**₹983 Crore** AUA growth of 32%

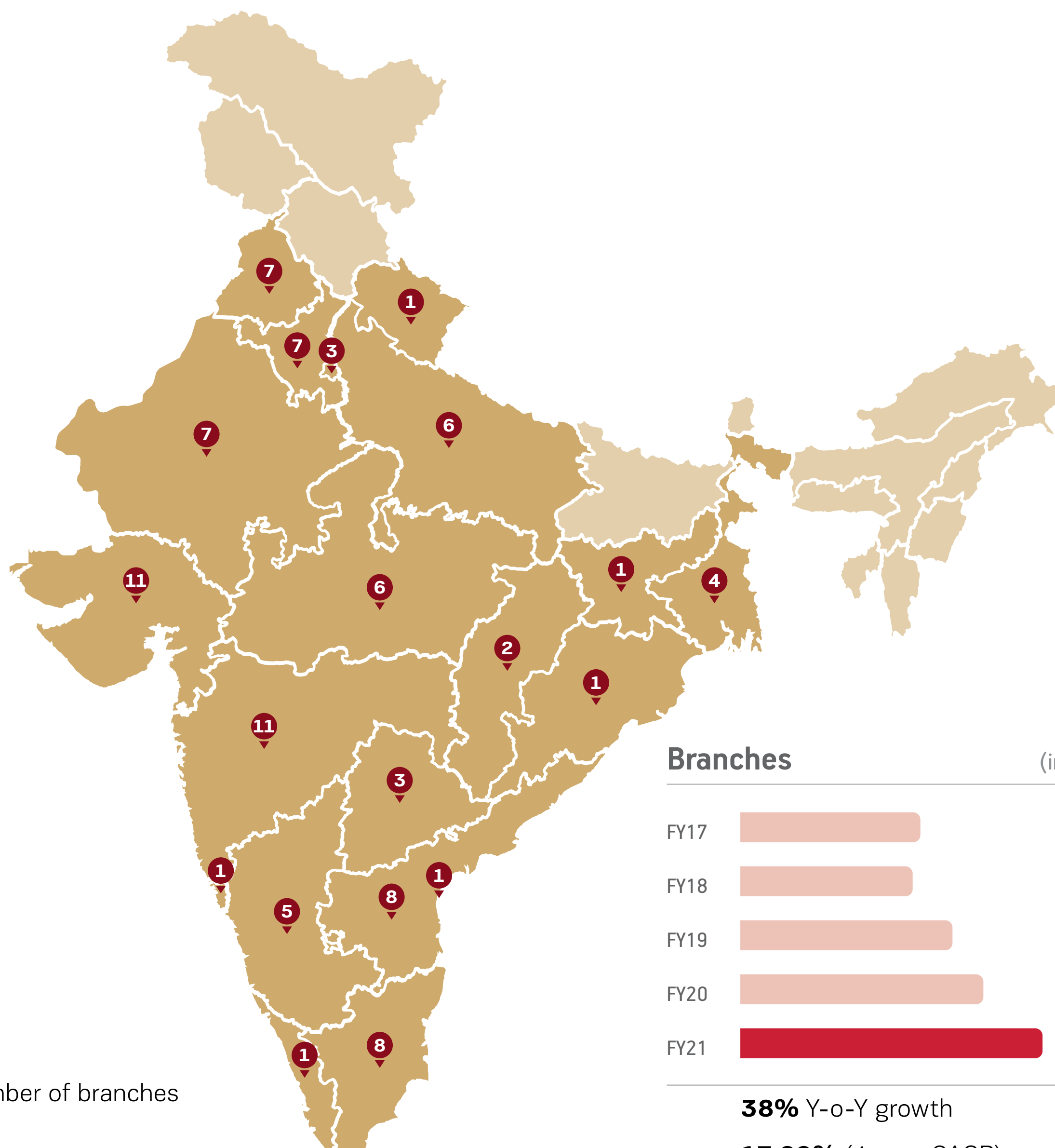
GEOGRAPHIC PRESENCE

Penetrating India's hinterland

We are focused on leveraging our branch network, digital channels, partnerships and presence in various ecosystems to expand our customer base. We are strategically expanding our presence to the lesser penetrated Tier III-IV cities of the country.

94
Branches

26
Branches added in Tier III-IV cities



Number of branches

Note: Map not to scale

Branches (in numbers)

FY17	49
FY18	46
FY19	57
FY20	68
FY21	94

38% Y-o-Y growth

17.69% (4-year CAGR)

DIGITAL TRANSFORMATION AND DATA ANALYTICS

Accelerating digital transformation

We have made considerable investments over the years for digitally transforming our operations. We are also using advanced data analytical tools to enhance our business capabilities and understand customer needs better.

We provide our customers with an exceptional digital experience in the end-to-end lending process from onboarding to disbursement to payment facilities and other services. Additionally, we are also leveraging technology to scale our business by cross-selling, reducing turnaround time, providing pre-approved loans and making more insightful decisions on lending amongst other things. We have been heavily using various data analytical tools for sourcing, underwriting, and for achieving greater efficiencies in servicing and collections.

Focus areas

Sourcing

- **Digital customer onboarding** through a fully agile tech stack, APIs for onboarding through partner model, including KYC, Bureau API, BRE API and scorecards
- **State-of-the-art LOS/LMS system for retail business,** leveraging CKYC/ O-KYC, facial recognition, bureau integration, implementation of unified LMS for operational convenience, speed and efficiency

Underwriting

- **Instant eligibility** through in-built scorecards, BRE, value-added services for customers' financial and demographic due diligence such as GST, ITR, bank statement analysis, and Geotagging among others.
- **Robust mechanism for fraud control** including video PD, domain checks, employment verification, and other fraud control tools

Servicing and Upsell

- **Service request catered through digital platforms** such as WhatsApp, Chatbot and other portals
- **Email bot** used with increased efficiency of 87%
- **Pre-approved and pre-qualified top-up offering** using disruptive technology and data analytics tools for application and behavioural scores

Collections

- **Hosted digital payments collections** from the ABFL payment hub, and new channels such as UPI, Wallets, eNach.
- **Proactive and low-risk bounce cases calling** through the use of AI voice bot
- **WFH collections calling,** leveraging a fin-tech platform

High levels of Digital interactions across processes

84%
Customer onboarding

100%
Partner onboarding

98%
Digital collections

85%
Digital service interaction

OUR EMPLOYEES

Nurturing our people

Our dynamic, diverse and dedicated workforce fortifies our reputation among customers and forms a critical pillar of our success. We are committed to providing them with an engaging, enabling and safe workplace that promotes their physical and emotional well-being.

We have well-established policies and processes to help recruit talents aligned to our values in order to foster a high-performance culture. We invest in developing the potential of our employees in a holistic manner, using a combination of education, experience and exposure across behavioural and technical competencies. Our employees are regularly appraised, recognised and rewarded based on their performance and potential.

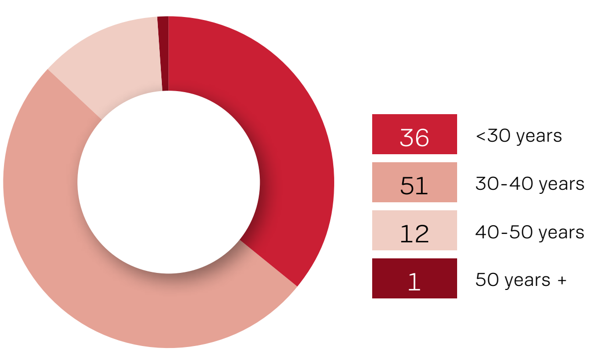
2,283
Employees

83%
Millennials

15%
Female employees

Employees – Age profile

(in %)



Our employee value proposition

Recruitment and selection
We evaluate candidates not only on their experience and qualification but also on their behaviour and cognitive ability through a set of psychometric tests.

Induction and onboarding
We have a comprehensive in-house onboarding programme that encourages regular interaction and feedback to increase employee engagement and their alignment with the organisation's strategic objectives, goals and culture.

Training
We are focused on building functional, behavioural and leadership capabilities and have multiple learning and development programmes for our employees, including new-age learning methods and formats.

Evolve
Our in-house ABFL Learning Academy is an aggregator of all behavioural learning initiatives and conducts periodic behavioural training programmes, interventions, and online training.

Employee wellness and engagement
We are highly cognisant of the importance of the mental and physical well-being of our employees, especially during such unprecedented times. We provide them a comprehensive support mechanism while continuously undertaking initiatives that enhance their emotional connect with the organisation and camaraderie across the business units.

Talent identification and leadership development programme
In addition to having a succession plan in place, we continuously identify resources across levels, evaluating them on the basis of multiple critical parameters. The key talent identified are then developed and mobilised to build a talent pipeline to take on leadership roles.

Rewards and recognition
We believe motivated employees are key to the success of the organisation and we have instituted multiple programmes to recognise exceptional employee performance.

BOARD OF DIRECTORS

Providing able guidance

Mr. Ajay Srinivasan
Non Executive Director

Mr. Srinivasan's experience in the financial services industry in India and abroad spans over three decades and he has been the CEO for over two-thirds of his working life. He has a track record of setting up and successfully scaling businesses, in both domestic and international markets. He joined the Aditya Birla Group (ABG) in 2007 and since then has successfully led and transformed Aditya Birla Capital Limited (ABCL) into a universal financial solutions provider focusing on protecting, investing and financing needs of its customers.

He is the Chief Executive at ABCL, the holding Company for the financial services businesses of the Aditya Birla Group.

Before joining ABG, he was Chief Executive – Fund Management, at Prudential Corporation Asia based out of Hong Kong from where he oversaw the business managing $70 Billion in assets that spanned 10 markets. Prior to his stint at Prudential, he was Deputy Chief Executive Officer and Chief Investment Officer for the India Operations of ITC Threadneedle Asset Management. He began his career with ICICI Ltd.

Mr. Darius J Kakalia
Independent Director

Mr. Kakalia commenced his practice as a commercial lawyer having built an extensive transaction and court practice with an extensive background in corporate commercial matters and setting up of Joint Ventures, Mergers and Acquisitions, ADRs and GDRs as well as real estate transactions and disputes and litigations related to these sectors and areas of practice.

Over the years he has specialised in the power sector, acting for large power companies and has advised consortiums for the bids with respect to the 4,000 MW Ultra Mega Power projects that have recently been proposed by the Power Corporation of India.

He has regularly appeared before the MERC, the Bombay High Court and in the Supreme Court of India with respect to various litigations relating to disputes in the power sector.

Mr. Jitender Balakrishnan
Independent Director

Mr. Balakrishnan was a former Whole time Director of IDBI Bank Ltd designated as Deputy Managing Director and Group Head (Corporate), responsible for complete credit advances of $25 Billion. He served as a member on IDBI's Credit Committee, Asset Liability Management Committee and Investment Committee.

He has wide experience in sectors like Oil and Gas, Refineries, Power, Telecom, Airports, Roads, Ports, Steel, Cement, Fertilisers, Petrochemical, Hotel, Pharmaceuticals, Paper. Mr. Balakrishnan has been an Advisor to former IDFC Bank Ltd. He serves on the Board of various companies and also serves as the Chairman of various Board committees.

BOARD OF DIRECTORS

Ashwani Kumar Puri
Independent Director

Mr. Puri is a financial and accounting professional with extensive experience in investment/acquisition and advisory services, valuation and decision analysis, business and financial restructurings, dispute analysis and forensics.

He was with PricewaterhouseCoopers (PwC) for 34 years, 22 of these as Partner and Executive Director and has served in various positions. His selected clients in financial services include Asian Development Bank, Asset Reconstruction Company (India) Limited, Cerberus, Citigroup, Deutsche Bank, ICICI bank, IDBI, IFCI, Industrialization Fund for Developing Countries, Denmark, Standard Chartered Bank, USAID, WL Ross and World Bank.

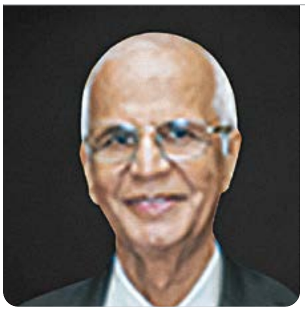
Alka Bharucha
Independent Director

Ms. Bharucha began her career with Mulla & Mulla & Craigie Blunt & Caroe and joined Amarchand & Mangaldas as partner in 1992. In 2008, she co-founded Bharucha & Partners which, since inception, has been ranked by RSG Consulting, London among the 30 firms in India. For years, Ms. Bharucha has been ranked by Chambers Global, Legal 500 and Who's Who Legal amongst India's leading lawyers.

She chairs the transaction practice at Bharucha & Partners. Her core areas of expertise are mergers and acquisitions, joint venture, private equity, banking and finance.

Ms. Bharucha's general corporate work includes the establishment of mutual funds and providing regulatory advice to foreign institutional investors, foreign venture capital investors, merchant bankers and other financial intermediaries.

She has particular experience acting for financial services clients as well as those in the telecommunications, power and logistics sector. She is also actively engaged in representing transnational corporations for investments in the retail, defence and manufacturing space.



Baldev Raj Gupta
Independent Director

Mr. Gupta has served as Director with a bank, Mutual Fund AMC, Primary Dealer, Stock Exchange, National Insurance Academy, and as Member, Secondary Market Committee of Security Exchange Board of India, Debt Market Committee of National Stock Exchange, Governing Board of National Insurance Academy and as Vice-President Insurance Institutes of India.

Mr. Gupta has been a former Executive Director (Investments) of Life Insurance Corporation of India. After superannuation, he was reappointed as Investment Advisor by LIC of India and as Investment Consultant by General Insurance Corporation of India. He has around five decades of experience in the Insurance, Investment and Financial Services sectors. Mr. Gupta has been a Director on the Board of ICICI Prudential Asset Management Company Ltd., National Stock Exchange of India Ltd., IDBI Capital Market Services Ltd., Mahindra and Mahindra Limited, Greaves Cotton Limited.

He has also been an Advisor to IL&FS Academy for Insurance and Finance Ltd. (an initiative of IL&FS Group) for nearly a decade. He has worked with Trinity Global Education Private Limited as an Advisor in the Financial Services Division. He was also associated as an Advisor with an insurance broking firm.

Subhash Chandra Bhargava
Independent Director

Mr. Bhargava is a retired Director (Investments) of Life Insurance Corporation of India He was in the investment department for 13 years and involved in almost all activities related to investments such as project financing, short-term and long-term loans, dealing in equity, debt, government securities, monitoring of corporates among others.

He has attended various programmes in IIM, Manchester School of Management and others related to Finance. He was also a member of the Technical Advisory Committee of RBI on Money, Foreign Exchange and Government Security Markets from May 2004 to July 2005.

Rakesh Singh
Managing Director & Chief Executive Officer

Mr. Singh is the Managing Director and Chief Executive Officer at Aditya Birla Finance Limited. He also serves as a Director on the Board of Aditya Birla Housing Finance and Aditya Birla Money Mart. He has over 25 years of experience in the financial services industry cutting across both banking and non-banking financial institutions.

He is a part of several industry forums, including Confederation of Indian Industry and Federation of Indian Chambers of Commerce and Industry, and lends his expertise as a member of FICCI's Banking and Financial Institutions Committee. He is also on the Board of Narsee Monjee Institute of Management Studies.

Prior to joining Aditya Birla Finance Limited in July 2011, Mr. Singh spent 16 years with Standard Chartered Bank. He started with a role in Retail Assets (Mumbai and Kolkata) and then moved on to become the Head for Mortgages, India. His last assignment with Standard Chartered Bank was as General Manager & Head SME Banking, India and South Asia.

Mr. Singh has attended advance management programs at Harvard Business School and the Indian Institute of Management Calcutta and also holds a post-graduation degree in International Relations.

KEY MANAGERIAL PERSONNEL

Rakesh Singh
Managing Director &
Chief Executive Officer

Mr. Sanjay Miranka
Chief Financial Officer

Mr. Ankur Shah
Company Secretary

SENIOR MANAGEMENT

Mr. Tushar Shah
Chief Executive Officer – PSFG

Mr. Sekhar Mosur
Chief Risk Officer

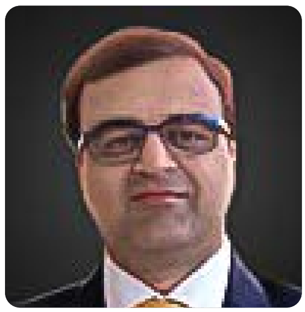
Ms. Sujatha Sudheendra
Head - Human Resources &
Administration

Mr. Ajay Singh
Head – Risk, Compliance &
Legal - PSFG

LEADERSHIP TEAM

Strong team driving growth

Mr. Devang Rawal
Head - Corporate & Institutional



Mr. Ajay Pareek
Head - Retail, Consumer and Micro Business

Mr. Udayan Sharma
Head - SME, Wealth Management & Emerging Businesses

Mr. Santanu Basu
Head - Mortgages

Mr. Ankur Kapoor
Head – Operations & Customer Service

Mr. Arnab Basu
Head - Infra BD

Mr. Prakash Dandwani
Head - Debt Capital Markets

AWARDS AND ACCOLADES

Recognised for sustained excellence

"We are what we repeatedly do. Excellence, then, is not an act, but a habit."

Will Durant

Excelling at everything we do has become a habit for us. The awards and accolades we receive are a recognition of this fact. They motivate us to break our own records and keep setting new benchmarks for ourselves.

CSR Times Award 2020 for our CSR project, Wish Foundation

Won international recognition with **AAA Asset Award** under the category "Best Trade Finance Solution" for the unique structured borrowings of ₹500 Crore backed by the ECLGS portfolio with Deutsche Bank

Ms. Bhavani Devi became the first Indian fencer to qualify for the Olympics. She was one of the few candidates we had sponsored under the Rahul Dravid Athlete Mentorship program through the GoSports Foundation

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr. Ajay Srinivasan
Non-Executive Director
Mr. Ashwani Puri
Independent Director
Mr. Darius J Kakalia
Independent Director
Mr. Jitender Balakrishnan
Independent Director
Ms. Alka Bharucha
Independent Director
Mr. Baldev Raj Gupta
Independent Director
Mr. S C Bhargava
Independent Director
Mr. Rakesh Singh
Managing Director &
Chief Executive Officer

COMMITTEES OF THE BOARD

AUDIT
Mr. Ashwani Puri
Mr. Darius J Kakalia
Ms. Alka Bharucha
Mr. Ajay Srinivasan

NOMINATION AND REMUNERATION
Mr. Jitender Balakrishnan
Mr. Darius J Kakalia
Mr. Ajay Srinivasan

CORPORATE SOCIAL RESPONSIBILITY
Mr. Ashwani Puri
Mr. Ajay Srinivasan
Mr. Rakesh Singh

STAKEHOLDERS' RELATIONSHIP
Mr. Baldev Raj Gupta
Mr. Darius J Kakalia
Mr. Rakesh Singh

KEY MANAGERIAL PERSONNEL
Mr. Rakesh Singh
Managing Director & Chief
Executive Officer
Mr. Sanjay Miranka
Chief Financial Officer
Mr. Ankur Shah
Company Secretary

SENIOR MANAGEMENT
Mr. Tushar Shah
Chief Executive Officer – PSFG
Mr. M S Sekhar
Chief Risk Officer
Ms. Sujatha Sudheendra
Head - Human Resources &
Administration
Mr. Ajay Singh
Head – Risk, Compliance &
Legal - PSFG

STATUTORY AUDITORS
Deloitte Haskins & Sells LLP
Chartered Accountants

SECRETARIAL AUDITORS
BNP & Associates
Company Secretaries

INTERNAL AUDITORS
M/s. Aneja Associates
Chartered Accountants

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E-mail Id: mumbai@vistra.com

REGISTRAR & SHARE TRANSFER AGENT
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Management Discussion and Analysis

OVERVIEW OF GLOBAL ECONOMY

The evolution and progress of the Covid pandemic which began in early 2020 and spread throughout the world was the most important factor for the global and domestic economy and markets throughout FY 2020-21. The early template to deal with the pandemic was the model of strict lockdowns and social distancing, which resulted in sharp collapse in growth, equity and commodity markets. Consequently, bond yields fell sharply in both EMs and DMs and growth estimates were cut to the lowest levels since the Great Depression.

Policy makers in both advanced and emerging economies responded with aggressive monetary-fiscal stimulus packages. Total global pandemic-related fiscal actions as estimated by IMF stands at an astoundingly high level of $16 trillion: $10 trillion consists of additional spending and foregone revenue and $6 trillion consists of government loans, guarantees and capital injections. This was complemented by aggressive and synchronous policy actions by Central Banks, which took global interest rates to the lowest levels on record and ensured that despite the high fiscal push, borrowing costs remained low.

The combination of aggressive policy actions, evolution of medical response to deal with the pandemic and release of pent up demand resulted in rebound of the global economy. Across the world, sharp downgrades have been followed by healthy upgrades in growth estimates . Bond yields have also rebounded in response to improved economic outlook and higher inflation expectation. With progress in vaccinations across the world and significant part of stimulus still persisting, the outlook for the global economy in 2021 is better with IMF forecasting strong growth, aided by a favourable base.

OVERVIEW OF INDIAN ECONOMY

In India as well we had a similar story, with the economy and markets being guided by the evolution of the pandemic and Government's response to the same. Early in the pandemic, India's response was of a strict nationwide lockdown beginning mid-March 2020. The consequent demand collapse & supply side disruption led to highest ever Y-o-Y decline of 24.4%[1] in Q1FY 2020-21 GDP, with industrial sector Gross value added (GVA) contracting by 35.9%, services by 21.4% and Agriculture GVA growing at 3.3%.

GDP Growth rebounded sharply, more than expected earlier, in the following three quarters of the year as lockdown restrictions were gradually eased and strong pent-up demand was unleashed, with Q2 and Q3 growth at -7.3% and +0.4% Y-o-Y. The recovery post Q2 was on the back of revival in government expenditure & fixed investment and easing of the contraction in private consumption.

Showing resilience, the agricultural GVA growth remained in positive territory at 3%+ Y-o-Y growth in all three quarters while Industry sector clocked 2.7% Y-o-Y growth in Q3 after declining 35.9% Y-o-Y in Q1. Within Industry, the manufacturing sector emerged from 35.9% Y-o-Y decline in Q1 to positive 1.5% growth in Q3. Following industry, the services sector also picked up with Q3 Y-o-Y decline of 1.0% as compared to 21.4% decline in Q1. Equity markets reflected the sharp deterioration, then improvement in growth prospects of the economy as also the pattern in global equity markets. Interest rates and bond yields remained low for most of FY 2020-21 before rising post the Union Budget.

The collapse in import demand and fall in international oil prices resulted in current account turning to surplus in the fiscal, largely due to strong surplus in H1. After sharp capital outflows in Q1, foreign capital flows also returned strongly in the rest of the year, led by healthy FDI flows. FDI inflows after recording 88% Y-o-Y decline in Q1 recorded 160% Y-o-Y increase in Q2 followed by 45% Y-o-Y increase in Q3. Current account surplus and good capital inflows resulted in good surplus in BoP account and strong build-up of forex reserves, which grew to $579 billion as on 26th March 2021 with Y-o-Y growth of 21.8% and helped in reducing INR volatility through the pandemic.

The fears of a prolonged economic recession were addressed by the concerted monetary and fiscal steps taken by RBI & Government.

POLICY MEASURES

- To avert any shortage of liquidity in the hands of corporates and households, RBI rolled out an easy monetary policy. In March 2020, the repo rate was slashed by 75 bps to 4.4% and later to 4.0% by May 20. To incentivise banks to lend, the reverse repo rate which sets the floor of the liquidity adjustment facility (LAF) corridor, was reduced by 90 basis points from 4.9% to 4.0% in March 2020 and to 3.35% in May 2020.
- The borrowers impacted by disruption in their cash flows were given relief when RBI allowed lenders to grant moratoriums on loan repayments initially for 3 months, further extended till 31st August 2020. Asset classification freeze for standard accounts was also implemented.
- To reduce the financial stress on borrowers due to the COVID-19 pandemic, lending institutions were allowed to restructure borrowers' accounts which were standard as on 1st March 2020 either through rescheduling of repayments, granting of moratorium or conversion of interest into credit facility. The existing scheme of restructuring for MSMEs was also extended till March 2021 under which existing standard loans as on 1st March 2020 could be restructured without a downgrade in the asset classification. In September 2020, guidelines on sector specific key financial ratios were also laid out for resolution of stressed industrial sectors

1 Real GDP at 2011-12 price; Source MOSPI

- To avoid freezing of debt markets and to lower the liquidity premium on debt securities, RBI announced Targeted Long term repo operations (TLTROs). In TLTRO 1.0, liquidity injected was to the tune of ₹1 Lakh Crore, in which banks could access funds from RBI for 3 years at rates linked to repo rates. The Banks were required to invest 50% in primary market debt issuances and the remaining in the secondary market. In TLTRO 2.0, under which ₹50,000 Crore of liquidity was infused, special dispensation was made for NBFCs. 50% of the funds were to be deployed by banks to buy securities issued by NBFCs/ MFIs
- Increased the limit under the marginal standing facility (MSF) from 2% to 3%
- Reduced the cash reserve ratio (CRR) of all banks by 100 basis points to 3.0% till March 2021
- ₹50,000 Crore Special Liquidity Facility for Mutual Funds to ease liquidity pressures on MF
- Refinance facilities of ₹30,000 Crore to NABARD for refinancing regional rural banks (RRBs), cooperative banks and MFIs; ₹15,000 Crore to SIDBI for on-lending/refinancing; and ₹15,000 Crore to NHB for supporting Housing Finance Companies (HFCs) were sanctioned
- Increase in Loan to Value (LTV) ratio for gold loans: LTV for loans against pledge of gold for non-agricultural purposes enhanced from 75 per cent to 90 per cent

The Government of India, on its part, also worked out a support package

- To aid Micro, Small and Medium Enterprises (MSMEs) sector, Emergency Credit Line Guarantee Scheme (ECLGS) was announced under which incremental credit amounting 20% of outstanding credit as on 29th February 2020 was covered with 100% Government guarantee with no collateral and no guarantee fee.
- ₹20,000 Crore as subordinated debt for functioning MSMEs which are NPA or stressed. Government to provide support of ₹4,000 Crore to CGTMSE who in turn will provide partial Credit Guarantee support to Banks & NBFC on loans given to MSMEs
- ₹50,000 Crore equity infusion in MSME through fund of funds
- ₹45,000 Crore partial credit guarantee scheme for NBFCs with first 20% loss to be borne by Government on AA and below rated NBFCs papers
- Special liquidity facility under which Government provided 100% guarantee on investment grade debt securities of NBFC /MFI
- ₹90,000 Crore liquidity injection for power distribution companies

In the latter half of the fiscal, the focus of the policy efforts shifted from mitigating stress to supporting the recovery and supporting growth.

- Budget announced plan to form an Asset reconstruction company to take over NPAs from Banks. Recapitalisation of PSBs was also announced. A thrust was given to infrastructure creation with higher budgetary support towards capital asset creation
- Extension of ECLGS scheme to 30th June 2021 or till guarantees for an amount of ₹3 Lakh Crore are issued. Scope was extended to 26 stressed sectors as per K V Kamath Committee and subsequently Healthcare, Hospitality, Travel & Tourism and Leisure & Sporting sectors were also covered
- Scheduled Commercial Banks allowed to deduct the amount equivalent to credit disbursed to 'New MSME borrowers' from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR)
- Inclusion of state government securities in October 2020 in RBI 's Asset Purchase Programme
- Restoration of CRR: Banks to maintain the CRR at 3.5% from the fortnight beginning 27th March 2021 and 4.0 per cent of NDTL effective from fortnight beginning 22nd May 2021
- Continuing its support to the micro, small and medium enterprises (MSME) sector, the Reserve Bank further extended the existing restructuring framework for MSMEs up to 30th September 2021
- Banks permitted to hold under Held to Maturity (HTM) category, SLR securities acquired on or after 1st September 2020 up to an overall limit of 22 per cent of NDTL, up to 31st March 2021. The dispensation was extended up to 31st March 2022.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Over the years, the differentiated offering of the NBFC segment coupled with last mile connectivity has helped NBFCs to emerge as a key player in Indian financing sector. The NBFCs' non-food credit to GDP ratio has risen to 11.6% in 2020[2] from 8.8% in 2014 & has grown at a faster pace than the credit growth for Banks during the period. On the liability side, NBFCs have become more and more interconnected with the financial system.

During FY 2020-21, NBFCs faced asset growth challenges due to the headwinds in the form of asset quality concern and the general slowdown in the economy. However as the unlocking of the economy began, retail credit inquiry volumes showed an uptick[3]. MSME credit demand also rebounded on account of ECLGS and government stimulus. The collection efficiency reported by NBFCs exhibited a recovery in the second half of the fiscal year supported by rebound in economic activities and ease in lockdown.

2 Source: RBI's Dec 2020 Publication on NBFI | The GDP is on current market price basis
3 Transunion CIBIL Dec 20 Industry Insight report

With the onset of pandemic, there were fears of a widespread liquidity crisis. While NBFCs gave reprieve to their borrowers by granting moratorium, NBFCs themselves were ineligible to get moratorium on their borrowings from banks. However, the fears were unfounded as the ample liquidity infused by RBI ensured that even the AA & below rated NBFCs could borrow funds. Driven by fall in corporate bond yield as well as risk spread, historic low borrowing rates and heightened activity in equity market, NBFCs could raise debt & equity funds that strengthened their capital base and lowered cost of borrowing.

In addition to NBFCs /MFI focussed LTRO, other policy measures taken to shore up investors' confidence in NBFC sector were

- ₹30,000 Crore special liquidity scheme to invest in investment grade debt papers of NBFCs /HFC/MFIs fully guaranteed by Government
- For AA and lower rated NBFC / MFIs 20% credit guarantee to cover primary market issuance of such entities
- In February 2021, the RBI allowed lending by banks to NBFCs under the TLTRO on-tap scheme for incremental lending to specified stressed sectors
- In respect of loans to commercial real estate projects delayed for reasons beyond the control of promoters, date for commencement for commercial operations (DCCO) was allowed to be extended by an additional one year, over and above the one-year extension permitted in the normal course, without treating the same as restructuring
- Eligibility criteria for declaration of dividend by NBFCs (non-deposit accepting & systemically important / deposit accepting) were
  - CRAR of at least 15% for last 3 years.
  - The net NPA ratio should be less than 6% in each of the last three years
- Co-Lending by Banks and NBFCs to Priority Sector - Review of the Co-Origination Model: The scheme was recast as a "Co-Lending Model" (CLM). NBFCs required to retain a minimum of 20 per cent share of the individual loans on their books

OPPORTUNITIES AND THREATS FOR THE COMPANY

Opportunities

- Under-penetration of financial services in India with opportunity to expand to smaller towns
- Under-penetration of lending to MSME & self-employed segments
- Leverage relationships with existing customer base to up-sell, cross-sell and increase revenue per customer
- Use of Artificial Intelligence and Machine Learning for credit assessment
- Cost save through "Zero-Base" planning, Work From Home (WFH) and variabilisation of costs

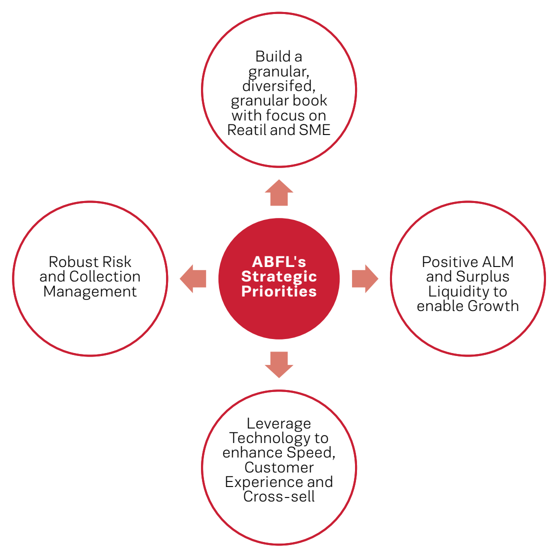
Threats

- Impact of pandemic on portfolio credit quality and consumer sentiment, leading to deferment of consumption
- Aggressive competition from banks especially on pricing

Business Overview

Headquartered in Mumbai, Aditya Birla Finance Limited ("the Company / ABFL") offers lending and wealth management solutions to a diverse set of customers.

With the slowdown in the economy and weakening systemic credit demand during FY 2020-21, ABFL focused on its strategic priorities:



- **Build a diversified, granular book with focus on Retail and SME Segments:** With the objective of expanding its reach geographically, ABFL has opened 41 new branches during the year. Now, it intends to open 70 more branches primarily in Tier 3 and Tier 4 geographies with a lean branch model. ABFL continued to grow existing alliances and build new partnerships for retail customer acquisition. It also implemented programs for cross-sell of loans and wealth products across its lines of business. ABFL, towards its journey to granularise its loan book has been able to reduce the average ticket size of its Retail loans to ₹5 Lakh from ₹6 Lakh in FY 2018-19, of its SME loans to ₹5 Crore from ₹7 Crore in FY 2018-19, of its HNI/other loans to ₹46 Crore from ₹69 Crore in FY 2018-19 and of its large/mid corporate loans to ₹53 Crore from ₹68 Crore in FY 2018-19.

- **Leveraging Technology and data analytics:** ABFL continued with its digital transformation, with focus on scalability, customer servicing and use of data analytics. During the year the Company has leveraged technology and data analytics as follows:

Sourcing:

- **Fully agile tech stack for customer onboarding:** APIs for onboarding through partner model –KYC, Bureau API, Business Rule Enterprise (BRE) API and scorecards
- **State of the art LOS/LMS system for retail business:** leveraging CKYC/O-KYC, facial recognition (under implementation), bureau integration, implementation of unified LMS for operational convenience, speed and efficiency

Underwriting:

- **Instant eligibility** through in-built scorecards, BRE, value added services for customer's financial and demographic due diligence such as GST, ITR, Bank statement analysis, GEO tag, etc.
- **Video PD,** Domain checks, employment verification, and other fraud control tools

Servicing and Upsell:

- **WhatsApp/Chatbot/ Portal:** Live on 23 Service Requests catering to 35% of service request volumes
- **Email-BOT with 87% efficiency**
- **Pre-approved, pre-qualified** top-up offering using technology, data analytics (Application and behavioural scores)

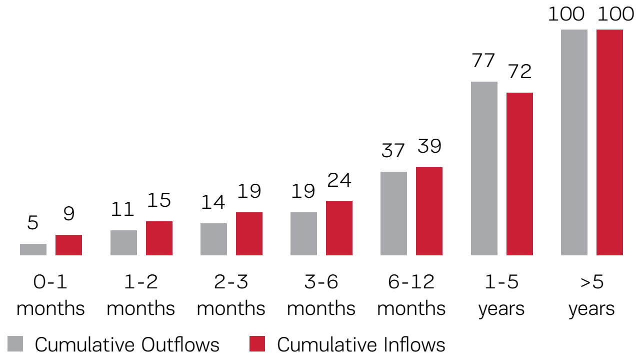
Collections:

- **AI voice BOT for proactive and Low-risk bounce cases calling**
- **ABFL payment hub,** and new channels such as UPI, Wallets, eNach etc. introduced for **digital payments collections**
- Fin-tech platform leveraged for **WFH Collections calling**

Positive ALM and Surplus Liquidity to enable Growth: Asset Liability Management is addressed optimally and within the norms stipulated by the RBI. ABFL is well positioned to meet its liquidity needs by maintaining positive ALM and surplus liquidity to ensure both timely loan repayments and support the business growth. It intends to continue to ensure the same for uninterrupted growth in its business.

(%)

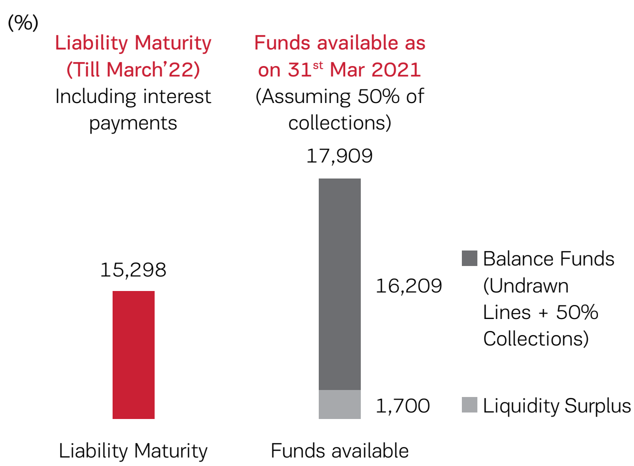
ALM optimised for liquidity and costs 31st March 2021



Cumulative Surplus/ (Gap) (%)						
56	34	34	27	7	-6	0

Liquidity Management: The Company maintained adequate liquidity through the volatile and unprecedented times we saw in FY 2020-21.

Adequate liquidity under stress test scenario



Assuming 95% collection efficiency, the Company will have a surplus of ₹11,805 Crore (including undrawn lines). If collection efficiency is stressed further to only 50%, the Company will still have a surplus of ₹2,611 Crore (including undrawn lines)

Risks and concerns

The Company's risk management philosophy involves developing and maintaining a strong credit portfolio within its risk appetite and the regulatory framework. While it is exposed to various types of risks, the most important among them are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The measurement, monitoring and management of risks remains a key focus area for the Company.

The Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment, measurement and mitigation procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked against best practices in the market.

For credit risk assessment, specific policies and processes are in place, separately for each segment we operate in. Management of credit risk is carried out through credit policy definition, portfolio diversification, appraisal and approval processes, internal ratings, post sanction monitoring, operations control, fraud control, collection processes and remedial management procedures. For each product, programs defining customer segments, underwriting standards, security structures, etc. are specified to ensure consistency of credit patterns. Proposals are approved at different levels based on defined delegations of authority.

A robust collection infrastructure is core to ABFL's lending business. It has strengthened the collection capabilities by setting up dedicated collection teams for specific segments

BUSINESS PERFORMANCE

ABFL was a participant in the Aditya Birla Bizlabs Fintech program to fuel innovation through collaboration with start-ups. This has helped the Company's efforts towards executing its strategic priorities by partnering with start-ups.

To execute its strategies, ABFL continues to increase its presence, physically and digitally. It has increased its geographic presence from 68 branches in FY 2019-20 to 94 branches in India as on 31st March 2021. Majority of these new lean branches were opened in smaller cities / semi urban areas to tap into Retail and SME segments in new markets. Moving ahead, ABFL plans to expand to 150-200 branches in next 2 years.

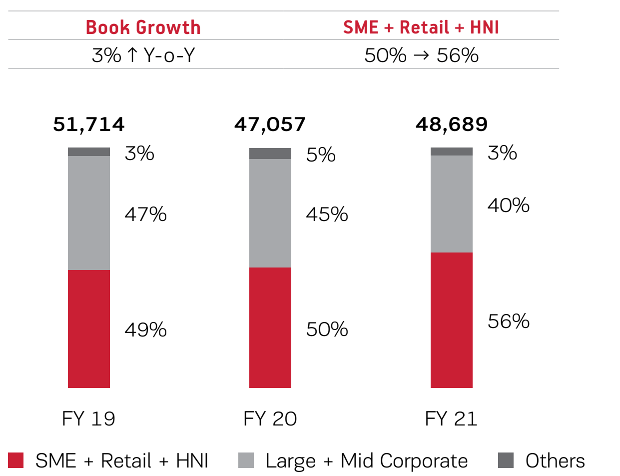
The Company caters to the following diverse set of customers:

- Retail
- SME
- HNI
- Large / Mid Corporates

ABFL continues to primarily focus on cash flow-based underwriting. The secured loan book is at ~77% of total book and an additional 3.4% is secured through CGTSME guarantee scheme as on 31st March 2021. ABFL believes that diversification is a key method of risk mitigation. Its exposures are diversified across sectors, customer segments and products. The loan book of the Company stood at ₹48,689 Crore as on 31st March 2021. It has right sized its wholesale business. The strategic reduction in this segment was offset by focused growth in Retail, MSME and SME segments. The number of customers of the company has grown 5x over the previous 3 years. The assets under advice (AuA) of the Wealth Management business grew at 13% to ₹15,543 Crore.

ABFL continues its focus on diversification across customers and product categories with a focus on MSME and Retail lending. Diversification of our customer segments has a significant benefit as it allows us to pick and choose segments that work on a risk-return basis. In Q4 FY 2020-21 there was a strong revival in Gross disbursals in Retail and SME segment at ~ ₹6,570 Crore (2.1x Y-o-Y). The Retail, SME and HNI segments grew to ~57% of the portfolio in the last year.

Change in Loan Book Mix



Customer segment wise portfolio details as compared to previous year is given below:

(₹ in Crore)

Customer Segment	March 2021	March 2020	%
Retail	11,326	8,838	28%
SME	14,107	12,778	10%
HNI & Others	3,566	4,098	(13)%
Large / Mid Corporate	19,690	21,344	(8)%
Total Lending Book	48,689	47,057	3%
Wealth management (AuA)	15,543	13,719	13%

i) **Retail Segment:**

ABFL caters to individuals / small business owners / micro enterprise segments to fulfil their business, personal and investment needs and to help them meet their expansion plans, asset acquisition and other requirements. ABFL has built an entire spectrum of lending, financing and wealth management solutions including (i) secured loans, (ii) unsecured personal loans, (iii) unsecured business loans, (iv) small ticket secured and unsecured loans, (v) loan against securities (LAS)

A) Personal Loan: Financial solution for salaried segment without any collateral

B) Business Loan: Unsecured loan offerings to Micro / Medium / Business enterprises for business expansion or working capital

C) Small ticket unsecured loan – Collateral free loan to small traders for business or personal purpose

D) Small ticket secured loan – Loan against property for Business or personal purposes.

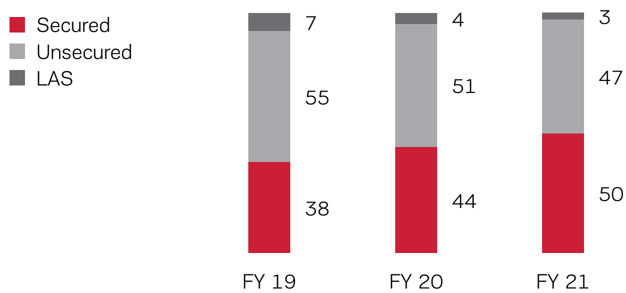
ABFL also offers wealth management solutions to customers through distribution of third-party products.

In the small ticket retail space, ABFL launched 3 products in last FY - small ticket secured loans and small ticket unsecured loans catering to the borrowing needs of small traders, shop owners and other self-employed segments with or without collateral, respectively and EMI Solutions for Travel, Healthcare and Education to salaried and self-employed individuals. The Company has supported its deserving customers with the Emergency Credit Line Guarantee Scheme (100% Credit Guarantee from NCGTCL) for top-up loans to existing Retail and SME clients and the CGTMSE (SIDBI) Program for new unsecured loans to MSME customers. The Company has created a unique online financing platform with lead acquisition, assessment and servicing performed end-to-end through an all-digital Loan Origination system. Digital Lending has further enhanced ABFL's capability to offer unique lending solutions to customers of strategic alliance partners. Keeping up with the rapidly evolving digital solutions, the Company has been able to create a vast range of lending offerings for its partner platforms and their captive customer base. It has developed a plug-and-play ecosystem which allows faster integration across partner journeys with improved customer experience, significant cost savings, consistency in the credit approval process and real-time loan disbursals. This offering not only provides an extended outreach but an opportunity to assess and service customers using alternate data and machine learning models.

Retail Book Mix

(%)

Loan book (₹ Crore)	6,916	8,838	11,326
% Mix	13%	19%	23%
ATS (₹ Lakhs)	6	6	5



This segment in line with the Company's focus on moving to a granular loan book grew strongly throughout the year with growth rate of 28%, to close the year with a book of ₹11,326 Crore, up from ₹8,838 Crore as on 31st March 2020. In line with the philosophy of reducing ticket sizes, our average ticket size is about ₹5 Lakh, down from ₹6 Lakh in FY 2019-20. This segment's contribution to the overall book expanded to 23% in FY 2020-21 from 19% in FY 2019-20.

ii) SME Segment:

With the Indian economy expected to emerge as one of the leading economies in the world, a major impetus is being given to the SME sector which acts as the backbone of the economy. ABFL reaches out to this segment largely through relationship managers.

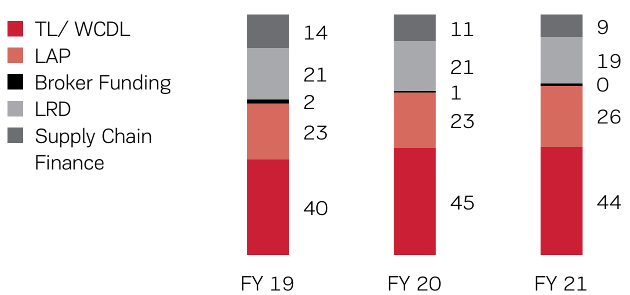
ABFL caters to the needs of this segment by financing their requirements through solutions like term loans and Loans against Property. ABFL also caters to the demand arising out of working capital requirements through its solutions like vendor financing and channel financing. It also offers products like Lease rental discounting (LRD) to enable clients to finance business expansion and asset creation by monetising and unlocking value of their property with rent from lessees becoming the source of repayment.

This segment registered a growth of 10% to achieve a closing portfolio of ₹14,107 Crore as on 31st March 2021 from ₹12,778 Crore as on 31st March 2020. This was in line with the strategy to increase granularity of the overall portfolio. The average ticket size for the SME book remained at ~₹5 Crore. Overall, the contribution of this segment increased from 27% in FY 2019-20 to 29% of total loan book of the Company as on 31st March 2021.

SME

(%)

Loan book (₹ Crore)	13,771	12,778	14,107
% Mix	27%	27%	29%
ATS (₹ Crore)	7	5	5



iii) HNI & Others:

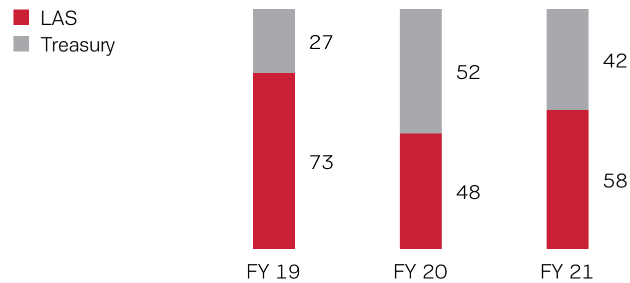
This segment caters to ultra-high net worth individuals including promoters of companies. ABFL offers funding against financial securities to meet needs of this client segment to expand and grow by starting new operations, entering new markets and introducing new products or increasing stake in their companies through warrants conversion, subscribing to rights issues, equity infusion in other businesses etc. The Company provides solutions in the form of Loans against shares, IPO financing etc. to allow this segment to raise funds quickly against security of shares, mutual fund units, bonds, or a combination thereof.

Due to the volatility in the capital markets and some conscious downsising, this segment's book reduced by 13% during the year to reach ₹3,566 Crore as on 31st March 2021 from ₹4,098 Crore as on 31st March 2020. This segment contributed 7% to total loan book of the Company as on 31st March 2021. The average ticket size of the LAS product has grown to ₹46 Crore in FY 2019-20 from ₹35 Crore in the previous year.

HNI + Others

(%)

Loan book (₹ Crore)	6,602	4,098	3,566
% Mix	13%	9%	7%
LAS ATS (₹ Crore)	69	35	46



iv) Large / Mid Corporates Segment:

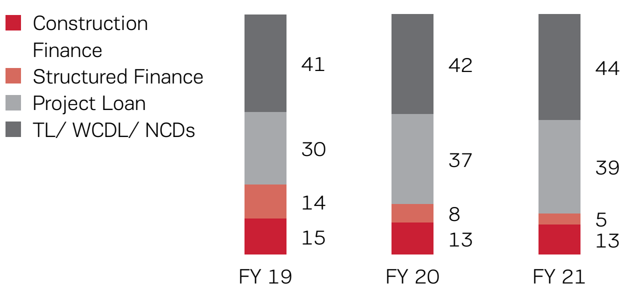
ABFL serves corporates across sectors such as Renewable Energy, Roads and Transport, Pharmaceuticals, FMCG, Automotive, Education, Specialty Chemicals etc. It caters to these segments with term loans, project finance, as well as customised products such as structured finance. Mid-corporate clients seek customised solutions to meet their long-term working capital requirements, short-term business loans, acquisition finance and other funding requirements, apart from conventional balance sheet loans to operating companies. In select markets, ABFL also provides construction finance to builders. ABFL helps the corporate clients' treasuries by offering third party investment products such as mutual funds, commercial papers, NCDs and alternate assets through its wealth management services. Through its dedicated Debt Capital Markets desk, ABFL offers innovative structures and syndication services to its corporate clients. The project loan financing segment funds projects with ring fenced cash flows. In the project loan portfolio, all our exposures are fully backed by project cash flows. In the structured finance portfolio, our loans are typically structured with recourse to cash flows of the obligor and sponsor entities with adequate security coverage. In construction finance, ABFL deals with top category developers having a significant track record. In line with our stated strategy of portfolio rebalancing, the average ticket size of construction finance is at ₹8 Crore (outstanding).

The size of the portfolio for this segment was ₹21,344 Crore at the beginning of FY 2020-21. With a conscious strategic reduction of ₹1,804 Crore of assets, it closed the year at ₹19,690 Crore, thereby registering 8% degrowth in FY 2020-21. The book is down by ₹5,000 Crore since its peak in FY 2018-19. The average ticket size of the loans was strategically lowered to ₹53 Crore/customer from ₹59 Crore in FY 2019-20. Large and mid-sized corporate portfolio constitutes 40% of the overall book in FY 2020-21, down from 45% in FY 2019-20. This is in line with the Company's objective to diversify and increase granularity of its loan book. We continue to see opportunities in this space but believe that this segment will grow slower than the others.

Large/ Mid Corporate Book Mix

(%)

Loan book (₹ Crore)	24,426	21,344	19,690
% Mix	47%	45%	40%
ATS (₹ Crore)	68	59	53



WEALTH MANAGEMENT BUSINESS

Post the acquisition of the business of Aditya Birla MyUniverse Ltd. in January 2019, the Aditya Birla Wealth Management business got reorganised into two segments:

1. Aditya Birla Wealth - HNI + CTS

High Net-worth Individual Business

Wealth Management segment (WMS) caters to the requirements of High Net worth and Ultra High net Worth individuals and aims to provide customised investment options to meet their goals.

Corporate and Treasury Services

The Corporate and Treasury Services (CTS) caters to the requirements of SMEs, Mid and Large Corporates and aims to provide customised Investment solutions to meet their investment requirements. This business works to develop and execute investment solutions for the diverse corporate client base through our research and advisory services.

2. Aditya Birla Wealth - Retail

Business Partner Group

The Business Partner Group (BPG) caters to the IFA's and Channel Partners who work with retail clients across the country, especially in Tier II and III locations. They acquire and service these clients across multiple products especially Mutual Funds for a revenue share with us. Business partners work to boost sales, decrease time to market and provide access to markets, with relatively low fixed costs.

Online Business

The existing portfolio of Aditya Birla MyUniverse has now got fully integrated with the Wealth Management business and is now categorised as Online business (ONL). The clients in this segment are the self-directed individuals who are comfortable with the use of technology for their financial needs – across Investment (Mutual Funds, direct equity via referral to Aditya Birla Money, Digital Gold, Fixed Deposits, etc.) & Financing (Personal Loans, Home Loans, Business Loans, etc.) product choices. There are significant potential synergies for these tech offerings with the existing channels of Wealth Management especially the Business Partner Group, which caters to retail customers across the country. The tech platform makes the acquisition, fulfilment, engagement & cross sell to the retail clients easier and more seamless, more financially viable and very scalable; and is in line with our intent to provide unbiased offerings for clients across financial service products.

The AuA under Wealth Management has grown at a rate of 13% from ₹13,719 Crore as on 31st March 2020 to ₹15,543 Crore as on 31st March 2021. This is in line with the rise in equity markets in the same period.

FINANCIAL PERFORMANCE

ABFL has consistently increased margins year-on-year. The year 2020-21 witnessed a growth in the Net Interest Margin (including fee income) expanding by 23 bps to 5.34%, through repricing and margin improvement measures driven by product mix changes throughout the year. This reflects the increased proportion of higher margin segments in the portfolio and optimised borrowing costs.

During the year under review, revenues of the Company reduced by 9% to ₹5,528 Crore, driven by reduction in average loan book. ABFL's PBT declined marginally by 2% to ₹1,031 Crore from ₹1,053 Crore. PBT was negatively impacted by lower revenues and higher opex due to the retail expansion but was helped by lower borrowing costs. On account of higher tax outgo, Net profit after tax fell by 4% from ₹805 Crore to ₹769 Crore. Networth of ABFL as on 31st March 2021 was ₹8,838 Crore.

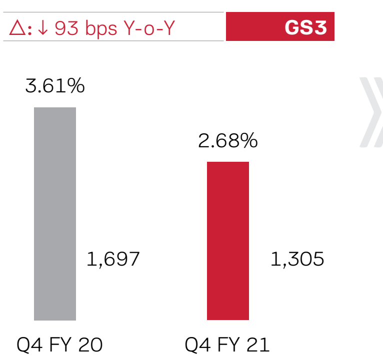
KEY FINANCIALS

(₹in Crore)

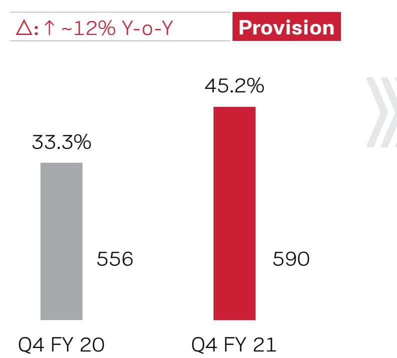
Key Performance Parameters	FY 2019-20	FY 2020-21
Lending Book	47,057	**48,689**
Revenue	5,528	**6,089**
Average Yield (incl. Fee income)	12.24%	**11.69%**
Interest Cost /Avg. Lending Book	7.13%	**6.35%**
Net Interest Margin (incl. Fee Income)	5.11%	**5.34%**
Cost to Income Ratio	29.8%	**31.2%**
Opex/ Avg. Lending book	1.55%	**1.70%**
Credit Provisioning % of Avg. Lending Book	1.46%	**1.51%**
Profit Before Tax	1,053	**1,031**
Profit After Tax	805	**769**
Net Worth	8,078	**8,838**

STAGE-WISE ASSETS AND ECL PROVISIONING (%)

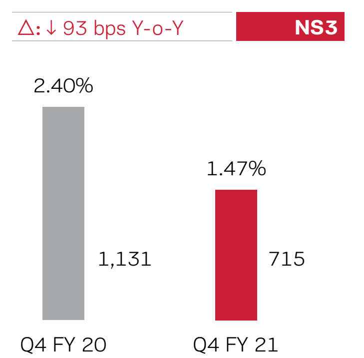
Reducing Gross Stage 3 %



Increasing Stage 3 PCR %



Net Stage 3 %



Resolutions

- Resolutions of stressed assets: ₹ 725 Crore; 50% FY20 GS3 book (ex-IL&FS)
- No additional provisioning on recovery required to be taken on resolution of secured assets in last 2 years

Provisioning

- Enhanced PCR for Stage 3 to 45.2%
- Total floating CoVID-19 provision: ₹ 129 Crore (26 bps of Loan Book) as of Mar'21

Other updates

- Collection Efficiency at 98.7% in Mar'21
- Restructured 2.3% of loan book in FY21
- 51% of restructured pool in Stage 1

Note: The above amounts are excluding Interest Accrued

During FY 2020-21, the Company was able to resolve ₹725 Crore of stressed assets about 50% of the Gross Stage 3 (GS3) book as of FY 2019-20 (excluding IL&FS). Despite a fall in GS3 assets, the Company increased its GS3 provision coverage to 45.2% from 33.3% in FY 2019-20. The Company has also maintained a total floating provision of ₹129 Crore. The Stage 3 credit loss differs between secured and unsecured loans as 'loss given default' (as a proportion of total exposure) in the case of unsecured loans is generally higher than that experienced in secured loans.

The largely secured book provided an additional safety layer in such uncertain times, despite an increase in the Expected Credit Loss (ECL) provisions. Approximately 77% of ABFL's portfolio is secured as of March 2021, with a net security cover >1.7x. An additional 3% of the portfolio is guaranteed under the CGTMSE (SIDBI) scheme.

CAPITAL ADEQUACY RATIO (CAR)

As on 31st March 2021 the Capital Adequacy Ratio for the Company was 22.77% (previous year 19.08%) against a minimum of 15% as required by RBI. The Tier I capital of the Company was 18.48% (previous year 15.15%) and Tier II capital was 4.29% (previous year 3.94%).

The Net worth of the Company as at 31st March 2021 was ₹8,838 Crore as against ₹8,078 Crore in the previous year. Total borrowing outstanding at amortised cost as at 31st March 2021 was ₹41,215 Crore (previous year ₹43,455 Crore). The Company has not raised any fixed deposits from the public.

RATING

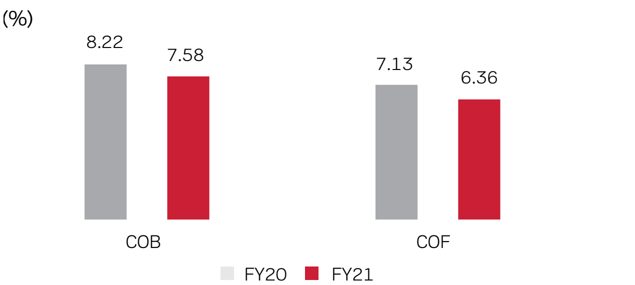
ICRA, CARE and India Ratings continue with the AAA long-term debt rating of the Company.

COST OF BORROWING (AVG.)

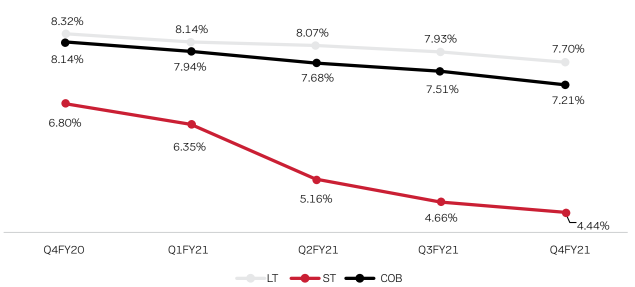
The Company has strong funding access with adequate liquidity surplus and amongst lowest cost of borrowing in the industry, demonstrated over the last 2 years of economic cycles. During the year, the Cost of Borrowing (COB) of the Company fell by 64 bps on Y-o-Y basis while it declined by 93 bps Q-o-Q.

The Cost of Fund (COF) which is defined as total interest costs divided by average loan assets, has reduced by 77 bps on Y-o-Y basis.

COB



The weighted average cost of Borrowings (Q-o-Q) is as below:



FY 2021-2022 – WAY FORWARD AND OUTLOOK ON DOMESTIC GROWTH

The beginning of FY 2021-22 saw an outbreak of the second wave of the COVID-19 pandemic, appearing to be much more severe than the first wave. However, in place of a national lockdown as in the first wave, localised containment measures and social distancing steps are being taken by State Governments this time around.

The uncertainty about COVID-19's spread remains the biggest known unknown. Thus the forecasts of Output growth, financial market conditions and the credit environment remain contingent on severity of COVID-19 pandemic, vaccination speed and policy response.

Nonetheless, the IMF in its April 2021 edition of world economic outlook has projected India to be fastest growing major economy in FY 2021-22 & FY 2022-23 with real GDP growth rates of 12.5% & 6.9% respectively on the base of 8.0% decline in FY 2020-21. RBI too has projected India 's GDP baseline growth rate at 10.5% in FY 2021-22 and 6.8% in FY 2022-23[4]. We expect a much lower impact in industry this time given that most of the manufacturing has been untouched by mobility restrictions, unlike in 2020 when the lockdown had a serious impact on industrial growth. However lower demand, generally weak sentiments, and logistical hiccups May have some negative impact on industrial growth. We expect agriculture will remain strong and services growth should rebound once mobility increases. On the positive side, global growth is likely to be the strongest in 50 years which is positive for industrial exports.

NBFC OUTLOOK

Loan demand is expected to grow once the recovery gains strength. Once the uncertainty reduces, investments are expected to gain traction. Government's increased capital outlay plan laid out in Budget as well as continued momentum in capex can be expected to be followed by private investments too. On Retail/SME side, certain structural drivers remain in place viz. Formalisation of economy, under-penetration of household debt, Technological innovations that are facilitating ease of credit access, digital medium to on-board customers, latent housing demand and product innovation, etc. FY 2021-22 can be expected to witness Retail / SME growth outperforming overall credit growth.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal controls, systems and procedures across all lines of business and support functions, commensurate with the complexity and nature of its business operations. The controls ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that the transactions are authorised, recorded and reported correctly. The Company's management functions undergo an independent internal audit basis the scope and calendar approved by the Audit Committee of the Board. The Company's controls over its business operations are managed effectively by instituting well-defined policies and procedures and adequate supervision and reviews to ensure that the internal control systems are adequate to protect the Company against any loss or misuse of the Company's assets.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES (HR)

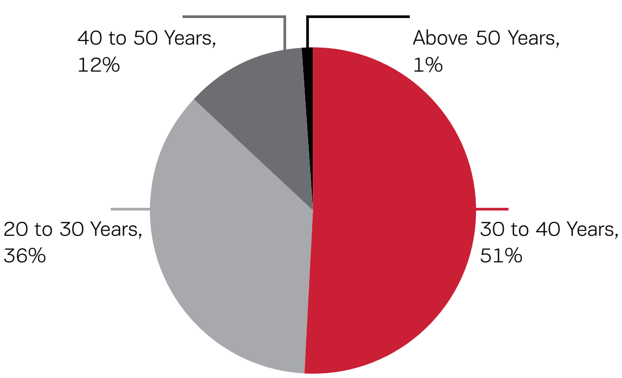
At Aditya Birla Finance Limited, we have always aspired to be an organisation and a workplace which attracts, retains and provides a canvas for talent to operate.

4 Source; RBI Monetary policy report April 2021

We believe that meaning at work is created when people relate to the purpose of the organisation, feel connected to their leaders and have a sense of belonging. Our focus stays strong on providing our people a work environment that welcomes diversity, nurtures positive relationships, provides challenging work assignments and provides opportunities based on meritocracy for people to grow and build their careers with us in line with their aspirations.

The employee strength of the Company alone was 2,283 employees, comprising of more than 83% millennials and 14% women. The age profile of the employees of the Company is as shown in the graph:

Age Profile



TALENT MANAGEMENT:

The Company's philosophy of building leaders from within continues to guide the actions towards identifying, developing, and nurturing talent. With greater emphasis on futuristic thinking, digital mindset and customer-first approach while adhering to our culture and values, our HR Strategy is constantly reviewed, and all major shifts are aligned towards developing our people for the future of financial services. Our people practices have found its foundation in the core philosophy of building people towards competitive advantage aimed at creating a performance culture, building a more engaged workforce, improving productivity and retention, and aligning its activities to the needs of the business.

In the last two years:

- We have invested significantly over the last year in identifying and developing talent across levels. Out of 477 employees across Middle & Senior Management 113 (24%) are part of our talent pool against the industry norm of 15%-20%, most of whom have been covered in our Leadership Development Program. These programs are aimed at fast tracking high potential of the organisation.
- More than 180+ employees have undergone a role change as a part of career progression.
- The key talent attrition in FY 2020-21 has been significantly reduced to 3% from 11% in FY 2019-20.

EMPLOYEE WELLNESS AND ENGAGEMENT

The health and wellbeing of our people have always been top priority for us at Aditya Birla Finance Limited. We have put in place robust processes for employee safety and support with 59 Flu Prevention Managers trained on safety protocols and assigned to check-in with employees and their families at regular intervals and supporting them when needed.

Availability of medical infrastructure and support systems were a huge challenge in the initial days of the pandemic and we devised a comprehensive support mechanism through which our employees were provided at home testing support, on call doctor assistance, hospitalisation support etc. A 24*7 helpline number 18002702020 was used for central dissemination of information and for employees to reach out for any help on the above .

A comprehensive wellness program was launched recently which is aimed at helping employees improve their physical as well as emotional wellbeing. This will continue to be a key area of focus for the Company .

The celebration of Aditya Birla Finance Limited Day, the annual event to recognise excellence and exemplary performance of employees digitally is reflective of the Company's focus towards connecting with and recognising the efforts of the people. In FY 2020-21 more than 40% of the employees have been recognised across various internal platforms like ABC Inspiration Awards, Udaan Awards- Annual, On the Spot and Quarterly Awards.

COVID MANAGEMENT

While we faced unprecedented challenges, ABFL was able to tide through the difficult times solely because of the collaborative efforts of teams across multiple businesses. We were early to transition all our employees across 60 branches to working from home well before the national lockdown was announced in March 2020. We as an organisation have also managed to expand our branch locations to 80 branches amidst maintaining all necessary protocols.

We were also the first in the industry to open our offices and branches to welcome customers when the lockdowns were relaxed; indicative of our deep commitment towards them. Our preparations before reopening covered all aspects of safety for our customers and employees including all safety protocols.

LEARNING:

At ABFL, our philosophy is to provide every employee with equal and continuous opportunities to learn & grow. Our learning interventions create an organisation wide impact as these are focused on enabling employees to do better at work both in functional as well as behavioral domain. Employees are encouraged to own their learning journey by identifying their development needs in the Management Development Program tool. K-cart is the knowledge management portal at ABFL. This platform has been created with a purpose of dissemination and assessment of knowledge across all levels.

Evolve – the ABFL Learning Academy is an aggregator of all behavioural learning initiatives. All behavioural learning interventions planned are collated under EVOLVE. An annual and monthly calendar of behavioural training programs, interventions, online modules is circulated to all employees.

The Learning Web – This is the umbrella initiative for all Functional learning and development initiatives, most of which are done in a virtual setting. All pre and post functional training interventions are driven through The Learning Web, and a monthly calendar is circulated to all employees under THE FUNCTIONAL EXPRESS newsletter.

Last year the L&D team went through a transformational shift wherein all traditional classroom sessions were given a face lift through virtual instructor led programs. These programs enabled us to cover **84%** of our employees across the length and breadth of the country giving the employees the flexibility to learn anytime and from anywhere. Additionally, with **3000+** E Learning courses and **19K+** video-based modules, 300 micro-learning modules in ABC University, our employees have accelerated their learnings for their benefit. **78%** of our employees in Middle and Junior management have undergone more than 1 e-learning course in FY 2020-21. Building the right skillsets in the most challenging times was one of the priorities for the team which led to building special focus on Change Management, building Digital Mindset and Customer Centricity. TARA was a unique women leadership development initiative with senior women leaders mentoring young women within the organisation. Productivity and profitability initiatives were executed under Functional Learning and Development for various Sales functions such as LEAD (to focus on direct sourcing), League of Leaders (for managerial capability development), CRMC (for building risk evaluation and mitigation capability) among others. To support the Retail Branch expansion a comprehensive Day-0 Functional Induction was launched, which has resulted into a faster activation and higher productivity of new joinees, where the number of employees earning incentives within 90 days of joining has risen from 27% in FY 2019-20 to 63% in FY 2020-21 despite the pandemic. The LEAD initiative has resulted into a 60% increase over last year in direct sourcing, thereby reducing cost of acquisition and improving customer stickiness.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the Company's plan and objectives, financial conditions, business prospects, estimates and expectations may be forward looking statements which are based on the current belief, assumptions, projections of the Directors and the management of the Company. These statements do not guarantee the future performance and are subject to known and unknown risks, uncertainties and other factors some of which May be beyond the control of the Company. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include unavailability of finance at competitive rates, significant changes in political and economic environment in India or key markets abroad, tax laws, litigations, exchange rate fluctuations, interest and other costs.

Board's Report

Dear Members,

The Board of Directors of Aditya Birla Finance Limited ("the Company" or "ABFL") is pleased to present the 30th (Thirtieth) Annual Report and the Audited Financial Statements (Standalone) of the Company for the Financial Year ended 31st March 2021 ("Financial Year under review").

FINANCIAL SUMMARY AND HIGHLIGHTS

The Company's financial performance for the Financial Year ended 31st March 2021 as compared to the previous Financial Year ended 31st March 2020 is summarised below:

(₹ in Crore)

Particulars	Year ended 31st March	
	2021	2020
Total Income	5,528	6,089
Less: Finance cost	3,020	3,608
Net Interest Income	**2,508**	**2,481**
Less: Total Operating Expenses	795	721
Pre provision Operating Profit	**1,713**	**1,760**
Less: Impairment on financial instruments	682	707
Profit before Tax	1,031	1,053
Less: Tax expenses	263	248
Profit after Tax	**769**	**805**
Other comprehensive income (net of tax)	(9)	(16)
Total comprehensive income (net of tax)	**760**	**789**
Transfer to Special Reserve	154	164

The above figures are extracted from the Standalone Financial Statements prepared in accordance with Indian Accounting Standards ("IND AS") as notified under Sections 129 and 133 of the Companies Act, 2013 ("the Act") read with the Companies (Accounts) Rules, 2014 and other relevant provisions of the Act. The detailed Financial Statements as stated above are available on the Company's website at www.adityabirlafinance.com.

The financial statements of the Company are consolidated with that of Aditya Birla Capital Limited ("ABCL"), the Holding Company which has adopted Ind-AS. The Company has also prepared and submitted to ABCL, the financial statements in Ind-AS Fair Value format.

RESULTS OF OPERATIONS AND THE STATE OF COMPANY'S AFFAIRS

Highlights of the Company's performance for the Financial Year ended 31st March 2021 are as under:

a) **Key Highlights**

- During the year under review, there was a decline in total income to ₹5,528 Crore as against ₹6,089 Crore in the previous year, a 9.2% decrease, primarily on account of lower average loan book due to COVID-19 impact.
- Driven primarily by the change in mix and a sharp reduction in cost of funds, there was an increase of 1.1% in Net Interest Income to ₹2,508 Crore from ₹2,481 Crore in the previous year.
- The total finance costs decreased by 16.3% principally on account of optimised borrowing costs and the total operating expenses (including employee benefit expenses, depreciation and other expenses) increased to ₹795 Crore from ₹721 Crore in the previous year, a 10.3% increase, due to implementation of retail expansion strategy. The same resulted in a decrease of 2.7% in the Pre provision Operating Profit to ₹1,713 Crore from ₹1,760 Crore in the previous year.
- On account of reduction of gross stage 3 assets, the impairment of financial instruments was lower at ₹682 Crore from ₹707 Crore in the previous year.
- The profit before tax decreased marginally by 2.1% to ₹1,031 Crore from ₹1,053 Crore and the profit after tax declined by 4.5% to ₹769 Crore from ₹805 Crore on account of increase in tax outgo of 6.0%.

b) **Business**

The Company offers lending, financing and wealth management solutions to Retail, HNI, Ultra HNI, Micro SME, SME and corporate customers as indicated in the table below. The portfolio is well diversified across various customer segments, sectors and products.

Retail / HNI / Business Owner / Micro Enterprises	Ultra HNI	SME	Mid Corporates	Large Corporates
Loan Against Property (LAP)	Loan Against Property (LAP)	Term Loan	Term Loan	Term Loan
Unsecured Personal Loans	Promoter Funding	Working Capital Demand Loan (WCDL)	Working Capital Demand Loan (WCDL)	Structured Finance
Unsecured Business Loans	Loan against Securities (LAS)	Loan against Property (LAP)	Structured Finance	Project Finance
Unsecured Loan for Travel, Health and Education	IPO Financing	Lease Rental Discounting (LRD)	Construction Finance	Debt syndication
Wealth Business	Debt Syndication	Vendor Financing	Debt Syndication	Debt Capital Market Desk
Micro LAP	Wealth Business	Channel Financing	Debt Capital Market Desk	Treasury Services
		Broker Funding	Treasury Services	Wealth Business
		Wealth Business	Wealth Business	

The detailed customer segment wise performance results are provided in the Management Discussion & Analysis report.

c) Portfolio quality

During the FY 2020-21, planned strategic reductions in Corporate and Loan against Shares (LAS) segments by the Company and focused growth in the retail and SME segments resulted in marginal growth of 3% in its loan book. During the Financial Year the Company also enhanced its foot print by opening 41 branches vide a strategic reduction and rebalancing. During this period of turbulence, the Company has been able to maintain / improve the credit quality through large amount of Stage 3 resolutions, further strengthening of credit underwriting and enhancement of its collection capabilities. Additionally, during the Financial Year, the Company extended to its eligible customers relief measures like guaranteed emergency credit line (GECL) under the Emergency Credit Line Guarantee Scheme (ECLGS) of the National Credit Guarantee Corporation Ltd. (NCGTC- a Govt. of India organisation) and extension of DCCO, restructuring under the guidelines of the RBI.

The unflinching attention on maintaining quality of the lending book combined with the focus on resolution of its Stage 3 assets resulted in decrease in gross Stage 3 loans. ECL Stage 3 book was at ₹1,305 Crore and Stage 3 Provisions were at ₹590 Crore as on 31st March 2021 (Previous year ECL Stage 3 book was at ₹1,697 Crore and Stage 3 Provisions was at ₹566 Crore). The provision coverage ratio (PCR) for stage 3 assets was raised from 33.3% in FY 2019-20 to 45.2% in FY 2020-21. The total floating provision was ₹129 Crore (26 bps of loan book) as on 31st March 2021. Restructured assets comprised 2.3% of loan book as on 31st March 2021 of which 51% formed part of Stage 1 assets.

d) Treasury

During the year, the Company has been able to raise Long Term money of ₹8,276 Crore @6.31% (Term Loans of ₹5,060 Crore from banks and ₹3,216 Crore through Debentures) which is its lowest ever rate for incremental borrowing. The Company received new sanctions aggregating to ₹6,860 Crore of Term Loans and WCDL. The Company primarily sources funds through Banks (Term loans and cash credit) and Debt markets (Non-Convertible Debentures (NCDs), Sub-ordinated Debt, perpetual debt and Commercial Paper (CP)). The outstanding debt (amortised) as on 31st March 2021 was ₹41,215 Crore as compared to ₹43,409 Crore as on 31st March 2020.

The Cost of Borrowing (COB) of the Company has reduced by 64 bps on Y-o-Y basis from FY 2019-20 (8.22%) to FY 2020-21 (7.58%) while these was 93 bps reduction on Q-o-Q basis from Q4 FY 2019-20 (8.14%) to Q4FY 2020-21 (7.21%). The Cost of Fund (COF) has reduced by 77 bps on Y-o-Y basis from FY 2019-20 (7.13%) to FY 2020-21 (6.36%). The dynamic and efficient Treasury management has led to the Company achieving amongst the best COB and COFs in the industry.

With continued focus on diversification of borrowing products, the Company forayed into 15 years unsecured Partly paid debentures for an amount of ₹350 Crore and raised Term Loans of ₹700 Crore against the ECLGS portfolio linked to T-Bill at 191 bps lower than the corresponding bank's MCLR rate. Further ₹1,760 Crore of Term Loan has been raised linked to external Benchmark (like Repo rate, Treasury -Bill, O/N MIBOR).

ABFL has received an international recognition, "AAA Asset Award" under the category "Best Trade Finance Solution" for the unique structured borrowings of ₹500 Crore backed by ECLGS portfolio with Deutsche Bank.

As per RBI mandate, from 1st December 2020, the Company has started maintaining liquidity in the form of High Quality Liquid Asset (HQLA) i.e. Government securities, T-Bill, Cash, FDs (Callable) etc., as against the investment of surplus cash in liquid MF units.

The Company carries out periodic stress testing on the cash flow position to determine the liquidity buffer and plan for additional bank lines. The Company continues to focus on liquidity through diversification. Bringing in new investors / lenders helps in widening the pool of funds that the Company can tap into. A wider range of investors removes the dependency on few players for funds, helps in optimum pricing and reduces the overall cost of borrowing.

MATERIAL EVENTS DURING THE YEAR

Impact on the Business Continuity amidst the spread of COVID-19:

The outbreak of COVID-19 pandemic has severely impacted social and economic activities across the world. WHO has declared COVID-19 as a global Pandemic. The Government of India, as a preventive measure to contain the spread of COVID-19 and to flatten the curve, declared lockdown from 24th March 2020 and took various measures to control the spread of infection throughout FY 2020-21.

The COVID-19 Pandemic has thrown both a challenge and opportunity to the Company. The Company responded proactively to the challenge posed by lockdown by activating its Business Continuity Plan (BCP). The Company's business operations were marginally impacted due to the COVID-19 lockdown to the extent face to face contact was required.

The Company has since been able to reduce the impact of lock down by taking a slew of measures including digitally enabling frontend sales force, enabling all the support functions to Work from Home etc. Overall, the Company could ensure seamless servicing of customers without any major issues during the crisis.

The Company's BCP was enabled by its constant focus on a robust digital strategy. The Company further leveraged its digital assets for providing uninterrupted servicing to the customers and selling digitally. The details of BCP with reference to COVID-19 is covered comprehensively in Business Continuity section subsequently.

HOLDING COMPANY/SUBSIDIARIES/JOINT VENTURES/ASSOCIATES

Holding Company

During the Financial Year under review, Grasim Industries Limited remains the ultimate Holding Company and Aditya Birla Capital Limited continues to be the Holding Company of the Company. Grasim Industries Limited and Aditya Birla Capital Limited are listed at BSE Limited, National Stock Exchange of India Limited and Luxembourg Stock Exchange. As per clause 16(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is considered as a Material Subsidiary Company of Aditya Birla Capital Limited.

Subsidiary Company

The Company doesn't have any Subsidiary Company.

Joint Venture/Associate Company

During the Financial Year under review, the Company doesn't have any Joint Venture/Associate Company.

TRANSFER TO RESERVE

An amount of ₹153.77 Crore was transferred to Special Reserve in terms of Section 45-IC of the RBI Act during the Financial Year under review.

DIVIDEND

Your Directors do not recommend any dividend for the Financial Year under review.

SHARE CAPITAL

The Company's paid up Equity Share Capital as on 31st March 2021 was ₹662.10 Crore.

The Company based on request letter received from Aditya Birla Capital Limited and the approval of the Board of Directors, had converted 23,99,134 0.1% CCDs of ₹100 each into equal no. of 0.1% Non-Convertible Debentures (NCD) of ₹100/- each at premium of ₹54 per NCD and redeemed these NCDs at ₹154 per NCD, both on 20th March 2021.

Due to healthy CRAR and adequate capital being available, there was no capital infusion during the year in the Company.

DEPOSITORY

As on 31st March 2021, out of the Company's total equity paid-up share capital comprising of 66,21,00,822 Equity Shares, 66,21,00,796 (100%) Equity Shares were held in dematerialised mode.

CREDIT RATING

The credit ratings enjoyed by the Company from various rating agencies as on 31st March 2021 is detailed below:

(₹in Crore)

Facility	ICRA	Rated Amount	India Rating	Rated Amount	CARE	Rated Amount
Commercial Paper	ICRA A1+	12,000	IND A1+	12,000	NA	-
Commercial Paper - IPO	ICRA A1+	8,000	IND A1+	8,000	NA	-
Non-Convertible Debentures	ICRA AAA Stable	20,915	IND AAA,(Stable)	16,237	NA	-
Subordinate Bonds	ICRA AAA Stable	2,500	IND AAA,(Stable)	2,150	CARE AAA, (Stable)	250
Market Linked Debentures	NA	NA	IND PP-MLD AAA emr Stable	616	NA	-
Bank Lines	ICRA A1+ / ICRA AAA Stable	26,515	IND AAA,(Stable)	35,000	NA	-
Perpetual Debt	ICRA AA+ (hyb) Stable	700	IND AA+,(Stable)	700	NA	-
NCD - Public Issue	ICRA AAA Stable	5,000	IND AAA,(Stable)	5,000	NA	-
NCD - Unsecured	ICRA AAA Stable	1,500	NA	-	NA	-

All of the above rating indicate a high degree of safety with regard to timely payment of interest and principal.

PUBLIC DEPOSITS

The Company being a Non-deposit taking Systemically Important Non-banking Finance company has not accepted or renewed any deposit as covered under section 73 of the Act read with the Companies (Acceptance of Deposit) Rules, 2014, as amended, from its members or the public during the year under review.

PARTICULARS OF LOANS GIVEN, INVESTMENT MADE, GUARANTEES GIVEN OR SECURITY PROVIDED

Pursuant to provisions of Section 186 (11) of the Act, the Company being a non-banking finance company registered with the RBI and engaged in the business of giving loans, is exempted from the provisions of the said Section. Thus, the provisions of Section 186 except sub-section (1) of the Act are not applicable to the Company.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

The particulars with respect to the conservation of energy and technology absorption as required to be disclosed pursuant to provision of Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is attached as **Annexure I** to this report.

FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

There were no foreign exchange earnings during the Financial Year under review as well as during the previous Financial Year. However, the foreign exchange outgo during the Financial Year under review was ₹115.35 Crore as compared to ₹55.76 Crore, during the previous Financial Year.

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details, as required under Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are attached in **Annexure II** of this Report.

Details as required under Section 197(12) of the Act, read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, with respect to information of employees of the Company will be provided upon request by a Member. In terms of the provisions of Section 136(1) of the Act, the Report and Accounts, as set out therein, are being sent to all the Members of the Company, excluding the aforesaid Annexure which is available for inspection by the Members at the Registered Office of the Company during business hours on all working days of the Company up to the date of the Annual General Meeting. If any Member is interested in obtaining a copy thereof, the Member may write to the Company Secretary at the Registered Office of the Company in this regard.

MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION

There were no material changes and commitments affecting the financial position of the Company from end of the Financial Year up to the date of this Report.

CHANGE IN NATURE OF BUSINESS

During the year under review, there has been no change in the nature of business of the Company.

EMPLOYEE STOCK OPTION

Employee Stock Options have been recognised as an effective instrument to attract talent and align the interest of employees with that of the Company, thereby providing an opportunity to the employees to share in the growth of the Company, to create long term wealth in the hands of employees and act as a retention tool.

In view of the above, Aditya Birla Capital Limited had formulated "Aditya Birla Capital Limited Employee Stock Option Scheme 2017" ("Scheme 2017") for the employees of the Company.

The shareholders of ABCL, vide their resolution passed on 19th July 2017 had also extended the benefits and coverage of the Scheme 2017 to the employees of its Subsidiary Companies. The shareholders of the Company at its meeting held on 9th August 2017 had approved the extension of benefits of the Aditya Birla Capital Limited Employee Stock Option Scheme 2017 ("Scheme 2017") to the permanent employees in the management cadre of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report for the Financial Year under review, prepared as per requirements of RBI's Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, is presented as a separate section, which forms part of this Annual Report.

REPORT ON CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standards of Corporate Governance and adhering to the Corporate Governance requirements set out by the RBI and Securities and Exchange Board of India. Corporate Governance principles form an integral part of the core values of the Company. Report on Corporate Governance forming part of Board's Report for the year under review is presented separately as **Annexure III**.

RISK MANAGEMENT

Risk Management is at the core of our business and ensuring we have the right risk-return trade-off in keeping with our risk appetite is the essence of our risk management. The Company has a robust Risk Management framework which proactively addresses risks while looking to optimise the returns that go with that risk.

The objectives and scope of the Risk Management broadly include: risk identification; risk assessment; risk Response & Risk Management strategy; and and risk monitoring, communication and reporting with the objective to contain the negative impact of unmitigated risks on profitability and capital. The Company is exposed to various risks that are inherent to lending business.

FY 2020-21 due to the pandemic and consequent lockdowns caused disruption and challenges. The Company showed good resilience due to the strong Business Continuity Plan and Pandemic Plans.

Over the years, the Company have built a strong Risk Management Framework supported by well-established policies and procedures and a talented pool of Risk Professionals. The Company was able to face the unprecedented challenges during the last year and emerge stronger during these turbulent times due to some of these policies and framework.

The organisational structure to address the risk consists of "Three lines of defense":

First: Line Management (Functional Heads) to ensure that accountability and ownership is as close as possible to the activity that creates the risks;

Second: Risk Oversight - Risk and Compliance Function, Chief Executive Officer;

Third: Independent Assurance - Internal Audit, conducted by Independent Internal Auditors, whose work is reviewed by the Audit Committee.

The Company faces potential risks, which can be classified as credit risk, liquidity risk, operational risk, market risk and IT risk. Creating awareness of the risks faced by the organisation is, we believe, an important way to manage risk and accordingly, the Company makes all efforts to create an environment of risk awareness at all levels.

The Company has policies and procedures in place to identify, measure, assess, monitor, and manage these risks systematically across all its lines of business. The Company continually upgrades necessary security measures, including cybersecurity measures, to ensure mitigation of cyber threats and risks.

Risk management in ABFL is an independent function, in the context of separation of roles of credit origination (duty cast on the business functions) and evaluation and assessment (duty cast on the credit risk function) to ensure the independence of risk measurement, monitoring and control functions. This framework also enables business units at the operating level, with the use of technology, to identify opportunities to lend which fall within the risk appetite of the Company.

The various risks across the Company are monitored and reviewed through the Risk Committee of the Board (RC) – the apex body for risk management and the Executive Level Committees, which meet periodically. Some of the executive level committees are the Asset Liability Committee (managing the liquidity risk and interest rate risk), Credit Committees and Investment Committees (to approve credit proposals and investment proposals), Product Approval Committee (to approve any new product being offering), Operational Risk Management Committee (to identify, measure and monitor operational risks in the business) and Information Technology Steering Committee (to oversee the robustness of the IT systems and policies to manage cyber threats).

Credit Committees not only approve counter-party credit exposures in line with the delegation of authority assigned by the Board of Directors, but also focus on post sanction monitoring. These Committees also review the credit portfolios, non-performing loans, accounts under watch, over dues and incremental sanctions on an on-going basis.

The Audit Committee of the Board provides direction to and monitors the quality of the internal audit function and controls and also monitors compliance with observation reports of RBI, other regulators and internal & statutory auditors.

1. **CREDIT RISK –** ABFL has put in place robust credit appraisal, assessment and approval frameworks in place for identification, measurement, monitoring and controlling risks embedded in the business of taking credit exposures. Amongst the key ingredients that are evaluated in the process are:

    a) <u>Industry analysis</u>- which includes risks in sectors which are monitored continuously, and wherever warranted the exposure to higher risk industries are reviewed immediately. Impact of events on liquidity risk management framework for NBFC, Capital market measures for loan against shares, exposure to real estate sector, to name a few, are also monitored. The exposures to these sectors are analysed and appropriate responses to the emerging situations are planned to mitigate possible risks. Exposure to all sectors are presented to RC at periodic intervals and guidance if any are incorporated while underwriting new exposures.

    b) <u>Business and Management analysis</u>– reviewing the distinctive competitive advantage of the borrower's business and the linkages (forward and backward) are analysed. The business owners' and managers' credentials are analysed and reports as required are drawn from the credit bureaus and public sources.

    c) <u>Financial Analysis</u>- The audited financial statements of the applicant borrowers and their forecasted cashflows are analysed to conform to the satisfaction of the Company regarding the availability of free cash flows to service the interest and principal repayment obligations.

    d) <u>Collateral and covenants</u>– ABFL, generally, other than for retail unsecured loans, seeks to obtain acceptable collateral. While being cognisant that business cash flows are the primary source to recover the monies lent, collateral security enables the Company to recover all or part of the outstanding exposure by liquidating the collateral asset provided where the borrower is unable or unwilling to fulfil its primary obligations. Similarly, covenants are stipulated and monitored which enable the Company to amend the contractual terms if the borrower fails to adhere to the terms and conditions and covenants.

    ABFL uses various internal Credit Risk Assessment Models and scorecards for assessing borrowers. Models for internal credit ratings of the borrowers were developed in-house with external assistance where required.

    Pricing of credit is decided based on the risk embedded in the credit proposal being evaluated. The Company manages concentration risk by setting its own prudential exposure limits to groups and borrowers which is more conservative than the regulatory prescription. These limits are dynamically adjusted based on the assessment of the developments with regard to the groups / borrowers.

    ABFL also has an early warning monitoring mechanism to facilitate early identification of stress and mitigation thereof. The Company through its Risk Policy & Monitoring unit tracks all key components like Key financial indicators, covenants and documentation. An escalation matrix is built in to enable continuous monitoring and timely resolution. This unit works in close coordination with the business segments to periodically review the individual borrower relationships, identify early warning signals and assess the overall health of borrowers. This unit takes proactive measures to ensure that delinquencies are maintained at a minimum level. Risk Monitoring unit also tracks the entire credit portfolio across all segments, including monitoring of early warning signals, identifies portfolio trends and generates portfolio level MIS, covering various credit quality indicators. Further, it independently reviews credit policies and programs.

2. **MARKET RISK -** Market risk is managed through a comprehensive Board-approved Investment Policy. The Company maintains an investment book of Fixed Income Instruments, mostly Inter Corporate Deposits / Government Bonds and is managed through the investment policy which caps exposure to various securities through stringent trading risk limits/triggers and Mark to Market thresholds. Policies have been benchmarked with industry best practices and RBI regulations.

3. **OPERATIONAL RISK -** Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Key elements of ABFL's Operational Risk Management framework includes, oversight by the ORMC, timely reporting of operational loss events and near miss events, reporting and ongoing review of Systems and Controls, enhancement of risk

awareness through Risk & Control Self-Assessment (RCSA) and Risk Awareness Trainings and monitoring of Key Risk Indicators (KRIs).

ABFL has a Business Continuity Plan (BCP) in place for ensuring continuity of operations at the Branches and Offices during disruptions. The BCP has enabled us to ensure near Zero business disruption during natural disasters, which occurred during the year and during the spread of pandemic - COVID-19 in FY 2020-21 and the current second wave. During the pandemic, ABFL's readiness helped the employees to quickly adopt a work from home routine. The BCP not only enabled the Company take steps to prevent the staff from being exposed to the infection but also help its customers by providing uninterrupted service as required by them.

ABFL during the Financial Year ended 31st March 2021, conducted online training to enhance the awareness of operational risk.

4. **LIQUIDITY RISK -** ABFL has sharpened its liquidity risk management framework. Efficient management of Assets and Liabilities (ALM) is vital for sustainable growth of business for the Company. ALCO monitors the ALM position at monthly intervals and strives to proactively review the market dynamics, capturing the signals emanating from there and assessing the regulatory requirements to ensure stake holder value creation. The ALCO also monitors the contractual repayments of liabilities and actuarial repayment of the loans and advances to arrive at the bucket level gap between inflows and outflows. The Company has been maintaining cash and cash equivalent to cover repayment of liabilities maturing in the ensuing one month of its own volition to ensure the Company has the liquidity to meet contractual obligations. ABFL also adheres fully to the regulatory prescriptions on Liquidity Risk Management for NBFC's which includes maintaining stock of High-Quality Liquid Assets (HQLA) effective December 2020.

5. **Fraud Risk -** Risks associated with frauds are mitigated through a Fraud Risk Management framework. Fraud Control Unit reviews matters relating to fraud risk through review of cases which are entered in the system. Various fraud control management activities like document sampling, property visit, verification of stock statement, vendor profile check, customer profile check etc. are established.

6. The Ministry of corporate affairs (MCA), Government of India had notified the Companies (Indian Accounting standards), Rules 2015 on 16th February 2015 which were made mandatory for NBFCs from 1st April 2018. As per the referred accounting standards, ABFL is obligated to provide for Expected Credit losses which is defined as: "the difference between the contractual cash flow due to the entity and cash flow that the entity expects to receive". This difference is discounted either at original effective interest rate or any other appropriate adjusted discounted rate. Financial assets on which ECL will apply includes – (1) debtors (2) loans given to group companies / inter corporate loans (3) any debt investments (4) loan commitments (5) financial guarantee contracts, (6) lease receivables, etc.

   Credit loss provisioning approach has now moved from incurred to expected loss model. An entity needs to understand the significance of credit risk and its movement since its initial recognition. The new model ensures (a) timely recognition of ECLs (b) assessment of significant increase in credit risk which will provide better disclosure (c) ascertainment of better business ratios. Briefly the ECL is described below:

   I. Under IND AS all the assets are to be recognised as Stage 1 on initial recognition of the asset and Probability of Default (PD) of 12 months is applied. Assets where Significant Increase in Credit Risk (SICR) has been observed since initial recognition are placed under Stage 2 and lifetime PD is applied. Effectively, this has led to be more than the standard provision of 0.40% for all standard assets of the Company, which used to be the provision requirement as per the erstwhile IGAAP.

   II. Exposure where dues are not paid for than 90 days from the due date, are classified as Stage 3, which corresponds to classification of such exposures as Non-Performing under IGAAP. While under IGAAP exposures classified as Non-Performing would have attracted provision of 10% of the dues when classified as sub-standard, under IND AS, such exposures are treated to be under default and attracts PD of 100%. Loss given Default is estimated basis the net present value of future cash flows arising out of business and liquidation of collateral and the balance is to be provided as ECL.

BUSINESS CONTINUITY

The Company has a well-documented Business Continuity Management Programme which has been designed to ensure continuity of critical processes during any disruption.

The continual disruptions caused by the COVID-19 pandemic and frequent lockdowns led to a difficult situation and tested the Business Continuity Policy of the Company. Nevertheless, it continued to operate in line with the procedures outlined in its Business Continuity Plan, which was modified to take care of the evolving situation and a Pandemic Plan was developed keeping in view the interest of various stakeholders like employees, customers, partners, distributors, etc. within the overall regulatory requirements and guidelines. As a result, the Company was able to continue to operate and serve customers while taking care of the health of their employees.

To manage the impact of the pandemic on the Company, a Crisis Management Team (CMT) comprising of Leadership Team members and led by the Managing Director & Chief Executive Officer of the Company was formed.

Employees' health and safety was accorded top priority. Various steps were taken well before the lockdown to reduce congestion in office, maintain social distancing and enable work from home for the employees. Critical processes were identified, reviewed for implementation in a work from home scenario and wherever required alternate controls were instituted. The work from home plan was tested well in advance and glitches ironed out. After announcement of lockdown, Work-from-Home (WFH) was fully enabled for all employees. The Company also used lessons from 'work-from-home' experiment and reimagined work in a vibrant environment.

The Business Continuity Plan was also supplemented with a Business Normalisation plan. This enabled the Company to resume normal Business Operations wherever the conditions had normalised.

As the COVID-19 pandemic continues to evolve, the efforts will be to support an effective return to work while ensuring safety of employees and customers. The Company expects the challenging times to continue for the next few months. However, it is well prepared to ensure stabilisation and Business continuity.

In view of the increased threat perception, there was a continued focus on Cyber Security and the Company has continued to invest in a strong Cyber Defence Programme.

Further details are provided in the Management Discussion and Analysis Report which forms part of this Annual Report.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTY

During the year under review, all transactions entered into by the Company with related parties were in ordinary course of business and on an arm's length basis and were not considered material as per the provisions of Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules. Hence, disclosure in form AOC-2 under Section 134(3)(h) of the Act, read with the Rule 8 of Companies (Accounts of Companies) Rules, 2014, is not applicable.

Prior omnibus approval is obtained for Related Party Transactions ("RPTs") which are of a repetitive nature and entered into in the Ordinary course of business and at arm's length. A statement on RPTs specifying the details of the transactions, pursuant to each omnibus approval granted, is placed on a quarterly basis for review by the Audit Committee.

The details of contracts and arrangements with related parties of the Company for the year under review, are given in notes to the Financial Statements, forming part of this Annual Report. The Policy on Related Party Transactions, as approved by the Board, is available on the Company's website at: www.adityabirlafinance.com.

INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that the Company has laid down a set of standards, processes and structure which enables implementation of Internal Financial controls across the organisation with reference to Financial Statements and that such controls are adequate and are operating effectively. During the year under review, no material or serious observation was observed for inefficacy or inadequacy of such controls.

Assurance on the effectiveness of internal financial controls is obtained through management reviews, control self-assessment, continuous monitoring by functional experts as well as testing of the internal financial control systems by the internal auditors during the course of their audit. During the year under review, no material or serious observation has been received from the Auditors of the Company, citing inadequacy of such controls.

The Company has well-established internal control systems in place which are commensurate with the nature of its business and size and scale and complexity of its operations. Standard operating procedures (SOP) and Risk Control Matrices are in place designed to provide a reasonable assurance and are being continuously monitored and updated.

In addition to the above, internal audits are undertaken on periodic basis which independently validate the existing controls as per scope assigned to them. The Internal audit plan is reviewed by the Audit Committee at the beginning of the year to ensure that the coverage of the areas is adequate. Reports of the internal auditors are regularly reviewed by the management and corrective action is initiated wherever necessary to strengthen the controls and enhance the effectiveness of the existing systems. Significant audit observations are presented to the Audit Committee along with the status of management actions and the progress of implementation of recommendations.

The Company also periodically engages outside experts to carry out independent reviews of the effectiveness of various business processes. The observations and best practices suggested are reviewed by the Management and Audit Committee and appropriately implemented with a view to continuously strengthen internal controls.

INTERNAL AUDIT

The Company has in place an adequate internal audit framework to monitor the efficacy of internal controls with the objective of providing to the Audit Committee and the Board of Directors, an independent and reasonable assurance on the adequacy and effectiveness of the organisation's risk management, internal control and governance processes. The framework is commensurate with the nature of the business, size, scale and complexity of its operations.

The internal audit plan is developed based on the risk profile of business activities of the organisation. The audit plan covers process audits at the head office and across various branches of the organisation. The audits are carried out by an independent external firm and the in-house internal audit team. The audit plan is approved by the Audit Committee, which regularly reviews the compliance to the plan.

The Board of Directors at their meeting held on 4th June 2020 appointed M/s. Aneja Associates as Internal Auditors for the Financial Year 2020-21 and approved their scope and plans for the said Financial Year. The objective of the Internal Audit is to cover the following:

- Review adequacy and effectiveness of operating controls
- Review the adequacy of the supervisory control mechanisms
- Recommend improvements in policies & procedures and
- Report significant observations and recommendations for process improvements for discussion with senior management and Audit Committee of the Board and review and report progress on implementation of the control improvements agreed to be implemented by the management of the Company.

The recent circular by the RBI on 7th January 2021 issued for Banks and on 3rd February 2021 for NBFCs and Urban Co-operative banks (UCB) highlighting the upgradation of internal audit practices to Risk Based Internal Audit (RBIA) framework is a welcome change for the NBFC industry, clearly indicating direction of the regulators emphasising the independence and authority of the internal audit function as well as the need to upgrade key methodologies in risk assessment and reporting, to continually enhance the risk and control governance environment. As the Company had already imbibed the principles of risk-based-approach in internal audit over the years, the specific new stipulations as needed to be incrementally adopted are being taken up for implementation over the timeframe given by the regulator.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Act and to the best of their knowledge and belief and according to the information and explanations obtained from the operating management, the Directors of the Company state that: -

i) in the preparation of annual accounts for the Financial Year ended 31st March 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

ii) the Directors had selected appropriate 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 as at 31st March 2021 and of the profit of the Company for the year ended on that date;

iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) the Directors had prepared the Statement of Accounts for the Financial Year ended 31st March 2021 on a "going concern basis";

v) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively;

vi) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws to the Company and that such systems were adequate and operating effectively.

DIRECTORS / KEY MANAGERIAL PERSONNEL

APPOINTMENT / RESIGNATION OF DIRECTORS

As on 31st March 2021, the Board of Directors comprised of 8 (eight) Directors out of which 6 (six) are Independent Directors (including 1 Woman Director).

The Board of Directors at its meeting held on 4th February 2021 appointed Mr. Kamlesh Rao (DIN: 07665616) as an Additional Non-Executive Director of the Company subject to the approval of Reserve Bank of India (RBI). The approval from RBI is awaited.

Mr. Bishwanath Puranmalka (DIN: 00007432) resigned as a Non-Executive Director of the Company with effect from 14th January 2021 for personal reasons. The Board of Directors expressed its deep appreciation and gratitude towards the contribution made by Mr. Puranmalka during his long tenure as a Director of the Company.

RETIREMENT BY ROTATION

Section 152 of the Act provides that unless the Articles of Association provide for retirement of all directors at every Annual General Meeting, not less than two-third of the total number of directors of a public company (excluding the Independent Directors) shall be persons whose period of office is liable to determination by retirement of directors by rotation, of which one-third are liable to retire by rotation. Accordingly, Mr. Ajay Srinivasan (DIN: 00121181), Non-Executive Director retires from the Board by rotation this year and being eligible, offers himself for re-appointment at the 30th Annual General Meeting of the Company.

A detailed profile of the Director seeking re-appointment is provided in the Notice of the 30th Annual General Meeting of the Company.

DECLARATION BY INDEPENDENT DIRECTORS

All Independent Directors have submitted the declaration of independence, pursuant to Section 149(7) of the Act read with the Companies (Appointment and Qualifications of Directors) Rules, 2014, stating that they meet the 'criteria of Independence' as prescribed under Section 149(6) of the Act and have submitted their respective declarations as required under Section 149(7) of the Act.

KEY MANAGERIAL PERSONNEL (KMPS)

In terms of the provisions of Sections 2(51) and 203 of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Mr. Rakesh Singh, Managing Director & Chief Executive Officer (CEO), Mr. Sanjay Miranka, Chief Financial Officer (CFO) and Mr. Ankur Shah, Company Secretary (CS), are the Key Managerial Personnel of the Company.

Mr. Sanjay Miranka, CFO, has tendered his resignation from the Company on 22st March 2021 and is serving his notice period. The Management is actively searching for his replacement.

ANNUAL PERFORMANCE EVALUATION

The evaluation framework for assessing the performance of the Directors of the Company comprises of assessment of their contributions at the meetings, strategic perspective or inputs regarding the growth and performance of the Company, amongst others.

Pursuant to the provisions of the Act and in terms of the Framework of the Board Performance Evaluation, the Nomination and Remuneration Committee and the Board of Directors have carried out an annual performance evaluation of the Board, performance of various Committees of the Board and individual Directors. The manner in which the evaluation had been carried out had been set out in the Report on Corporate Governance, which forms part of this Annual Report.

Outcome of the evaluation

The Board of the Company was satisfied with the functioning of the Board and its Committees. The Committees are functioning well and besides covering the Committees' terms of reference, as mandated by law, important issues are brought up and discussed in the committee meetings. The Board was also satisfied with the contribution of Directors, in their individual capacities.

MEETINGS OF THE BOARD AND ITS COMMITTEES

Board

The Board meets at regular intervals to discuss and decide on the Company's performance and strategies. During the Financial Year under review, the Board met seven (7) times.

The meetings of the Board were held on 4th June 2020, 3rd August 2020, 6th August 2020, 10th September 2020, 30th October 2020, 4th November 2020 and 4th February 2021.

Further details on the Board Meetings are provided in the Report on Corporate Governance, which forms part of this Annual Report.

Audit Committee

During the Financial Year under review, the Audit Committee reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control system of the Company. The Committee also reviewed the procedures laid down by the Company for assessing and managing risks.

Further details on the Audit Committee are provided in the Report on Corporate Governance, which forms part of this Annual Report.

During the Financial Year under review, all recommendations made by the Audit Committee were accepted by the Board.

Nomination and Remuneration Committee

The Company has constituted a Nomination & Remuneration Committee ("NRC"), with its composition, quorum, powers, role and scope in line with the applicable provisions of the Act. Further details on the NRC are provided in the Report on Corporate Governance, which forms part of this Annual Report.

The NRC has formulated a policy on remuneration under the provisions of Section 178(3) of the Act, which is uploaded on the website of the Company at www.adityabirlafinance.com.

Other Committees

The Board of Directors has also constituted the following Committees under the relevant provisions of the Companies Act, 2013 read with CG Guidelines:

- Corporate Social Responsibility Committee
- Risk Committee
- Stakeholders Relationship Committee
- Asset Liability Management Committee

- IT Strategy & Information Security Steering Committee
- PIT Regulation Committee

The details of all the Committees of the Board are provided in the Report on Corporate Governance, which forms part of this Annual Report.

ANNUAL RETURN

Pursuant to the provisions of Section 134(3)(a) of the Act, the annual return in Form MGT-7 of the Company for the Financial Year ended 31st March 2021 is available on the website of the Company and can be accessed at www.adityabirlafinance.com.

AUDITORS

Statutory Auditors, Their Report and Notes to Financial Statements

Pursuant to the provisions of Section 139 of the Act and the Companies (Audit and Auditors) Rules, 2014, as amended, M/s. Deloitte Haskins & Sells, LLP, Chartered Accountants (Firm Registration No.:117366W/W-100018, LLP Identification No.: AAB-8737) had been appointed as Statutory Auditors of the Company for a term of 5 (Five) years i.e. from the 29th Annual General Meeting till the conclusion of 34th Annual General Meeting of the Company.

The observation(s) made in the Auditor's Report are self-explanatory and therefore, do not call for any further comments under Section 134(3)(f) of the Act.

The Auditor's Report does not contain any qualifications, reservations, adverse remarks or disclaimer. The Statutory Auditors have not reported any incident of fraud to the Audit Committee or the Board of Directors under Section 143(12) of the Act during the Financial Year under review.

The Reserve Bank of India has issued a circular on 27th April 2021 mandating NBFCs to inter alia, appoint joint Statutory Auditors and restricting the tenure of a firm of Statutory Auditors to a maximum of three years and cooling period thereafter of six years before next reappointment. The appointment of joint Statutory Auditors is to be effected from H2 FY2021-22. The Company and its Auditors are evaluating this circular and representations have been made to RBI seeking relaxations on applicability of this circular.

Secretarial Audit and Secretarial Compliance Report

Pursuant to the requirements of Section 204(1) of the Act read with Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. BNP & Associates, Company Secretaries, to conduct the Secretarial Audit for the Financial Year under review. The Secretarial Audit Report in Form MR-3 for the Financial Year under review, as received from M/s. BNP & Associates, Company Secretaries, is attached as **Annexure IV** to the Board's Report.

Pursuant to Regulation 34(3) and Schedule V of the SEBI LODR Regulations, the Annual Secretarial Compliance Report obtained from M/s. RS & MP Associates, Practicing Company Secretaries for the Financial Year under review, is attached as **Annexure V** of this Report.

The Secretarial Audit Report and the Annual Secretarial Compliance Report do not contain any qualifications, reservations or adverse remarks. The Annual Secretarial Compliance Report for the Financial Year 2020-21 has also been submitted to the Stock Exchanges.

COST RECORDS AND AUDITORS

The provisions of Cost Records and Cost Audit as prescribed under Section 148 of the Companies Act, 2013 are not applicable to the Company.

CORPORATE SOCIAL RESPONSIBILITY

In accordance with Section 135 of the Act, the Company has a Corporate Social Responsibility (CSR) Committee. The CSR Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy ("CSR Policy") indicating the activities to be undertaken by the Company, which has been approved by the Board.

The CSR Policy is available on the Company's website at www.adityabirlafinance.com.

As a part of its initiatives under CSR, the Company has undertaken projects in the areas of Health, Education, Livelihood, women empowerment and promotion of sports. The projects are also in line with the statutory requirements under the Companies Act, 2013 and it's CSR Policy. During the year under review, the Company has spent /contributed ₹21.96 Crore towards CSR projects.

The required disclosure as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules 2014 is attached as Annexure VII to this report.

WHISTLE BLOWER POLICY / VIGIL MECHANISM

In compliance with the provisions of Section 177(9) of the Act read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014, the Company has formulated a Whistle blower policy/ vigil mechanism for Directors and Employees to report concerns, details of which are covered in the Report on Corporate Governance, which forms part of this Annual Report. The said policy is available on the Company's website at: www.adityabirlafinance.com.

POLICY ON PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Company has in place an appropriate policy which is in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. An Internal Complaints Committee has been set up to redress complaints, if any, received regarding sexual harassment of women. All women employees (permanent, contractual, temporary, trainees) are covered under this policy. We further state that during the Financial Year under review, there were no complaints received / cases filed / cases pending under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company has complied with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

HUMAN RESOURCES

The Company believes that human resources are at the core of sustaining and building our organisation and will play a critical role in its future growth. With an unswerving focus on nurturing and retaining talent, the Company provides avenues for learning and development through functional, behavioral and leadership training programs, knowledge exchange conferences and providing communication channels for information sharing, to name a few of the initiatives. Additional details on human resources is provided in the Management Discussion and Analysis report.

SECRETARIAL STANDARDS OF ICSI

The Company is in compliance with the Secretarial Standards specified by the Institute of Company Secretaries of India ("ICSI") on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2).

CODE FOR PROHIBITION OF INSIDER TRADING

Pursuant to SEBI (Prohibition of Insider Trading) Regulation 2015, as amended, the Company has a Board approved code of conduct to regulate, monitor and report trading by insiders ('Code of Conduct') and a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ('Code of Fair Disclosure') for its listed NCDs.

Further details on the same form part of the Report on Corporate Governance.

AWARDS AND CERTIFICATIONS

During the Financial Year under review, the Company has been felicitated with awards and recognitions across various functional areas. Some of these were:

- The Company has received an international recognition, "AAA Asset Award" under the category "Best Trade Finance Solution" for the unique structured borrowings of ₹500 Crore backed by ECLGS portfolio with Deutsche Bank.
- The Company has received CSR Times Award 2020 for its CSR project 'Wish Foundation'.
- The Company has under its CSR activities, sponsored few candidates under Rahul Dravid Athlete Mentorship program through the GoSports Foundation and one of the beneficiaries Ms. Bhavani Devi has become the first Indian fencer to qualify for the Olympics.

OTHER DISCLOSURES

In terms of applicable provisions of the Act, the Company discloses that during the year under review:

i. There was no issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except under Employee Stock Option Scheme referred to in this Report.

ii. There was no Scheme for provision of money for the purchase of its own shares by employees or by trustees for the benefit of employees.

iii. There was no public issue, rights issue, bonus issue or preferential issue, etc. during the year under review.

iv. There was no Issue of shares with differential rights.

v. There was no transfer of shares of the Company.

vi. There was no transfer of un-paid or unclaimed amount to Investor Education and Protection Fund (IEPF).

vii. There were no significant or material orders passed by the Regulators or Hon'ble Courts or Tribunals which impact the going concern status and Company's operations in future.

viii. There were no proceedings for Corporate Insolvency Resolution Process initiated under the Insolvency and Bankruptcy Code, 2016.

ix. There was no failure to implement any Corporate Action.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their appreciation for the support and co-operation extended by our various partners and other business associates. Your Directors gratefully acknowledge the ongoing co-operation and support provided by all Regulatory bodies.

Your Directors place on record their appreciation for the exemplary contribution made by the employees of the Company at all levels. Their dedicated efforts and enthusiasm have been pivotal to the Company's growth.

Your Board also acknowledges the contribution of banks, clients, busines associates, shareholders, the Registrars, Depositories, the Reserve Bank of India, Central and State Governments and other regulatory bodies who have always supported and helped the Company to achieve its objectives.

For and on behalf of the Board

	Ajay Srinivasan	**Rakesh Singh**
Place: Mumbai	Director	Managing Director & CEO
Date: 13th May 2021	DIN – 00121181	DIN – 07006067

ANNEXURE I

Particulars pursuant to the provisions of Section 134 (3) (m) of the Act, read with the Rule 8 (3) of the Companies (Accounts) Rules, 2014, are furnished hereunder:

A.	**CONSERVATION OF ENERGY**	
	(i) the steps taken or impact on conservation of energy;	None
	(ii) the steps taken by the company for utilising alternate sources of energy;	None
	(iii) the capital investment on energy conservation equipments;	None
B.	**TECHNOLOGY ABSORPTION**	
	(i) The efforts made towards technology absorption	**1. iLEAP – Digital Loan Origination Platform for Retail:** The Company has transformed the entire loan onboarding process with iLEAP, an efficient, customer centric, state of the art Digital Loan Origination platform. Seamless data flow is achieved with 15+ third party API for KYC, Bureau checks, ITR, Financial Statement and Banking analysis, Fraud Checks, etc. 50% to 60% fields (for different products) are auto-filled reducing manual errors. Expedited Credit decisioning is achieved through automated validation of policy rules and eligibility calculators using robust business rule engine. We have reduced TAT from lead to disbursement stage, enhanced customer experience and reduced number of customer touch points. **2. Business Rule Engine for validating Policy Rules and Score card:** A configurable rule engine hosts Policy rules, Eligibility Calculators and Custom Score cards. This automation expedites the credit decisioning process, reduces human dependency and subjectivity in decisioning. The configurable engine also ensures faster turnaround time for incorporating changes in Credit Policy. Furthermore, the data form business rule engine can be used for analytics to strengthen the custom score cards. **3. Increasing digital footprint for retail and corporate customers:** 3X increase in the number of service requests served on digital channels [Whatsapp/ Chatbot/ Portal/ IVR] has been achieved as compared to last year. This is especially useful during COVID times when customers can avail frequently used service requests at fingertips. **4. Customer advocacy:** Automation projects were implemented using CRM, improving response time for customers and increasing agent productivity and optimising cost. Examples include Email BOT for digital lending business, wherein 99% of cases are assigned automatically in Round robin across LOBs, Straight through processing for common requests such as Statement of Account, interest certificate, Amortisation schedule. Availability of additional data points (2X) to call center agents as part of core real-time integrations in CRM leading to improved average handling time for a customer, etc. Cross sell / Up sell Process was implemented for Pre-approved Top Up offers for Eligible customers. **5.** Automation of 100+ manual files for regulatory and financial reporting. This has improved the accuracy of data. **6.** Video Personal Discussion technology was enabled for Unsecured business enabling credit managers to do a video discussion with prospects along with geo tagging. **7. Application performance monitoring:** To ensure reliability and uptime of our systems, a real time application performance monitoring tool (True Sight) was implemented and extended to monitoring of all key systems. This helped with faster detection, troubleshooting and resolution of any applications having slow performance. **8. Unified Ticketing and Change Management Tool:** To ensure tracking of all incidents, we have implemented Remedy for ticketing and change management tracking tool. All changes in systems are now tracked via this tool and are readily available for audit purposes.

Annexure

	9. Hyper converged Infrastructure: To increase the core system performance and uptime, we have implemented Nutanix based hyper converged infrastructure. This has helped us to reduce duration of EOD / EOM jobs by 60%. **10. New Product – Travel, healthcare and Education lending:** This is a merchant app built for Point of Sale funding with partners (B2B2C). The tie ups are with large players in Education such as Aakash Coaching, Indian Dental Association, Jetking etc. **11.** Top-Up and Cross-sell journeys were developed for providing top-up and cross-sell loans to existing customers. **12. Digital Ecosystem Partnerships:** Partnership lending arrangements have been established with large B2C companies like Paisabazaar, MoneyView, Byjus and PayTM. The front-end screens are given by these aggregation platforms and lending APIs are provided from the digital lending platform for unsecured small ticket loans. **13.** Making IT Infra and applications ready for cloud infrastructure.
(ii) The benefits derived as a result of the above efforts (e.g. Product improvements, cost reduction, product development, import substitution, etc.)	Increasing number of service requests on digital channels has led to improving customer experience and optimising the cost of servicing with increasing customer base. New initiatives in Customer advocacy has led to faster responses in answering emails, reduction of follow ups through emails and reduction in average handling time for a customer. With Hyper converged infrastructure we are able to reduce EOD & EOM duration by 60%.
(iii) Particulars of imported technology in the last three years (reckoned from beginning of the Financial Year)	None
a) Details of technology imported	None
b) Year of import	None
c) Has technology been fully absorbed	None
d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	None
(iv) the expenditure incurred on Research and Development.	None

For and on behalf of the Board

Ajay Srinivasan
Director
DIN – 00121181

Rakesh Singh
Managing Director & CEO
DIN – 07006067

Place: Mumbai
Date: 13th May 2021

Annexure II

ADITYA BIRLA FINANCE LIMITED

Details to be included in the Board report as per Section 197(12) & Rule 5 (1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for Financial Year 2020-21

1 **Ratio of remuneration of each Director to median remuneration of the employees of the Company for the Financial Year;**

The ratio of the remuneration paid to Mr. Rakesh Singh, MD & CEO, to median remuneration of the employees of the Company for the Financial Year is 142.59

2 Percentage increase in remuneration of each Director, CFO, CEO, CS or Manager, in the FY 2020-21

Mr. Rakesh Singh, CEO	Mr. Sanjay Miranka, CFO	Mr. Ankur Shah, CS
Nil	Nil	Nil

3 Percentage increase in median remuneration of employees in the FY

Nil

4 No. of permanent employees on rolls of the Company

2,283

5 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

Average percentile increase in the salaries of employees other than the managerial personnel in the last Financial Year – Nil

Average percentile increase in the salaries of the managerial personnel in the last Financial Year – Nil

6 It is hereby affirmed that the remuneration paid is as per the remuneration policy of the Company.

Report on Corporate Governance

Annexure III

VISION

"To be a leader and role model in helping people meet their aspirations leveraging our broad based financing options."

The Company aspires to be a leader by being amongst the top 3 NBFCs in Book size, profitability and Retail book size. The Company also endeavours to be a role model by fair dealing, inter alia, with its employees, customers, partners and Regulators.

The Company continuously strives to achieve excellence in Corporate Governance through its values – Integrity, Commitment, Passion, Seamlessness and Speed.

OUR VALUES

Integrity	Commitment	Passion	Seamlessness	Speed
				
Acting and taking decisions in a manner that is fair and honest. Following the highest standards of professionalism and being recognised for doing so. Integrity for us means not only financial and intellectual integrity but encompasses all other forms as are generally understood.	On the foundation of integrity, doing all that is needed to deliver value to all stakeholders. In the process, being accountable for our own actions and decisions, those of our team and those on the part of the organisation for which we are responsible.	An energetic, intuitive zeal that arises from emotional engagement with the organisation that makes work joyful and inspires each one to give his or her best. A voluntary, spontaneous and relentless pursuit of goals and objectives with the highest level of energy and enthusiasm	Thinking and working together across functional groups, hierarchies, businesses and geographies. Leveraging diverse competencies and perspectives to garner the benefits of synergy while promoting organisational unity through sharing and collaborative efforts.	Responding to internal and external customers with a sense of urgency. Continuously striving to finish before deadlines and choosing the best rhythm to optimise organisational efficiencies.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

"Our values provide us with our roots and they provide us with our wings."

Shri Kumar Mangalam Birla,

Chairman, Aditya Birla Group

The Aditya Birla Group is one of the pioneers in the field of Corporate Governance. As a part of the Group, the Company is committed to continuously adopt and adhere to the best governance practices, to achieve the goal of making the Company a value-driven organisation.

During the financial year under review, the Institute of Company Secretaries of India ("ICSI") conferred an Honorary Degree of the ICSI to Shri Kumar Mangalam Birla, Chairman of the Aditya Birla Group. In his acceptance speech Shri Birla said, "It is a privilege to be the 1st industrialist to be receiving the honorary degree of such a prestigious institute as the ICSI and an honour to have received it from Hon'ble Minister Shri Piyush Goyal. The CS community has been helping navigate the governance culture throughout the country even in the time of pandemic. The Company Secretaries are the Heroes of the Country and I am proud to be a part of them".

Strong corporate governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high-quality accounting practices. It is the muscle that moves a viable and accessible financial reporting structure. Without financial reporting premised on sound, honest numbers, capital markets will collapse upon themselves.

The Company is a material subsidiary of Aditya Birla Capital Limited.

The Company is one of the young and new age business ventures of Aditya Birla Group having a strong parentage and is part of a leading financial services conglomerate. It is a mix of solid traditional and cultural foundations along with the right perspective to cater to the evolving financial needs of its customers.

The Company's governance practices are a product of self-desire, reflecting the culture of trusteeship that is deeply ingrained in its value system and reflected in its strategic thought process. At a macro level, the Company's governance philosophy rests on five basic tenets, viz., Board accountability to the Company and Members, strategic guidance and effective monitoring by the Board.

The Corporate Governance framework of the Company is based on an effective and independent Board, separation of the Board's supervisory role from the Senior Management team and constitution and functioning of the Board Committees, as required under applicable laws.

The Board functions either as a full Board or through various Committees constituted to oversee specific functions. The Senior Management provides your Board detailed reports on the Company's performance periodically.

COMPLIANCE WITH CORPORATE GOVERNANCE GUIDELINES

The Company is in compliance with the requirements stipulated under the applicable Regulatory provisions with respect to corporate governance.

The details of compliance with Corporate Governance requirements during the financial year ended 31st March 2021 ("financial year under review") are as follows:

I. BOARD OF DIRECTORS

Composition

The Board of Directors of the Company ("the Board") comprises of 8 (eight) Directors including 1 (one) Non-Executive Director, 1 (one) Managing Director & CEO and 6 (six) Independent Directors, of whom one is a Woman Director. The Companies Act, 2013 mandates one-third of the total number of Directors as Independent Directors for the Company. The composition of the Board is in conformity with the requirements of the Companies Act, 2013 ("the Act"). In terms of the provisions of the Act, the Directors submit necessary disclosures regarding the positions held by them on the Board and/or Committees of other Companies, from time to time.

On the basis of such disclosures, it is confirmed that as on the date of this report, none of the Directors: -

a) hold Directorships in more than 10 (Ten) public Companies;

b) hold Directorships in more than 7 (Seven) listed entities;

c) serve as an Independent Director in more than 7 (Seven) listed entities;

d) is a Member of more than 10 (Ten) Committees or Chairperson of more than 5 (Five) Committees across all the public Companies in which he/she is a Director; (Only Audit Committee and Shareholders' Grievance/ Stakeholders Relationship Committee of all public limited companies are considered for this purpose) and

e) are related to each other.

The maximum tenure of the Independent Directors is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria of independence as stipulated under Section 149(6) of the Act.

The Independent Directors have also submitted a declaration to the Company confirming that they have registered themselves in the Independent Directors' Database.

The brief profile of the present Directors on the Board is available on the Company's website at www.adityabirlafinance.com

The details of the Directors of the Company with regard to their outside Directorships, Committee positions, including that in listed entities, as on 31st March 2021 are as follows:

Report on Corporate Governance - Annexure

Name of the Director	Designation / Category	No. of Directorship(s) in other Public companies[1]	Committee Positions held in other Companies[2]		Names of other listed entities where Director is an Independent Director (excluding the Company)
			Member	Chairperson	
Mr. Ajay Srinivasan (DIN – 00121181)	Non-Executive Non-Independent	5	6	-	-
Mr. Darius J Kakalia (DIN – 00029159)	Independent	2	2	-	-
Mr. Jitender Balakrishnan (DIN – 00028320)	Independent	6	4	1	India Glycols Ltd.; Polyplex Corporation Ltd.; Sarda Energy & Minerals Ltd.
Mr. Ashwani Puri (DIN – 00160662)	Independent	2	-	2	Titan Company Ltd.; Coforge Ltd.
Ms. Alka Bharucha (DIN – 00114067)	Independent	8	5	3	Ultratech Cement Ltd.; Hindalco Industries Ltd.; Orient Electric Ltd.; Honda India Power Products Ltd.; Birlasoft Ltd.
Mr. Baldev R. Gupta (DIN- 00020066)	Independent	1	-	2	HOV Services Ltd.
Mr. Subhash Chandra Bhargava (DIN- 00020021)	Independent	4	2	1	Aditya Birla Capital Limited; A K Capital Services Ltd.
Mr. Rakesh Singh (DIN- 07006067)	Managing Director & CEO	2	-	-	-

Notes:

1. Excluding Directorship in the Company, Foreign Companies, Private Limited Companies and Companies formed under Section 8 of the Act.
2. Only two Committees viz. Audit Committee and Stakeholders Relationship Committee of all Public Limited Companies are considered.

Brief Profile of Directors:

Sr. No.	Name of Director	Qualification	Field of Specialisation
1.	Mr. Ajay Srinivasan	BA with Honours in Economics from St. Stephens College, University of Delhi and Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad	Banking & Financial Services
2.	Mr. Darius J Kakalia	B.com, LL.B.	Legal
3.	Mr. Jitender Balakrishnan	B.E. (Mech) National Institute of Technology (NIT), Madras University. Post Graduate Diploma in Industrial Management, Bombay University	Banking & Financial Services
4.	Mr. Ashwani Puri	Chartered Accountant, the Chartered Institute of Management Accountants, London.	Finance & Accounting
5.	Ms. Alka Bharucha	B.A. (Hons) and LL.B from University of Bombay & LL.M from University of London	Legal
6.	Mr. Baldev Raj Gupta	M.A. (English), LL.B, Fellow of Insurance Institutes of India	Insurance, Investment and Financial Services
7.	Mr. Subhash Chandra Bhargava	Chartered Accountant	Investment and Financial Services
8.	Mr. Rakesh Singh	Post-Graduation in International Relations from University of Lucknow, Advance Management Program from Harvard Business School & Executive Program in Business management from Indian Institute of Management, Calcutta	Banking & Financial Services

The Board members collectively display the following qualities:

– Integrity: fulfilling a Director's duties and responsibilities;

– Curiosity and courage: asking questions and persistence in challenging management and fellow board members where necessary;

– Interpersonal skills: working well in a group, listening well, tact and ability to communicate their point of view frankly;

– Interest: in the organisation, its business and the people;

– Instinct: good business instincts and acumen, ability to get to the crux of the issue quickly;

– Belief in diversity;

– Active participation: at deliberations in the Meeting

The Directors are professionals, possessing wide experience and expertise in their areas of function - strategy; finance; governance and legal; insurance, amongst others, which together with their collective wisdom fuel the Company's growth.

Mode of Conducting Meetings:

Video-conferencing facility is provided to enable the Directors travelling abroad or present at other locations to be able to participate in the meetings. The same is conducted in due compliance with the applicable laws.

With a view to leverage technology, save paper and support sustainability, the Company has adopted a web based application for conducting the board/ committee meetings digitally. All the documents relating to a meeting, including agenda, explanatory notes and any other document required to be placed at the meeting, are circulated to the Directors in electronic form through the application and the same can be accessed through browsers or iPads. The application meets high standards of security and integrity required for storage and transmission of meeting related documents.

Board's Functioning and Procedure

The Company's Board plays a pivotal role in ensuring good governance and functioning of the Company. The Board's role, functions, responsibilities and accountabilities are well defined. All relevant information is regularly placed before the Board.

The Board meets at least once in every quarter to review the quarterly results and other items on the agenda and additional Meetings are held to address specific needs and business requirements of the Company.

The Company makes available video conferencing facility or other audio visual means, to enable larger participation of Directors in Meetings. In consultation with the Non-Executive Director and Managing Director & Chief Executive Officer, the Company Secretary prepares the Agenda along with the explanatory notes therein and circulates it to the Directors and invitees. During the Financial Year under review, all the meetings of Board and its Committees were held through audio-visual mode on MS Teams, consequent to the spread of COVID-19 pandemic - resulting in restrictions on free movement of people. The necessary quorum was present for all the Board and Committee Meetings.

7 (Seven) Board Meetings were held during the Financial Year under review.

The details of the Board Meetings held during the Financial Year under review, dates on which held and number of Directors present are as follows:

Date of Board Meeting	Board Strength	No. of Directors Present
4th June 2020	9	9
3rd August 2020	9	9
6th August 2020	9	8
10th September 2020	9	9
30th October 2020	9	9
4th November 2020	9	7
4th February 2021	8	8

The Board has unfettered and complete access to any information within the Company. Members of the Board have complete freedom to express their views on agenda items and can discuss any matter at the Meeting with the permission of the Chairperson. The Board periodically reviews all the relevant information, which is required to be placed before it pursuant to the applicable rules and regulations and in particular reviews and approves corporate strategies, business plans, annual budgets and capital expenditure, etc. The Board provides direction and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations.

The details of attendance of each Director at the Board Meeting(s) held during the Financial Year under review and at the previous Annual General Meeting ("AGM") of the Members of the Company held on 10th July 2020, at the Registered Office of the Company at Indian Rayon Compound, Veraval - 362 266, Gujarat, are as follows:

Name of the Director	No. of Board Meetings		Attended Last AGM
	Held	Attended	
Mr. Ajay Srinivasan	7	7	No
Mr. Darius J Kakalia	7	7	No
Mr. Jitender Balakrishnan	7	6	No
Mr. Ashwani Puri	7	7	No
Ms. Alka Bharucha	7	6	No
Mr. Baldev R. Gupta	7	7	No
Mr. Subhash Chandra Bhargava	7	7	No
Mr. Rakesh Singh	7	7	No
Mr B N Puranmalka*	6	5	No

*Resigned with effect from 14th January 2021

Code of Conduct for Board Members and Senior Management

The Company has adopted a Code of Conduct for the Board Members and Senior Management Personnel of the Company ("the Code"). The Code is applicable to all the Board Members and Senior Management of the Company.

The Senior Management Personnel of the Company have made disclosures to the Board confirming that there are no material financial and/or commercial transactions between them and the Company, that could have potential conflict of interest with the Company at large.

All the Board Members and Senior Management Personnel have confirmed compliance with the Code during the Financial Year under review.

Performance evaluation of the Board

A formal evaluation mechanism has been adopted for evaluating the performance of the Board, the Committees thereof and individual Directors. The evaluation is based on criteria which include, amongst others, providing strategic perspective and Committees, attendance, time devoted and preparedness for the Meetings, quality, quantity and timeliness of the flow of information between the Board Members and the Management, contribution at the Meetings, effective decision making ability, role and effectiveness of the Committees. The Directors completed questionnaires providing feedback on functioning of the Board and Committees.

Further details are mentioned in the Boards' Report.

Separate Meeting of Independent Directors

In accordance with the provisions of SS 2.3 of the Secretarial Standard on the Meetings of Board of Directors, a Meeting of the Independent Directors of the Company was held on 22nd March 2021 without the presence of the Non-Independent Directors and the Members of the Management. The Meeting was attended by 5 (Five) Independent Directors. They discussed matters, including the performance/ functioning of the Company, reviewing the performance of the Chairman, taking into account the views of Non-Executive & Non-Independent Director, assessed the quality, quantity and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform their duties, etc.

Prohibition of Insider Trading

In terms of the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, the Company adopted a Code of Conduct to Regulate, Monitor and Report trading by Designated Persons in listed or proposed to be listed securities of the Company ("the Insider Code"). The Insider Code aims at preserving and preventing misuse of unpublished price sensitive information. All Designated Persons of the Company (as defined under the Insider Code) are covered under the Insider Code, which provides inter alia for periodical disclosures and obtaining pre-clearances for trading in the non-convertible debentures (NCDs) of the Company.

The Company has in place, a tracking mechanism for monitoring trade in the NCDs of the Company by the Designated persons identified under the Insider Code. Further, a structured digital database is maintained, which contains the names and other particulars as prescribed, of the persons covered under the Insider Code. The Board has also adopted a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ("UPSI") which also includes details of the Company's policy for determination on 'legitimate purposes' as per the requirements of the SEBI (Prohibition of Insider Trading) Regulations and is available on the website of the Company at www.adityabirlafinance.com

The Board and designated persons covered under the Insider Code have affirmed compliance with the Insider Code. PIT Regulations Committee was constituted for the purpose of monitoring compliance with the aforesaid Code. Mr. Ankur Shah, Company Secretary is the "Compliance Officer" in terms of the Insider Code.

The Audit Committee reviews compliance with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 confirming that the systems for internal control for the purpose are adequate and are operating effectively.

II. COMMITTEES OF THE BOARD

Your Board has constituted the Committees with specific terms of reference as per the requirements of the Act, RBI's Master Directions and other applicable provisions. The Board accepted all recommendations of the Committees of the Board which were mandatorily required, during the Financial Year under review.

The Board Committees play a vital role in the effective compliance and governance of the Company in line with their specified and distinct terms of reference and role and responsibilities. The Chairpersons of the respective Committees report to the Board on the deliberations and decisions taken by the Committees and conduct themselves under the supervision of the Board. The minutes of the Meetings of all Committees are placed before the Board for its perusal on a regular basis.

The Board has presently constituted the following Committees including pursuant to the provisions of the Act, SEBI Listing Regulations and RBI Master Directions:

1. Audit Committee;
2. Nomination and Remuneration Committee;
3. Risk Committee;
4. Stakeholders Relationship Committee;
5. Corporate Social Responsibility Committee;
6. Asset Liability Management Committee;
7. PIT Regulations Committee; and
8. IT Strategy & Information Security Steering Committee.

The Committees of the Board are elaborated hereunder:

1. AUDIT COMMITTEE

The Company has a qualified and independent Audit Committee, which acts as a link between the Management, the Statutory and Internal Auditors and the Board. Its composition, powers, role and scope are in accordance with the applicable provisions of Section 177 of the Act. All the Members of the Audit Committee are financially literate. Moreover, the Chairman and Members of the Audit Committee have accounting or related financial management expertise.

The Audit Committee of the Board comprises of 4 (Four) Non-Executive Directors out of which 3 (Three) are Independent Directors.

During the Financial Year under review, the Audit Committee met 6 (Six) times to deliberate on various matters and except in case of meeting held on 4th June 2020, the gap between any two Meetings was not more than 120 (One Hundred Twenty) days. For the 4th June 2020 the gap was more than 120 days as the same was authorised vide MCA circular dated 24th March 2020 as a special measure in view of the COVID-19 outbreak. The necessary quorum was present for all the Meetings. During the Financial Year under review, Audit Committee Meetings were held on 4th June 2020, 6th August 2020, 30th October 2020, 4th November 2020, 18th November 2020 and 4th February 2021.

The composition and attendance during the Financial Year under review are as follows:

Name of Member	Category	No. of Meetings Held	No. of Meetings Attended
Mr. Ashwani Puri (Chairman)	Independent	6	6
Mr. D J Kakalia	Independent	6	6
Mr. Ajay Srinivasan	Non-Executive Non-Independent	6	6
Ms. Alka Bharucha*	Independent	-	-

*Appointed as a Member w.e.f 4th February 2021

The Statutory & Internal Auditors and the Key Managerial Personnel of the Company are invited to attend the Audit Committee Meetings. In addition, other Senior Management Personnel are also invited to the Audit Committee Meetings from time to time, for providing such information as may be necessary. The Committee and the Company also engage outside experts and advisors to the extent it considers appropriate to assist in its functioning. The Company Secretary acts as the Secretary to the Committee.

The Audit Committee monitors and effectively supervises the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and maintain the integrity and quality of financial reporting.

The Audit Committee also reviews from time to time, the audit and internal control procedures, accounting policies of the Company and oversees the Company's financial reporting process so as to ensure that the financial statements are correct, sufficient and credible.

The Audit Committee has all the powers as specified in Section 177 of the Act to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, as considered necessary.

In accordance with the applicable provisions of the Act, the scope, functions and terms of reference of the Audit Committee inter alia cover the following matters:

The Committee shall, while acting as a catalyst in helping the organisation to achieve its objectives, also assist the Board of Directors in overseeing and reviewing :-

1. work carried out in the financial reporting process by the Management, the Internal Auditor and the Statutory Auditor and processes and safeguards employed by them;
2. audit(s) of the Company's financial statements, appointment(s), independence and performance of Internal and Statutory Auditors;
3. quality and integrity of the accounting, internal and external auditing and reporting practices of the Company, adequacy and reliability of Internal Control system;
4. Evaluation of internal financial controls and the risk management systems;
5. overall compliance by the Company with legal and regulatory requirements;
6. any other area that the Board of Directors of the Company may mandate/direct the Audit Committee to take up.

Audit Committee reviews the following information:

1. Management Discussion and Analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by Management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors, if any;
4. Internal audit reports and discussion with the Internal Auditors on any significant findings and follow-up thereon;
5. Statement of deviations, if any.

During the Financial Year under review, the Audit Committee reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control system of the Company. The Committee has also reviewed the procedures laid down by the Company for assessing and managing risks applicable to the Company.

2. NOMINATION AND REMUNERATION COMMITTEE

The composition of the Committee is in line with the applicable provisions of Section 178 of the Act. The Committee is mainly entrusted with the responsibility of formulating criteria for determining the qualifications, positive attributes and independence of the present and proposed Directors as well as recommending a policy to the Board relating to the remuneration of Directors, Key Managerial Personnel and Senior Management Personnel.

The Committee comprises of 3 (Three) Non-Executive Directors out of which 2 (Two) are Independent Directors. The Company Secretary acts as a Secretary to the Committee.

During the Financial Year under review, the Committee met 3 (Three) times to deliberate on various matters and the Meetings were held on 3rd June 2020, 8th October 2020 and 4th February 2021. The necessary quorum was present for all the Meetings.

The composition and attendance during the Financial Year under review are as follows:

Name of the Member	Category	No. of Meetings	
		Held	Attended
Mr. Jitendra Balakrishnan (Chairman)	Independent	3	3
Mr. Ajay Srinivasan	Non-Executive Non-Independent	3	3
Mr. B N Puranmalka*	Non-Executive Non-Independent	2	2
Mr. Darius J Kakalia	Independent	3	3

* Resigned w.e.f 14th January 2021

Terms of reference of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee is authorised to:

a) Formulate and recommend to the Board, an NRC policy relating to remuneration for Directors, key managerial personnel and other employees;

b) Formulate criteria for determining qualifications, positive attributes and independence of Directors;

c) Ensure that remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;

d) Any other matter as the NRC Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.

Remuneration Policy

The Company has adopted an Executive Remuneration Philosophy/Policy. The Policy has been published as **Annexure VII** to the Board's Report, which forms part of this Annual Report.

Performance evaluation criteria for Independent Directors

The Directors of the Company evaluate the following:

- performance of Independent Directors;
- fulfilment of the independence criteria as specified in Companies Act and their independence from the management.

The evaluation is based on the following criteria as to how an Independent Director:

1. Invests time in understanding the Company and its unique requirements;
2. Brings in external knowledge and perspective to the table for discussions at the Meetings;
3. Expresses his/her views on the issues discussed at the Board; and
4. Keeps himself/herself current on areas and issues that are likely to be discussed at the Board level.
5. The Company has in place a Directors and Officers Liability Insurance Policy for the Company, covering all the Directors including Independent Directors of the Company.

3. RISK COMMITTEE

Risk Management is the process that can contribute progressively to organisational improvement by providing Management with a greater insight into risks and their impact. The Company has a robust Risk Management framework which proactively addresses risks and seizes opportunities so as to gain competitive advantage and protects and creates value for your stakeholders.

The objectives and scope of the Risk Committee broadly include monitoring the risks associated with the Company and to frame and implement policies to mitigate them.

The Risk Committee comprises of 2 (Two) Independent Directors, 1 (One) Non-Executive & Non-Independent Director, 1 (One) Managing Director & CEO and other senior management personnel. The Chairman of the Audit Committee is also invited at all Risk Committee meetings. The Company Secretary acts as the Secretary to the Committee.

During the Financial Year under review, the Risk Committee met 3 (Three) times on 12th August 2020, 6th January 2021 and 31st March 2021. The necessary quorum was present for all the Meetings.

The composition and attendance during the Financial Year under review are as follows:

Name of the Member	Category	No. of Meetings Held	No. of Meetings Attended
Mr. Jitendra Balakrishnan (Chairman)	Independent	3	3
Mr. Subhash Chandra Bhargava#	Independent	1	1
Mr. Ajay Srinivasan	Non-Executive Non-Independent	3	3
Mr. B N Puranmalka*	Non-Executive Non-Independent	2	2
Mr. A Dhananjaya	CRO-ABCL	3	3
Mr. Rakesh Singh	Managing Director & CEO	3	3
Mr. Tushar Shah	CEO - PSFG	3	3
Mr. Sekhar Mosur	CRO	3	3
Mr. Ajay Singh	Risk Head - PSFG	3	3
Mr. Ashwani Puri (Invitee)	Independent	3	3

*Resigned w.e.f 14th January 2021
#Appointed as Member w.e.f 4th February 2021

4. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee comprises of 2 (Two) Independent Directors and 1 (One) Managing Director & CEO.

The composition of the Stakeholders Relationship Committee is in line with the applicable provisions of Section 178 of the Act.

During the Financial Year under review, the Stakeholders Relationship Committee met once, on 3rd June 2020. The necessary quorum was present at the Meeting.

The composition and attendance during the Financial Year under review are as follows:

Name of Member	Category	No. of Meetings Held	No. of Meetings Attended
Mr. Baldev Raj Gupta# (Chairman)	Independent	-	-
Mr. Darius Kakalia	Independent	1	1
Mr. Rakesh Singh#	MD & CEO	1	1
Mr. Ajay Srinivasan^	Non-Executive Non-Independent	1	1
Mr. B N Puranmalka*	Non-Executive Non-Independent	1	1

* Resigned w.e.f 14th January 2021
# Appointed as a Member w.e.f 4th February 2021
^ upto 4th February 2021

The Company Secretary acts as Secretary to the Committee and is the Compliance Officer of the Company and also responsible for redressal of investor complaints.

The terms of reference of the Committee is to consider and resolve the grievances of security holders of the Company.

Complaint received so far / number not solved to the satisfaction of shareholders / number of pending complaints

The Company did not receive any complaint from debenture holders during the Financial Year 2020-21.

5. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR Committee)

In terms of the provisions of Section 135 of the Act, the Company has constituted the Corporate Social Responsibility Committee.

The Corporate Social Responsibility Committee comprises of 1 (One) Independent Director, 1 (One) Non-Executive Director and 1 (One) Managing Director & CEO. Mrs. Rajashree Birla, Chairperson of Aditya Birla Centre for Community Initiatives and Rural Development and Dr. Pragnya Ram, Group Executive President, CSR, are permanent invitees to the Meetings of Corporate Social Responsibility Committee.

During the Financial Year under review, the Corporate Social Responsibility Committee met 3 (Three) times on 22nd September 2020, 14th December 2020 and 22nd March 2021. The necessary quorum was present for the Meetings.

The composition and attendance during the Financial Year are as follows:

Name of Member	Category	No. of Meetings	
		Held	Attended
Mr. Ashwani Puri (Chairman)	Independent	3	3
Mr. Ajay Srinivasan	Non-Executive Non-Independent	3	3
Mr. B N Puranmalka*	Non-Executive Non-Independent	2	2
Mr. Rakesh Singh#	MD & CEO	1	1

* Resigned w.e.f 14th January 2021
\# Appointed as Member w.e.f 4th February 2021

The Company Secretary acts as a Secretary to the Committee.

The Committee recommends to the Board the Corporate Social Responsibility activities to be undertaken during the year and amount to be contributed towards such activities.

Terms of Reference of the Committee are as follows:

1. To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;
2. To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company;
3. To monitor the CSR policy of the Company from time to time;
4. Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.

6. ASSET-LIABILITY MANAGEMENT COMMITTEE (ALCO)

During the Financial Year under review, the Asset-Liability Management Committee met 12 (Twelve) times through video-conferencing mode, pursuant to the spread of COVID-19 pandemic resulting into restrictions on free movement of people. The necessary quorum was present for the Meetings.

The composition and attendance during the Financial Year are as follows:

Name of Member	Category/ Designation	No. of Meetings	
		Held	Attended
Mr. Rakesh Singh (Chairman)	MD & CEO	12	11
Mr. Tushar Shah	CEO-PSFG	12	11
Mr. Sekhar Mosur	CRO	12	12
Mr. Sanjay Miranka	CFO	12	11
Mr. Ajay Singh	Risk Head - PSFG	12	12
Mr. Chandramohan Amritkar	Head - Treasury	12	12
Mr. Ramesh Narayanaswamy*	CTO-ABCL	5	5
Ms. Pinky Mehta#	CFO-ABCL	2	2
Mr. Sudesh Puthran^	CTO	3	2

* Appointed w.e.f 4th November 2020
\# Appointed w.e.f 4th February 2021
^ resigned w.e.f. 1st July 2020

Terms of Reference of the ALCO include monitoring maintenance of adequate liquidity balance and ensure that the difference between Borrowing(s) and Lending are not exceeding the limits as prescribed by Reserve Bank of India (RBI) and to review the reports to be filed with the RBI.

7. **PIT REGULATIONS COMMITTEE**

In line with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 read with the Code of Conduct to Regulate, Monitor and Report trading by Designated Persons and the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information, the Board of Directors at its Meeting held on 10th September 2019 had constituted a PIT Regulation Committee.

During the Financial Year under review, the PIT Regulation Committee did not meet as there was no agenda matter to be discussed/approved.

8. **IT STRATEGY & INFORMATION SECURITY STEERING COMMITTEE**

Pursuant to Reserve Bank of India Circular on Information Technology Framework for Non-Banking Financial Companies, and in line with the Company's initiatives to implement information security management system at the Company, focus on IT Governance, IT policy along with Business Continuity, information and Cyber Security, the Company has constituted IT Strategy & Information Security Steering (ITSISS) Committee.

During the Financial Year under review, the ITSISS Committee met twice on 12th August 2020 and 1st February 2021. The necessary quorum was present for all the Meetings.

The composition and attendance during the Financial Year are as follows:

Name of Member	Category/ Designation	No. of Meetings	
		Held	Attended
Mr. Jitender Balakrishnan (Chairman)	Independent	2	2
Mr. Rakesh Singh	MD & CEO	2	2
Mr. Sekhar Mosur	CRO	2	2
Mr. Sanjay Miranka	CFO	2	2
Mr. Sudesh Puthran#	CTO	1	1
Mr. Ankur Kapoor	Head - Operations	2	2
Mr. Gopakumar Panicker	CISO	2	2
Mr. Ramesh Narayanaswamy*	CTO	1	1

* Appointed w.e.f 4th February 2021
\# resigned w.e.f. 1st July 2020

III. Whistle Blower Policy / Vigil Mechanism

Pursuant to section 177(9) of the Act, the Company has framed its Whistle Blower Policy. Further in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended, the Board at its Meeting held on 2nd May 2019 amended the Whistle Blower Policy. The Whistle Blower Policy/Vigil mechanism provides a mechanism for employees and other parties to report instances and concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. Adequate safeguards are provided against victimisation to those who avail the mechanism and direct access to the Chairman of the Audit Committee is provided to them. During the Financial Year under review, no personnel was denied access to the Audit Committee. Summary of cases as and when reported, along with status is placed before the Audit Committee and Board for their review and discussion. The Policy is in line with the Company's Code of Conduct, Vision and Values and is available on the Company's website at www.adityabirlafinance.com.

IV. OTHER DISCLOSURES

Related Party Transactions

During the Financial Year under review, the Company had entered into related party transactions which were on an arm's length basis and in the ordinary course of business. There were no material transactions with any related party as per the provisions of Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014. All related party transactions were approved by the Audit Committee of the Company.

Particulars of related party transactions are listed out under the notes to accounts forming part of this Annual Report.

The policy on Related Party Transactions is available on the Company's website at www.adityabirlafinance.com.

Disclosure of accounting treatment

The Company has followed all the applicable Accounting Standards while preparing the Financial Statements.

Management

1. The Management Discussion and Analysis forms part of this Annual Report and is in accordance with the requirements laid out in RBI Master Directions.
2. No material transaction has been entered into by the Company with its related parties that may have a potential conflict with interests of the Company.

Remuneration of Directors

Sitting fees of ₹50,000 for each Meeting of the Board, ₹25,000 for each Meeting of the Audit Committee and ₹20,000 for each Meeting of other Committees is paid to the Independent Directors of the Company. The Company does not pay commission to the Directors of the Company.

Further, the Company arranges for the travelling & stay of outstation Directors and reimburses the out-of-pocket expenses incurred by the Directors for attending the Meetings.

The Company is currently paying sitting fees to the Independent Directors and Remuneration to Mr. Rakesh Singh, Managing Director and CEO. The remuneration payable to the Managing Director and CEO is in compliance with the applicable rules and regulations. Other than this, the Company is not paying any kind of remuneration/ Commission to its Directors.

Non-Executive Directors' Compensation and Disclosures

Sitting fees paid to Independent Directors for attending Meetings of the Board / Committees have been approved by the Board. No sitting fees were paid to Non-Executive & Non-Independent Director of the Company during the Financial Year under review. No commission was recommended/ paid to any of the Directors during the Financial Year under review.

The details of sitting fees paid to the Independent Directors for FY 2020-21 are as under:

Name of the Director	Board Meeting	Committee							Total
		Audit	Risk	Nomination & Remuneration	CSR	Finance	IT strategy	Stakeholders Relationship	
Mr. D J Kakalia	3,50,000	1,50,000	-	60,000	-	60,000	-	20,000	6,40,000
Mr. Jitender Balakrishnan	3,00,000	-	60,000	60,000	-	-	40,000	-	4,60,000
Mr. Ashwani Puri	3,50,000	1,50,000	-	-	60,000	-	-	-	5,60,000
Ms. Alka Bharucha	3,00,000	-	-	-	-	-	-	-	3,00,000
Mr. Baldev Raj Gupta	3,50,000	-	-	-	-	-	-	-	3,50,000
Mr. Subhash Chandra Bhargava	3,50,000	-	20,000	-	-	-	-	-	3,70,000

The details of remuneration paid to Managing Director and CEO have been provided in Note 48 (Related party transactions) of the Financial Statements and in form MGT-7, uploaded on the website of the Company at www.adityabirlafinance.com.

There were no pecuniary relationships or significant material transactions between the Company and Non-Executive Directors during the Financial Year under review.

Confirmation of Criteria of Independence

The Board of Directors of the Company confirm that the Independent Directors fulfil the conditions specified in the Companies Act, 2013 and are Independent of the Management.

Processing System (NEAPS) and BSE Portal for Electronic filing

The financial results and other intimations/ disclosures required to be made to the Stock Exchanges are electronically filed through NSE Electronic Application Processing System (NEAPS) portal i.e. https://neaps.nseindia.com/NEWLISTINGCORP/ and BSE portal i.e. https://listing.bseindia.com.

Adoption of Mandatory and Discretionary Requirements

During the Financial Year under review, the Company complied with all the mandatory requirements of SEBI Listing Regulations.

The Company complied with the following discretionary requirements of the SEBI Listing Regulations:

1. For the Financial Year 2020-21, the Company's Financial Statements are with unmodified audit opinion.
2. The Internal Auditors directly report to the Audit Committee.

Other Disclosures:

1. Total fees for all services paid by the Company to the statutory auditor of the Company viz. M/s Deloitte Haskins & Sells LLP, and all entities in the network firm/network entity of which the statutory auditor was a part during the Financial Year under review was as under:

(₹ in Lakh)

Particulars	FY 2020-21
Audit Fees & Limited Review	109.24
Tax Audit	6.54
Other Services	10.71
Reimbursement of Expenses	-
Total	**126.49**

2. During the Financial Year under review, no complaints were received/ cases filed/ disposed or pending under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Shareholders & General information

a) **General Body Meetings**

The particulars of the last three Annual General Meetings (AGMs) of the Company are provided in the below Table:

AGM	Year	Date of the AGM	Time	Venue
29th	2020	10th July 2020	10.00 a.m.	Registered Office
28th	2019	22nd July 2019	10.00 a.m.	Registered Office
27th	2018	5th June 2018	9:30 a.m.	Registered Office

b) **General Shareholder Information**

Date, Time and Venue of the 30th Annual General Meeting	August 16, 2021, 2.00 P.M. through Video Conferencing ("VC") or other Audio Visual means ("OVAM")
Year	2021
Corporate Identification Number (CIN) / Registration no. of the Company as per Companies Act with the Registrar of Companies	U65990GJ1991PLC064603
Address for correspondence	One World Centre, Tower 1-C, 18th Floor, Jupiter Mill Compound, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013
Registration / licence/ authorisation, obtained from other financial sector regulators	RBI's certificate of Registration no. N.01.00500 dated 9th August, 2011
Area and country of operation	Various States in India

MEANS OF COMMUNICATION

Quarterly Results

The Company's quarterly/ half yearly/ annual financial results are submitted to the Stock Exchanges and half yearly / annual financial results are published in Business Standard (all editions).

Further, the half yearly/ annual financial results approved by the Board at its Meeting held for this purpose, are also sent via e-mail to the Debentureholders whose email address is registered with the Company and are also simultaneously made available on Company's website at www.adityabirlafinance.com.

Website

The Company's website contains a separate section at www.adityabirlafinance.com where shareholder related information is available. Further, the annual report of the Company is available under this section on the website in a downloadable form.

Annexure IV

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members of,
Aditya Birla Finance Limited
Indian Rayon Compound,
Veraval,
Gujarat- 362266

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Aditya Birla Finance Limited** having CIN U65990GJ1991PLC064603 (hereinafter called the 'Company') for the financial year ended on 31st March 2021 (the "Audit Period").

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

We are issuing this report based on:

(i) Our verification of the Company's books, papers, minutes books, soft copy of various records, scanned copies of minutes of Committee, forms and returns filed and other records maintained by the Company;

(ii) Compliance certificates confirming compliance with all laws applicable to the Company given by the Key Managerial Personnel / Senior Managerial Personnel of the Company and taken on record by the Audit Committee / Board of Directors; and

(iii) Representations made, documents shown and information provided by the Company, its officers, agents and authorised representatives during our conduct of Secretarial Audit

We hereby report that, in our opinion, during the audit period covering the financial year ended on 31st March 2021, the Company has:

(i) Complied with the statutory provisions listed hereunder; and

(ii) Board processes and compliance mechanism are in place

to the extent, in the manner and subject to the reporting made hereinafter.

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

1. Compliance with specific statutory provisions

We further report that:

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

(i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

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

(iii) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of External Commercial Borrowings availed;

(iv) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder to the extent of transfer of securities;

(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 (LODR);

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

(c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

(vi) Secretarial Standards issued by the Institute of Company Secretaries of India (Secretarial Standards).

1.2 During the period under review:

(i) The Company has complied with the provisions of the Act, Rules, Regulations, Guidelines and Secretarial Standards as mentioned above.

(ii) Generally complied with the applicable provisions / clauses of:

(a) The Act and Rules mentioned under paragraph 1.1 (i)

(b) FEMA to the extent of External Commercial Borrowings mentioned under paragraph 1.1 (iii) and

(c) The Secretarial Standards on meetings of Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) mentioned under paragraph 1.1 (vi) above to the extent applicable to Board meetings held during the year and the 29th Annual General Meeting held on 10.07.2020. The compliance of the provisions of the Rules made under the Act with regard to the Board meetings and its committee meetings held through video conferencing were verified based on the minutes of the meeting provided by the Company.

1.3 We are informed that, during / in respect of the year, the Company was not required to initiate any compliance related action in respect of the following laws / rules / regulations / standards and was consequently not required to maintain any books, papers, minute books or other records or file any forms/ returns thereunder:

(i) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment;

(ii) The following Regulations and Guidelines prescribed under the SEBI Act:-

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

b. 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;

c. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

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

e. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018

f. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

1.4 We have also examined, on test check basis, the relevant documents and records maintained by the Company with respect to Non-Banking Financial Company- Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended, and other relevant guidelines and circulars issued by the Reserve Bank of India, from time to time.

2. Board processes:

We further report that:

2.1 The Board of Directors of the Company as on 31st March 2021 comprised of:

(i) A Managing Director i.e. Mr. Rakesh Singh appointed by the Board of Directors as an Additional Director for post of Managing Director for the period of 5 years w.e.f. 23.07.2012 and the same was approved by the Shareholders at the 29th Annual General Meeting held on 10.07.2020

(ii) One Non-Executive Non-Independent Director; and

(iii) Six Non-Executive Independent Directors, including a Woman Independent Director

2.2 The processes relating to the following changes in the composition of the Board of Directors and Key Managerial Personnel during the year were carried out in compliance with the provisions of the Act and LODR:

(i) Re-appointment of Mr. Bishwanath Puranmalka (DIN:-00007432) as a director liable to retire by rotation and re-appointed at 29th Annual General Meeting held on 10.07.2020. Subsequently Mr. Bishwanath Puranmalka tendered his resignation vide his letter dated 14.01.2021, with immediate effect.

(ii) Mr. Rakesh Singh (DIN:- 07006067) was appointed as an Additional Director -Managing Director and as Chief Executive Officer by the Board of Directors of the Company subject to Shareholders approval for a period of five years w.e.f. 23.07.2019. The said appointment was regularised at 29th Annual General Meeting held on 10.07.2020.

(iii) Appointed Mr. Kamlesh Rao (DIN: 07665616) as an Additional Director (Non-executive) of the Company w.e.f. 04.02.2021, subject to approval of the Reserve Bank of India and shareholders' approval at the ensuing General Meeting of the Company

2.3 Adequate notice was given to all the directors to enable them to plan their schedule for the Board meeting, except for few meetings which was convened at a shorter notice to transact urgent business.

2.4 Notice of the Board meetings was sent to the directors at least seven days in advance except for few meetings convened at a shorter notice, at which more than one independent director was present as required under Section 173 (3) of the Act and SS-1.

2.5 Agenda and detailed notes on agenda were sent to the directors at least seven days before the Board meetings, other than for few meetings convened at a shorter notice.

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

(i) Supplementary agenda notes and annexures in respect of unpublished price sensitive information such as audited financial statement / results, unaudited financial results and connected papers; and

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

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

2.8 We note from the minutes verified that, at the Board meetings held during the year:

(i) Majority decisions were carried through; and

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

3. Compliance Mechanism

There are reasonably adequate systems and processes in the Company, commensurate with the size and operations, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

4. Specific events / actions

We further report that during the audit period, the following specific events / actions having a major bearing on the Company's affairs held:-

a) The Company got itself enrolled as member of National Credit Guarantee Trustee Company Limited (NCGTC) under the Emergency Credit Line Guarantee Scheme (ECLGS) and such other Schemes, from time to time, managed and operated by NCGTC.

b) The Board of Directors at its meeting held on 04.06.2020 carried out revision in borrowing sub-limits and list of signatories with no revision in the overall borrowing limits.

c) The Company became a member by applying for the membership of Aditya Birla Capital Foundation (a Section 8 Company limited by Guarantee) under the name 'Aditya Birla Finance Limited' and nominated Mr. Ajay Srinivasan as director on the Board of Aditya Birla Capital Foundation.

d) The Company availed web based facility of Negotiated Dealing System – Order Matching (NDS-OM), an internet based web application provided by the Reserve Bank of India (RBI) to access RBI's NDS-OM market for transactions (buying and selling) in Government Securities to be settled through HDFC Bank Limited.

e) Pursuant to the merger of Wealth business of Aditya Birla Money Mart Limited with the Company, the Company had issued 23,99,134 0.1% Compulsorily Convertible Debentures (CCDs) which were due for conversion into equal no. of 0.1% Redeemable Non-Convertible Non-Cumulative Preference Shares (RNCNCPS) of ₹100/- each at premium of ₹54 per RNCNCPS on March 21, 2021. These RNCNCPS are redeemable at premium of ₹83 per RNCNCPS at the end of 2 (two) years i.e. on March 21, 2023 or any such time at the option of the holder.

As per the terms of CCDs and upon receipt of approval from Aditya Birla Capital Limited (the sole holder of CCDs), the Company converted 23,99,134 0.1% CCDs on March 20, 2021 into equal no. of 0.1% Non-Convertible Debentures (NCDs) of ₹100/- each at premium of ₹54 per NCD and early redemption of these NCDs at ₹154 per NCD on March 20, 2021.

f) The Company has issued and allotted Non-Convertible Debentures of ₹3,136 Crore and Sub-debt of ₹80 Crore during the year in various tranches. During the year Company redeemed Non-Convertible Debentures worth ₹5,119 Crore in various tranches.

Venkataraman K.
Associate Partner
ACS No.:-8897/ COP No.:- 12459

For **BNP & Associates**
Company Secretaries
[Firm Regn. No. P2014MH037400]
[PR No.:-637 / 2019]
UDIN:- A008897C000292477

Place:- Mumbai
Date:- 13.05.2021

Annexure A to the Secretarial Audit Report for the financial year ended 31st March 2021

To,
The Members,
Aditya Birla Finance Limited

Our Secretarial Audit Report of even date is to be read along with this letter.

1. The Company's management is responsible for maintenance of secretarial records and compliance with the provisions of corporate and other applicable laws, rules, regulations and standards. Our responsibility is to express an opinion on the secretarial records produced for our audit.
2. We have followed such audit practices and processes as we considered appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records.
3. We have considered compliance related actions taken by the company based on independent legal /professional opinion obtained as being in compliance with law.
4. We have verified the secretarial records furnished to us on a test basis to see whether the correct facts are reflected therein. We also examined the compliance procedures followed by the company on a test basis. We believe that the processes and practices we followed, provides a reasonable basis for our opinion.
5. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
6. We have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, wherever required.
7. Our 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.

Venkataraman K.
Associate Partner
ACS No.:-8897/ COP No.:- 12459

For **BNP & Associates**
Company Secretaries
[Firm Regn. No. P2014MH037400]
[PR No.:-637 / 2019]
UDIN:- A008897C000292477

Place:- Mumbai
Date:- 13.05.2021

Annexure V

SECRETARIAL COMPLIANCE REPORT
OF ADITYA BIRLA FINANCE LIMITED FOR THE YEAR ENDED MARCH 31, 2021

We, RS & MP Associates, Company Secretaries, have examined electronically, in view of prevailing circumstances due to outbreak of pandemic COVID-19:

(a) all the documents and records made available to us and explanation provided by **ADITYA BIRLA FINANCE LIMITED** ("the listed entity"),

(b) the filings/ submissions made by the listed entity to the stock exchanges,

(c) website of the listed entity

(d) any other document/ filing, as may be relevant, which has been relied upon to make this certification,

for the year ended 31st March 2021 ("Review Period") in respect of compliance with the provisions of:

(a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and

(b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:-

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

(b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; - **Not applicable to the Company for the financial year under review**

(c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; - **Not applicable to the Company for the financial year under review**

(d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; - **Not applicable to the Company for the financial year under review**

(e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; - **Not applicable to the Company for the financial year under review**

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

(g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013; - **Not applicable to the Company for the financial year under review**

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

and circulars/ guidelines issued thereunder;

and based on the above examination, we hereby report that, during the Review Period:

(a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder.

(b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder in so far as it appears from our examination of those records.

(c) There were no actions taken against the listed entity/ its promoters/ directors~~/ material subsidiaries~~ either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder in so far as it appears from our examination of those records.

(d) There were no items for which the listed entity was ought to have taken any actions to comply with the observations made in our previous year's Secretarial Compliance Report dated: June 4, 2020.

Additional reporting:

(e) The listed entity has listed Commercial Papers (CPs) on National Stock Exchange of India Limited and on BSE Limited during the review period and based on our examination of all the documents, records and explanation provided to us, the listed entity has complied with the provisions of the Circulars/ guidelines issued thereunder by SEBI from time to time.

For **RS & MP Associates, Company Secretaries**
Unique code No.: P2017MH061400

Rakesh Sanghani, Partner
FCS: 7647
CP No.: 6302
UDIN: F007647C000287621

Date: May 13, 2021
Place: Mumbai

Annexure VI

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILTY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2021

1. Brief outline on CSR Policy of the Company:

CSR Policy of the Company is enunciated in accordance with Section 135 of Companies Act, 2013 read with Corporate Social Responsibility Rules, 2014 (as amended from time to time) and CSR Voluntary Guidelines issued by Ministry of Corporate Affairs.

Our CSR Vision is *'to actively contribute to the social and economic development of the communities in which we operate. In so doing build a better, sustainable way of life for the weaker sections of society and raise the country's human development index" (Mrs. Rajashree Birla, Chairperson, Aditya Birla Centre for Community Initiatives and Rural Development)'*

Our CSR Activities are undertaken broadly in the area of 'Education', 'Health Care', Sustainable Livelihood', 'Infrastructure Development' and 'Social Change'.

Our Board of Directors, our Management and all of our employees subscribe to the philosophy of compassionate care. We believe and act on an ethos of generosity and compassion, characterised by a willingness to build a society that works for everyone. This is the cornerstone of our CSR policy.

2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
Members				
1	Mr. Ashwani Puri	Chairman (Independent Director)	3	3
2	Mr. Ajay Srinivasan	Member (Non-Executive Director)	3	3
3	Mr. Rakesh Singh#	Member (Managing Director & CEO)	3	2
4	Mr. B N Puranmalka*	Member (Non-Executive Director)	2	2
Permanent Invitees				
5	Mrs. Rajashree Birla	Chairperson, Aditya Birla Centre for Community Initiatives and Rural Development	3	3
6	Dr. Pragnya Ram	Group Executive President, Corporate Communications and CSR	3	3

#Appointed as a member w.e.f 4th February 2021 (earlier was a permanent Invitee)

*Resigned w.e.f 14th January 2021

3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company

www.adityabirlafinance.com

4. Details of Impact Assessment of CSR Projects carried out in pursuance of Sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report): Not applicable

Annexure

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the Financial Year, if any:

Sl. No.	Financial Year	Amount available for set-off from preceding Financial Years (in ₹)	Amount required to be set-off for the Financial Year, if any (in ₹)
		Nil	

6. Average net profit of the company as per section 135(5): ₹1,097.63 Crore

7. (a) Two percent of average net profit of the company as per section 135(5): ₹21.96 Crore

(b) Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years: Nil

(c) Amount required to be set off for the Financial Year, if any: Nil

(d) Total CSR obligation for the Financial Year (7a+7b-7c): ₹21.96 Crore

8. (a) CSR amount spent or unspent for the Financial Year: Nil

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
21.96 Crore			Nil		

(b) Details of CSR amount spent against ongoing projects for the Financial Year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Project duration (years)	Amount allocated for the project (in ₹)	Amount spent in the current Financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1.	Aditya Birla Memorial Hospital	Promoting health care including preventive health care	Yes	Maharashtra	Pune	2	8,00,00,000	8,00,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
2.	Aga Khan Rural Support Program (India)	Promoting Education	No	Bihar	Muzaffarpur	2	2,00,00,000	2,00,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
3.	The PRIDE INDIA	Promoting health care including preventive health care	No	Maharashtra	Osmanabad	2	1,02,00,000	1,02,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
4.	Srijan	Conservation of natural resources and maintaining quality of soil and water	No	Rajasthan	Pali, Karuali, Udaipur	2	2,00,00,000	2,00,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
5.	Indian Army	Measures for the benefit of armed forces veterans, war widows and their dependents	Yes	Pan India	Pan India	2	1,50,00,000	1,50,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
6.	GoSports Foundation	Training to promote nationally recognised and olympic sports	Yes	Pan India	Pan India	2	1,50,00,000	1,50,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
7.	Lords Education & Health Society	Promoting health care including preventive health care	No	Rajasthan	Sawai Madhopur, Baran, Jaipur	2	1,00,00,000	1,00,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
8.	Action Aid Association	Promoting Education	No	Uttar Pradesh	Khusinagar, Gonda, Bahraich, Shrawasti, Lucknow, Badaun, Mahoba, Sonbhadra	2	1,00,00,000	1,00,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
9.	Don Bosco Tech	Employment enhancing vocation skills to youths	Yes	Maharshtra & Madhya Pradesh	Mumbai, Bhopal, Indore, Ratlam, Astha	2	1,00,00,000	1,00,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
10.	Buzz India	Empowering women	Yes	Karnataka	Bangalore	2	55,00,000	55,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
11.	Indian Cancer Society	Promoting health care including preventive health care	Yes	Pan India	Pan India	2	50,00,000	50,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
12.	Light of Life Trust	Promoting Education	No	Maharshtra	Nandurbar	2	50,00,000	50,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
13.	Maharshi Ved Vyas Prathishthan	Promoting Education	No	Maharshtra		2	1,00,00,000	1,00,00,000	-	No	Aditya Birla Capital Foundation	CSR00003351
	Total						**21,57,00,000**	**21,57,00,000**				

Annexure

(c) Details of CSR amount spent against other than ongoing projects for the Financial Year: None

Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR registration number
				None					
	Total								

(d) Amount spent in Administrative Overheads: ₹0.39 Crore

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

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹21.96 Crore

(g) Excess amount for set off, if any: Nil

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

9. (a) Details of Unspent CSR amount for the preceding three Financial Years:

Sl. No	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding Financial Years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer.	
1.	2019-20	Nil	21,53,79,947	Nil	Nil	Nil	Nil
2.	2018-19		11,08,30,508				
3.	2017-18		5,34,19,076				
	Total		**37,96,29,531**				

(b) Details of CSR amount spent in the Financial Year for ongoing projects of the preceding Financial Year(s):

Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed / Ongoing
1.					Nil			
	Total							

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the Financial Year: None

(asset-wise details)

(a) **Date of creation or acquisition of the capital asset(s):** Not applicable

(b) **Amount of CSR spent for creation or acquisition of capital asset:** Not applicable

(c) **Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc:** Not applicable

(d) **Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset):** Not applicable

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

Rakesh Singh
Managing Director & Chief Executive Officer
DIN – 07006067

Ashwani Puri
Chairman CSR Committee
DIN – 00160662

Annexure VII

Executive Remuneration Philosophy

At the Aditya Birla Group, we expect our executive team to foster a culture of growth and entrepreneurial risk-taking. Our Executive Compensation Philosophy supports the design of programs that align executive rewards – including incentive programs, retirement benefit programs, promotion and advancement opportunities – with the long-term success of our stakeholders. Our reward programs recognize and reward executives who display initiative, deliver superior individual performance, and contribute to sustainable corporate and business success.

OUR BUSINESS AND ORGANIZATIONAL MODEL

Our Group is a conglomerate and organized in a manner such that there is sharing of resources and infrastructure. This results in uniformity of business processes and systems thereby promoting synergies and exemplary customer experiences.

I. Objectives of the Executive Remuneration Program

Our executive compensation program is designed to attract, retain, and reward talented executives who will contribute to our long-term success and thereby build value for our shareholders.

Our executive compensation program is intended to:

1. Provide for monetary and non-monetary remuneration elements to our executives on a holistic basis
2. Emphasize "Pay for Performance" by aligning incentives with business strategies to reward executives who achieve or exceed Group, business and individual goals.

II. Covered Executives

Our Executive Compensation Philosophy applies to those executives whose remuneration is subject to the approval of the Nomination & Remuneration Committee. The covered executives are as follows:

1. Director : Defined as per the Act
2. Key Managerial Personnel : CFO, CS, any others CEO equivalent (ex: Deputy Managing Director)
3. Senior Management: Job Band 1 and above and all other employees as defined by the Act, Section (178).

III. Business and Talent Competitors

We benchmark our executive pay practices and levels against peer companies in similar industries, geographies and of similar size. In addition to this, we look at secondary reference (internal and external) benchmarks in order to ensure that pay policies and levels across the Group are generally equitable internally and support the Group's global mobility objectives for executive talent. The additional reference points may take into account the executive pay practices and pay levels in other markets and industries, recognizing the differences in levels and medium of pay.

IV. Executive Pay Positioning

We aim to provide competitive remuneration opportunities to our executives by positioning target total remuneration (including perks and benefits, annual incentive pay-outs, long term incentive pay-outs at target performance) and target total cash compensation (including annual incentive pay-outs) at target performance directionally between median and top quartile of the primary talent market. We recognize the size and scope of the role and the market standing, skills and experience while positioning our executives.

We use secondary market data only as a reference point for determining the types and amount of remuneration while principally believing that target total remuneration packages should reflect the typical cost of comparable executive talent available in the sector.

V. i. Executive Pay-mix

Our executive pay-mix aims to strike the appropriate balance between key components: (i) Fixed Cash compensation (Basic Salary + Allowances) (ii) Annual Incentive Plan (iii) Long-Term Incentives (iv) Perks and Benefits.

ii. Performance Goal Setting

We aim to ensure that for both annual incentive plans and long term incentive plans, the target performance goals shall be achievable and realistic.

Threshold performance (the point at which incentive plans are paid out at their minimum, but non-zero, level) shall reflect a base-line level of performance, reflecting an estimated 90% probability of achievement.

Target performance is the expected level of performance at the beginning of the performance cycle, taking into account all known relevant facts likely to impact measured performance.

Maximum performance (the point at which the maximum plan payout is made) shall be based on an exceptional level of achievement, reflecting no more than an estimated 10% probability of achievement.

VI. i. **Performance Measurement**

Annual Incentive Plan:

We tie annual incentive plan pay-outs of our executives to relevant financial and operational metrics achievement and their individual performance. We annually align the financial and operational metrics with priorities/ focus areas for the business.

Long-Term Incentive:

Our Long-term incentive plans incentivize stretch performance, link executive remuneration to sustained long term growth and act as an attraction and retention tool

We use stock options as the primary long-term incentive vehicle for our executives as we believe that they best align executive incentives with stockholder interests.

We grant restricted stock units, as a secondary long term incentive vehicle, to motivate and retain our executives.

ii. **Executive Benefits and Perquisites**

Our executives are eligible to participate in our broad-based retirement, health and welfare, and other employee benefit plans. In addition to these broad-based plans, they are eligible for other benefits plans commensurate with their roles. These benefits are designed to encourage long-term careers with the Group. They are also eligible for certain perquisites with each perquisite serving a clear business purpose or need.

Other Remuneration Elements

Each of our executives is subject to an employment agreement. Each such agreement generally provides for a total remuneration package for our executives.

We limit other remuneration elements, for e.g. Change in Control (CIC) agreements, severance agreements, to instances of compelling business need or competitive rationale and we do not provide for any tax gross-ups for our executives.

Risk and Compliance

We aim to ensure that the Group's remuneration programs do not encourage excessive risk taking. We review our remuneration programs for factors such as

1. Remuneration mix overly weighted towards annual incentives
2. Uncapped pay-outs
3. Unreasonable goals or thresholds
4. Steep pay-out cliffs at certain performance levels that may encourage short-term decisions to meet pay-out thresholds

Claw back Clause:

In an incident of restatement of financial statements due to fraud or non-compliance with any requirement of the Companies Act 2013 and the rules made thereafter, we shall recover from our executives the remuneration received in excess of what would be payable to him / her as per restatement of financial statements the executives is obligated to pertaining to the relevant performance year.

Implementation

The Group and Business Centre of Expertise teams will assist the Nomination & Remuneration Committee in adopting, interpreting and implementing the Executive Remuneration Philosophy. The costs of these services will be established through “arm’s length”, market-based agreements entered into as needs arise in the normal course of business.

Independent Auditor's Report

To the Members of

Aditya Birla Finance Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Aditya Birla Finance Limited (the "Company"), which comprise the Balance Sheet as at 31st March 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act ("SA"s). Our responsibilities under those Standards are further described in the Auditor's Responsibility 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 made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Note 51(e) to the financial statements, in which the Company describes the continuing uncertainties arising from the COVID 19 pandemic.

Our opinion on the financial statements is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1.	**Allowances for Expected Credit Losses:** As at 31st March 2021, the carrying value of loan assets measured at amortised cost, aggregated ₹ 47,59,743.36 Lakh (net of allowance of expected credit loss ₹1,02,118.65 Lakh) constituting approximately 94% of the Company's total assets. Significant judgement is used in classifying these loan assets and applying appropriate measurement principles. The allowance for expected credit losses ("ECL") on such loan assets measured at amortised cost is a critical estimate involving greater level of management judgement. As part of our risk assessment, we determined that the allowance for ECL on loan assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes for the financial statements. The elements of estimating ECL which involved increased level of audit focus are the following: • Qualitative and quantitative factors used in staging the loan assets measured at amortised cost. • Basis used for estimating Probabilities of Default ("PD"). • Basis used for estimating Loss Given Default ("LGD").	**We performed the following audit procedures:** We have examined the policies approved by the Board of Directors of the Company that articulate the objectives of managing each portfolio and their business models. We have also verified the methodology adopted for computation of ECL ("ECL Model") that addresses policies approved by the Board of Directors, procedures and controls for assessing and measuring credit risk on all lending exposures measured at amortised cost. Additionally, we have confirmed that adjustments to the output of the ECL Model is consistent with the documented rationale and basis for such adjustments and that the amount of adjustment has been approved by the Audit Committee of the Board of Directors. Our audit procedures related to the allowance for ECL included the following, among others: • Testing the design and effectiveness of internal controls over the following: – completeness and accuracy of the Exposure at Default ("EAD") and the classification thereof into stages consistent with the definitions applied in accordance with the policy approved by the Board of Directors including the appropriateness of the qualitative factors to be applied.

Sr. No.	Key Audit Matter	Auditor's Response
	• Judgements used in projecting economic scenarios and probability weights applied to reflect future economic conditions. • Adjustments to model driven ECL results to address emerging trends. (Refer Note 51 to the Financial Statements)	– completeness, accuracy and appropriateness of information used in the estimation of the PD and LGD for the different stages depending on the nature of the portfolio; and – computation of the ECL including methodology used to determine macro-economic overlays and adjustments to the output of the ECL Model. • Also, for a sample of ECL allowance on loan assets tested: – we tested the input data such as ratings and period of default and other related information used in estimating the PD; – we evaluated reasonableness of LGD estimates by comparing actual recoveries post the loan asset becoming credit impaired with estimates of LGD; and – we evaluated the incorporation of the applicable assumptions into the ECL Model and tested the mathematical accuracy and computation of the allowances by using the same input data used by the Company. • We also evaluated the adequacy of the adjustment after stressing the inputs used in determining the output as per the ECL Model and ensured that the adjustment was in conformity with the amount approved by the Audit Committee. • We also assessed the disclosures made in relation to the ECL allowance to confirm compliance with the provisions of Ind AS 107.
2.	Information Technology and General Controls The Company is dependent on its Information Technology ("IT") systems due to the significant number of transactions that are processed daily across such multiple and discrete IT systems. Also, IT application controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner and under controlled environments. Appropriate controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data. On account of the pervasive use of its IT systems, the testing of the general computer controls of the IT systems used in financial reporting was considered to be a Key Audit Matter	With the assistance of our IT specialists, we obtained an understanding of the Company's IT applications, databases and operating systems relevant to financial reporting and the control environment. For these elements of the IT infrastucture the areas of our focus included access security (including controls over privileged access), program change controls, database management and network operations. **In particular:** • we tested the design, implementation and operating effectiveness of the Company's general IT controls over the IT systems relevant to financial reporting. This included evaluation of Company's controls over segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit; • We also tested key automated and manual business cycle controls and logic for the reports generated through the IT infrastructure that were relevant for financial reporting or were used in the exercise of internal financial controls over financial reporting. Our tests including testing of the compensating controls or alternate procedures to assess whether there were any unaddressed IT risks that would materiality impact the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Directors' report including Annexures to Director's Report, but does not include the financial statements and our auditors 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 during the course of our 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.

Management's Responsibility for the Financial Statements

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, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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.

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

Auditor's Responsibility for the Audit of the Financial Statements

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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 financial 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 system 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 the 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.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

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

Other Matter

The financial statements of the Company as at and for the year ended 31st March 2020 prepared in accordance with Ind AS have been audited by the predecessor auditor/other auditors. The report of these auditors on these comparative financial information expressed an un-modified opinion.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

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

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

   c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

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

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

   f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   g. With respect to the other matters to be included in the Auditor's report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

   h. 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 has disclosed the impact of pending litigations on its financial position in its financial statements;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

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

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sanjiv V. Pilgaonkar
Partner
(Membership No. 039826)
UDIN: 21039826AAAAEB3427

Mumbai, 13th May 2021

Annexure "A" to the Independent Auditor's Report

(REFERRED TO IN PARAGRAPH 1(F) UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION OF OUR REPORT OF EVEN DATE)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Aditya Birla Finance Limited ("the Company") as of 31st March 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting 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 issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

We believe that the audit evidence we have is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 control over financial reporting includes 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 Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2021 based on the criteria for internal financial control over financial reporting 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 issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sanjiv V. Pilgaonkar
Partner
(Membership No. 039826)
UDIN: 21039826AAAAEB3427)

Mumbai, 13th May 2021

Annexure "B" to the Independent Auditor's Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date to the members of Aditya Birla Finance Limited on the financial statements as at and for the year ended 31st March 2021)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its property plant and equipment.

(b) The property plant and equipment were physically verified during the year by the Management in accordance with a regular program for verification which, in our opinion, provides for physical verification of all the property plant and equipment at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noted on such verification.

(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

(ii) According to the information and explanations given to us, the Company is engaged primarily in lending activities and these activities do not require the Company to hold any inventories. Hence reporting under clause (ii) of the CARO 2016 is not applicable.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which director is interested to which provisions of section 185 of the Companies Act, 2013 apply and the provisions of Section 186 of the Companies Act 2013 are not applicable to the Company.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and does not have any unclaimed deposits as at 31st March 2021 and therefore, the provisions of Section 73 to 76 or any other relevant provisions of the Companies Act, 2013 are not applicable to the Company

(vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus, reporting under Clause 3(vi) of the Order is not applicable to the Company.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax Act, cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax Act, cess and other material statutory dues in arrears as at 31st March 2021, for a period of more than six months from the date they became payable.

Independent Auditor's Report

(c) Details of dues of Income-tax and Service Tax Act which have not been deposited as on 31st March 2021, on account of disputes are given below:

Name of the statute	Nature of dues	Amount Involved (₹)	Amount Unpaid (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	55,82,955	55,82,955	AY 2007-08	Income Tax Officer(Assessing Officer)
Income Tax Act, 1961	Income Tax	32,34,11,508	32,34,11,508	AY 2011-12	Income Tax Appellate Tribunal (ITAT)
Income Tax Act, 1961	Income Tax	1,89,42,896	1,89,42,896	AY 2012-13	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	75,758	75,758	AY 2013-14	Income Tax Officer (Assessing Officer)
Income Tax Act, 1961	Income Tax	48,645	48,645	AY 2014-15	Income Tax Officer (Assessing Officer)
Income Tax Act, 1961	Income Tax	36,484	36,484	AY 2015-16	Income Tax Officer (Assessing Officer)
Income Tax Act, 1961	Income Tax	15,46,07,392	15,46,07,392	AY 2017-18	Commissioner of Income Tax (Appeals)
Finance Act, 1994	Service Tax	69,84,000	69,84,000	FY 2014-15 and 2015-16	Custom, Excise and Service Tax Appellate Tribunal, Mumbai
Finance Act, 1994	Service Tax	61,65,000	61,65,000	April, 2016 to June, 2017	Commissioner of Central Excise (Appeals) – II

There were no dues in respect of Customs Duties, Excise Duties and State Value Added Tax or related cess which have not been deposited as on 31st March 2021 on account of disputes.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, government and dues to debenture holders.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and the term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sanjiv V. Pilgaonkar
Partner
(Membership No. 039826)
UDIN: 21039826AAAAEB3427)

Mumbai, 13th May 2021

Balance Sheet
as at 31st March 2021

₹ in Lakh

Particulars	Notes	As at 31st March 2021	As at 31st March 2020
I ASSETS			
1 Financial assets			
Cash and cash equivalents	7	1,51,098.56	1,82,042.53
Bank balance other than cash and cash equivalents	8	1,913.09	-
Derivative financial instruments	9	-	5,408.39
Trade Receivables	10	998.86	1,195.36
Loans	11	47,59,743.36	45,98,535.45
Investments	12	79,290.90	3,34,240.17
Other financial assets	13	5,117.95	4,341.17
2 Non-financial assets			
Current tax assets (net)	14	23,971.65	23,364.88
Deferred tax assets (net)	42	26,013.31	24,058.99
Property, plant and equipments	15	1,465.80	1,953.20
Intangible assets under development	16	1,197.92	4,898.29
Other intangible assets	17	7,149.74	2,481.14
Right of use Lease Assets	18	9,405.31	8,069.45
Other non-financial assets	19	8,150.54	9,363.27
Total assets		**50,75,516.99**	**51,99,952.29**
II LIABILITIES AND EQUITY			
Liabilities			
1 Financial liabilities			
Derivative financial instruments	9	3,063.81	0.40
Payables			
Trade Payables			
- Total outstanding dues of Micro and small enterprises	20	214.66	282.07
- Total outstanding dues of creditors Other than micro and small enterprises	20	10,957.65	10,184.87
Debt securities	21	16,57,875.04	17,86,922.93
Borrowings (other than debt securities)	22	22,45,460.08	23,48,463.85
Subordinated liabilities	23	2,18,183.26	2,10,142.09
Lease Liability	24	10,224.64	8,909.91
Other financial liabilities	25	31,157.54	11,403.74
2 Non-financial liabilities			
Current tax liabilities (Net)	26	1,466.63	2,825.65
Provisions	27	8,062.51	9,703.56
Other non-financial liabilities	28	5,063.23	3,298.18
Total liabilities		**41,91,729.05**	**43,92,137.25**
Equity			
Equity share capital	29	66,210.08	66,210.08
Other equity	30	8,17,577.86	7,41,604.96
Total equity		**8,83,787.94**	**8,07,815.04**
Total liabilities and equity		**50,75,516.99**	**51,99,952.29**

As per our report of even date attached.
For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration No: 117366W/W-100018

per Sanjiv V. Pilgaonkar
Partner
Membership No: 039826

Place: Mumbai
Date: 13th May 2021

For and on behalf of the Board of Directors of
Aditya Birla Finance Limited

Ajay Srinivasan
Director
(DIN - 00121181)

Rakesh Singh
Managing Director and Chief Executive Officer
(DIN - 07006067)

Sanjay Miranka
(Chief Financial Officer)

Ankur Shah
(Company Secretary)

Place: Mumbai
Date: 13th May 2021

Statement of Profit and Loss

For the year ended 31st March 2021

₹ in Lakh

	Particulars	Notes	Year ended 31st March 2021	Year ended 31st March 2020
	REVENUE FROM OPERATIONS			
	(i) Interest income	32	5,28,338.56	5,72,706.65
	(ii) Dividend income	33	284.75	1,924.97
	(iii) Fee and commission income	34	15,251.64	16,361.38
	(iv) Net gain on fair value changes	35	7,277.03	16,649.46
(I)	**Total revenue from operations**		**5,51,151.98**	**6,07,642.46**
(II)	Other income	36	1,644.28	1,296.07
(III)	**Total income (I + II)**		**5,52,796.26**	**6,08,938.53**
	Expenses			
	(i) Finance cost	37	3,01,990.53	3,60,812.40
	(ii) Impairment on financial instruments	38	68,177.51	70,707.00
	(iii) Employee benefit expenses	39	44,892.29	40,480.52
	(iv) Depreciation, amortization and impairment	40	5,850.05	4,976.64
	(v) Other expenses	41	28,744.65	26,671.24
(IV)	**Total expenses**		**4,49,655.03**	**5,03,647.80**
(V)	**Profit/(loss) before tax (III- IV)**		**1,03,141.23**	**1,05,290.73**
(VI)	**Tax expense:**			
	(1) Current tax	42	28,600.00	29,136.44
	(2) Deferred tax expenses(credit)	42	(1,648.16)	(3,793.01)
	(3) Prior year adjustments	42	(693.82)	(547.30)
(VII)	**Profit/(loss) for the year**			
(VIII)	**Other comprehensive income**		76,883.21	80,494.60
	Items that will not be reclassified to profit or loss			
	Remeasurement gain/(loss) on defined benefit plan		439.59	(425.93)
	Income tax impact of above		(110.64)	106.84
			328.95	**(319.09)**
	Gain/(Loss) on FVTOCI Equity Instrument		35.36	(13.89)
	Income tax impact of above		(8.90)	3.50
			26.46	**(10.39)**
	Items that will be reclassified to profit or loss			
	Fair Value change on derivatives designated as cash flow hedge		(1,691.42)	(1,649.32)
	Income tax impact on above		425.70	415.10
			(1,265.72)	**(1,234.22)**
	Other comprehensive income for the year net of tax		(910.31)	(1,563.70)
	Total comprehensive income for the year net of tax		**75,972.90**	**78,930.90**
(IX)	**Earnings per equity share**			
	Basic (₹)	43	11.61	12.16
	Diluted (₹)	43	11.61	12.16

As per our report of even date attached.
For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration No: 117366W/W-100018

per Sanjiv V. Pilgaonkar
Partner
Membership No: 039826

Place: Mumbai
Date: 13th May 2021

For and on behalf of the Board of Directors of
Aditya Birla Finance Limited

Ajay Srinivasan
Director
(DIN - 00121181)

Rakesh Singh
Managing Director and Chief Executive Officer
(DIN - 07006067)

Sanjay Miranka
(Chief Financial Officer)

Ankur Shah
(Company Secretary)

Place: Mumbai
Date: 13th May 2021

Cash Flows Statement

For the year ended 31st March 2021

₹ in Lakh

Particulars	Year ended 31st March 2021	Year ended 31st March 2020
OPERATING ACTIVITIES		
Profit before tax	1,03,141.23	1,05,290.73
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation, amortization and impairment	5,850.05	4,976.64
Impairment on financial instruments	68,177.51	70,707.00
Net (Gain) / Loss on fair value changes	(7,277.03)	(16,649.46)
(Gain)/Loss on sale of property, plant and equipment	95.94	(1.77)
Dividend income	(284.75)	(1,924.97)
Interest income on investment and Bonds	(5,430.12)	(6,710.84)
Finance cost on lease liability	897.27	724.94
Profit on surrender of lease liability/ income from rent concession	(691.99)	-
Operating Profit before Working Capital Changes	**1,64,478.11**	**1,56,412.27**
Working capital changes		
Decrease / (Increase) in Loans	(2,29,398.74)	3,50,133.03
Decrease / (Increase) in Trade Receivables	233.63	(651.02)
Decrease / (Increase) in Other financial assets	(776.78)	2,357.98
Decrease / (Increase) in Other non-financial assets	1,046.49	(3,082.16)
Increase/ (Decrease) in Trade Payables	705.37	1,569.77
Increase/ (Decrease) in Other financial liabilities	(9,369.11)	29,066.67
Increase/ (Decrease) in Provisions	(1,201.46)	469.79
Increase/ (Decrease) in Other non-financial liabilities	1,765.05	(510.64)
	(72,517.44)	**5,35,765.69**
Income tax paid (net of refunds)	(29,871.97)	(49,508.77)
Net cash flows from/(used in) operating activities	**(1,02,389.41)**	**4,86,256.92**
Investing activities		
Purchase of property, plant and equipments	(328.69)	(847.53)
Purchase of Intangible assets including assets under development	(3,479.95)	(4,894.28)
Net (Purchase) / Sale of Investments	2,59,041.50	(1,57,547.83)
Sale of property, plant and equipments	83.74	86.87
Dividend received	284.75	1,924.97
Increase in bank balance otherthan cash and cash equivalents	(1,913.09)	-
Interest received on investment measured at FVTPL	8,650.27	3,503.13
Net cash flows from/(used in) investing activities	**2,62,338.53**	**(1,57,774.67)**
Financing activities		
Proceeds from long term borrowings	8,27,599.99	11,68,157.84
Repayment of long term borrowings	(11,22,209.08)	(7,54,807.06)
(Repayment) / Proceeds from short term borrowings*	1,06,501.88	(5,64,166.25)
Payment of lease & other liability	(2,785.88)	(1,532.26)
Net cash flows from/(used in) financing activities	**(1,90,893.09)**	**(1,52,347.73)**
Net increase/(Decrease) in Cash and Cash Equivalents	(30,943.97)	1,76,134.52
Cash and cash equivalents as at the beginning of the year	**1,82,042.53**	**5,908.01**
Cash and cash equivalents as at the end of the year	**1,51,098.56**	**1,82,042.53**
Components of cash and cash equivalents		
Cash / Cheques on hand	-	-
Balances with banks		
In Fixed Deposits	-	22,294.66
In current accounts	1,51,098.56	1,59,747.87
Total cash and cash equivalents	**1,51,098.56**	**1,82,042.53**
Cash Flow from Operations includes:		
Interest Received	5,30,708.88	5,69,599.83
Interest paid	3,32,556.90	3,28,124.06
Dividend Received	284.75	1,924.97

*(Repayment) / Proceeds from short term borrowings includes commercial paper, Book overdraft Cash Credit and Working Capital Demand Loan.

Cash Flows Statement

For the year ended 31st March 2021

Additional disclosure pursuant to Ind AS 7

₹ in Lakh

Particulars	Year ended 31st March 2021	Year ended 31st March 2020
Opening balance of Debt securities, borrowings (other than debt securities) and subordinated liabilities	**43,45,528.87**	**44,52,589.94**
Cash Flows	(1,88,107.21)	(1,50,815.47)
Fair Value Adjustment	(5,336.91)	11,066.06
Interest Accrued on borrowings	(30,566.37)	32,688.34
Acquisition	-	-
Closing balance of Debt securities, borrowings (other than debt securities) and subordinated liabilities	**41,21,518.38**	**43,45,528.87**

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration No: 117366W/W-100018

per Sanjiv V. Pilgaonkar
Partner
Membership No: 039826

Place: Mumbai
Date: 13th May 2021

For and on behalf of the Board of Directors of
Aditya Birla Finance Limited

Ajay Srinivasan
Director
(DIN - 00121181)

Rakesh Singh
Managing Director and Chief Executive Officer
(DIN - 07006067)

Sanjay Miranka
(Chief Financial Officer)

Ankur Shah
(Company Secretary)

Place: Mumbai
Date: 13th May 2021

Statement of Changes in Equity

For the year ended 31st March 2021

(A) EQUITY SHARE CAPITAL

₹ in Lakh

	No. in lakhs	₹ in lakhs
Equity shares of ₹ 10 each issued, subscribed and fully paid		
As at 1st April 2019	6,621.01	66,210.08
Issued during the year	-	-
As at 31st March 2020	**6,621.01**	**66,210.08**
Issued during the period	-	-
As at 31st March 2021	**6,621.01**	**66,210.08**

(B) OTHER EQUITY

₹ in Lakh

Particulars	Reserves and Surplus						Other comprehensive income		Total Other Equity
	Special reserve	Securities premium account	Capital Reserve	General Reserve	Capital Redemption Reserve	Retained Earnings	Equity instruments through other comprehensive income	Cash Flow Hedge Reserve	
Balance as at 1st April 2019	66,187.79	3,63,738.29	(10,452.11)	13,660.95	-	2,29,237.04	138.33	-	6,62,510.29
Profit for the Year	-	-	-	-	-	80,494.60	-	-	80,494.60
Fair Value change on derivatives designated as cash flow hedge	-	-	-	-	-	-	-	(1,234.22)	(1,234.22)
On redemption of Preference Share Capital	-	-	-	-	1,000.00	(1,000.00)	-	-	-
Adjustment on account of Merger of Transaction business of demerger of Aditya Birla Capital Technologies Services Limited, ABCTSL (formerly known as Aditya Birla MyUniverse Limited,(ABMUL)	-	-	-	-	-	792.81	-	-	792.81
Other comprehensive income	-	-	-	-	-	(319.09)	(10.39)	-	(329.48)
Total comprehensive Income	**-**	**-**	**-**	**-**	**1,000.00**	**79,968.32**	**(10.39)**	**(1,234.22)**	**79,723.71**
Transition Reserve created for Ind AS 116	-	-	-	-	-	(629.04)	-	-	(629.04)
Transfer to/from retained earnings	16,420.21	-	-	-	-	(16,420.21)	-	-	-
Balance as at 31st March 2020	**82,608.00**	**3,63,738.29**	**(10,452.11)**	**13,660.95**	**1,000.00**	**2,92,156.11**	**127.94**	**(1,234.22)**	**7,41,604.96**
Balance as at 1st April 2020	82,608.00	3,63,738.29	(10,452.11)	13,660.95	1,000.00	2,92,156.11	127.94	(1,234.22)	7,41,604.96
Profit for the Period	-	-	-	-	-	76,883.21	-	-	76,883.21
Fair Value change on derivatives designated as cash flow hedge	-	-	-	-	-	-	-	(1,265.72)	(1,265.72)
Other comprehensive income	-	-	-	-	-	328.95	26.46	-	355.41
Total comprehensive Income	**-**	**-**	**-**	**-**	**-**	**77,212.16**	**26.46**	**(1,265.72)**	**75,972.90**
Transfer to/from retained earnings	15,376.48	-	-	-	-	(15,376.48)	-	-	-
Balance as at 31st March 2021	**97,984.48**	**3,63,738.29**	**(10,452.11)**	**13,660.95**	**1,000.00**	**3,53,991.79**	**154.40**	**(2,499.94)**	**8,17,577.86**

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration No: 117366W/W-100018

per Sanjiv V. Pilgaonkar
Partner
Membership No: 039826

Place: Mumbai
Date: 13th May 2021

For and on behalf of the Board of Directors of
Aditya Birla Finance Limited

Ajay Srinivasan
Director
(DIN - 00121181)

Rakesh Singh
Managing Director and Chief Executive Officer
(DIN - 07006067)

Sanjay Miranka
(Chief Financial Officer)

Ankur Shah
(Company Secretary)

Place: Mumbai
Date: 13th May 2021

Notes

Forming part of financial statements as on 31st March 2021

1 CORPORATE INFORMATION - BRIEF DESCRIPTION ABOUT THE COMPANY

Aditya Birla Finance Limited ('ABFL' or 'the Company') is a public company domiciled in India incorporated on 28th August 1991 under the provisions of the Companies Act, 1956.

The Company is registered with Reserve Bank of India (RBI) as non-deposit taking systematically important Non Banking Financial Company (NBFC) with Registration no.N-01.00500 and is certified as ISO 9001: 2015 for all its Business processes by British Standards Institution (BSI).

The Company is also certified with ISO 27001: 2013 - Information security Management System (ISMS) for Human resource and administration, Information Technology and Internal audit & compliance functions.

The Company is among the leading well-diversified financial services company in India offering end-to-end lending, financing and wealth management solutions to a diversified range of customers across the country.

The Company is one of the wholly owned subsidiary of Aditya Birla Capital Limited and the ultimate parent company is Grasim Industries Limited.

The registered office of the Company is Indian Rayon Compound, Veraval, Gujarat - 362266.

The financial statements were authorised for issue by the Board of Directors on 13th May 2021.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Indian Accounting Standards) Rules, 2015, the Companies (Indian Accounting Standards) Amendment Rules, 2016. The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant accounting standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company are discussed in Note 6 - Significant accounting judgements, estimates and assumptions.

The financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakh, except when otherwise indicated.

To provide more reliable and relevant information about the effect of certain items in the Balance Sheet and Statement of Profit and Loss, the Company has changed the classification of certain items. Accordingly, previous period/year figures have been re-grouped or reclassified, to confirm to such current period grouping / classifications. There is no impact on Equity or Net Loss due to these regrouping / reclassifications.

3 PRESENTATION OF FINANCIAL STATEMENTS:

The financial statements of the Company are presented as per Schedule III (Division III) of the Companies Act, 2013 applicable to NBFCs, as notified by the Ministry of Corporate Affairs (MCA). Financial assets and financial liabilities are generally reported on a gross basis except when, there is an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the parties intend to settle on a net basis in the following circumstances:

i. The normal course of business

ii. The event of default

iii. The event of insolvency or bankruptcy of the Company and/or its counterparties"

4 STATEMENT OF COMPLIANCE:

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

5 SIGNIFICANT ACCOUNTING POLICIES:

5.1 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.

(i) Classification of financial instruments

The classification depends on the contractual terms of the financial assets' cash flows and the Company's business model for managing financial assets.

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

Notes

Forming part of financial statements as on 31st March 2021

The Company classifies its financial assets into the following measurement categories:

1. Financial assets to be measured at amortised cost
2. Financial assets to be measured at fair value through other comprehensive income
3. Financial assets to be measured at fair value through profit or loss account "

The business model is assessed on the basis of aggregated portfolios based on observable factors. These factors include:

- Reports reviewed by the entity's key management personnel on the performance of the financial assets.
- The risks impacting the performance of the business model (and the financial assets held within that business model) and its management thereof.
- The compensation of the managing teams (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of trades.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account."

The Company also assesses the contractual terms of financial assets on the basis of its contractual cash flow characteristics that are solely for the payments of principal and interest on the principal amount outstanding.

'Principal' is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Sales that are infrequent and insignificant in value both individually and in aggregate are considered to be consistent with the business model whose objective is to hold and collect the contractual cash flows.

The Company classifies its financial liabilities at amortised costs unless it has designated liabilities at fair value through the profit and loss account or is required to measure liabilities at fair value through profit or loss.

(ii) Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, except in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement - Financial assets measured at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely for the payments of principal and interest on the principal amount outstanding."

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR). Amortised cost is calculated by taking into account any fees or costs that are an integral part of the EIR. The EIR amortisation is included in fee and commission income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

These financial assets comprise bank balances, trade receivables, loans and other financial assets.

Subsequent measurement - Financial assets measured at fair value through other comprehensive income

Debt instruments

A 'debt instrument' is classified as at the Fair Value through Other Comprehensive Income (FVTOCI) if both of the following criteria are met:

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

b) The asset's contractual cash flows represent Solely Payment of Principal and Interest(SPPI).

Notes

Forming part of financial statements as on 31st March 2021

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the Other Comprehensive Income (OCI). However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Equity Instruments

All equity investments in scope of Ind AS 109 are measured at fair value. For all such equity investments, the Company may make an irrevocable election to present in OCI the subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the Fair Value through Profit or Loss (FVTPL) category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Subsequent measurement - Items at fair value through profit or loss

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

(iii) Financial Liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include borrowings including Company overdrafts and trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the Statement of Profit and Loss.

(iv) Recognition and Derecognition of financial assets and liabilities

Recognition:

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers. Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs."

Derecognition:

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

(a) The right to receive cash flows from the asset have expired, or

(b) The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset."

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced

Notes

Forming part of financial statements as on 31st March 2021

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 derecognition 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.

(v) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments are measured at amortised cost e.g., loans, debt securities, deposits, and other balances

b) Financial assets that are measured as at FVTOCI

c) Loan commitments which are not measured as at FVTPL

d) Financial guarantee contracts which are not measured as at FVTPL.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

The Company has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Company estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset i.e., the difference between the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive are discounted at the effective interest rate of the loan.

The Company groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit impaired
Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount."

ECL impairment loss allowance (or reversal) during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'Impairment on financial instruments' in the Statement of Profit and Loss. On the other side, for financial assets measured as at amortised cost, ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

In terms of the requirement as per RBI notification no. RBI/2019-20/170 DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated 13th March 2020 on Implementation of Indian Accounting Standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income Recognition, Asset Classification and Provisioning (IRACP) norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the company exceeds the total provision required under IRACP (including standard asset provisioning), as at 31st March 2021 and accordingly, no amount is required to be transferred to impairment reserve.

(vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if

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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.

(vii) Write-offs

The Company reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. The Company reserves the right to recover such written off amount. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

(viii) Derivative Financial Instruments and Hedge Accounting:

The Company enters into forward contracts to hedge the foreign currency risk of firm commitments and highly probable forecast transactions. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the Statement of Profit and Loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Profit and Loss depends on the nature of the hedging relationship and the nature of the hedged item.

The Company enters into derivative financial instruments viz. foreign exchange forward contracts, interest rate swaps and cross currency swaps to manage its exposure to interest rate and foreign exchange rate risks. The Company does not hold derivative financial instruments for speculative purposes.

Hedge Accounting: The Company designates certain hedging instruments in respect of foreign currency risk and interest rate risk as cash flow hedges. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows, and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of changes in the fair value of the designated portion of derivatives that qualify as cash flow hedges is recognised in Other Comprehensive Income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit and Loss.

Amounts previously recognised in Other Comprehensive Income and accumulated in other equity relating to (effective portion as described above) are re-classified to the Statement of Profit and Loss in the periods when the hedged item affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, such gains and losses are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires, terminated, or exercised, without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in Other Comprehensive Income and accumulated in other equity at that time remains in other equity and is recognised when the forecast transaction is ultimately recognised in Statement of Profit and Loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in other equity is recognised immediately in the Statement of Profit and Loss.

(ix) Determination of fair value

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Company measures certain categories of financial instruments (as explained in note 5.1 (ii) and (iii)) at fair value on each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in

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its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable"

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

5.2 Revenue from operations

(i) Interest Income

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Any subsequent changes in the estimation of the future cash flows is recognised in interest income with the corresponding adjustment to the carrying amount of the assets.

Interest income on credit impaired assets is recognised by applying the effective interest rate to the net amortised cost (net of provision) of the financial asset.

(ii) Dividend Income

Dividend income is recognised

a. When the right to receive the payment is established which is generally when shareholders approve the dividend,

b. it is probable that the economic benefits associated with the dividend will flow to the entity and

c. the amount of the dividend can be measured reliably

(iii) Rental Income

Rental income arising from operating leases is recognised on a straight-line basis over the lease term. In cases where the increase is in line with expected general inflation. Rental Income is recognised as per the contractual terms.

Operating leases are leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset.

(iv) Fees & Commission Income

Fees and commissions are recognised when the Company satisfies the performance obligation, at fair value of the consideration received or receivable based on a five-step model as set out below, unless included in the effective interest calculation:

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

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

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

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

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

(v) Net gain on Fair value changes

Any differences between the fair values of financial assets classified as fair value through the profit or loss (refer Note 35), held by the Company on the balance sheet date is recognised as an unrealised gain / loss. In cases there is a net gain/loss in the aggregate, the same is recognised in "Net gains on fair value changes" under Revenue from operations in the statement of Profit and Loss. Similarly, any realised gain or loss on sale of financial instruments measured at FVTPL is recognised in net gain / loss on fair value changes.

Similarly, any differences between the fair values of financial assets classified as fair value through other comprehensive income are disclosed in the OCI.

However, net gain / loss on derecognition of financial instruments classified as amortised cost is presented separately under the respective head in the Statement of Profit and Loss.

5.3 Expenses

(i) Finance Costs

Finance costs represents Interest expense recognised by applying the EIR to the gross carrying amount of financial liabilities other than financial liabilities classified as FVTPL.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.

(ii) Retirement and other employee benefits

Short term employee benefit

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus/ex-gratia are recognised in the period in which the employee renders the related service.

Post employment employee benefit

a) Defined contribution schemes

The Company makes defined contribution to Government managed Employee Provident Fund, Government managed Employee Pension Fund, Employee Deposit Linked Insurance, Employee State Insurance and Superannuation Schemes which are recognised in Statement of Profit and Loss on accrual basis. Payments to defined contribution retirement benefit plans are recognised as an expense when employee have rendered the service entitling them to the contribution.

If the contribution payable to the scheme for service received before the Balance Sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the Balance Sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

b) Defined benefit expenses

The Company's liabilities under Payment of Gratuity Act and long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial gain and losses are recognised immediately in Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

The Company presents the entire leave as a provision in the Balance Sheet, since it does not have any unconditional right to defer its settlement for twelve months after the reporting date.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined

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benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earliest of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under employee benefit expenses in the Statement of Profit and Loss.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements,
- Net interest expense or income.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, attrition rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Other long-term employee benefits

Company's liabilities towards compensated absences to employees are accrued on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Loss.

The Company presents the Provision for compensated absences under provisions in the Balance Sheet.

(iii) Rent expense

In case of short term leases and leases for which the underlying asset is of low value, the company has elected not to apply the requirements of Ind AS 116 and the lease payments associated with those leases are recognised as rent expense on a straight line basis.

(iv) Leases

The Company as a lessee

The Company's lease assets primarily consist of leases for land and buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes right – of – use ("ROU") asset and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the under lying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use) is determined on an individual asset basis unless the asset generates cash flows that are largely dependent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

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The lease liability is initially measured at amortised cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment on exercise of an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly for all contracts as on 1st April 2019, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The weighted average incremental borrowing rate applied to lease liabilities as at 1st April 2020 is between the range of 6.72% p.a. to 7.15% p.a. for a period varying from 1 to 10 years.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements required in the application of Ind AS 116 may include, among others, the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in substance fixed;
- Establishing whether there are multiple leases in an arrangement;
- Determining the stand-alone selling prices of lease and non-lease components.

Key sources of estimation uncertainty in the application of Ind AS 116 may include, among others, the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

(v) Other income and expenses

All Other income and expense are recognized in the period they occur.

(vi) 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 asset is treated as impaired when the carrying cost of the assets exceeds its recoverable value. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An impairment loss, if any, is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss."

(vii) Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction, or production of a

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qualifying asset are capitalised as a part of the cost of such asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

All other borrowing costs are expensed in the period in which they occur at amortised cost using Effective Interest Rate (EIR).

Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing funds.

(viii) Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit 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.

Deferred tax relating to items recognised outside profit or loss account is recognised either in OCI or in equity. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(ix) Functional and presentational currency

The financial statements are presented in Indian rupees (rounded to the nearest lakhs) which is determined to be the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

5.4 Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet and for the purpose of statement of cash flows comprise cash at bank and cheques in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. They are held for the purposes of meeting short-term cash commitments (rather than for investment or other purposes).

5.5 Property, Plant and Equipments

All items of property, plant and equipments are stated at historical cost, net of accumulated depreciation and impairment loss if any. The cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

Depreciation methods, estimated useful lives and residual value

Depreciation on the property, plant and equipments is provided on straight line method using the rates arrived as per estimates made by the management supported by

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technical assessment which coincides with the useful lives of assets as specified in Schedule II to the Companies Act, 2013, except for the assets specified below. The Company has used the following useful lives of the property, plant and equipments to provide depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Useful Life as Prescribed by Schedule II of the Companies Act, 2013	Estimated Useful Life by Company
Office Computers and Electronic Equipments (including Plant & Machinery)	3 Years	4 Years
Vehicles	8 Years	5 Years
Furniture, Fixtures and Other Office Equipments	10 Years	7 Years
Leasehold Improvements	Over the primary period of the lease	3 Years

Useful life of assets different from prescribed in Schedule II has been estimated by management supported by technical assessment.

Depreciation on assets acquired / sold during the year is recognised on a pro-rata basis to the Statement of Profit and Loss from/ till the date of acquisition or sale.

The residual values, useful lives and methods of depreciation of property, plant and equipments are reviewed at each financial year end and adjusted prospectively, if appropriate.

5.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any. Intangible assets are amortised on straight line basis over a period of 3 years.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

Gains or losses from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

5.7 Provisions and Contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

5.8 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

5.9 Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share.

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary equity holders of Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of Company (after

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adjusting for interest on the convertible preference shares and interest on the convertible bond, in each case, inclusive of tax) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

5.10 Segment Reporting

Operating business segment results are reviewed regularly by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segments and assess their performance. Business segment is the primary segment comprising of 'Financing activity'. As the Company operates only in a single business segment, no segment information thereof is given as required under Ind AS 108.

5.11 Dividend

The Company recognises a liability to make dividend distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity or Statement of profit or loss account.

5.12 Business Combination under Common Control

A common control business combination, involving entities or businesses in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and where the control is not transitory, is accounted for in accordance with Appendix C to Ind AS 103 'Business Combinations'.

Business combinations involving entities or businesses under common control are accounted for using the pooling of interest method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognize new assets or liabilities. Adjustments are made only to harmonize significant accounting policies.
- The financial information in the financial statements in respect of prior periods are restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination.
- The identity of the reserves are preserved and appear in the financial statements of the transferee in the same form in which they appeared in the financial statements of the transferor.

The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves with disclosure of its nature and purpose in the notes."

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

6.1 Business Model Assessment

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

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appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.2 Estimation of defined benefit plans (gratuity benefits)

Refer Note 5.3 (ii)

6.3 Fair value measurement:

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

6.4 Impairment of loans portfolio

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

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The impairment loss on loans and advances is disclosed in more detail in Note 11.

6.5 Provisions other than impairment on loan portfolio and contingent liabilities

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

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

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

6.6 Effective Interest Rate (EIR) method

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

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

6.7 Recognition of deferred tax assets for carried forward losses

Refer Note 5.3 (viii)

6.8 Estimation of useful life of property, plant and equipments and intangible assets

Refer note 5.5 and 5.6

Notes

Forming part of financial statements as on 31st March 2021

NOTE 7: CASH AND CASH EQUIVALENTS

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Balances with bank in		
- Fixed Deposits (with original maturity less than 3 months)	-	22,294.66
- Current Accounts	1,51,098.56	1,59,747.87
Cheques in hand	-	-
Total	**1,51,098.56**	**1,82,042.53**

NOTE 8: BANK BALANCE OTHER THAN CASH AND CASH EQUIVALENTS

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
- Fixed Deposits (with original maturity more than 3 months)	1,913.09	-
Total	**1,913.09**	**-**

NOTE 9: DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that meet the hedge accounting requirements.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the period/year end and are not indicative of either the market risk or credit risk.

₹ in Lakh

Particulars	As at 31st March 2021			As at 31st March 2020		
	Notional amounts	Fair Value - Assets	Fair Value - Liabilities	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
Part I						
(i) Cross Currency Interest Rate swaps	1,46,367.54	-	3,062.55	1,46,367.54	5,408.39	-
(ii) Currency forward	35.55	-	1.26	36.11	-	0.40
Total	**1,46,403.09**	**-**	**3,063.81**	**1,46,403.65**	**5,408.39**	**0.40**
Part II						
(i) Cash flow hedging						
- Cross Currency Interest Rate swaps	1,46,367.54	-	3,062.55	1,46,367.54	5,408.39	-
- Currency forward	35.55	-	1.26	36.11	-	0.40
Total	**1,46,403.09**	**-**	**3,063.81**	**1,46,403.65**	**5,408.39**	**0.40**

Note 9.1: Hedging activities and derivatives

The Company is exposed to certain risks relating to its external commercial borrowings. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. The Company's risk management strategy and how it is applied to manage risk are explained in Note 51.

Note 9.2: Derivatives designated as hedging instruments

Cash flow hedges

The Company is exposed to foreign currency risk arising from its External Commercial borrowings amounting to ₹ 1,46,367.54 Lakhs. Interest on the borrowing is payable at a floating rate. The Company economically hedged the foreign currency risk arising from the debt with a 'receive floating pay fixed' cross-currency interest rate swap ('swap'). The notional amount of swap is discosed in the table below. The swap contract converts the cash outflows of the foreign currency borrowing as per table below to cash outflows in INR with a notional amount of ₹ 1,46,367.54 lakhs at fixed interest rate.

Notes

Forming part of financial statements as on 31st March 2021

₹ in Lakh

Name of Lender	Foreign Currency Denominated Borrowing Amount	Interest rate type	Notional Amount of swap (₹)	Interest rate swap type
As at 31st March 2021				
JPY Denominated (in JPY lakhs) (Maturity range: September 2022 to February 2023)	1,89,366.25	Floating rate interest	1,24,089.54	Fixed rate interest
USD Denominated (Maturity March 2023)	300.00	Floating rate interest	22,278.00	Fixed rate interest
Total			**1,46,367.54**	

₹ in Lakh

Name of Lender	Foreign Currency Denominated Borrowing Amount	Interest rate type	Notional Amount of swap (₹)	Interest rate swap type
As at 31st March 2020				
JPY Denominated (in JPY lakhs) (Maturity range: September 2022 to February 2023)	1,89,366.25	Floating rate interest	1,24,089.54	Fixed rate interest
USD Denominated (Maturity March 2023)	300.00	Floating rate interest	22,278.00	Fixed rate interest
Total			**1,46,367.54**	

There is an economic relationship between the hedged item and the hedging instrument as the terms of the cross currency swap contract match that of the foreign currency borrowing (notional amount, interest payment dates, principal repayment date etc.). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the cross currency swap are identical to the hedged risk components.

The hedge ineffectiveness can arise mainly if there is a change in the credit risk of the Company or the counterparty.

The impact of the hedging instruments on the balance sheet is, as follows

As at 31st March 2021

₹ in Lakh

Particulars	Notional Amounts	Carrying Amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Cross currency interest rate swaps	1,46,367.54	3,062.55	Derivative liability	(1,265.08)
Currency forward	35.55	1.26	Derivative liability	(0.64)
Total	**1,46,403.09**	**3,063.81**		**(1,265.72)**

As at 31st March 2020

₹ in Lakh

Particulars	Notional Amounts	Carrying Amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Cross currency interest rate swaps	1,46,367.54	5,408.39	Derivative Asset	(1,233.92)
Currency forward	36.11	0.40	Derivative liability	(0.30)
Total	**1,46,403.65**	**5,408.79**		**(1,234.22)**

The impact of hedged items on the balance sheet is, as follows:

Notes

Forming part of financial statements as on 31st March 2021

As at 31st March 2021

₹ in Lakh

Particulars	Change in fair value used for measuring ineffectiveness for the period	Cash flow hedge reserve as at 31st March 2021
Foreign currency denominated floating rate borrowing	(1,265.72)	(2,499.94)
Total	**(1,265.72)**	**(2,499.94)**

As at 31st March 2020

₹ in Lakh

Particulars	Change in fair value used for measuring ineffectiveness for the period	Cash flow hedge reserve as at 31st March 2020
Foreign currency denominated floating rate borrowing	(1,234.22)	(1,234.22)
Total	**(1,234.22)**	**(1,234.22)**

Note 9.2: Derivatives designated as hedging instruments (contd.)

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is, as follows:

As at 31st March 2021

₹ in Lakh

Particulars	Total hedging gain / (loss) recognised in OCI	Ineffective-ness recognised in profit or loss	Line item in the statement of profit or loss	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss	Cost of hedge reclassified from OCI to profit or loss	Line item in the statement of profit or loss
Foreign currency denominated floating rate borrowing	(1,265.72)	-	-	-	-	-	-
Total	**(1,265.72)**	**-**	**-**	**-**	**-**	**-**	**-**

As at 31st March 2020

₹ in Lakh

Particulars	Total hedging gain / (loss) recognised in OCI	Ineffective-ness recognised in profit or loss	Line item in the statement of profit or loss	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss	Cost of hedge reclassified from OCI to profit or loss	Line item in the statement of profit or loss
Foreign currency denominated floating rate borrowing	(1,234.22)	-	-	-	-	-	-
Total	**(1,234.22)**	**-**	**-**	**-**	**-**	**-**	**-**

Note 9.3: Movements in Cash Flow Hedging Reserve

₹ in Lakh

Particulars	As at 1st April 2020	Add/Less: Changes in fair value	Add/Less: Foreign exchange Gain / (loss)	Add/Less: Deferred Tax	Add/Less: Accrued interest	As at 31st March 2021
Cash flow Hedging Reserve	(1,234.22)	(8,471.79)	6,794.51	425.70	(14.14)	(2,499.94)
Total	**(1,234.22)**	**(8,471.79)**	**6,794.51**	**425.70**	**(14.14)**	**(2,499.94)**

₹ in Lakh

Particulars	As at 1st April 2019	Add/Less: Changes in fair value	Add/Less: Foreign exchange Gain / (loss)	Add/Less: Deferred Tax	Add/Less: Accrued interest	As at 31st March 2020
Cash flow Hedging Reserve	-	5,407.99	(8,141.82)	415.10	1,084.51	(1,234.22)
Total	**-**	**5,407.99**	**(8,141.82)**	**415.10**	**1,084.51**	**(1,234.22)**

Notes

Forming part of financial statements as on 31st March 2021

Note 9.4: The following table shows the maturity profile of hedging derivatives based on their notional amounts.

₹ in Lakh

Particulars	As at 31st March 2021				As at 31st March 2020			
	0 to 12 months	1 to 5 years	Over 5 years	Total	0 to 12 months	1 to 5 years	Over 5 years	Total
(i) Cross Currency Interest Rate swaps	-	1,46,367.54	-	1,46,367.54	-	1,46,367.54	-	1,46,367.54
(ii) Currency forward	35.55	-	-	35.55	-	36.11	-	36.11
Total	**35.55**	**1,46,367.54**	**-**	**1,46,403.09**	**-**	**1,46,403.65**	**-**	**1,46,403.65**

NOTE 10: TRADE RECEIVABLES

As at 31st March 2021

₹ in Lakh

	Exposure	Loss Allowance	Net Amount
Trade receivables			
Considered Good – Secured	-	-	-
Considered Good – Unsecured	1,060.38	(61.52)	998.86
Trade Receivables which have significant increase in credit risk	-	-	-
Trade Receivables – credit impaired	-	-	-
Total	**1,060.38**	**(61.52)**	**998.86**

As at 31st March 2020

₹ in Lakh

	Exposure	Loss Allowance	Net Amount
Trade receivables			
Considered Good – Secured	-	-	-
Considered Good – Unsecured	1,251.82	(56.46)	1,195.36
Trade Receivables which have significant increase in credit risk	-	-	-
Trade Receivables – credit impaired	203.52	(203.52)	-
Total	**1,455.34**	**(259.98)**	**1,195.36**

Note:

No Trade or other receivables are due from directors or other officers of the company either severally or jointly with any other person, nor any trade or other receivable are due from firms or private companies in which any director is a partner, a director or a member.

₹ in Lakh

Trade receivables days past due		0-30 days past due	31-90 days past due	More than 90 days past due	Total
31st March 2021	Total gross carrying amount	997.30	18.54	44.54	1,060.38
	ECL-Simplified approach	(7.71)	(9.27)	(44.54)	(61.52)
	Net carrying amount	989.59	9.27	-	998.86
31st March 2020	Total gross carrying amount	1,143.87	78.86	232.61	1,455.34
	ECL-Simplified approach	(9.84)	(17.53)	(232.61)	(259.98)
	Net carrying amount	1,134.03	61.33	-	1,195.36

Reconciliation of impairment allowance on trade and other receivables:

₹ in Lakh

Impairment allowance measured as per simplified approach	
Impairment allowance as at 31st March 2020	(259.98)
(Add): New assets originated or purchased	37.13
Less: Assets derecognised or repaid (excluding write offs)	161.33
Less: Amounts written off	-
Impairment allowance as at 31st March 2021	(61.52)

Notes

Forming part of financial statements as on 31st March 2021

NOTE 11: LOANS

₹ in Lakh

Particulars	As at 31st March 2021						As at 31st March 2020					
	Amortised Cost	At fair value				Total	Amortised Cost	At fair value				Total
		Through Other Compre-hensive Income	Through profit and loss account	Designated at through profit and loss account	Sub-total			Through Other Compre-hensive Income	Through profit and loss account	Designated at through profit and loss account	Sub-total	
Loans & Advances	48,61,820.53	-	-	-	-	48,61,820.53	46,86,646.56	-	-	-	-	46,86,646.56
Other Advances	41.48	-	-	-	-	41.48	42.03	-	-	-	-	42.03
Total (A) - Gross	**48,61,862.01**	**-**	**-**	**-**	**-**	**48,61,862.01**	**46,86,688.59**	**-**	**-**	**-**	**-**	**46,86,688.59**
Less: Impairment loss allowance	1,02,118.65	-	-	-	-	1,02,118.65	88,153.14	-	-	-	-	88,153.14
Total (A) - Net	**47,59,743.36**	**-**	**-**	**-**	**-**	**47,59,743.36**	**45,98,535.45**	**-**	**-**	**-**	**-**	**45,98,535.45**
i) Secured by tangible assets	35,69,505.55	-	-	-	-	35,69,505.55	33,59,676.84	-	-	-	-	33,59,676.84
ii) Secured by intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
iii) Covered by bank and government guarantee	1,43,439.71	-	-	-	-	1,43,439.71	1,81,784.92	-	-	-	-	1,81,784.92
iv) Secured by book debts, inventories, fixed deposit and other working capital items	2,51,038.77	-	-	-	-	2,51,038.77	3,42,458.46	-	-	-	-	3,42,458.46
v) Unsecured	8,97,877.98	-	-	-	-	8,97,877.98	8,02,768.37	-	-	-	-	8,02,768.37
Total (B) - Gross	**48,61,862.01**	**-**	**-**	**-**	**-**	**48,61,862.01**	**46,86,688.59**	**-**	**-**	**-**	**-**	**46,86,688.59**
Less: Impairment loss allowance	1,02,118.65	-	-	-	-	1,02,118.65	88,153.14	-	-	-	-	88,153.14
Total (B) - Net	**47,59,743.36**	**-**	**-**	**-**	**-**	**47,59,743.36**	**45,98,535.45**	**-**	**-**	**-**	**-**	**45,98,535.45**
Loans in India												
i) Public Sector	47,530.39	-	-	-	-	47,530.39	54,429.24	-	-	-	-	54,429.24
ii) Others	48,14,331.62	-	-	-	-	48,14,331.62	46,32,259.35	-	-	-	-	46,32,259.35
Total - Gross	**48,61,862.01**	**-**	**-**	**-**	**-**	**48,61,862.01**	**46,86,688.59**	**-**	**-**	**-**	**-**	**46,86,688.59**
Less: Impairment loss allowance	1,02,118.65	-	-	-	-	1,02,118.65	88,153.14	-	-	-	-	88,153.14
Total - Net	**47,59,743.36**	**-**	**-**	**-**	**-**	**47,59,743.36**	**45,98,535.45**	**-**	**-**	**-**	**-**	**45,98,535.45**
Loans outside India	-	-	-	-	-	-	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-	-	-	-	-	-	-
Total - Net	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (C)	**47,59,743.36**	**-**	**-**	**-**	**-**	**47,59,743.36**	**45,98,535.45**	**-**	**-**	**-**	**-**	**45,98,535.45**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 11: LOANS (CONTINUED)

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

₹ in Lakh

Loans	As at 31st March 2021				As at 31st March 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance of Gross carrying amount	43,86,660.17	1,21,676.21	1,82,708.23	46,91,044.61	48,73,415.01	1,00,643.74	81,340.04	50,55,398.79
New assets originated or purchased	14,37,319.66	42,176.51	2,344.64	14,81,840.81	13,90,926.57	6,150.89	2,875.65	13,99,953.11
Assets derecognised or repaid (excluding write offs)	(12,04,439.47)	(21,783.49)	(27,291.81)	(12,53,514.77)	(16,68,947.83)	(46,851.03)	(14,111.14)	(17,29,910.00)
Transfers to Stage 1	29,095.93	(15,845.90)	(13,250.03)	-	28,009.53	(26,187.51)	(1,822.02)	-
Transfers to Stage 2	(2,58,008.40)	2,58,590.76	(582.36)	-	(1,14,942.67)	1,17,879.49	(2,936.82)	-
Transfers to Stage 3	(34,063.60)	(18,906.79)	52,970.39	-	(1,20,961.84)	(29,512.60)	1,50,474.44	-
Amounts written off	(2,450.21)	-	(54,651.82)	(57,102.03)	(838.60)	(446.77)	(33,111.92)	(34,397.29)
Closing Balance of Gross carrying amount	43,54,114.08	3,65,907.30	1,42,247.24	48,62,268.62	43,86,660.17	1,21,676.21	1,82,708.23	46,91,044.61

Stage 1, 2 and 3 Loans includes Interest Accrued but Excludes EIR amounting to ₹ 406.61 lakhs (31st March 2020: ₹ 4,356.02 lakhs).

Reconciliation of ECL balance is given below:

₹ in Lakh

ECL	As at 31st March 2021				As at 31st March 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance of ECL allowance	21,094.81	10,497.91	56,560.42	88,153.14	15,381.54	4,424.65	31,295.81	51,102.00
Increase in new / existing assets originated or purchased	9,488.24	11,569.24	57,084.73	78,142.21	10,960.66	9,096.18	59,689.97	79,746.81
Assets derecognised or repaid (excluding write offs)	(4,547.69)	(969.69)	(1,557.29)	(7,074.67)	(4,519.20)	(586.87)	(3,192.31)	(8,298.38)
Transfers to Stage 1	964.07	(305.48)	(658.59)	-	1,753.04	(1,114.18)	(638.86)	-
Transfers to Stage 2	(1,025.94)	1,162.76	(136.82)	-	(633.81)	1,193.85	(560.04)	-
Transfers to Stage 3	(501.21)	(1,853.72)	2,354.93	-	(1,008.82)	(2,068.95)	3,077.77	-
Amounts written off	(2,450.21)	-	(54,651.82)	(57,102.03)	(838.60)	(446.77)	(33,111.92)	(34,397.29)
Closing Balance of ECL allowance	23,022.07	20,101.02	58,995.56	1,02,118.65	21,094.81	10,497.91	56,560.42	88,153.14

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to non-fund based exposures is as follows:

₹ in Lakh

Non-funded exposures	Total Non-fund Exposures (not included in the tables above)				ECL on Non-fund exposures (included in the tables above)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance as on 31st March 2020	5,001.00	204.00	-	5,205.00	14.00	8.00	-	22.00
Net Movement	(1,521.64)	(4.00)	-	(1,525.64)	(3.16)	0.48	-	(2.68)
Closing Balance as on 31st March 2021	**3,479.36**	**200.00**	**-**	**3,679.36**	**10.84**	**8.48**	**-**	**19.32**

Stage 1 represents 'High Grade' internal rating.
Stage 2 represents 'Medium Grade' internal rating.
Stage 3 represents 'Credit-impaired'.

Notes

Forming part of financial statements as on 31st March 2021

NOTE 12: INVESTMENTS

₹ in Lakh

Particulars	Amortised Cost	At Fair value			Sub-total	Others	Total
		Through Other Comprehensive Income	Through profit and loss account	Designated at through profit and loss account			
As at 31st March 2021							
i) Investment in Govt Securities	-	-	15,420.71	-	15,420.71	-	15,420.71
ii) Equity instruments	-	211.04	36.82	-	247.86	-	247.86
iii) Preference Shares	-	-	-	-	-	-	-
iv) Investment in Alternate Funds	-	-	6,729.83	-	6,729.83	-	6,729.83
v) Investment in Debentures	-	-	56,892.50	-	56,892.50	-	56,892.50
vi) Investment in Bonds	-	-	-	-	-	-	-
vii) Investment in Mutual Funds	-	-	-	-	-	-	-
Total Gross (A)	**-**	**211.04**	**79,079.86**	**-**	**79,290.90**	**-**	**79,290.90**
(i) Investments in India	-	211.04	79,079.86	-	79,290.90	-	79,290.90
(ii) Investments outside India	-	-	-	-	-	-	-
Total (B)	**-**	**211.04**	**79,079.86**	**-**	**79,290.90**	**-**	**79,290.90**
Less: Impairment loss allowance (C)	-	-	-	-	-	-	-
Total - Net [D= (A)-(C)]	**-**	**211.04**	**79,079.86**	**-**	**79,290.90**	**-**	**79,290.90**
As at 31st March 2020							
i) Equity instruments	-	175.68	24.89	-	200.57	-	200.57
ii) Preference Shares	-	-	22,551.00	-	22,551.00	-	22,551.00
iii) PMS Investment	-	-	-	-	-	-	-
iv) Investment in Alternate Funds	-	-	9,221.18	-	9,221.18	-	9,221.18
v) Investment in Debentures	-	-	42,029.37	-	42,029.37	-	42,029.37
vi) Investment in Bonds	-	-	9,365.31	-	9,365.31	-	9,365.31
vii) Investment in Mutual Funds	-	-	2,50,872.74	-	2,50,872.74	-	2,50,872.74
Total Gross (A)	**-**	**175.68**	**3,34,064.49**	**-**	**3,34,240.17**	**-**	**3,34,240.17**
(i) Investments in India	-	175.68	3,34,064.49	-	3,34,240.17	-	3,34,240.17
(ii) Investments outside India	-	-	-	-	-	-	-
Total (B)	**-**	**175.68**	**3,34,064.49**	**-**	**3,34,240.17**	**-**	**3,34,240.17**
Less: Impairment loss allowance (C)	-	-	-	-	-	-	-
Total - Net [D= (A)-(C)]	**-**	**175.68**	**3,34,064.49**	**-**	**3,34,240.17**	**-**	**3,34,240.17**

Note:

1. More information regarding the valuation methodologies are provided in Note 50.
2. The Company received dividends of ₹ 284.75 Lakhs (31st March 2020: ₹ 1,924.97 Lakhs) from its FVTPL securities, recorded as dividend income.

NOTE 13: OTHER FINANCIAL ASSETS

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Security Deposits (Carried at amortised cost, unless otherwise stated)	2,486.83	2,954.09
Others Receivable*	2,631.12	1,387.08
Total	**5,117.95**	**4,341.17**

*Other receivable includes Ex-gratia receivable from government.

Notes

Forming part of financial statements as on 31st March 2021

NOTE 14: CURRENT TAX ASSETS (NET)

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Advance Payment of Taxes (Net of provision for taxation ₹ 1,07,694.47 lakhs; 31st March 2020 ₹ 79,788.29 lakhs)	23,971.65	23,364.88
Total	**23,971.65**	**23,364.88**

NOTE 15: PROPERTY, PLANT AND EQUIPMENTS

₹ in Lakh

Particulars	Building	Plant & Equipments	Furniture & Fixures	Vehicles	Office Equipments	Leasehold Improvements	Total
Costs:							
At 1st April 2019	20.92	1,661.35	130.96	1,253.70	327.14	508.60	3,902.67
Additions	-	120.39	30.83	485.57	131.51	52.70	821.00
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	-	(12.92)	(3.12)	-	(10.52)	-	(26.56)
Disposals	-	585.27	4.56	203.75	16.77	53.28	863.63
At 31st March 2020	**20.92**	**1,183.55**	**154.11**	**1,535.52**	**431.36**	**508.02**	**3,833.48**
Additions	-	47.99	8.87	144.91	58.81	234.36	494.94
Disposals	-	107.18	14.29	171.89	23.41	52.15	368.92
As at 31st March 2021	**20.92**	**1,124.36**	**148.69**	**1,508.54**	**466.76**	**690.23**	**3,959.50**
Depreciation and impairment:							
At 1st April 2019	0.92	979.31	56.59	319.93	152.84	215.94	1,725.53
Depreciation charge for the year	0.46	362.21	43.04	303.01	89.53	161.59	959.84
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	-	(8.02)	(0.35)	-	(4.08)	-	(12.45)
Disposals	-	584.06	3.84	138.70	12.76	53.28	792.64
At 31st March 2020	**1.38**	**749.44**	**95.44**	**484.24**	**225.53**	**324.25**	**1,880.28**
Depreciation charge for the period	0.46	268.08	14.85	329.74	90.38	189.04	892.44
Disposals	-	103.54	8.89	93.83	20.75	52.12	279.03
As at 31st March 2021	**1.84**	**913.98**	**101.40**	**720.15**	**295.16**	**461.17**	**2,493.70**
Net book value:							
At 1st April 2019	20.00	682.04	74.37	933.77	174.30	292.66	2,177.14
At 31st March 2020	**19.54**	**434.11**	**58.67**	**1,051.28**	**205.83**	**183.77**	**1,953.20**
As at 31st March 2021	**19.08**	**210.39**	**47.29**	**788.39**	**171.60**	**229.06**	**1,465.80**

Notes:

1 Redeemable Non Convertible Debentures are secured by charge on immovable property of the Company.

2 Office Equipments include Gross Assets amounting to ₹ 2.19 lakhs (31st March 2020: ₹ 2.19 lakhs) held jointly with Aditya Birla Sun Life Insurance Company Limited.

Notes

Forming part of financial statements as on 31st March 2021

NOTE 16: INTANGIBLE ASSETS UNDER DEVELOPMENT

₹ in Lakh

Particulars	Amount
Costs:	
As at 1st April 2019	1,530.42
Additions	3,867.87
Disposals	-
Transfers	500.00
As at 31st March 2020	**4,898.29**
Additions	805.64
Disposals	-
Transfers	4,506.01
As at 31st March 2021	**1,197.92**

NOTE 17: OTHER INTANGIBLE ASSETS

₹ in Lakh

Particulars	Amount
Costs:	
At 1st April 2019	6,979.37
Additions	1,526.41
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	-
Disposals	-
At 31st March 2020	**8,505.78**
At 1st April 2020	**8,505.78**
Additions	7,090.54
Disposals	(89.78)
As at 31st March 2021	**15,506.54**
Accumulated amortisation:	
At 1st April 2019	3,959.63
Disposals	-
Amortisation charge for the year	2,065.01
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	-
At 31st March 2020	**6,024.64**
Disposals	-
Amortisation charge for the period	2,332.16
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	
As at 31st March 2021	**8,356.80**
Net book value:	
At 1st April 2019	3,019.74
At 31st March 2020	**2,481.14**
As at 31st March 2021	**7,149.74**

Note:

All intangible assets are other than Internally generated.

Notes

Forming part of financial statements as on 31st March 2021

NOTE 18: RIGHT OF USE LEASE ASSETS

₹ in Lakh

Particulars	Amount
Costs:	
As at 1st April 2019	8,562.96
Opening Balance as on 1st April 2019 (Refer Note 49 (C))	-
Additions	1,432.23
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	26.05
Disposals	-
As at 31st March 2020	**10,021.24**
As at 1st April 2020	**10,021.24**
Additions	5,861.15
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	-
Disposals	1,969.94
As at 31st March 2021	**13,912.45**
Accumulated amortisation:	
As at 1st April 2019	-
Disposals	-
Amortisation charge for the year	1,951.79
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	-
As at 31st March 2020	**1,951.79**
Disposals	69.99
Amortisation charge for the period	2,625.34
Addition / (Deletion) on account of demerger Transaction business of ABCTSL (Formerly known as ABMUL)	-
As at 31st March 2021	**4,507.14**
Net book value:	
As at 1st April 2019	8,562.96
As at 31st March 2020	**8,069.45**
As at 31st March 2021	**9,405.31**

NOTE 19: OTHER NON-FINANCIAL ASSETS

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Deferred lease expenses	28.59	81.90
Prepaid expenses	2,622.46	3,055.44
Capital advances	26.68	192.92
Goods and Service Tax / Service Tax Receivable	2,805.70	3,489.96
Plan Assets of Gratuity Fund	1,931.77	1,789.54
Others	735.34	753.51
	8,150.54	**9,363.27**

NOTE 20: TRADE PAYABLES

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
- Total outstanding dues of Micro and small enterprises	214.66	282.07
- Total outstanding dues of creditors Other than micro and small enterprises	10,957.65	10,184.87
	11,172.31	**10,466.94**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 21: DEBT SECURITIES

₹ in Lakh

Particulars	As at 31st March 2021				As at 31st March 2020			
	At amortised cost	At fair value through profit and loss Account	Designated at fair value through profit and loss account	Total	At amortised cost	At fair value through profit and loss account	Designated at fair value through profit and loss account	Total
Redeemable non-convertible debentures (Secured)	13,32,116.41	-	-	13,32,116.41	15,62,929.66	-	-	15,62,929.66
Redeemable non-convertible debentures (Unsecured)	5,821.46	-	-	5,821.46	-	-	-	-
Compulsory Convertible Debentures (Unsecured)	-	-	-	-	3,393.19	-	-	3,393.19
Commercial papers (Unsecured)	3,19,937.17	-	-	3,19,937.17	2,20,600.08	-	-	2,20,600.08
Total	**16,57,875.04**	**-**	**-**	**16,57,875.04**	**17,86,922.93**	**-**	**-**	**17,86,922.93**
Debt securities in India	16,57,875.04	-	-	16,57,875.04	17,86,922.93	-	-	17,86,922.93
Debt securities outside India	-	-	-	-	-	-	-	-
Total	**16,57,875.04**	**-**	**-**	**16,57,875.04**	**17,86,922.93**	**-**	**-**	**17,86,922.93**

Note:

1. The above figures are including interest accrued but not due on borrowings.
2. Redeemable Non-Convertible Debentures are secured by way of mortgage on the immovable property and first pari-passu charge on certain Financial Assets of the company.

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Redeemable Non-Convertible Debentures (Secured)		
Repayment Terms: Maturing within 1 year, Rate of Interest 7.80% to 9.50%	4,15,781.57	5,97,726.65
Repayment Terms: Maturing between 1 to 3 years, Rate of Interest 5.75% to 9.50%	5,05,493.63	5,35,438.04
Repayment Terms: Maturing after 3 years, Rate of Interest 6.25% to 9.15%	4,10,841.21	4,29,764.97
Total	**13,32,116.41**	**15,62,929.66**
Redeemable Non-Convertible Debentures (Secured): Rate of Interest 7.57% (Maturing in March 2035)	5,821.46	-
0.10% Compulsory Convertible Debentures(CCD), (Converted & Redeemed on 20th March 2021)	-	3,393.19
Commercial Papers - Rate of Interest 3.70% to 5.80% p.a.*	3,19,937.17	2,20,600.08
Total	**16,57,875.04**	**17,86,922.93**

Note:

* Commercial papers shown net of unamortised discounting charges ₹ 3,013.51 lakhs (31st March 2020 ₹ 4,634.93 lakhs).

Notes

Forming part of financial statements as on 31st March 2021

NOTE 22: BORROWINGS OTHER THAN DEBT SECURITIES

₹ in Lakh

Particulars	As at 31st March 2021				As at 31st March 2020			
	Amortised cost	At fair value through profit and loss account	Designated at fair value through profit and loss account	Total	Amortised cost	At fair value through profit and loss account	Designated at fair value through profit and loss account	Total
Term Loan from Banks (Secured)	17,57,030.47	-	-	17,57,030.47	18,62,067.58	-	-	18,62,067.58
Cash Credit from Banks (Secured)	-	-	-	-	35,571.61	-	-	35,571.61
External Commercial Borrowings from foreign banks (secured)	2,48,525.21	-	-	2,48,525.21	2,55,397.32	-	-	2,55,397.32
Book Overdraft	1,36,392.15	-	-	1,36,392.15	5,218.66	-	-	5,218.66
WCDL from Bank (Secured)	1,03,512.25	-	-	1,03,512.25	1,90,208.68	-	-	1,90,208.68
Total	**22,45,460.08**	**-**	**-**	**22,45,460.08**	**23,48,463.85**	**-**	**-**	**23,48,463.85**
Borrowings in India	19,96,934.87	-	-	19,96,934.87	20,93,066.54	-	-	20,93,066.54
Borrowings outside India	2,48,525.21	-	-	2,48,525.21	2,55,397.32	-	-	2,55,397.32
Total	**22,45,460.08**	**-**	**-**	**22,45,460.08**	**23,48,463.85**	**-**	**-**	**23,48,463.85**

Note:

1) The above figures are including interest accrued but not due on borrowings.

2) External Commcercial Borrowings from foreign banks includes Notional amount ₹ 1,46,367.54 Lakhs which is fully hedged.

Term loan from banks:

Indian rupee loan from banks (secured): The term loan from banks are secured by way of first pari-passu charge on the receivables of the Company.

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Term Loan (Secured by way of first pari-passu charge on the receivables of the Company)		
Repayment Terms: Maturing within 1 year, Rate of Interest 5.00% to 7.70% p.a.	5,77,916.68	4,33,094.18
Repayment Terms: Maturing between 1 to 3 years, Rate of Interest 5.00% to 7.75% p.a.	9,76,918.07	10,56,249.21
Repayment Terms: Maturing after 3 years, Rate of Interest 5.50% to 7.65% p.a.	2,02,195.71	3,72,724.19
Total	**17,57,030.47**	**18,62,067.58**
External commercial borrowings (Secured by way of first pari-passu charge on the receivables of the Company)		
Repayment Terms: Maturing between 1 to 3 years, Rate of Interest 6.74% to 7.94% p.a.	1,47,116.73	1,53,512.17
Repayment Terms: Maturing after 3 years, Rate of Interest 5.15% p.a.	1,01,408.48	1,01,885.15
Total	**2,48,525.21**	**2,55,397.32**
Loans repayable on demand		
Cash Credit secured by way of first pari-passu charge on the receivables of the company	-	35,571.61
Book Overdraft	1,36,392.15	5,218.66
Working Capital Demand Loan secured by way of first pari-passu charge on receivables of the Company - Rate of Interest 4.50% to 7.30% p.a.	1,03,512.25	1,90,208.68
Total	**22,45,460.08**	**23,48,463.85**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 23: SUBORDINATED LIABILITIES

₹ in Lakh

Particulars	As at 31st March 2021				As at 31st March 2020			
	Amortised cost	At fair value through profit and loss account	Designated at fair value through profit and loss account	Total	Amortised cost	At fair value through profit and loss account	Designated at fair value through profit and loss account	Total
Perpetual debt instruments to the extent they do not qualify as equity instruments								
(i) from banks	-	-	-	-	-	-	-	-
(ii) from other parties	21,116.57	-	-	21,116.57	21,108.90	-	-	21,108.90
Preference shares other than those qualify as equity	-	-	-	-	66.45	-	-	66.45
Subordinate debt (Unsecured)	1,97,066.69			1,97,066.69	1,88,966.74			1,88,966.74
Total	**2,18,183.26**	**-**	**-**	**2,18,183.26**	**2,10,142.09**	**-**	**-**	**2,10,142.09**
Subordinate liabilities in India	2,18,183.26	-	-	2,18,183.26	2,10,142.09	-	-	2,10,142.09
Subordinate liabilities outside India	-	-	-	-	-	-	-	-
Total	**2,18,183.26**	**-**	**-**	**2,18,183.26**	**2,10,142.09**	**-**	**-**	**2,10,142.09**

Note: The above figures are including interest accrued but not due on borrowings.

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Perpetual Debts 8.70% p.a. (Maturing in July, 2027)	21,116.57	21,108.90
8% Cumulative Redeemable Preference Shares (Redeemed on 29th January 2020)	-	66.45
Subordinate Debts - Debentures:		
Repayment Terms: Maturing within 1 year, Rate of Interest is 10.60% p.a.	11,354.56	9,509.33
Repayment Terms: Maturing between 1 to 3 years, Rate of Interest 9.85% p.a. to 10.60% p.a.	13,513.07	5,500.00
Repayment Terms: Maturing after 3 years, Rate of Interest 7.43% p.a. to 9.76% p.a.	1,72,199.06	1,73,957.41
Total	**2,18,183.26**	**2,10,142.09**

NOTE 24: LEASE LIABILITY

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Lease liability for right to use assets	10,224.64	8,909.91
Total	**10,224.64**	**8,909.91**

NOTE 25: OTHER FINANCIAL LIABILITIES

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Margin Money from Customers	11,031.14	1,924.11
Payables for salaries, bonus and other employee benefits	6,105.28	3,693.24
Other Payable-Deposit and others	14,021.12	5,786.39
Total	**31,157.54**	**11,403.74**

NOTE 26: CURRENT TAX LIABILITIES (NET)

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Provision for Income Tax (Net of advance tax ₹ 39,704.96 lakhs ; 31st March 2020 ₹. 38,345.94 lakhs)	1,466.63	2,825.65
Total	**1,466.63**	**2,825.65**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 27: PROVISIONS

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Employee benefit		
- Gratuity	3,085.29	2,657.24
- Provision for compensated absences	1,725.51	1,701.30
- Long term Incentive Plans (LTIP)	3,251.71	5,345.02
Total	**8,062.51**	**9,703.56**

NOTE 28: OTHER NON-FINANCIAL LIABILITIES

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Revenue received in advance	2,388.10	1,826.65
Tax Deducted at Source Payable	880.06	403.02
Goods and Service Tax Payable	1,531.30	809.86
Other Statutory Dues Payable	263.77	258.65
Total	**5,063.23**	**3,298.18**

NOTE 29: ISSUED CAPITAL AND RESERVES

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020
Authorised		
1,270,000,000 (31st March 2020: 1,270,000,000) equity shares of ₹ 10/- each	1,27,000.00	1,27,000.00
Total	**1,27,000.00**	**1,27,000.00**
Issued, Subscribed and fully paid up		
662,100,822 (31st March 2020: 662,100,822) equity shares of ₹ 10/- each	66,210.08	66,210.08
Total	**66,210.08**	**66,210.08**

Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the period is as under:

	No. in Lakh	₹ in Lakh
As at 1st April 2019	6,621.01	66,210.08
Issued during the year	58.56	585.56
Shares pending issuance	(58.56)	(585.56)
As at 31st March 2020	**6,621.01**	**66,210.08**
Issued during the period	-	-
As at 31st March 2021	**6,621.01**	**66,210.08**

Terms/ rights attached to equity shares

The Company has only one class of equity shares having a face value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed if any, by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting. In the event of liquidation of the Company, the holders of equity shares will be receiving remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes

Forming part of financial statements as on 31st March 2021

NOTE 29: ISSUED CAPITAL AND RESERVES (CONTINUED)

Aggregate number of equity shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

₹ in Lakh

Particulars	As at 31st March 2021	As at 31st March 2020	As at 31st March 2019	As at 31st March 2018	As at 31st March 2017
(i) Equity shares of ₹ 10 each, fully paid up, allotted pursuant to the merger scheme for demerger of wealth undertaking of Aditya Birla Money Mart Limited	-	-	-	-	1,02,77,778.00
(ii) Equity shares of ₹ 10 each, fully paid up, allotted on conversion of 175,000,000 0.01% compulsory convertible cumulative preference shares of ₹ 10 each, fully paid up	-	-	-	-	1,15,13,158.00
(iii) Equity shares of ₹ 10 each, fully paid up, allotted pursuant to the amalgamation scheme with Madura Garments Lifestyle Retail Company Limited (MGLRCL).	-	-	-	-	-
(iv) Equity shares of ₹ 10 each, fully paid up, allotted pursuant to the Demerger of transaction business of Aditya Birla Capital Technology Services Limited, ABCTSL (formerly known as Aditya Birla My Universe Limited, ABMUL)	-	58,55,625.00	-	-	-

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

₹ in Lakh

	As at 31st March 2021		As at 31st March 2020	
	Number	₹ In lakhs	Number	₹ In lakhs
Name of Share holder				
Aditya Birla Capital Limited, holding company	66,21,00,762	66,210.08	66,21,00,762	66,210.08
	66,21,00,762	**66,210.08**	**66,21,00,762**	**66,210.08**

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

₹ in Lakh

Particulars	As at 31st March 2021		As at 31st March 2020	
	Number	% of total paid-up equity capital	Number	% of total paid-up equity capital
Aditya Birla Capital Limited, holding company	66,21,00,762	100%	66,21,00,762	100%

NBFC's objectives, policies and processes for managing capital:

For above disclosures Refer Note 49.

Notes

Forming part of financial statements as on 31st March 2021

NOTE 30: OTHER EQUITY

₹ in Lakh

Particulars	Amount
Securities Premium Account	
As at 1st April 2019	3,63,738.29
Add: Additions during the year	-
As at 31st March 2020	**3,63,738.29**
Add: Additions during the period	-
As at 31st March 2021	**3,63,738.29**
Special Reserve pursuant to Section 45-IC of the RBI Act, 1934	
As at 1st April 2019	66,187.79
Add: Transfer from surplus balance in the Statement of Profit and Loss	16,420.21
As at 31st March 2020	**82,608.00**
Add: Transfer from surplus balance in the Statement of Profit and Loss	15,376.48
As at 31st March 2021	**97,984.48**
Capital Reserve	
As at 1st April 2019	(10,452.11)
Add: Other Additions/ Deductions during the year	-
As at 31st March 2020	**(10,452.11)**
Add: Other Additions/ Deductions during the period	-
As at 31st March 2021	**(10,452.11)**
Capital Redemption Reserve	
As at 1st April 2019	-
Add: Transfer from surplus balance in the Statement of Profit and Loss	1,000.00
As at 31st March 2020	**1,000.00**
Add: Transfer from surplus balance in the Statement of Profit and Loss	-
As at 31st March 2021	**1,000.00**
General Reserve	
As at 1st April 2019	13,660.95
Add: Amount transferred from surplus in the statement of profit and loss	-
As at 31st March 2020	**13,660.95**
Add: Amount transferred from surplus in the statement of profit and loss	-
As at 31st March 2021	**13,660.95**
Surplus in Statement of Profit and Loss	
As at 1st April 2019	2,29,237.04
Add: Profit for the year	80,494.60
Less: Appropriations	
IND AS 116 Impact - Transition reserve	(629.04)
Re-measurement reserves on defined benefit plans	(319.09)
Transfer to Capital Redemption Reserve	(1,000.00)
ABMUL Reserves (Refer note 44)	792.81
Transfer to Special Reserve	(16,420.21)
Total appropriations	**(17,575.53)**
As at 31st March 2020	**2,92,156.11**
Add: Profit for the period	76,883.21
Less: Appropriations	
Re-measurement reserves on defined benefit plans	328.95
Transfer to Special Reserve	(15,376.48)
Total appropriations	**(15,047.53)**
As at 31st March 2021	**3,53,991.79**
Other Comprehensive Income	
As at 1st April 2019	138.33
Add: Additions / (Deletions) during the period	(10.39)
Add: Fair Value change on derivatives designated as cash flow hedge	(1,234.22)
As at 31st March 2020	**(1,106.28)**
Add: Additions / (Deletions) during the period	26.46
Add: Fair Value change on derivatives designated as cash flow hedge	(1,265.72)
As at 31st March 2021	**(2,345.54)**
Total other equity	
As at 1st April 2019	6,62,510.29
As at 31st March 2020	**7,41,604.96**
As at 31st March 2021	**8,17,577.86**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 31: NATURE AND PURPOSE OF RESERVE

Securities Premium Reserve:

Security premium reserve is used to record the premium on the issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Special Reserve:

Special reserve represents the reserve created pursuant to the Reserve Bank of India Act, 1934 (the RBI Act). Appropriation from this Reserve Fund is permitted only for the purposes specified by RBI.

Capital Reserve:

Capital reserve refers to difference on account of net assets taken over and purchase consideration paid for merger of wealth management undertaking of Aditya Birla Money Mart Limited with the Company and the difference on account of net assets taken over and purchase consideration paid for merger of transaction business of Aditya Birla Capital Technology Services Limited, ABCTSL (formerly known as Aditya Birla My Universe Limited, ABMUL) undertaking with the Company.

General Reserve:

This reserve is created on account of merger. As per court order, this reserve can be utilised for distribution of dividends.

FVTOCI Investments:

The Company has elected to recognise changes in the fair value of certain instruments in equity securities and debt instruments in other comprehensive income. These changes are accumulated with the FVTOCI reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are de-recognised.

Retained Earnings:

Retained earnings refer to the percentage of net earnings not paid out as dividends, but retained by the Company to be reinvested in its core business, or to pay debts.

Cash flow hedge reserve:

The Company uses hedging instruments as part of its management of foreign currency risk and interest rate risk associated on borrowings. For hedging foreign currency and interest rate risk, the Company uses foreign currency forward contracts and cross currency interest rate swaps. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the cash flow hedging reserve. Amounts recognised in the cash flow hedging reserve is reclassified to the statement of profit or loss when the hedged item affects profit or loss (e.g. interest payments).

Capital Redemption reserve:

Preference shares of ₹ 10 Crore were redeemed at the Board meeting held on 30th January 2020. As per the provisions of Companies Act, 2013, the preference shares were redeemed out of the profits of the company and therefore a sum equivalent to the nominal amount of shares redeemed were transferred to capital redemption reserve.

NOTE 32: INTEREST INCOME

₹ in Lakh

Particulars	For the year ended 31st March 2021				For the year ended 31st March 2020			
	On Financial Assets measured at FVTOCI	On Financial Assets measured at Amortised cost	On Financial Assets classified at FVTPL	Total	On Financial Assets measured at FVTOCI	On Financial Assets measured at Amortised cost	On Financial Assets classified at FVTPL	Total
Interest on Loans	-	5,22,908.44	-	5,22,908.44	-	5,65,995.81	-	5,65,995.81
Interest income from investments	-	-	5,430.12	5,430.12	-	-	6,710.84	6,710.84
Total	**-**	**5,22,908.44**	**5,430.12**	**5,28,338.56**	**-**	**5,65,995.81**	**6,710.84**	**5,72,706.65**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 33: DIVIDEND INCOME

₹ in Lakh

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Dividend from Long Term Investment (FVTPL)	284.75	1,924.97
Total	**284.75**	**1,924.97**

NOTE 34: FEES AND COMMISSION INCOME

₹ in Lakh

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Syndication and Other Fee Income	10,233.53	11,646.66
Brokerage and Commission Income	5,018.11	4,714.72
Total	**15,251.64**	**16,361.38**

NOTE 35: NET GAIN ON FAIR VALUE CHANGES

₹ in Lakh

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Net gain/ (loss) on financial instruments at fair value through profit or loss		
On Trading portfolio		
- Investments	2,106.25	3,577.55
- Bonds/Mutual Funds	5,170.78	13,071.91
Total	**7,277.03**	**16,649.46**

₹ in Lakh

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Fair Value changes:		
- Realised	7,284.37	18,158.79
- Unrealised	(7.34)	(1,509.33)
Total	**7,277.03**	**16,649.46**

NOTE 36: OTHER INCOME

₹ in Lakh

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Sundry Balance Written Back	-	376.50
Miscellaneous Income (Income tax refund and other income)	1,561.01	721.22
Other Interest Income-Security Deposit on Amortised Cost	83.27	196.58
Profit on sale of fixed assets (net)	-	1.77
Total	**1,644.28**	**1,296.07**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 37: FINANCE COSTS

₹ in Lakh

Particulars	For the year ended 31st March 2021			For the year ended 31st March 2020		
	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost	Total	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost	Total
Debt Securities	-	1,24,222.64	1,24,222.64	-	1,77,003.64	1,77,003.64
Borrowings Other than Debt Securities	-	1,57,423.46	1,57,423.46	-	1,65,646.02	1,65,646.02
Subordinated Liabilities	-	18,330.36	18,330.36	-	17,143.30	17,143.30
Finance cost on lease liability	-	897.27	897.27	-	724.94	724.94
Others	-	1,116.80	1,116.80	-	294.50	294.50
Total	**-**	**3,01,990.53**	**3,01,990.53**	**-**	**3,60,812.40**	**3,60,812.40**

NOTE 38: IMPAIRMENT ON FINANCIAL INSTRUMENTS

The below table show impairment loss on financial instruments charge to statement of profit and loss based on category of financial instrument:

₹ in Lakh

Particulars	For the year ended 31st March 2021			For the year ended 31st March 2020		
	On Financial instruments measured at Fair Value through OCI	On Financial instruments measured at Amortised cost	Total	On Financial instruments measured at Fair Value through OCI	On Financial instruments measured at Amortised cost	Total
Bad debts/Advances Written off (net of recoveries)	-	54,249.13	54,249.13	-	33,577.95	33,577.95
Loans	-	13,965.51	13,965.51	-	37,043.21	37,043.21
Trade Receivable	-	(37.13)	(37.13)	-	85.84	85.84
Total	**-**	**68,177.51**	**68,177.51**	**-**	**70,707.00**	**70,707.00**

NOTE 39: EMPLOYEE BENEFIT EXPENSES

₹ in Lakh

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Salaries and Wages	42,073.39	37,005.57
Contribution to Provident Funds	1,483.37	1,348.04
Contribution to Gratuity Funds	725.42	449.83
Share based payments to Employees	183.71	715.86
Staff welfare expenses	426.40	961.22
Total	**44,892.29**	**40,480.52**

NOTE 40: DEPRECIATION, AMORTIZATION AND IMPAIRMENT

₹ in Lakh

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Depreciation of tangible assets	892.55	959.84
Amortization of intangible assets	2,332.16	2,065.01
Depreciation and amortisation on lease assets	2,625.34	1,951.79
Total	**5,850.05**	**4,976.64**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 41: OTHER EXPENSES

₹ in Lakh

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Rent	1,219.05	1,977.12
Repairs and maintenance		
- Plant and machinery	16.58	14.78
- Others	3,124.62	2,445.56
Communication costs	698.89	653.93
Printing and stationery	206.78	438.39
Advertisement and publicity	265.69	179.87
Directors' fees, allowances and expenses	29.21	28.13
Auditor's fees and expenses	126.49	239.16
Legal and professional charges	7,534.14	6,296.90
Insurance	2,239.88	615.38
Business Support Expenses	3,103.01	3,358.38
Travelling and conveyance	1,057.42	1,878.12
Water and Electricity expenses	351.56	364.71
Rates and taxes	147.96	276.21
Contract Service Charges	863.51	646.02
Information Technology Expenses	1,650.74	1,369.82
Business/ Sales Promotion Expenses	474.47	213.35
Postage Expenses	125.93	138.16
Bank charges	164.94	873.03
Brokerage and Commission	141.73	161.23
Corporate Social Responsibility (CSR) Expenses	2,195.00	2,153.80
Sub-Brokerage and Fees	337.90	365.96
Recruitment Expenses	112.38	298.40
Loss on sale of fixed assets (net)	95.94	-
Miscellaneous expenses	2,460.83	1,684.83
Total	**28,744.65**	**26,671.24**

₹ in Lakh

Auditor's Fees and Expenses	For the year ended 31st March 2021	For the year ended 31st March 2020
As auditor:		
For Statutory Audit (including Limited Review, Internal Control Financial Reporting (ICFR))	107.36	78.47
Tax audit	6.54	6.66
In any other capacity		
For Other Services (including Certification, Agreed upon procedures and other services)*	12.59	142.73
For Reimbursement of Expenses	-	11.30
Total	**126.49**	**239.16**

*Includes fees paid to predecessor auditor.

₹ in Lakh

Details of CSR Expenditure	For the year ended 31st March 2021	For the year ended 31st March 2020
a) Gross amount required to be spent by the Company during the year	2,195.00	2,149.80
b) Amount spent during the year-		
i) Construction/acquisition of any asset	-	-
ii) On purpose other than (i) above	2,195.00	2,153.80
Total	**2,195.00**	**2,153.80**

Notes

Forming part of financial statements as on 31st March 2021

NOTE 42: INCOME TAX

The components of income tax expense are as under:

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Current tax	28,600.00	29,136.44
Adjustment in respect of current income tax of prior years	(693.82)	(547.30)
Deferred tax relating to origination and reversal of temporary differences	(1,648.16)	(3,793.01)
Total tax charge	**26,258.02**	**24,796.13**
Current tax	27,906.18	28,589.14
Deferred tax	(1,648.16)	(3,793.01)

OCI section - Deferred tax related to items recognised in OCI are as under:

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Net loss/(gain) on remeasurements	(306.16)	(525.44)
Income tax expense charged to OCI	**(306.16)**	**(525.44)**

Reconciliation of the total tax charge:

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended 31st March 2021 and 31st March 2020 are as follows:

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Accounting profit before tax	1,03,141.23	1,05,290.73
At India's statutory income tax rate of 25.168% (As at 31st March 2020 - 25.168%)	25,958.58	26,499.58
Adjustment in respect of current income tax & deferred tax of prior years	(134.81)	(547.30)
Differences other than temporary in nature on account of tax benefits and others	434.25	(866.09)
Income not subject to tax i.e. exempt income	-	(290.06)
Income tax expense reported in the statement of profit and loss	**26,258.02**	**24,796.13**
Effective income tax rate for the year	25.46%	23.55%

Deferred Tax

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

Particulars	Deferred Tax Assets	Deferred Tax Liabilities	Income Statement	OCI	Transition Reserve
	31st March 2021	31st March 2021	31st March 2021	31st March 2021	31st March 2021
Expected Credit Loss Allowances	21,357.29	-	(10,310.33)	-	-
Employee benefit provisions and other provisions	3,819.65	-	9,004.81	(306.16)	-
Depreciation	836.37	-	(342.64)	-	-
Total	**26,013.31**	**-**	**(1,648.16)**	**(306.16)**	**-**
Net	**26,013.31**				

Particulars	Deferred Tax Assets	Deferred Tax Liabilities	Income Statement	OCI	Transition Reserve
	31st March 2020	31st March 2020	31st March 2020	31st March 2020	31st March 2020
Expected Credit Loss Allowances	11,046.96	-	(472.99)	-	
Employee benefit provisions and other provisions	12,518.30	-	(2,947.27)	(525.44)	(211.56)
Depreciation	493.73	-	(372.75)	-	
Total	**24,058.99**	**-**	**(3,793.01)**	**(525.44)**	**(211.56)**
Net	**24,058.99**				

Notes

Forming part of financial statements as on 31st March 2021

NOTE 43: EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to equity holders of the Company (after adjusting for interest on the convertible preference shares and interest on the convertible bond, in each case, net of tax) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Net Profit after Tax	76,883.21	80,494.60
Less: Interest on Financial Liabilities (including taxes)	-	-
Net Profit after Tax available for equity shareholders	76,883.21	80,494.60
Weighted average number of ordinary shares for basic and diluted earnings per share	66,21,00,822	66,21,00,822
Earnings per share		
Basic earnings per share (₹)	11.61	12.16
Diluted earnings per share (₹)	11.61	12.16

NOTE 44: RETIREMENT BENEFIT PLAN

Defined Contribution Plan

The Company makes Provident Fund, Pension Fund, Superannuation Fund, Employee State Insurance Scheme, Maharashtra Labour Welfare Fund, and National Pension Scheme contributions which are defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the Schemes.

Particulars	31st March 2021	31st March 2020
(i) Contribution to Government Employees Provident Fund	1,074.92	1,196.28
(ii) Contribution to Government Employees Pension Fund	316.54	58.00
(iii) Contribution to Superannuation Fund	-	-
(iv) Contribution to Employees State Insurance Corporation	2.32	5.24
(v) Contribution to Maharashtra Labour Welfare Fund	0.84	0.53
(vi) Contribution to National Pension Scheme	88.75	87.99

Defined Benefit Plan

The Company has a defined benefit gratuity plan (funded). The Company's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and last drawn salary. The fund is managed by Aditya Birla Sun Life Insurance Company Limited.

The following tables summarizes the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Notes

Forming part of financial statements as on 31st March 2021

Changes in the defined benefit obligation and fair value of plan assets as at 31st March 2021 are as under:

Particulars	Gratuity cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income							
	1st April 2020	Service cost	Net interest expense	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience variance	Sub-total included in OCI	Contributions by employer	Transfer in/out	31st March 2021
Defined benefit obligation	(2,657.24)	(586.04)	(171.27)	(757.31)	170.18	-	-	(16.91)	175.99	159.08	-	-	(3,085.29)
Fair value of plan assets	1,789.54	-	115.34	115.34	(170.18)	197.06	-	-	-	197.06	-	-	1,931.76
Benefit / (Liability)	**(867.70)**	**(586.04)**	**(55.93)**	**(641.97)**	**-**	**197.06**	**-**	**(16.91)**	**175.99**	**356.14**	**-**	**-**	**(1,153.53)**

Changes in the defined benefit obligation and fair value of plan assets as at 31st March 2020 are as under:

Particulars	Gratuity cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income							
	1st April 2019	Service cost	Net interest expense	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience variance	Sub-total included in OCI	Contributions by employer	Transfer in/out	31st March 2020
Defined benefit obligation	(1,847.12)	(480.67)	(138.87)	(619.54)	72.08	-	1.15	(297.53)	(3.25)	(299.63)	36.97	-	(2,657.24)
Fair value of plan assets	1,316.58	-	99.61	99.61	(65.12)	(56.22)	-	-	-	(56.22)	494.69	-	1,789.54
Benefit / (Liability)	**(530.54)**	**(480.67)**	**(39.26)**	**(519.93)**	**6.96**	**(56.22)**	**1.15**	**(297.53)**	**(3.25)**	**(355.85)**	**531.66**	**-**	**(867.70)**

Notes

Forming part of financial statements as on 31st March 2021

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	31st March 2021	31st March 2020
Expected return on Plan assets	6.30%	6.45%
Discount Rate	6.30%	6.45%
Salary Escalation Rate	7.00%	7.00%
Retirement age	60 years	60 years
Mortality rate	Indian Assured Lives mortality (2012-14)	Indian Assured Lives mortality (2012-14)
Attrition / Withdrawal rates, based on age: (per annum)		
Up to 30 years	14.00%	14.00%
31 - 40 years	12.60%	12.60%
41 - 50 years	5.60%	5.60%
Above 50 years	2.80%	2.80%

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields as at Balance Sheet date.

Disaggregation of plan assets:

	31st March 2021	31st March 2020
Unquoted investments:		
Insurer managed funds (Investments with Aditya Birla Sun Life Insurance Company Limited)	1,931.76	1,789.54
Total	**1,931.76**	**1,789.54**

A quantitative sensitivity analysis for significant assumption is as shown below:

Assumptions	Discount rate		Salary	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation - (31st March 2021)	2,922.18	3,262.10	3,260.22	2,922.33
Impact on defined benefit obligation - (31st March 2020)	2,515.71	2,810.77	2,809.43	2,515.57

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the year.

The following payments are expected contributions to the defined benefit plan in future years:

Expected payment for future years	31st March 2021	31st March 2020
Within the next 12 months (next annual reporting period)	168.22	170.19
Between 2 and 5 years	757.61	551.19
Between 6 and 9 years	937.20	861.64
10 years and above	5,114.43	4,614.01
Total expected payments	**6,977.46**	**6,197.03**

The Company expects to contribute ₹ 1,815.77 lakhs (31st March 2020: ₹ 1,474.80 lakhs) to the fund in the next financial year.

The weighted average duration of the defined benefit obligation as at 31st March 2021 is 11 years (31st March 2020: 11 years).

Other Long Term Incentive Benefits

Liability for the scheme is determined based on actuarial valuations.

Notes
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Employee Stock Option Plan (ESOP) by Aditya Birla Capital Limited

Pursuant to ESOP Plan being established by the holding company (i.e. Aditya Birla Capital Limited), stock options were granted to the employees of the Company. Total cost incurred by the holding company till date is being recovered from the Company over the period of vesting. Accordingly, a sum of ₹ 183.71 lakhs (31st March, 2020 ₹ 715.86 lakhs) has been recovered from the Company during the year, which has been charged to the Statement of Profit and Loss. The balance sum of ₹ 234.42 lakhs will be recovered in future periods.

NOTE 45: MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

Particulars	31st March 2021			31st March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	1,51,098.56	-	1,51,098.56	1,82,042.53	-	1,82,042.53
Bank balance other than cash and cash equivalents	1,913.09	-	1,913.09	-	-	-
Derivative financial instruments	-	-	-	-	5,408.39	5,408.39
Trade and Other Receivables	998.86	-	998.86	1,195.36	-	1,195.36
Loans*	13,84,447.07	33,75,296.30	47,59,743.37	13,17,974.53	32,80,560.92	45,98,535.45
Investments	72,313.21	6,977.69	79,290.90	3,24,818.41	9,421.76	3,34,240.17
Other financial assets	3,053.68	2,064.27	5,117.95	3,357.71	983.46	4,341.17
Non-financial Assets						
Current tax asset (net)	-	23,971.65	23,971.65	-	23,364.88	23,364.88
Deferred tax assets (net)	-	26,013.31	26,013.31	-	24,058.99	24,058.99
Property, plant and equipments	-	1,465.80	1,465.80	-	1,953.20	1,953.20
Intangible assets under development	-	1,197.92	1,197.92	-	4,898.29	4,898.29
Other intangible assets	-	7,149.74	7,149.74	-	2,481.14	2,481.14
Right of use Lease Assets	-	9,405.31	9,405.31	-	8,069.45	8,069.45
Other non financial assets	5,631.90	2,518.64	8,150.54	8,242.97	1,120.30	9,363.27
Total assets	**16,19,456.37**	**34,56,060.63**	**50,75,517.00**	**18,37,631.51**	**33,62,320.78**	**51,99,952.29**
Liabilities						
Financial Liabilities						
Derivative financial instruments	-	3,063.81	3,063.81	-	0.40	0.40
Trade payables	11,172.31	-	11,172.31	10,466.94	-	10,466.94
Debt Securities	7,35,990.46	9,21,884.58	16,57,875.04	8,18,326.72	9,68,596.21	17,86,922.93
Borrowings (other than debt security)	8,19,854.00	14,25,606.08	22,45,460.08	6,66,730.01	16,81,733.84	23,48,463.85
Subordinated Liabilities	12,549.97	2,05,633.29	2,18,183.26	10,776.03	1,99,366.06	2,10,142.09
Lease liabilities	2,485.83	7,738.81	10,224.64	2,389.40	6,520.51	8,909.91
Other Financial liabilities	31,157.54	-	31,157.54	11,403.74	-	11,403.74
Non-financial Liabilities						
Current tax liabilities (net)	1,466.63	-	1,466.63	2,825.65	-	2,825.65
Provisions **	8,062.51	-	8,062.51	9,294.83	408.73	9,703.56
Other non-financial liabilities	5,063.23	-	5,063.23	3,298.18	-	3,298.18
Total Liabilities	**16,27,802.48**	**25,63,926.57**	**41,91,729.05**	**15,35,511.50**	**28,56,625.75**	**43,92,137.25**

* Stage 3 loans have been considered in after 12 months bucket.

** The amount of provision in the after 12 months bucket is based on the estimate of actual payment.

Note: Classification of assets and liabilities under the different maturity buckets is based on the certain estimates and assumptions as used by the company which has been relied upon by the auditors.

Notes

Forming part of financial statements as on 31st March 2021

NOTE 46: CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Particulars	As at 31st March 2020	Cash Flows (Net)	Other(Non-Cash)	As at 31st March 2021
Debt Securities	17,86,922.93	(1,03,199.13)	(25,848.76)	16,57,875.04
Borrowings other than debt securities	23,48,463.85	(92,908.08)	(10,095.69)	22,45,460.08
Subordinate Liabilities	2,10,142.09	8,000.00	41.17	2,18,183.26
Total liabilities from financing activities	**43,45,528.87**	**(1,88,107.21)**	**(35,903.28)**	**41,21,518.38**

Particulars	As at 31st March 2019	Cash Flows (Net)	Other(Non-Cash)	As at 31st March 2020
Debt Securities	22,64,856.32	(5,11,549.24)	33,615.85	17,86,922.93
Borrowings other than debt securities	19,83,278.15	3,56,726.42	8,459.28	23,48,463.85
Subordinate Liabilities	2,04,455.47	4,007.35	1,679.27	2,10,142.09
Total liabilities from financing activities	**44,52,589.94**	**(1,50,815.47)**	**43,754.40**	**43,45,528.87**

Note: The above amounts are including interest accrued but not due.

NOTE 47: CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

(A) Contingent Liabilities

Particulars	As at 31st March 2021	As at 31st March 2020
Disputed Income Tax Liability*	4,860.34	5,012.08
Disputed Service Tax Liability**	131.49	131.49
Claims against the Company not acknowledged as debts***	638.00	512.00
Corporate guarantees, Overdraft, Letter of credit & Letter of comfort given by the Company on behalf of the clients****	3,148.60	4,091.02
Total	**8,778.43**	**9,746.59**

* Disputed Income Tax Liability

Particulars	As at 31st March 2021	As at 31st March 2020
Disallowances of Depreciation on Intangibles, Disallowance of Expenses, Disallowance under Section 14A, Disallowance of Dividend under Section 10(33), Disallowance of PF ESIC Cenvat Credit	607.65	232.48
Disallowances of exceptional losses of Wealth Business	3,234.12	3,234.12
Interest on Non Performing Assets (NPA)	1,018.57	1,545.48
Total	**4,860.34**	**5,012.08**

**(ii) Show Cause cum demand Notice No. ST/Audit-III/P-3/Gr-7/Aditya Birla/SCN/2016 dated 9th May 2017 was issued to the Company demanding Service Tax of ₹ 69.84 lakhs on penal/ default interest.

**(iii) Show Cause cum demand Notice No. 20/GST/ME/Aditya Birla/ADC/2018-19 dated 26th July 2018 was issued to the Company demanding Service Tax of ₹ 61.65 lakhs on penal interest.

*** The claims against the Company comprise of the following:

(i) Two of the Company customer have filed the Claim Petition as per High Court Order dated 27th October 2009 for an amount of ₹ 512 lakhs (31st March 2020: ₹ 512.00 lakhs) along with damages with interest. The matter is pending before Arbitrator.

(ii) In one of the cases, the Company has challenged before the Bombay High Court, the order of NCLT Mumbai which directed company to pay liquidation cost of ₹ 91 lakhs. Accordingly, the Company has deposited ₹ 91 lakhs as per the Bombay High Court's direction till the outcome of the final hearing is decided. The matter is still pending.

(iii) In view of the pending case mentioned in point (ii) above, the Company has decided to not pay liquidation cost of ₹ 35 lakhs in another case where the Company has successfully sold the secured assets of the customer which is undergoing liquidation.

**** Represents the limit utilized by client of the Guarantee / Overdraft / Letter of Credit and Letter of Comfort given by the Company.

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Forming part of financial statements as on 31st March 2021

(B) Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) on account of property, plant and equipment ₹ 46.82 Lakh (31st March 2020: ₹ 112.69 Lakh) and on account of intangible assets ₹ 662.89 Lakh (31st March 2020: ₹ 921.20 Lakh).

Undisbursed commitments where the Company does not have an unconditional rights to cancel the undrawn/un-availed/unused portion of the loan at any time during the subsistence of the loan ₹ Nil.

(C) Lease Disclosures

(i) Following are the changes in the carrying value of right of use assets for the year ended 31st March 2021:

Particulars	Amount
Gross Carrying Value	
Balance as at 1st April, 2019	8,562.96
Additions	1,432.23
Deferred Rent Lease Expense	26.05
Deletion	-
Balance as at 31st March, 2020	**10,021.24**
Additions	5,861.15
Deletion	1,969.94
Balance as at 31st March, 2021	**13,912.45**
Accumulated Amortisation	
As at 1st April, 2019	-
Additions	1,951.79
Deletion	-
Balance as at 31st March, 2020	**1,951.79**
Additions	2,625.34
Deletion	69.99
Balance as at 31st March, 2021	**4,507.14**
Net Carrying Value as at 31st March, 2020	**8,069.45**
Net Carrying Value as at 31st March, 2021	**9,405.31**

(ii) Amounts recognised in profit and loss for the year ended 31st March 2021

Particulars	Year Ended 31st March, 2021	Year Ended 31st March, 2020
Depreciation expense on right-of-use assets	2,625.34	1,951.79
Interest expense on lease liabilities	897.27	724.94
Expense relating to short-term leases	-	561.07
Expense relating to leases of low value assets	1,219.05	1,576.32
Income from subleasing right-of-use assets	297.61	284.33
Gains or losses arising from Rent concessions due to Covid-19 Pandemic	252.02	-

(iii) The Maturity analysis of lease liabilities as at 31st March 2021:

Particulars	As at 31st March 2021	As at 31st March 2020
Within 12 months	2,485.83	2,389.40
After 12 months	7,738.81	6,520.51
Total	**10,224.64**	**8,909.91**

Notes

Forming part of financial statements as on 31st March 2021

(iv) The following is the movement in lease liabilities during the year ended 31st March 2021:

Particulars	As at 31st March 2021	As at 31st March 2020
Opening balance	8,909.91	9,423.53
Additions	5,696.92	1,086.51
Surrender of premises	(2,493.58)	-
Finance Cost accrued during the year	897.27	724.94
Payment of Lease Liabilities	(2,785.88)	(2,325.07)
Closing balance	**10,224.64**	**8,909.91**

(v) The table below provides details regarding the contractual maturities of lease liabilities as at 31st March 2021 on an undiscounted basis:

Particulars	As at 31st March 2021	As at 31st March 2020
Less than one year	2,577.35	2,335.88
One to Five years	8,107.10	6,188.80
More than Five years	1,818.00	2,275.81
Total	**12,502.45**	**10,800.49**

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1st April 2020. The weighted average rate applied ranges between 6.72% p.a. - 7.15 % p.a.

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

NOTE 48: RELATED PARTY DISCLOSURES

I) List of Related Parties as per IND AS -24 with whom transactions have taken place during the year:

(A) Ultimate Holding Company:
Grasim Industries Limited (Ultimate Holding Company)

(B) Holding Company:
Aditya Birla Capital Limited (Holding Company)

(C) Subsidiaries / Fellow Subsidiaries:
Fellow Subsidiaries
Aditya Birla Capital Technology Services Limited, ABCTSL (Formerly Known as Aditya Birla MyUniverse Limited, ABMUL)

Aditya Birla Financial Shared Services Limited (ABFSSL)

Aditya Birla Money Limited (ABML)

Aditya Birla Insurance Brokers Limited (ABIBL)

Aditya Birla Money Mart Limited (ABMML)

Aditya Birla Money Insurance Advisory Services Limited (ABMIASL)

Aditya Birla Sun Life Insurance Company Limited (ABSLICL)

Aditya Birla Sun Life Asset Management Company Limited (ABSAMCL)

Aditya Birla Housing Finance Limited (ABHFL)

Aditya Birla ARC Limited (ABARCL)

Aditya Birla PE Advisors Private Limited (ABPEAPL)

Aditya Birla Health Insurance Company Limited (ABHICL)

Ultratech Cement Limited (UCL)

Notes

Forming part of financial statements as on 31st March 2021

Aditya Birla Commodities Broking Limited (ABCBL)

ABCSL Employee Trust

Aditya Birla Special Situations Fund - I

Aditya Birla Sun Life Pension Management Limited

Aditya Birla Trustee Company Private Limited

Aditya Birla Sun Life Trustee Private Limited

ABCAP Trustee Company Private Limited

Aditya Birla Wellness Private Limited

Aditya Birla Stressed Asset AMC Private Limited

Aditya Birla Capital Investment Private Limited (Struck off w.e.f 25th February 2021)

(D) Other related parties in which Directors of Ultimate Holding Company are interested

Aditya Birla Management Corporation Private Limited

(E) Joint Venture/Associates

Aditya Birla Idea Payments Bank Limited

(F) Key managerial personnel

Mr. Rakesh Singh (CEO upto 22nd July 2019 and Managing Director & CEO w.e.f. 23th July 2019)

Mr. Sekhar Mosur (Manager upto 22nd July 2019)

Mr. D J Kakalia

Mr. Jitender Balakrishnan

Mr. Ashwani Puri

Ms. Alka Bharucha

Mr. Baldev Raj Gupta

Mr. S C Bhargava

II) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year:

Particulars	31st March 2021	31st March 2020
Holding Company		
Reimbursement of Administrative expenses		
Aditya Birla Capital Limited	520.65	620.10
Interest expenses		
Aditya Birla Capital Limited	-	66.45
Reimbursement of Rent expenses		
Aditya Birla Capital Limited	-	47.36
Reimbursement of Legal and Professional expenses		
Aditya Birla Capital Limited	140.33	148.16
Reimbursement of Employee cost		
Aditya Birla Capital Limited- ESOP	183.71	715.29
Aditya Birla Capital Limited- OCI	(36.01)	57.87
Aditya Birla Capital Limited	2,359.38	2,443.01
Rent Recovered		
Aditya Birla Capital Limited	14.94	-
Issue of Equity Share Capital		

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Forming part of financial statements as on 31st March 2021

Particulars	31st March 2021	31st March 2020
Aditya Birla Capital Limited	-	585.56
Issue of Inter-corporate Deposits (ICD)		
Aditya Birla Capital Limited	-	1,568.72
Interest on Debentures		
Aditya Birla Capital Limited	303.80	880.44
Redemption of Preference Share Capital		
Aditya Birla Capital Limited	-	1,000.00
Preference Share Capital Outstanding		
Aditya Birla Capital Limited	-	66.45
Paid up Equity Share Capital Outstanding (excluding shares pending issuance)		
Aditya Birla Capital Limited	66,210.08	66,210.08
Equity Share Premium Outstanding		
Aditya Birla Capital Limited	3,21,096.08	3,21,096.08
Repayment of ICD		
Aditya Birla Capital Limited	-	8,754.00
Payable		
Aditya Birla Capital Limited (Debenture) (Long term borrowings)	-	3,393.19
Aditya Birla Capital Limited (Trade Payables)	266.63	503.85
Statutory Dues (GST)		
Aditya Birla Capital Limited	53.11	236.94
Receivable		
Aditya Birla Capital Limited	3.52	3.52
Remuneration of Key Management Personnel		
Mr. Rakesh Singh (CEO upto 22nd July 2019 and Managing Director & CEO w.e.f. 23th July 2019)	1,192.10	1,520.80
Mr. Sekhar Mosur (Manager upto 22nd July 2019)	-	91.66
Fellow Subsidiaries		
Brokerage		
Aditya Birla Money Limited	29.89	142.42
Aditya Birla Money Insurance Advisory Services Limited	8.50	-
Reimbursement of Administrative expenses		
Aditya Birla Wellness Private Limited	1.70	-
Aditya Birla Money Limited	8.03	0.53
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	3.82	10.31
Aditya Birla Sun Life Insurance Company Limited	-	0.43
Aditya Birla Insurance Brokers Limited	0.15	-
Aditya Birla Financial Shared Services Limited	1,069.72	1,318.32
Aditya Birla Housing Finance Limited	178.71	252.74
Aditya Birla Health Insurance Company Limited	2.49	16.81
Payment of Other Services		
Aditya Birla Management Corporation Private Limited	2,851.08	3,085.34
IT Support Expenses		
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	171.78	-
Custodian Charges Expenses		
Aditya Birla Money Limited	5.81	11.47
Interest expenses		
Aditya Birla Sun Life Insurance Company Limited	2,671.49	2,683.30
Reimbursement of Rent expenses		
Aditya Birla Money Limited	0.61	3.79
Aditya Birla Insurance Brokers Limited	6.38	-

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Forming part of financial statements as on 31st March 2021

Particulars	31st March 2021	31st March 2020
Aditya Birla Sunlife Asset Management Co Ltd	3.45	-
Aditya Birla ARC Limited	1.00	14.03
Aditya Birla Sun Life Insurance Company Limited	25.50	282.33
Aditya Birla Sun Life Insurance Company Limited Notional Interest expense	-	13.24
Aditya Birla Sun Life Insurance Company Limited Operating Lease Expenses	-	12.73
Aditya Birla Financial Shared Services Limited	-	18.30
Aditya Birla Housing Finance Limited	104.54	118.49
Reimbursement of Legal and Professional expenses		
Aditya Birla Sunlife Asset Management Company Limited	-	5.60
Aditya Birla Housing Finance Limited	26.40	-
Aditya Birla Financial Shared Services Limited	306.11	434.01
Reimbursement of Employee cost		
Aditya Birla Money Limited	213.53	241.16
Aditya Birla Money Mart Ltd	28.70	-
Aditya Birla Health Insurance Co Ltd	0.39	-
Aditya Birla Money Insurance Advisory Services Limited	0.04	18.83
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	10.06	1.45
Aditya Birla ARC Limited	19.67	9.36
Aditya Birla Stressed Asset AMC Pvt Ltd	-	13.96
Aditya Birla Financial Shared Services Limited	422.33	611.20
Aditya Birla Financial Shared Services Limited - Other Comprehensive Income (OCI)	(47.44)	12.21
Aditya Birla Housing Finance Limited	72.52	32.09
Aditya Birla Sunlife Insurance Company Limited	6.43	0.46
Aditya Birla Sunlife Asset Management Company Limited	2.03	9.73
Insurance Premium Paid		
Aditya Birla Health Insurance Company Limited	30.05	36.00
ESOP Expenses		
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	-	0.57
Director Sitting fees		
Mr. D J Kakalia	6.40	5.80
Mr. Jitender Balakrishnan	4.60	4.30
Mr. Ashwani Puri	5.60	4.85
Ms. Alka Bharucha	3.00	1.00
Mr. S C Bhargava	3.70	2.50
Mr. Baldev Raj Gupta	3.50	2.50
Employee cost recovered		
Aditya Birla Money Limited	28.63	-
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	-	6.93
Aditya Birla ARC Limited	-	114.48
Aditya Birla Sun Life Insurance Company Limited	10.70	32.09
Aditya Birla Sunlife Asset Management Company Limited	4.89	3.03
Aditya Birla Management Corporation Private Limited	5.50	1.53
Aditya Birla Housing Finance Limited	802.21	964.78
Aditya Birla Insurance Brokers Limited	-	1.59
Aditya Birla Health Insurance Company Limited	1.26	-
Aditya Birla Financial Shared Services Limited	-	21.34
Referral Fees Income		
Aditya Birla Money Limited	17.50	45.45

Notes
Forming part of financial statements as on 31st March 2021

Particulars	31st March 2021	31st March 2020
Legal and Professional expenses recovered		
Aditya Birla Financial Shared Services Limited	-	63.02
Aditya Birla Housing Finance Limited	-	4.50
Brokerage Income		
Aditya Birla Money Limited	383.66	220.34
Aditya Birla Housing Finance Limited	-	6.26
Aditya Birla Sunlife Asset Management Company Limited	75.10	40.97
Rent recovered		
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	1.94	-
Aditya Birla Money Insurance Advisory Services Limited	6.07	19.85
Aditya Birla Insurance Brokers Limited	42.27	8.24
Aditya Birla Sunlife Asset Management Company Limited.	3.59	72.94
Aditya Birla Money Mart Limited	-	-
Aditya Birla Housing Finance Limited	245.65	174.73
Advertisement Income		
Aditya Birla Sunlife Insurance Company Limited.	-	50.00
Administrative Expenses Recovered		
Aditya Birla Money Insurance Advisory Services Limited	6.98	13.14
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	0.59	5.65
Aditya Birla Financial Shared Services Limited	228.71	1.27
Aditya Birla Housing Finance Limited	214.93	224.16
Sale of assets		
Aditya Birla ARC Limited	3.33	4.91
Aditya Birla Money Mart Ltd	5.42	-
Aditya Birla Stressed Asset AMC Pvt Ltd	0.56	-
Aditya Birla Housing Finance Limited	-	7.17
Purchase of assets		
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	26.57	-
Aditya Birla Management Corporation Private Limited	0.62	0.25
Aditya Birla Housing Finance Limited	1.91	4.02
Aditya Birla Sun Life Insurance Company Limited	0.64	4.78
Redemption of NCDs		
Aditya Birla Sun Life Insurance Company Limited	-	1,500.00
Investment in fund made		
Aditya Birla Special Situations Fund - I	11.64	21.74
Redemption from Investment		
Aditya Birla Special Situations Fund - I	2.05	15.49
Prepaid Expenses		
Aditya Birla Health Insurance Company Limited	-	115.97
Aditya Birla Capital Technology Services Limited	2.46	-
Aditya Birla Financial Shared Services Limited	34.24	46.40
Redeemable NCDs		
Aditya Birla Sun Life Insurance Company Limited	29,482.85	29,479.96
Interest accrued on NCDs		
Aditya Birla Sun Life Insurance Company Limited	1,327.20	1,332.45
Investment in fund outstanding		
Aditya Birla Special Situations Fund - I	15.84	6.25

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Particulars	31st March 2021	31st March 2020
Payable		
Aditya Birla Wellness Pvt Ltd	1.88	-
Aditya Birla ARC Limited	19.92	0.63
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	46.68	-
Aditya Birla Sun Life Insurance Company Limited	18.35	45.44
Aditya Birla Financial Shared Services Limited	176.84	483.49
Aditya Birla Management Corporation Private Limited	564.98	390.16
Aditya Birla Sunlife Asset Management Company Limited	-	15.77
Aditya Birla Health Insurance Company Limited	1.35	9.91
Receivable		
Aditya Birla Money Limited	265.12	44.19
Aditya Birla Insurance Brokers Limited	19.69	2.59
Aditya Birla Money Insurance Advisory Services Limited	75.98	34.55
Aditya Birla Housing Finance Limited	299.60	236.21
Aditya Birla Sun Life Assets Management Company Limited	0.16	-
Aditya Birla Money Mart Limited	-	3.47
Aditya Birla Capital Technology Services Ltd (Formerly Known as Aditya Birla MyUniverse Limited)	-	75.03
Security Deposit Receivable		
Aditya Birla Management Corporation Private Limited	615.12	1,015.76
Aditya Birla Sun Life Insurance Company Limited	88.30	88.30
Deposit Placed (Transaction during the year)		
Aditya Birla Management Corporation Private Limited	204.00	888.00
Deposit Received back (Transaction during the year)		
Aditya Birla Management Corporation Private Limited	604.64	-

Notes:-

a) The related party relationships have been as identified by the management on the basis of the requirements of the Indian Accounting Standard IND AS–24 'Related Party Disclosures' and the same have been relied upon by the Auditors.

b) The relationships disclosed above are for the entities where control exists / existed and with whom transactions have taken place during the year and the previous year.

NOTE 49: CAPITAL

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a capital adequacy ratio, which is weighted assets divided by total capital derived as per the RBI requirements. As per the RBI guidelines, Company being a Non Banking Finance Company has to maintain 15% of capital adequacy ratio.

The actual Capital Adequacy Ratio is as under:

Particulars	31st March 2021	31st March 2020
Capital Adequacy Ratio	22.70%	19.08%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

Notes

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No changes were made in the objectives, policies or processes for managing capital during the years ended 31st March 2021 and 31st March 2020.

NOTE 50: FAIR VALUE MEASUREMENT

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method, market comparable method, recent transactions happened in the company and other valuation models.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, units of mutual funds (open ended) and traded bonds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair Value Hierarchy of assets and liabilities-

Fair Value measurement-

I. **The carrying amount and fair value measurement hierarchy for assets and liabilities as at 31st March 2021 is as follows:**

Assets valued at fair value on a recurring basis

Particulars	Fair Value through profit and loss					
	Carrying Value	Fair Value	Level-1	Level-2	Level-3	Total
Quoted investments						
MOIL Limited	36.82	36.82	36.82	-	-	36.82
Other Investments						
Investment in Govt Securities	15,420.71	15,420.71	-	15,420.71	-	15,420.71
Investment in Alternate Funds	6,729.83	6,729.83	-	6,729.83	-	6,729.83
Investment in Debt Securities	56,892.50	56,892.50	56,892.50	-	-	56,892.50
Derivative financial instruments (net)	(3,063.81)	(3,063.81)	-	(3,063.81)	-	(3,063.81)

Particulars	Fair Value through other comprehensive income					
	Carrying Value	Fair Value	Level-1	Level-2	Level-3	Total
Equity Share						
Birla Management Centre Services Limited	211.04	211.04	-	-	211.04	211.04

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Forming part of financial statements as on 31st March 2021

II. The carrying amount and fair value measurement hierarchy for assets and liabilities as at 31st March 2020 is as follows:

Assets valued at fair value on a recurring basis

Particulars	Fair Value through profit and loss					
	Carrying Value	Fair Value	Level-1	Level-2	Level-3	Total
Quoted investments						
MOIL Limited	24.89	24.89	24.89	-	-	24.89
Preference Share						
TATA Motors Finance Limited (formerly known as Sheba Properties Limited) (8.20 % Compulsory Convertible Cumulative Preference Shares)	22,551.00	22,551.00	-	-	22,551.00	22,551.00
Other Investments						
Investment in Alternate Funds	9,221.18	9,221.18	-	9,221.18	-	9,221.18
Investment in Debt Securities	42,029.37	42,029.37	42,029.37	-	-	42,029.37
Bonds	9,365.31	9,365.31	9,365.31	-	-	9,365.31
Mutual Fund	2,50,872.74	2,50,872.74	2,50,872.74	-	-	2,50,872.74
Derivative financial instruments (net)	5,407.99	5,407.99	-	5,407.99	-	5,407.99

Particulars	Fair Value through Other Comprehensive Income					
	Carrying Value	Fair Value	Level-1	Level-2	Level-3	Total
Equity Share						
Birla Management Centre Services Limited	175.68	175.68	-	-	175.68	175.68

Valuation techniques

Equity instruments and units of mutual fund: The majority of equity instrument are actively traded on stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. Units held in funds are measured based on their published net asset value(NAV), taking into account redemption and/or other restrictions. Such instruments are also classified as Level 1. Unlisted equity securities are classified at Level 3.

Investment in Preference Shares: As per latest guideline issued by FBIL, the Preference shares which are not rated by a rating agency, the YTM method has been adopted. The preference shares are fair valued on the basis of YTM method, hence they are classified as Level 3. For the year ended March, 2020, the preference shares were fair valued on the basis of a similar compulsorily convertible preference shares issued by Tata Motors Finance Limited, hence they were classified as Level 3 for the year ended March, 2020.

Investment in Govt Securities: The fair values of investments made in Government Securities is based on valuation report from ICRA as at the reporting period and the same are classified under Level 2.

Investment in Alternate funds: Units held in funds of AIF are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions. Such instruments are generally Level 2. NAV represents the price at which the issuer will issue further units of AIF and the price at which issuers will redeem such units from the investors.

Investment in Debt Securities and Bonds: Fair value of these instrument is derived based on the indicative quote of price and yields prevailing in the market as at reporting date. Company has used quoted price of national stock exchange wherever bonds are traded actively. In cases where debt securities are not actively traded company has used CRISIL corporate bond valuer model for measuring fair value i.e. fair value has been computed using the Fixed Income Money Market and Derivatives Association of India ('FIMMDA') data on corporate bond spreads.

Derivative Financial Instruments: A generally accepted framework for the valuation of the swap explains the position in each leg of the swap as a 'bond'. Therefore, a receive fixed - pay floating swap can be viewed as a portfolio consisting a long position in fixed bond and short position a floating rate bond. The value of the swap is the net proceeds from such bond positions i.e. Receipt – Payment. The swaps were valued on and with inputs from Bloomberg database using the terms of the swap contract.

Notes

Forming part of financial statements as on 31st March 2021

Equity shares measured at Fair Value through Other Comprehensive Income: Unquoted equity shares are measured at fair value through other comprehensive income on the basis of the net worth of the investee company and are classified as Level 3.

Movements in Level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value:

For the year ended 31st March 2021

Particulars	As at 1st April 2020	Purchase / (Sales)	Transfers into / (from) Level 3	Net interest income, net trading income and other income	Other comprehensive income	At at 31st March 2021
Equity Shares						
Birla Management Centre Services Limited	175.68	-	-	-	35.36	211.04
Preference Shares						
TATA Motors Finance Limited	22,551.00	(22,551.00)	-	-	-	-
Total financial investments classified in Level 3	**22,726.68**	**(22,551.00)**	**-**	**-**	**35.36**	**211.04**
Total financial assets measured at fair value on a recurring basis	**22,726.68**	**-**	**-**	**-**	**-**	**211.04**

The following tables show the reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities measured at fair value:

For the year ended 31st March 2020

Particulars	As at 1st April 2019	Purchase / (Sales)	Transfers into / (from) Level 3	Net interest income, net trading income and other income	Other comprehensive income	At at 31st March 2020
Equity Shares						
Birla Management Centre Services Limited	189.57	-	-	-	(13.89)	175.68
Preference Shares						
TATA Motors Finance Limited	-	-	22,551.00	-	-	22,551.00
Total financial investments classified in Level 3	**189.57**	**-**	**22,551.00**	**-**	**(13.89)**	**22,726.68**
Total financial assets measured at fair value on a recurring basis	**189.57**	**-**	**-**	**-**	**-**	**22,726.68**

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The table summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of the Group's Level 3 assets and liabilities.

Relationships between unobservable inputs have not been incorporated in this summary.

Particulars	Fair value		Valuation technique	Significant unobservable inputs
	Level 3 assets	Level 3 liabilities		
	31st March 2021	31st March 2021		
Equity Shares - Birla Management Centre Services Limited	211.04	-	Net worth of investee company	Instrument Price
Preference Share - TATA Motors Finance Limited	-	-	YTM Method	Discount Rate

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Particulars	Fair value		Valuation technique	Significant unobservable inputs
	Level 3 assets	Level 3 liabilities		
	31st March 2020	31st March 2020		
Equity Shares - Birla Management Centre Services Limited	175.68	-	Net worth of investee company	Instrument Price
Preference Share - TATA Motors Finance Limited	22,551.00	-	YTM Method	Discount Rate

Quantitative analysis of significant unobservable inputs

Instrument Price

When specific market prices are not available, the Company uses net worth of the investee company. Given the nature of this approach, the actual range of prices used as inputs are usually quite wide. Therefore, the range is not indicative of the uncertainty associated with the fair value of the individual financial instrument.

Sensitivity of fair value measurements to changes in unobservable market data

The table below describes the effect of changing the significant unobservable inputs to reasonable possible alternatives.

Sensitivity data are calculated using a number of techniques, including adjusting model inputs to reasonable changes within the fair value methodology.

Particulars	31st March 2021		31st March 2020	
	Favourable changes(+5%)	Unfavourable changes(-5%)	Favourable changes(+5%)	Unfavourable changes(-5%)
Equity Shares - Birla Management Centre Services Limited	10.55	(10.55)	8.78	(8.78)
Preference Share - TATA Motors Finance Limited	N.A.	N.A.	43.00	(43.00)

Fair value of financial instruments not measured at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements.

This table does not include the fair values of non–financial assets and non-financial liabilities.

As at 31st March 2021

Particulars	Carrying amount	Fair Value			
		Level-1	Level-2	Level-3	Total
Financial assets:					
Cash and cash equivalents	1,51,098.56	1,51,098.56	-	-	1,51,098.56
Trade and Other Receivables	998.86	-	-	998.86	998.86
Loans	47,59,743.36	-	12,98,479.34	34,11,970.02	47,10,449.36
Other financial assets	5,117.95	-	-	5,117.95	5,117.95
Total financial assets	**49,16,958.73**	**1,51,098.56**	**12,98,479.34**	**34,18,086.83**	**48,67,664.73**
Financial liabilities:					
Trade payables	11,172.31	-	-	11,172.31	11,172.31
Debt securities	16,57,875.04	-	14,22,224.19	3,19,937.17	17,42,161.36
Borrowings (other than debt securities)	22,45,460.08	-	-	22,45,460.08	22,45,460.08
Subordinated liabilities	2,18,183.26	-	2,29,747.15	-	2,29,747.15
Lease Liabilities	10,224.64	-	-	10,224.64	10,224.64
Other financial liabilities	31,157.54	-	-	31,157.54	31,157.54
Total financial liabilities	**41,74,072.87**	**-**	**16,51,971.34**	**26,17,951.74**	**42,69,923.08**

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As at 31st March 2020

Particulars	Carrying amount	Fair Value			
		Level-1	Level-2	Level-3	Total
Financial assets:					
Cash and cash equivalents	1,82,042.53	1,82,042.53	-	-	1,82,042.53
Trade and Other Receivables	1,195.36	-	-	1,195.36	1,195.36
Loans	45,98,535.45	-	8,36,519.97	37,25,131.48	45,61,651.45
Other financial assets	4,341.17	-	-	4,341.17	4,341.17
Total financial assets	**47,86,114.51**	**1,82,042.53**	**8,36,519.97**	**37,30,668.01**	**47,49,230.51**
Trade payables	10,466.94	-	-	10,466.94	10,466.94
Debt securities	17,86,922.93	-	16,15,769.15	2,23,993.27	18,39,762.43
Borrowings (other than debt securities)	23,48,463.85	-	-	23,48,463.85	23,48,463.85
Subordinated liabilities	2,10,142.09	-	2,05,022.35	66.45	2,05,088.80
Lease Liabilities	8,909.91	-	-	8,909.91	8,909.91
Other financial liabilities	11,403.74	-	-	11,403.74	11,403.74
Total financial liabilities	**43,76,309.46**	**-**	**18,20,791.50**	**26,03,304.16**	**44,24,095.67**

Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only.

Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such amounts have been classified as Level 2 on the basis that no adjustments have been made to the balances in the balance sheet.

Loans

Loans can be categorized into two main categories based on the rate of interest charged on such loans:

- A) Floating rate Loans: Floating rate loans are loans in which the interest rates are reset at a periodic interval based on a pre-decided reference rate.
- B) Fixed Rate Loans: Fixed rate loans are loans in which the interest rates are decided at the time of sanction of the loan and are not reset automatically.

Floating Rate Loans:

The floating rate loans are valued on the basis of MCLR + Spread specific to the Company. This MCLR rate is being reset on periodic intervals based on the pre-decided reference rate. Hence, they are classified as Level 3.

Fixed Rate Loans:

1. A fixed rate loan given can be viewed as a plain vanilla bond purchased that pays a fixed rate of interest and has fixed redemption date with no options or variable terms attached to it. Value of a Bond is equal to the present value of coupon payments and the redemption price discounted at the yield to maturity ('YTM') as on the Valuation Date of a similar loan. Accordingly, the Company has used the present value technique for valuation of the Fixed Rate Loans given by the Company.
2. In case of loans, they are considered as financial assets and the contractual cash flows are defined over the tenure of the loan. Since the loans are not traded in active markets and company does not have any active markets for identical assets, the Company has not used any level 1 inputs as per INDAS 113. The Company has used the prevailing risk free rate as the valuation date and the credit default spread based on FIMMDA-PDAI Gilt curve for Valuation of Corporate Bonds-Corporates Valuation Matrix, being a level 2 input, as on the valuation date; to determine the discount factor for arriving at the fair value of these loans using the present value technique."

Notes

Forming part of financial statements as on 31st March 2021

Borrowings

Floating Rate Borrowings:

The floating rate borrowings are valued on the basis of MCLR + Spread.

Fixed Rate Borrowings:

The methodology to arrive at yield and bond price is similar and is used in valuation for mutual fund industry. Trades reported may be analysed based on polls received and internal spread models of IMaCS to arrive at final yield for the security using the process mentioned below.

1. Last traded Yield/price that has been reported on NSE, BSE, MCX, FTRAC and NDS-OM is used for valuation as per existing rules for trade size and outliers used for Scrip level valuation. However polls are carried out for outliers trades.
2. In case above conditions are not met, yield is calculated considering trades in same issuer of similar maturity in line with overall market movement and market data collected. Polls may be carried out for outliers and for final valuation yield.
3. In case the above two conditions are not met, matrix movement(benchmark movement of relevant maturity bucket as analysed based on overall trades available/bid-ask and or poll on the similar securities shall be applied on previous day's yield to arrive at Yield/Price for the day.
4. If yield/price is not determinable based on above steps due to non-availability of data, outliers and/or such exceptional events, valuation shall be provided based on previous days Yield/Price.

Derivative Liabilities (Hedging Instruments measured at fair value)

1. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves and an appropriate discount factor.
2. The fair value of forward foreign exchange contracts is calculated as the present value determined using forward exchange rates and interest rate curve of respective currencies.
3. The fair value of currency swap is calculated as the present value determined using forward exchange rates, currency basis spreads between the respective currencies, interest rate curves and an appropriate discount factor.

NOTE 51: RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance and support the company's operations. The Company's principal financial assets include loans, investments, cash and cash equivalents and other receivables that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a Risk Management Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Risk Committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

The Company has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

Notes

Forming part of financial statements as on 31st March 2021

Operational & Business Risk

Loss of Risk that is related to activities carried out within an entity, arising from incomplete structure, failure of systems, untrained people, inefficient products or processes. To make the structure more robust a Board approved Operational Risk Management Framework has been put in place which is implemented by a dedicated team within the Risk Management function. A bottom up risk control self-assessment process identifies high risk areas, potential gaps and serves as an early warning system so that remedial measures can be initiated in a timely manner.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. In the case of the Company, market risk primarily comprises of interest rate risk. Financial instruments affected by market risk include loans and borrowings.

The analyses exclude the impact of movements in market variables on the carrying values of gratuity, other post-retirement obligations and provisions.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March 2021 and 31st March 2020.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate sensitivity

Since the Company manages its interest rate risk on domestic borrowings by ensuring, at maximum, its long term borrowings from domestic banks at floating rate of interest and in case of reduction in interest rate, it initiates negotiations with bankers for realigning the interest rate and/or repaying the high interest rate exposures, the interest rate change in market as such doesn't affect Company's profitability materially.

Market indices	Change in Interest rate	31st March 2021		31st March 2020	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Interest rate	25 Basis Point down	5,613.65	4,184.51	5,859.61	4,479.66
	50 Basis Point down	11,227.30	8,369.02	11,719.22	8,959.33
	25 Basis Point Up	(5,613.65)	(4,184.51)	(5,859.61)	(4,479.66)
	50 Basis Point Up	(11,227.30)	(8,369.02)	(11,719.22)	(8,959.33)

Foreign Exchange Risk

Foreign exchange risk is the risk of impact related to fair value or future cash flows of an exposure in foreign currency, which fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates primarily relates to its External Commercial Borrowings. The Company uses derivative instruments like forwards to hedge exposure to foreign currency risk.

The Company has taken foreign currency floating rate borrowings, which are linked to LIBOR. For managing the foreign currency risk and interest rate risk, arising from changes in LIBOR on such borrowings, the Company has entered into Cross Currency Interest Rate Swap (CCIRS) and forward contracts for the entire loan liability and tenure of the facility. Under the terms of the CCIRS, the Company pays interest at the fixed rate to the swap counterparty in INR and receives the floating interest payments based on LIBOR in foreign currency.

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

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Impairment assessment

The ECL model Credit loss provisioning approach has now moved from incurred model. This forces entity to understand the significance of credit risk and its movement since its initial recognition. This model ensures (a) timely recognition of ECLs (b) assessment of significant increase in credit risk which will provide better disclosure (c) ascertainment of better business ratios.

The references below show where the Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies in Note 5.

- An explanation of the Company's internal grading system (Note 'Definition of default and cure' below)
- How the Company defines, calculates and monitors the probability of default, exposure at default and loss given default) (Note 'The Company's internal rating and PD estimation process', 'Probability of Default', 'Exposure at Default' below)
- When the Company considers there has been a significant increase in credit risk of an exposure (Note 'Significant increase in credit risk' below)
- The Company's policy of segmenting financial assets where ECL is assessed on a collective basis (Note 'Grouping financial assets measured on a collective basis' below)
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Notes 'Probability of default', 'Exposure at default' and 'loss given default' below)

Definition of default

The Company considers a financial instrument defaulted and therefore Stage 3 (credit impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

a) Significant financial difficulty of the borrower or issuer;

b) A breach of contract such as a default or past due event;

c) The restructuring of a loan or advance by the company on terms that the company would not consider otherwise;

d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) The disappearance of an active market for a security because of financial difficulties and the customer has delay in his repayments over a month.

The Company's internal rating and PD estimation process

a. Internal Rating: A robust internal credit rating framework is vital for effective credit risk management. It is specified by RBI on credit risk management that lenders should have an internal rating framework and the lenders must have independent Credit Risk Control Units (CRCU) or equivalents that are responsible for the design or selection, implementation and performance of their internal rating systems. Accordingly the Company also have an internal rating framework developed along with CRISIL, with ratings being assigned to all the customer/ portfolio pool – (eligible customers for Ratings) and used extensively in internal decision-making.

b. It is further specified in the policy that Internal rating/grading/scoring of the borrower/client is at least Investment grade rating as per the Company's internal credit rating model or valid/live external rating.

Probability of Default(PD)

PD is calculated basis likelihood that the borrower will default within one year horizon(Basis for Stage 1), For Stage 2 – it is defined as significant increase in credit risk and probability is defined as borrower's probability to default in lifetime.

Exposure at Default

Gross exposure/potential gross exposure under a facility (i.e. the amount that is legally owed to the lender) at the time of default by a borrower. Exposure at Default gives an estimate of the amount outstanding.

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Loss Given Default(LGD)

LGD is usually shown as the percentage of Exposure at Default that the lender might lose in case the borrower defaults. It depends, among others, on the type of collateral, it's value and the expected proceeds from the sale (e.g. sales proceeds from sales of collaterals/securities) of the assets, NPV net of recovery costs.

Significant increase in credit risk

a. There is significant increase in credit risk, when there is deterioration in account performance and expected resolution is not available.

b. Further, for large borrowers after assessing the following Risks in totality and deterioration in each factor, it is then assessed whether there is a significant increase in credit risk

   i. Industry Risk

   ii. Business Risk

   iii. Management Risk

   iv. Financial Risk

   v. Banking Conduct & Facility level Conduct.

c. Significant increase in credit risk is also gauged through Credit rating. Credit rating is an opinion of capacity of borrower to meet its financial obligations to the depositor or bondholder (i.e. lender of money) on a particular issue or type of instrument (i.e. a domestic or foreign currency: short-term or medium or long-term, etc.) in a timely manner. The rating measures the relative risk of an issuers ability and willingness to repay both interest and principal over the period of the rated instrument. i.e. rating signifies the risk of default of the borrower that is rated."

Collateral Security:

The Company's net exposure to credit risk, after taking into account credit risk mitigation, have been tabulated below:

Particulars	As at 31st March 2021			As at 31st March 2020		
	Outstanding	Cash collateral	Nature of Non-cash collateral	Outstanding	Cash collateral	Nature of Non-cash collateral
Financial assets						
Cash and cash equivalents	1,51,098.56	-		1,82,042.53	-	
Bank balance other than cash and cash equivalents	1,913.09	-		-	-	
Derivative financial instruments	-			5,408.39		
Trade Receivables	998.86	-		1,195.36	-	
Loans	47,59,743.36	-	Refer footnote below	45,98,535.45	-	Refer footnote below
Investments	79,290.90	-		3,34,240.17	-	
Other financial assets	5,117.95	-		4,341.17	-	
Total	**49,98,162.72**	**-**		**51,25,763.07**	**-**	

The Company by way of loan sanction letter and other loan securing documents agrees with its customers on collateral security to be provided by the customers in secured loan exposures that are subject to credit risk. Collateral security enables us to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfil its primary obligations.

Collateral security accepted by the Company could be in the form of:

a) Financial collateral in the form of pledge of equity shares, units of mutual funds, assignment of life insurance policies;

b) Current assets in the form of inventories meant for sale or receivables arising out of the sale of finished goods

c) Fixed asset (in the form of immovable properties – real estate, Plant and Machinery, Equipment's)

d) Third-party obligation (in the form of Irrevocable Unconditional Guarantee issued by Bank, Third party);

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e) Risk participation from Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

f) Assignment of borrower's rights and interests under agreements with third parties.

In addition, the Company also stipulates escrow of cash flows and a Debt Service Reserve Account (DSRA) for project loans.

Collateral serves to mitigate the inherent risk of credit loss in an exposure, by either improving recoveries in the event of a default or substituting the borrower.

As part of the assessment of a credit transaction the availability, adequacy and suitability of collateral for the transaction is evaluated and decided upon. The Company's processes includes verification of the title to the collateral offered and valuation by technical experts where warranted. The Company accept as collateral only securities of good quality and have in place legally effective and enforceable documentation.

For guarantee's taken, the guarantor's creditworthiness is assessed during the credit assessment process of the transaction. We have collateral type specific haircuts in place which are reviewed at intervals as appropriate to the type of collateral.

The Company recognises that collateral can be a credit mitigant (alternative source of repayment), but does not replace or dilute the underwriting standards the company adopts to underwrite credit exposures.

(b) Forward looking Information:

The Company is required to provide for impairment allowance basis expected credit loss (ECL), which is calculated using empirical portfolio performance and adjusted for forward looking macroeconomic factors, as prescribed by Ind AS. The overall provisioning made through this approach, continues to be in excess of the floor provisions as prescribed by RBI for NBFCs.

The assessment of credit risk and estimation of ECL is statistically validated. It considers all relevant information about past events, current conditions and some elements of predicted performance of the portfolio.

ECL has been calculated using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

In the process of determining the PD, the macro economic impact is intrinsically built in in our current approach. The overall performance through the life cycle of the loan, considers the impact of macro-economic parameters like GDP, Unemployment factor or once in events like de-monetisation etc. Most of the portfolios have seen one to two complete economic cycles and hence the default probabilities experienced by the Company takes into account the upturn, downturn and central (balanced) economic scenario.

In the internally rated portfolio, the Industry rating module (sourced from CRISIL under agreement) recognizes factors like demand prediction, supply side glut / constraints, impact of imports and exports and the government policies which are more forward looking and making the through-the-cycle default probabilities to point-in-time default probability.

Forward looking macro-economic factors as appropriate to the sub portfolios of the Company, that can demonstrate some degree of correlation to the forward looking default probability are being evaluated and will be adopted as the company concludes the revalidation exercise for the models to be used from FY 2021.

For FY 2020, COVID – 19 impact has been considered and suitably modelled to forecast and provide for the future impact and a separate note on the same has been provided.

Grouping financial assets measured on a collective basis

The Company calculates ECLs either on a collective or an individual basis.

Asset classes where the Company calculates ECL on an individual basis include:

1. Corporate Portfolio

Asset classes where the Company calculates ECL on a collective basis include:

1. Retail Portfolio

The ECL methodology allows for individual assessment for corporates and therefore these loans are generally measured individually as each of these exposures have unique characteristics and structuring. For retail exposures and exposures

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which can be clubbed in homogenous pools, ECL is measured on a collective basis. This has been arrived at based on common characteristics like nature of product, customer profile etc.

(c) Analysis of risk concentration

Concentration analysis are presented for Portfolio pool, Location, Top borrower exposures, Group exposures etc. These are regularly analysed and presented for further review/action. Based on the exposures of the company towards various sectors, analysis is as follows:

Top 20 Industry Sectors	As at 31st March 2021 (%)	As at 31st March 2020 (%)
Real Estate Activities - Builders and Contractors	14.67%	14.85%
Lease Rental Discounting	6.76%	6.73%
Energy Renewable	5.85%	6.85%
Construction/Maintenance of Roads	5.76%	6.33%
Hotels, Motels and Resorts	3.73%	3.38%
Education	3.28%	2.79%
Textiles, Readymade Garments, Apparels - Spinning, Mfg and Trading	3.28%	4.13%
NBFCs	3.10%	3.16%
Transportation, logistics & allied services	3.09%	2.59%
Other Trade (Wholesale/ Retail)	2.92%	2.86%
Domestic Commercial Banks	2.39%	2.50%
Automobiles & Ancillaries	2.30%	1.54%
Hospital & medical business	1.87%	1.85%
Food & Beverages	1.68%	1.43%
Brokers / Traders - Shares, securities	1.66%	1.37%
Energy Trans & Distr	1.58%	1.92%
Pharmaceuticals & intermediates	1.55%	1.32%
Chemical & related products*	1.36%	-
Electricals & Electronics equipments*	1.22%	-
Mining and Quarrying	1.05%	1.17%
Finance - Investment / Others**	-	1.21%
Business & Self-Employed**	-	1.19%
Top 20 Industry Exposures	**69.10%**	**69.17%**

*Industry sector does not covered in Top 20 Industry sector for the year ended 31st March 2020.

**Industry sector does not covered in Top 20 Industry sector for the year ended 31st March 2021.

Note: Industry Sectors tagging on loans is done by the Company's management which have been relied upon by the auditors.

(d) Liquidity risk and funding management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances.

The Company manages its liquidity requirement by analysing the maturity pattern of Company's cash flows of financial assets and financial liabilities. The Asset Liability Management of the Company is periodically reviewed by its Asset Liability Management Committee.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Company also has lines of credit that it can access to meet liquidity needs. In accordance with the Company's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company. Net liquid assets consist of cash. The ratios during the year were, as follows:

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Advances to borrowings ratios

	2021	2020
Year-end	115.49%	105.94%
Maximum	119.34%	112.25%
Minimum	110.41%	105.94%
Average	114.83%	109.79%

Borrowings from banks and financial institutions and issue of debentures are considered as important sources of funds to finance lending to customers. They are monitored using the advances to borrowings ratio, which compares loans and advances to customers as a percentage of secured and unsecured borrowings.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities as at 31 March:

As at 31st March 2021

Particulars	Within 12 months	After 12 months	Total
Financial liabilities			
Derivative Financial Liability	-	3,063.81	3,063.81
Trade Payables (refer note 2 below)			
- Micro and small enterprises	214.66	-	214.66
- Other than micro and small enterprises	10,957.65	-	10,957.65
Debt securities (refer note 3 below)	7,88,481.19	11,87,415.93	19,75,897.12
Borrowings (other than debt securities)	9,48,998.38	15,69,514.84	25,18,513.22
Subordinated liabilities	20,712.85	3,11,152.87	3,31,865.72
Lease liabilities	2,577.35	9,925.10	12,502.45
Other financial liabilities	31,157.54	-	31,157.54

As at 31st March 2020

Particulars	Within 12 months	After 12 months	Total
Financial liabilities			
Derivative Financial Liability	-	0.40	0.40
Trade Payables (refer note 2 below)			
- Micro and small enterprises	282.07	-	282.07
- Other than micro and small enterprises	10,184.87	-	10,184.87
Debt securities (refer note 3 below)	8,18,447.67	9,68,344.49	17,86,792.16
Borrowings (other than debt securities)	6,61,508.46	16,82,596.30	23,44,104.76
Subordinated liabilities	10,550.78	2,00,268.65	2,10,819.43
Lease liabilities	2,335.88	8,464.61	10,800.49
Other financial liabilities	11,403.74	-	11,403.74

Notes:

1. Previous year figures does not include other future contracted cash flows (such as interest which are not accrued as at Balance sheet date).
2. Trade payables is based on the estimate of actual payment.
3. Commercial papers shown net of unamortised discounting charges ₹ 3.013.51 lakhs (31st March 2020 ₹ 4,634.93 lakhs).

Notes

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The table below shows the contractual expiry by maturity of the Corporate guarantees and Letter of comfort given by the Company on behalf of clients.

	Within 12 months	After 12 months	Total
As at 31st March 2021			
Corporate guarantees and Letter of comfort given by the Company on behalf of clients	3,126.00	22.60	3,148.60
Total	**3,126.00**	**22.60**	**3,148.60**
As at 31st March 2020			
Corporate guarantees and Letter of comfort given by the Company on behalf of clients	4,091.02	-	4,091.02
Total	**4,091.02**	**-**	**4,091.02**

(e) Methodology for estimation of additional expected credit loss provision for COVID-19

The COVID -19 pandemic continues to spread across the globe and India, which has contributed to a significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The financial results, includes the potential impact of the COVID-19 pandemic on the Company's financial results which are dependent on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the second wave of COVID-19 pandemic and any action to contain its spread or mitigate its impact whether Government mandated or elected by the Company and its subsequent impact on the recoverability's on the Company's assets. The Company has, based on current available information and based on the policy approved by the Board, determined the provision for impairment of financial assets including the additional overlay for uncertainty over the potential macro-economic impact of the pandemic.

Based on the current indicators of future economic conditions, the Company considers this provision to be adequate and expects to recover the carrying amount of these financial assets. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

(f) Impact of Restructuring

The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress potentially impacted the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, RBI has decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible MSME, corporate exposures, Small borrowers and Personal Loans while classifying such exposures as Standard, subject to specified conditions.

Under this framework, ABFL identified the customers that required handholding and were significantly impacted under the COVID related stress but who would bounce back if given the option to pay a lower instalment or payment holiday for 6 to 12 months. The Company has restructured only 2.46 % of the overall book and has taken adequate provisions against these loans.

Notes

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52A. DISCLOSURE IN TERMS OF DIRECTION 19 OF NON-BANKING FINANCIAL COMPANY - SYSTEMICALLY IMPORTANT NON-DEPOSIT TAKING COMPANY AND DEPOSIT TAKING COMPANY (RESERVE BANK OF INDIA) DIRECTIONS, 2016

Sr No.	Particulars	31st March 2021		31st March 2020	
		Amount out-standing	Amount overdue	Amount out-standing	Amount overdue
	Liabilities side:				
1)	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:**				
	(a) Debentures: Secured (including interest accrued but not due of ₹ 85,859.83 lakhs; 31st March 2020: ₹ 1,12,948.45 lakhs)	13,32,116.41	-	15,62,929.66	-
	: Unsecured (including interest accrued but not due of ₹ 9,758.12 lakhs ; 31st March 2020: ₹ 9,350.53 lakhs) (other than falling within the meaning of public deposits*)	2,02,888.15	-	1,92,359.93	-
	(b) Perpetual Debts (including interest accrued but not due of ₹ 1,195.41 lakhs; 31st March 2020: ₹ 1,200.25 lakhs)**	21,116.57	-	21,108.90	-
	(c) Deferred Credits	-	-	-	-
	(d) Term Loans, External commercial borrowings and Working Capital Demand loans (including interest accrued but not due of ₹ 5,698.64 lakhs ; 31st March 2020: ₹ 9,430.73 lakhs)	21,09,067.93	-	23,07,673.58	-
	(e) Commercial Paper (net of unamortised discount of ₹ 3,013.51 lakhs; 31st March 2020: ₹ 4,634.93 lakhs)	3,19,937.17	-	2,20,600.08	-
	(f) Other Loans (Cash Credit, Preference Shares, Book overdraft)	1,36,392.15	-	40,856.72	-
		41,21,518.38	**-**	**43,45,528.87**	**-**

* Please see Note 1 below and ** Please see Note 5 below.

Sr No.	Assets side:	31st March 2021 Amount out-standing	31st March 2020 Amount out-standing
2)	**Break-up of Loans and Advances including bills receivables (other than those included in (4) below):**		
	(a) Secured:	39,63,984.03	38,83,920.22
	(b) Unsecured:	8,97,877.98	8,02,768.37
	(includes those in nature of loans and excludes Advances Recoverable in cash or kind or for value to be received, Advance Payment of Taxes and Other Deposits)		
		48,61,862.01	46,86,688.59
3)	**Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC 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) Assets on hire	-	-
	(b) Repossessed Assets	-	-
	(iii) Other loans counting towards AFC activities		
	(a) Loans where assets have been repossessed	-	-
	(b) Loans other than (a) above	-	-
		-	-

Notes

Forming part of financial statements as on 31st March 2021

Sr No.	Assets side:	31st March 2021 Amount out-standing	31st March 2020 Amount out-standing
4)	**Break-up of Investments:**		
	Short 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	56,892.50	51,394.68
	(iii) Units of mutual funds	-	2,50,872.74
	(iv) Government Securities	15,420.71	-
	(v) Others (Please specify)	-	-
	Long Term investments:		
	1. Quoted:		
	(i) Shares: (a) Equity	36.82	24.89
	(b) Preference	-	-
	(ii) Debentures and Bonds	-	-
	(iii) Units of mutual funds	-	-
	(iv) Government Securities	-	-
	(v) Others (Please specify)	-	-
	2. Unquoted:		
	(i) Shares: (a) Equity	211.04	175.68
	(b) Preference	-	22,551.00
	(ii) Debentures and Bonds	-	-
	(iii) Units of mutual funds	-	-
	(iv) Government Securities	-	-
	(v) Others (PMS and Alternate Fund)	6,729.83	9,221.18

5) Borrower group-wise classification of assets financed as in (2) and (3) above:

Particulars	31st March 2021			31st March 2020		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1) Related Parties						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-
(c) Other related parties	-	-	-	-	-	-
2) Other than related parties						
(a) Companies in the same group	-	30,500.00	30,500.00	-	95,777.12	95,777.12
(b) Other	39,63,984.03	8,67,377.98	48,31,362.01	38,83,920.22	7,06,991.25	45,90,911.47
	39,63,984.03	**8,97,877.98**	**48,61,862.01**	**38,83,920.22**	**8,02,768.37**	**46,86,688.59**

Notes

Forming part of financial statements as on 31st March 2021

6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	31st March 2021		31st March 2020	
	Market Value / Break up or fair value or NAV	Book Value	Market Value / Break up or fair value or NAV	Book Value
1) Related Parties				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2) Other than related parties				
(a) Companies in the same group	391.36	323.22	920.34	843.56
(b) Other	78,899.54	77,603.52	3,33,319.83	3,28,542.95
	79,290.90	**77,926.74**	**3,34,240.17**	**3,29,386.51**

Note: Break up value derived from the latest available Balance Sheet of the Company.

7) Other information:

	31st March 2021	31st March 2020
(i) Gross Non-Performing Assets (Stage 3):		
(a) Related parties	-	-
(b) Other than related parties	1,42,247.24	1,82,708.23
(ii) Net Non-Performing Assets (Stage 3):		
(a) Related parties	-	-
(b) Other than related parties	58,995.56	1,26,147.81
(iii) Assets acquired in satisfaction of debt:	-	-

The above amounts are including Interest Accrued.

Notes:

1 As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank of India) Directions, 1998.

2 Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank of India) Directions, 2016.

3 There are no prior period and material change in accounting policies which require disclosure in the notes to accounts.

4 All Indian Accounting Standards issued by MCA and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/NAV in respect of unquoted investments has been disclosed irrespective of whether they are classified as long term or current in (4) above.

5 During the year ended 31st March 2021 the Company has raised ₹ Nil (31st March 2020 ₹ Nil) through perpetual debt instrument. Closing balance as on 31st March 2021 is ₹ 21,116.57 lakhs (31st March 2020 ₹ 21,108.90 lakhs), the same is 2.43% (31st March 2020 2.88%) of tier I Capital as on 31st March 2021.

Notes

Forming part of financial statements as on 31st March 2021

52B. DISCLOSURE IN TERMS OF DIRECTION 73 OF NON-BANKING FINANCIAL COMPANY - SYSTEMICALLY IMPORTANT NON-DEPOSIT TAKING COMPANY AND DEPOSIT TAKING COMPANY (RESERVE BANK OF INDIA) DIRECTIONS, 2016

a) Capital Risk Adequacy Ratio (CRAR)

₹ in Lakh

Sr. No.	Items	31st March 2021	31st March 2020
(i)	CRAR (%)	22.70	19.08
(ii)	CRAR - Tier I capital (%)	18.43	15.15
(iii)	CRAR - Tier II Capital (%)	4.27	3.94
(iv)	Amount of subordinated debt raised as Tier-II capital	1,97,066.69	1,88,966.74
(v)	Amount raised by issue of Perpetual Debt Instruments	21,116.57	21,108.90

Notes:

1 Amount of Subordinated debt and Perpetual Debt shown above are outstanding balances (including interest accrued thereon) as on 31st March 2021 and 31st March 2020.

b) Disclosures on Risk Exposure in Derivatives

Qualitative Disclosure - The company enters into derivative agreements to mitigate the foreign exchange risk and interest rate risk pertaining to its external commercial borrowings. Detailed description of the policies and risk mitigation strategies are disclosed as per Note 5.1(viii), Note 9 and Note 52 of the financial statements.

Quantitative Disclosures -

₹ in Lakh

Sr. No.	Particulars	31st March 2021		31st March 2020	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount) for Hedging	35.55	1,46,367.54	36.11	1,46,367.54
(ii)	Marked to Market Positions				
	(a) Asset (Positive)	-	-	-	5,408.39
	(b) Liability (Negative)	(1.26)	(3,062.55)	(0.40)	-
(iii)	Credit Exposure	-	-	-	-
(iv)	Unhedged Exposures	-	-	-	-

c) Unsecured Advances

₹ in Lakh

Sr. No.	Items	31st March 2021	31st March 2020
(i)	Unsecured Advances (Inclusive of doubtful advances)	8,97,877.98	8,02,768.37

Out of the above amount, advances for which intangible securities such as charge over the rights, licences, authority, etc. are taken as collateral: NIL

Notes

Forming part of financial statements as on 31st March 2021

d) Exposures

d.i) Exposure to Real Estate Sector

₹ in Lakh

Category		31st March 2021	31st March 2020
Direct exposure			
i)	**Residential Mortgages**	10,12,337.72	8,03,439.41
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented		
ii)	**Commercial Real Estate**	13,76,744.74	13,04,792.05
	Lending secured by mortgages on commercial real estates		
	(office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.)		
	Exposure would also include non-fund based limits		
iii)	**Investments in Mortgage Backed Securities (MBS) and other securitised exposures**		
	a. Residential	Nil	Nil
	b. Commercial Real Estate	Nil	Nil
Total Exposure to Real Estate Sector		**23,89,082.46**	**21,08,231.46**

Note: Exposure to Real Estate sector does not includes interest receivable.

d.ii) Exposure to Capital Market

₹ in Lakh

Particulars		31st March 2021	31st March 2020
i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	36.82	24.89
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	63,952.99	59,667.97
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	2,05,959.63	2,05,160.99
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	817.76	925.12
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	-	-
(vii)	Bridge loans to companies against expected equity flows / issues;	-	-
(viii)	All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market		**2,70,767.20**	**2,65,778.97**

Note: Capital market exposure does not includes interest receivable.

Notes

Forming part of financial statements as on 31st March 2021

d.iii) Asset Liability Management

Maturity pattern of certain items of Assets and Liabilities

As at 31st March 2021

₹ in Lakh

Particulars	1 to 7 days	8 to 14 days	15 day to 30 days	Over 1 month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	-	-	-	135.32	66.62	9.23	211.40	353.88	966.64	743.74	2,486.83
Advances**	83,784.56	12,876.43	47,057.64	1,16,252.21	1,37,157.41	2,01,516.45	7,85,802.36	11,32,784.79	7,38,434.62	15,04,076.89	47,59,743.36
Investments	-	-	-	15,420.71	56,892.50	-	-	4,427.17	2,122.34	428.18	79,290.90
Borrowings*	3,417.26	2,750.87	2,79,762.80	2,30,324.96	1,69,342.02	2,72,393.39	6,10,670.70	16,42,295.00	4,51,215.49	4,59,345.89	41,21,518.38
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities (also included in borrowings above)	-	-	-	84.34	-	57.89	-	1,46,974.50	-	-	1,47,116.73

As at 31st March 2020

₹ in Lakh

Particulars	1 to 7 days	8 to 14 days	15 day to 30 days	Over 1 month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	-	-	527.83	3.09	22.16	288.87	1,057.55	398.54	404.29	251.76	2,954.09
Advances**	43,146.86	20,073.54	30,516.73	30,906.77	2,17,803.96	2,87,742.64	6,87,784.03	11,62,617.04	6,63,321.01	14,54,622.87	45,98,535.45
Investments	-	-	-	1,30,000.00	72,267.41	-	1,22,551.00	4,423.64	-	4,998.12	3,34,240.17
Borrowings*	6,693.79	13,885.34	1,09,126.74	2,03,515.24	3,24,787.92	1,75,775.08	6,62,011.10	17,52,653.55	5,08,245.52	5,88,834.59	43,45,528.87
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities (also included in borrowings above)	-	-	-	-	-	-	-	1,53,512.17	-	-	1,53,512.17

'Note: Classification of assets and liabilities under the different maturity buckets is based on the certain estimates and assumptions as used by the company which has been relied upon by the auditors.

* Commercial papers shown net of unamortised discounting charges ₹ 3,013.51 (31st March 2020 ₹ 4,634.93 lakhs).

** a) Overdue Receivable on account of Corporate Finance Activities have been slotted in respective time bucket category as per instructions contained in Appendix 1 of Guidelines for Assets Liabilities Management (ALM) system in NBFC.

b) Advances includes Loan and Advances in the nature of Loans (net of ECL provisions) and excludes Deposits.

d.iv) The Company has no specific program for financing its parent company products. However, in its general lending business, the Company may have funded some entities which may have been customer(s) of its ultimate parent company: Grasim Industries Limited. Single Borrower Limit (SGL) or Group Borrower Limit (GBL) did not exceed the limits prescribed under the prudential norms.

Notes

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52C. A) Disclosure on liquidity risk under RBI circular no. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated 4th November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies as on 31st March 2021.

i) Funding Concentration based on significant counterparty (both deposits and borrowings)

As at 31st March 2021

Sr. No	No of Significant Counterparties	Amount	% of total Deposits	% of Total Liabilities*
1	20	28,24,533.05	NA	67.38%

As at 31st March 2020

Sr. No	No of Significant Counterparties	Amount	% of total Deposits	% of Total Liabilities*
1	22	28,96,749.23	NA	65.95%

Note:

1. A "Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFCNDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs

ii) Top 20 large deposits – Not Applicable for 31st March 2021 & 31st March 2020

iii) Top 10 Borrowings

As at 31st March 2021

Amount	% of Total Liabilities*
21,76,921.05	51.93%

As at 31st March 2020

Amount	% of Total Liabilities*
21,68,418.07	49.37%

iv) Funding Concentration based on significant instrument/product

Sr.	Name of the instrument	As at 31st March 2021		As at 31st March 2020	
		Amount	% of Total Liabilities*	Amount	% of Total Liabilities*
1	Term Loan	17,57,030.47	41.92%	18,62,067.58	42.40%
2	Non Convertible Debentures	13,32,116.41	31.78%	15,62,929.66	35.58%
3	Commercial Paper	3,19,937.17	7.63%	2,20,600.08	5.02%
4	Working capital / short term facilities	1,03,512.25	2.47%	2,25,780.29	5.14%
5	External Commercial Borrowings	2,48,525.21	5.93%	2,55,397.32	5.81%
6	Sub-ordinate Debt	1,97,066.69	4.70%	1,88,966.74	4.30%
	Total	**39,58,188.20**	**94.43%**	**43,15,741.67**	**98.25%**

Note:

1. A "Significant instrument/product" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFCNDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs.
2. Above table does not includes Book overdraft.

Notes

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v) Stock Ratios

Sr No	Particulars	31st March 2021	31st March 2020
1	Commercial Papers to Total Liabilities*	7.63%	5.02%
2	Commercial Papers to Total Assets	6.30%	4.24%
3	NCDs (Original Maturity < 1 year) to Total Liabilities*	Nil	Nil
4	NCDs (Original Maturity < 1 year) to Total Assets	Nil	Nil
5	Other Short Term Liabilities** to Total Liabilities*	31.20%	29.94%
6	Other Short Term Liabilities** to Total Assets	25.77%	25.29%

* Total Liabilities does not include Net Worth.

** Other Short Term Liabilities excludes Commercial Paper as considered in 1 & 2.

vi) Institutional set-up for liquidity risk management:

The Company has an Asset Liability Management Committee (ALCO), a management level committee to handle liquidity risk management. The ALCO meetings are held at periodic intervals. At the apex level, the Risk Committee (RC), a sub-committee of the Board of Directors of the Company, oversees the liquidity risk management. The RC subsequently updates the Board of Directors on the same.

B) Liquidity Coverage Ratio: The daily average LCR of the company for the quarter ended 31st March 2021 was 72% vis-à-vis 93% for the month ended 31st December 2020. The calculation has been arrived based on average daily computation.

Sr. No.	Particulars	Three months ended 31st March 2021		One month ended 31st December 2020	
		Total Unweighted Value 3 (Average)	Total Weighted Value 4 (Average)	Total Unweighted Value 3 (Average)	Total Weighted Value 4 (Average)
	Total High Quality Liquid Assets (HQLA)				
1	Total High Quality Liquid Assets (HQLA)	1,41,756.48	1,41,756.48	1,01,774.47	1,01,774.47
	Cash Outflows				
2	Deposits (for deposit taking companies)	-	-	-	-
3	Unsecured wholesale funding	2,40,721.78	2,76,830.04	1,72,660.06	1,98,559.07
4	Secured wholesale funding	61,913.85	71,200.92	80,259.76	92,298.72
5	Additional requirements, of which	-	-	-	-
	(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
	(ii) Outflows related to loss of funding on debt products	-	-	-	-
	(iii) Credit and liquidity facilities	-	-	-	-
6	Other contractual funding obligations	1,59,974.24	1,83,970.38	1,26,949.47	1,45,991.89
7	Other contingent funding obligations	291.41	335.12	667.21	767.29
8	**Total Cash Outflows**	**4,62,901.28**	**5,32,336.46**	**3,80,536.50**	**4,37,616.97**
	Cash Inflow				
9	Secured lending	-	-	-	-
10	Inflows from fully performing exposures	3,10,319.71	2,32,739.78	4,02,305.89	3,01,729.42
11	Other cash inflows	1,36,746.67	1,02,560.00	1,32,931.15	99,698.36
12	**Total Cash Inflows**	**4,47,066.38**	**3,35,299.78**	**5,35,237.04**	**4,01,427.78**
		Total Adjusted Value			
13	**Total HQLA**	**1,41,756.48**	**1,41,756.48**	**1,01,774.47**	**1,01,774.47**
14	**Total Net Cash Outflows**	**15,834.90**	**1,97,036.69**	**(1,54,700.53)**	**1,09,404.24**
15	**Liquidity Coverage Ratio (%)**		**72%**		**93%**

Notes:

1. Circular requirement for LCR disclosure is applicable from 1st December 2020 hence comparative information has not been provided.

Notes

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2. In computing the above information, certain estimates/ assumptions have been made by the Company's management which have been relied upon by the auditors.
3. Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
4. Weighted values must be calculated after the application of respective haircuts (for HQLA) and stress factors on inflow and outflow.

C) Qualitative Disclosure

a) **The main drivers of their LCR results and the evolution of the contribution of inputs to the LCR's calculation over time:** RBI had introduced the liquidity coverage ratio (LCR) to ensure that NBFC has an adequate stock of unencumbered high-quality liquid assets (HQLA) to survive a significant liquidity stress lasting for a period of 30 days. LCR is defined as a ratio of HQLA to the total net cash outflows estimated for the next 30 calendar days. At 31st March 2021, the applicable minimum LCR required to be maintained by NBFC is 50%.

The Company has an Asset Liability Management Committee (ALCO), a management level committee to handle liquidity risk. The ALCO meets at periodic intervals. At the apex level, the Risk Committee (RC), a sub-committee of the Board of Directors of the Company, oversees the liquidity risk management. The RC subsequently updates the Board of Directors on the same.

b) **Intra-period changes as well as changes over time:** Company has started maintaining LCR w.e.f 1st December 2020. The details for the month ended 31st December 2020 and quarter ended 31st March 2021 are disclosed in 52C-B) Liquidity Coverage Ratio.

c) **The composition of HQLAs:** The Company, for the three month ended 31st March 2021, had average HQLA of ₹ 1,417.56 crore vis-à-vis 1,017.74 crore for the one month ended 31st December 2020.

High-Quality Liquid Assets (HQLA)	Three months ended 31st March 2021 (Average)	One month ended 31st December 2020 (Average)
Total	**1,41,756.48**	**1,01,774.47**
Cash & callable FDs	1,22,305.93	89,643.55
Treasury Bills	9,300.06	9,905.19
Government Securities	10,150.49	2,225.73

d) **Concentration of funding sources**

Name of the Source	% of Total Liabilities
Bank	62.10%
Mutual Fund	13.60%
Insurance	10.41%
PF & Others	8.79%
FII	2.57%
Corporates	2.53%
Total	**100.00%**

e) **Currency mismatch in the LCR:** The company has taken foreign currency borrowings. The Company has entered into Cross currency swap and forward contracts to hedge the foreign currency risk on such borrowing.

f) **Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile:** All inflows/ outflows considered relevant has been considered for LCR calculation.

Notes

Forming part of financial statements as on 31st March 2021

52D.DISCLOSURE IN TERMS OF RBI NOTIFICATION NO. DOR.NO.BP.BC.62/21.04.048/2020-21 DATED 17nd APRIL, 2020

As at 31st March 2021

No. of Borrowers	Outstanding as on 31st March 2021
2	9,643.77

As at 31st March 2020

No. of Borrowers	Outstanding as on 31st March 2020
3	67,371.00

The above borrowers represent cases where extension of resolution timelines under the Prudential Framework on Resolution of Stressed Assets dated 7th June 2019 have been considered in lieu of RBI Notification No.BP.BC.62/21.04.048/2020-21 dated 17nd April 2020.

52E.DISCLOSURE IN TERMS OF RBI NOTIFICATION NO. DOR.NO.BP.BC.63/21.04.048/2019-20 DATED 17nd APRIL 2020

Particulars	As at 31st March 2021 Amount	As at 31st March 2020 Amount
Amounts in SMA/overdue categories, where the moratorium/deferment was extended*	3,31,973.15	1,19,763.00
Amount where the classification benefit to stage 3 was extended	-	14,446.02
Provisions made during the Q4 FY 2020 & Q1 FY 2021	14,057.00	1,850.93
Provisions adjusted during the respective accounting periods against slippages and the residual provisions	7,844.65	N.A

*above numbers represents outstanding balance as of 31st March 2021 accounts.

52F.DISCLOSURE IN TERMS OF RBI CIRCULAR - RBI/2020-21/17 DOR.NO.BP.BC/4/21.04.048/2020-21 DATED 6th AUGUST 2020 (FOR RESTRUCTURING OF ACCOUNTS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) SECTOR–RESTRUCTURING OF ADVANCES' HAVING EXPOSURE LESS THAN OR EQUAL TO ₹ 25 CRORES).

Type of Borrower	No. of accounts restructured	Amount
MSMEs	1,945	51,329.73

52G.DISCLOSURE IN TERMS OF RBI CIRCULAR - RBI/2018-19/127 DBR.NO.BP.BC.26/21.04.048/2018-19 DATED 1ST JANUARY 2019 AND RBI/2020-21/16 DOR.NO.BP.BC/3/21.04.048/2020-21 DATED 6th AUGUST 2020.

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 Loans	16,097	31,371.59	-	-	3,231.00
Corporate persons*	8	23,999.58	-	3,395.34	1,256.52
MSMEs**	1,945	47,816.24	-	1,204.21	2,623.87
Others	7	2,495.68	-	-	243.72
Total	**18,057**	**1,05,683.09**	**-**	**4,599.55**	**7,355.11**

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016.

** This includes non fund based facility also.

Note: Incremental Provisions mentioned in the above table are as per IRAC.

Notes

Forming part of financial statements as on 31st March 2021

53 DISCLOSURE IN TERMS OF DIRECTION 73 OF NON-BANKING FINANCIAL COMPANY - SYSTEMICALLY IMPORTANT NON-DEPOSIT TAKING COMPANY AND DEPOSIT TAKING COMPANY (RESERVE BANK OF INDIA) DIRECTIONS, 2016

53.1 Registration/ license/ authorization obtained from financial sector regulators:

The Company has received certificate of registration as a non-deposit taking systematically important Non-Banking Financial Company from Reserve Bank of India dated 9th August 2011 having COR number N-01.00500 in lieu of earlier COR number B-13.01163 dated 12nd February 1999. The Company is registered with AMFI for distribution of Mutual fund products having certificate number ARN-91896 and ARN-118681 valid from 23rd October 2019 to 22nd October 2022 and 4th February 2020 to 3th February 2023 respectively.

53.2 Penalties levied if any during the year: Nil

53.3 Investments

Particulars	31st March 2021	31st March 2020
Value of Investments		
(i) Book Value of Investments		
(a) In India	77,926.74	3,29,386.51
(b) Outside India,	-	-
(ii) Unrealised fair value gain / (loss) recognised on investments		
(a) In India	1,364.16	4,853.66
(b) Outside India,	-	-
(iii) Fair Value of Investments		
(a) In India	79,290.90	3,34,240.17
(b) Outside India	-	-

53.4 Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of P&L	31st March 2021	31st March 2020
Bad debts/Advances Written off	54,249.13	33,577.95
Expected Credit Loss Allowance on Loans and Advances and trade receivables	13,928.38	37,129.05
Provision made towards Income tax (Net of Deferred Tax)	26,258.02	24,796.13

53.5 Concentration of Advances

Particulars	31st March 2021	31st March 2020
Total Advances to twenty largest borrowers (including interest accrued)	4,87,979.48	5,32,945.80
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	10.04%	11.37%

53.6 Concentration of Exposures

Particulars	31st March 2021	31st March 2020
Total Exposure to twenty largest borrowers / customers* (including interest accrued)	4,89,077.55	6,38,045.94
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	9.90%	12.71%

*The above calculation is as per loans outstanding as at year end.

Notes

Forming part of financial statements as on 31st March 2021

53.7 Concentration of NPAs

Particulars	31st March 2021	31st March 2020
Total Exposure to top four NPA (Stage 3) accounts (including interest accrued)	34,403.82	78,457.35

53.8 Sector-wise NPAs (Stage 3)

Sr No.	Sector	31st March 2021 Percentage of NPAs (Stage 3 loans) to Total Advances in that sector	31st March 2020 Percentage of NPAs (Stage 3 loans) to Total Advances in that sector
1	Agriculture & allied activities	3.31%	2.53%
2	MSME	1.81%	1.49%
3	Corporate borrowers	4.11%	4.21%
4	Services	2.40%	4.74%
5	Unsecured working capital loans	3.37%	3.73%
6	Auto loans	0.00%	0.00%
7	Other personal loans	5.50%	2.67%

Note: Industry Sectors tagging on loans is done by the Company's management which have been relied upon by the auditors.

53.9 Movement of NPAs (Stage 3)

Particulars		31st March 2021	31st March 2020
(i)	**Net NPAs to Net Advances (%)**	1.73%	2.72%
(ii)	**Movement of NPAs (Gross Stage 3 assets)**		
(a)	Opening balance	1,82,708.23	81,340.04
(b)	Additions during the year	55,315.03	1,53,350.09
(c)	Reductions during the year	(95,776.02)	(51,981.90)
(d)	Closing balance	1,42,247.24	1,82,708.23
(iii)	**Movement of Net NPAs (Net Stage 3 assets)**		
(a)	Opening balance	1,26,147.81	50,044.23
(b)	Additions during the year	(4,124.63)	90,582.35
(c)	Reductions during the year	(38,771.50)	(14,478.77)
(d)	Closing balance	83,251.68	1,26,147.81
(iv)	**Movement of provisions for NPAs (Stage 3 Provision)**		
(a)	Opening balance	56,560.42	31,295.81
(b)	Provisions made during the year	59,439.66	62,767.74
(c)	Write-off / write-back of excess provisions	(57,004.52)	(37,503.13)
(d)	Closing balance	58,995.56	56,560.42

Note: The above amounts are including Interest Accrued.

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Forming part of financial statements as on 31st March 2021

53.10 Credit Rating

Instrument	Credit Rating Agency	31st March 2021	31st March 2020
Commercial Paper	ICRA Limited	[ICRA] A1+	[ICRA] A1+
	India Ratings & Research Private Limited	IND A1+	IND A1+
Non Convertible Debentures (NCD)	ICRA Limited	[ICRA] AAA Stable	[ICRA] AAA Stable
	India Ratings & Research Private Limited	IND AAA Stable	IND AAA Stable
Sub Debt	CARE Limited	CARE AAA Stable	CARE AAA Stable
	ICRA Limited	[ICRA] AAA Stable	[ICRA] AAA Stable
	India Ratings & Research Private Limited	IND AAA Stable	IND AAA Stable
Unsecured NCD	ICRA Limited	[ICRA] AAA Stable	[ICRA] AAA Stable
Perpetual Debt	ICRA Limited	[ICRA] AA+ (hyb) Stable	[ICRA] AA+ (hyb) Stable
	India Ratings & Research Private Limited	IND AA+ Stable	IND AA+ Stable
Principal Protected Market Linked Debenture	India Ratings & Research Private Limited	IND PP-MLD AAA emr Stable	IND PP-MLD AAA emr Stable
Public Issue of NCDs	ICRA Limited	[ICRA] AAA Stable	[ICRA] AAA Stable
	India Ratings & Research Private Limited	IND AAA Stable	IND AAA Stable
Long Term Bank Loans	ICRA Limited	[ICRA] AAA Stable	[ICRA] AAA Stable
	India Ratings & Research Private Limited	IND AAA Stable	IND AAA Stable
Short Term Bank Loans	ICRA Limited	[ICRA] AAA Stable	[ICRA] A1+
	India Ratings & Research Private Limited	IND AAA Stable	IND AAA Stable

53.11 Customer Complaints

Sr. No.	Particulars	31st March 2021	31st March 2020
(a)	No. of complaints pending at the beginning of the year	16	6
(b)	No. of complaints received during the year	2,262	528
(c)	No. of complaints redressed during the year	2,205	518
(d)	No. of complaints pending at the end of the year	73	16

53.12 During FY 2021, there were no draw down from Reserves (Previous year: Nil)

53.13 Overseas assets (for those with joint ventures and subsidiaries abroad): Nil (Previous year: Nil) Off Balance Sheet SPVs sponsored: Nil (Previous year: Nil)

53.14 Frauds committed against the company:

Particulars	31st March 2021	31st March 2020
No. of cases of fraud which occurred during the year	9	3
Amount involved	36.72	1,616.68
Amount recovered	19.53	-
Amount provided/loss	17.19	1,616.68

53.15 Pursuant to RBI Notification No. RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March, 2020 on Implementation of Indian Accounting Standards whereby it is clarified that all regulatory ratios, limits and disclosures shall be based on IND AS figures.

53.16 The disclosures given in the above notes pursuant to RBI Notification are only to the extent they are applicable to the Company.

Notes

Forming part of financial statements as on 31st March 2021

54 DISCLOSURE PURSUANT TO RBI NOTIFICATION NO. DOR (NBFC).CC.PD.NO.109/22.10.106/2019-20 DATED MARCH 13, 2020

As on 31st March 2021

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	43,51,949.59	23,000.22	43,28,949.37	21,185.36	1,814.86
	Stage 2	3,59,956.60	19,524.78	3,40,431.82	5,681.52	13,843.25
Subtotal		**47,11,906.19**	**42,525.00**	**46,69,381.19**	**26,866.88**	**15,658.11**
Non-Performing Assets (NPA)						
Standard	Stage 3	-	-	-	-	-
Substandard	Stage 1	2,164.49	11.01	2,153.48	215.00	(203.99)
	Stage 2	5,950.70	567.76	5,382.94	589.79	(22.03)
	Stage 3	56,807.15	27,458.47	29,348.68	11,782.12	15,676.35
Doubtful - up to 1 year	Stage 3	49,476.83	20,778.04	28,698.79	10,966.74	9,811.30
1 to 3 years	Stage 3	31,845.99	9,968.48	21,877.51	8,678.12	1,290.36
More than 3 years	Stage 3	4,117.27	790.57	3,326.70	1,292.36	(501.79)
Subtotal for doubtful		**85,440.09**	**31,537.09**	**53,903.00**	**20,937.22**	**10,599.87**
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		1,50,362.43	59,574.33	90,788.10	33,524.13	26,050.20
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	3,479.00	10.84	3,468.16	-	10.84
	Stage 2	200.00	8.48	191.52	-	8.48
	Stage 3	-	-	-	-	-
Subtotal		**3,679.00**	**19.32**	**3,659.68**	**-**	**19.32**
Total	**Stage 1**	**43,57,593.08**	**23,022.07**	**43,34,571.01**	**21,400.36**	**1,621.71**
	Stage 2	**3,66,107.30**	**20,101.02**	**3,46,006.28**	**6,271.31**	**13,829.71**
	Stage 3	**1,42,247.24**	**58,995.56**	**83,251.68**	**32,719.34**	**26,276.22**
	Total	**48,65,947.62**	**1,02,118.65**	**47,63,828.97**	**60,391.01**	**41,727.64**

As on 31st March 2020

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	43,86,660.17	21,080.81	43,65,579.36	17,499.57	3,581.24
	Stage 2	1,21,676.21	10,489.91	1,11,186.30	1,177.73	9,312.18
Subtotal		**45,08,336.38**	**31,570.72**	**44,76,765.66**	**18,677.30**	**12,893.42**
Non-Performing Assets (NPA)						
Standard	Stage 3	-	-	-	-	-
Substandard	Stage 3	1,47,599.19	38,146.01	1,09,453.18	19,872.40	18,273.61
Doubtful - up to 1 year	Stage 3	20,648.00	8,706.86	11,941.14	4,600.98	4,105.88
1 to 3 years	Stage 3	10,265.00	5,764.13	4,500.87	3,194.95	2,569.18
More than 3 years	Stage 3	4,196.04	3,943.42	252.62	2,290.78	1,652.64
Subtotal for doubtful		**35,109.04**	**18,414.41**	**16,694.63**	**10,086.71**	**8,327.70**

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Forming part of financial statements as on 31st March 2021

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		**1,82,708.23**	**56,560.42**	**1,26,147.81**	**29,959.11**	**26,601.31**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	5,001.00	14.00	4,987.00	-	14.00
	Stage 2	204.00	8.00	196.00	-	8.00
	Stage 3	-	-	-	-	-
Subtotal		5,205.00	22.00	5,183.00	-	22.00
Total	Stage 1	**43,91,661.17**	**21,094.81**	**43,70,566.36**	**17,499.57**	**3,595.24**
	Stage 2	**1,21,880.21**	**10,497.91**	**1,11,382.30**	**1,177.73**	**9,320.18**
	Stage 3	**1,82,708.23**	**56,560.42**	**1,26,147.81**	**29,959.11**	**26,601.31**
	Total	**46,96,249.61**	**88,153.14**	**46,08,096.47**	**48,636.41**	**39,516.73**

55. INFORMATION IN RESPECT OF RESTRUCTURED ASSETS IN ACCORDANCE WITH REVIEW OF GUIDELINES ON RESTRUCTURING OF ADVANCES BY NBFC (RBI/2013-14/459) DNBS. CO. PD. NO. 367/03.10.01/2013-14

The following tables set forth, for the year indicated, details of loan assets subjected to restructuring:-

Sr. no.	Type of Restructuring	Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
	Asset Classification Details	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	**Restructured Accounts at 1st April 2020**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
2	**Movement in balance for account appearing in opening balance**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
3	**Fresh restructuring during the year ended 31st March 2021**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
4	**Upgradations to restructured standard category during the year ended 31st March 2021**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
5	**Restructured standard advances at 1st April 2020, which cease to attract higher provisioning and/or additional risk weight at 31st March 2021 and hence need not be shown as restructured standard advances at 1st April 2021**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-

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Forming part of financial statements as on 31st March 2021

Sr. no.	Type of Restructuring / Asset Classification Details	Under CDR Mechanism Standard	Sub-Standard	Doubtful	Loss	Total	Under SME Debt Restructuring Mechanism Standard	Sub-Standard	Doubtful	Loss	Total
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
6	**Downgradations of restructured accounts during the year ended 31st March 2021**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
7	**Write-offs of restructured accounts during the year ended 31st March 2021**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
8	**Restructured Accounts at 31st March 2021**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-

The following tables set forth, for the year indicated, details of loan assets subjected to restructuring:

Sr. no.	Type of Restructuring / Asset Classification Details	Others Standard	Sub-Standard	Doubtful	Loss	Total	Total Standard	Sub-Standard	Doubtful	Loss	Total
1	**Restructured Accounts at 1st April 2020**										
	No. of borrowers	69	38	2	-	109	69	38	2	-	109
	Amount outstanding	7,454.38	737.10	40.19	-	8,231.67	7,454.38	737.10	40.19	-	8,231.67
	Provision thereon	381.08	213.58	14.83	-	609.49	381.08	213.58	14.83	-	609.49
2	**Movement in balance for account appearing in opening balance**										
	No. of borrowers	39	34	2	-	75	39	34	2	-	75
	Amount outstanding	5,920.92	589.00	40.19	-	6,550.11	5,920.92	589.00	40.19	-	6,550.11
	Provision thereon	319.66	176.43	14.83	-	510.92	319.66	176.43	14.83	-	510.92
3	**Fresh restructuring during the year ended 31st March 2021**										
	No. of borrowers	19,440	1,605	-	-	21,045	19,440	1,605	-	-	21,045
	Amount outstanding	1,06,964.30	10,822.52	-	-	1,17,786.82	1,06,964.30	10,822.52	-	-	1,17,786.82
	Provision thereon	4,531.19	2,004.98	-	-	6,536.17	4,531.19	2,004.98	-	-	6,536.17
4	**Upgradations to restructured standard category during the year ended 31st March 2021**										
	No. of borrowers	1	(1)	-	-	-	1	(1)	-	-	-
	Amount outstanding	11.74	(11.74)	-	-	-	11.74	(11.74)	-	-	-
	Provision thereon	2.93	(2.93)	-	-	-	2.93	(2.93)	-	-	-
5	**Restructured standard advances at 1st April 2020, which cease to attract higher provisioning and/or additional risk weight at 31st March 2021 and hence need not be shown as restructured standard advances at 1st April 2021**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-

Notes

Forming part of financial statements as on 31st March 2021

Sr. no.	Type of Restructuring	Others					Total				
	Asset Classification Details	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
6	**Downgradations of restructured accounts during the year ended 31st March 2021**										
	No. of borrowers	(20)	19	1	-	-	(20)	19	1	-	-
	Amount outstanding	(1,133.92)	1,122.76	11.16	-	-	(1,133.92)	1,122.76	11.16	-	-
	Provision thereon	(58.58)	53.00	5.58	-	-	(58.58)	53.00	5.58	-	-
7	**Write-offs of restructured accounts during the year ended 31st March 2021**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
8	**Restructured Accounts at 31st March 2021**										
	No. of borrowers	19,451	1,627	1	-	21,079	19,451	1,627	1	-	21,079
	Amount outstanding	1,07,375.58	12,081.64	11.16	-	1,19,468.38	1,07,375.58	12,081.64	11.16	-	1,19,468.38
	Provision thereon	4,536.96	2,092.20	5.58	-	6,634.74	4,536.96	2,092.20	5.58	-	6,634.74

The following tables set forth, for the year indicated, details of loan assets subjected to restructuring:-

Sr. no.	Type of Restructuring	Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
	Asset Classification Details	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	**Restructured Accounts at 1st April 2019**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
2	**Movement in balance for account appearing in opening balance**										
	No. of borrowers	-	-	-	-		-	-	-	-	
	Amount outstanding	-	-	-	-		-	-	-	-	
	Provision thereon	-	-	-	-		-	-	-	-	
3	**Fresh restructuring during the year ended 31st March 2020**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
4	**Upgradations to restructured standard category during the year ended 31st March 2020**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
5	**Restructured standard advances at 1st April 2019, which cease to attract higher provisioning and/or additional risk weight at 31st March 2020 and hence need not be shown as restructured standard advances at 1st April 2020**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-

Notes

Forming part of financial statements as on 31st March 2021

Sr. no.	Type of Restructuring	Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
	Asset Classification Details	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
6	**Downgradations of restructured accounts during the year ended 31st March 2020**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
7	**Write-offs of restructured accounts during the year ended 31st March 2020**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
8	**Restructured Accounts at 31st March 2020**										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-

The following tables set forth, for the year indicated, details of loan assets subjected to restructuring:

Sr. no.	Type of Restructuring	Others					Total				
	Asset Classification Details	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	**Restructured Accounts at 1st April 2019**										
	No. of borrowers	1	38	1	-	40	1	38	1	-	40
	Amount outstanding	12,230.86	850.96	989.40	-	14,071.22	12,230.86	850.96	989.40	-	14,071.22
	Provision thereon	799.58	385.76	989.40	-	2,174.74	799.58	385.76	989.40	-	2,174.74
2	**Movement in balance for account appearing in opening balance**										
	No. of borrowers	-	23	-	-	23	-	23	-	-	23
	Amount outstanding	(0.85)	375.52	-	-	374.67	(0.85)	375.52	-	-	374.67
	Provision thereon	11.11	26.30	-	-	37.41	11.11	26.30	-	-	37.41
3	**Fresh restructuring during the year ended 31st March 2020**										
	No. of borrowers	68	35	-	-	103	68	35	-	-	103
	Amount outstanding	7,407.00	636.38	-	-	8,043.38	7,407.00	636.38	-	-	8,043.38
	Provision thereon	380.56	168.59	-	-	549.15	380.56	168.59	-	-	549.15
4	**Upgradations to restructured standard category during the year ended 31st March 2020**										
	No. of borrowers	1	(1)	-	-	-	1	(1)	-	-	-
	Amount outstanding	46.52	(46.52)	-	-	-	46.52	(46.52)	-	-	-
	Provision thereon	11.63	(11.63)	-	-	-	11.63	(11.63)	-	-	-

Notes

Forming part of financial statements as on 31st March 2021

Sr. no.	Type of Restructuring	Others					Total				
	Asset Classification Details	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
5	**Restructured standard advances at 1st April 2019, which cease to attract higher provisioning and/or additional risk weight at 31st March 2020 and hence need not be shown as restructured standard advances at 1st April 2020**										
	No. of borrowers	1	-	-	-	1	1	-	-	-	1
	Amount outstanding	12,230.86	-	-	-	12,230.86	12,230.86	-	-	-	12,230.86
	Provision thereon	799.58	-	-	-	799.58	799.58	-	-	-	799.58
6	**Downgradations of restructured accounts during the year ended 31st March 2020**										
	No. of borrowers	-	(2)	2	-	-	-	(2)	2	-	-
	Amount outstanding	-	(40.19)	40.19	-	-	-	(40.19)	40.19	-	-
	Provision thereon	-	(14.83)	14.83	-	-	-	(14.83)	14.83	-	-
7	**Write-offs of restructured accounts during the year ended 31st March 2020**										
	No. of borrowers	-	9	1	-	10	-	9	1	-	10
	Amount outstanding	-	288.01	989.40	-	1,277.41	-	288.01	989.40	-	1,277.41
	Provision thereon	-	288.01	989.40	-	1,277.41	-	288.01	989.40	-	1,277.41
8	**Restructured Accounts at 31st March 2020**										
	No. of borrowers	69	38	2	-	109	69	38	2	-	109
	Amount outstanding	7,454.38	737.10	40.19	-	8,231.67	7,454.38	737.10	40.19	-	8,231.67
	Provision thereon	381.08	213.58	14.83	-	609.49	381.08	213.58	14.83	-	609.49

Note: Amount outstanding includes interest receivable.

56 DUES TO MICRO ENTERPRISES AND SMALL ENTERPRISES:

Particulars	31st March 2021	31st March 2020
1. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	214.66	282.07
2. The amount of interest paid by the Company in terms of section 16 of MSMED Act, 2006, along with the amounts of the payment made to the suppliers beyond the appointed day during the year;	-	-
3. Amounts of the payment made to the suppliers beyond the appointed day during the year; the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	-	-
4. The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
5. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-

The disclosure regarding micro and small enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the statutory auditors.

Notes

Forming part of financial statements as on 31st March 2021

57 EXPENDITURE IN FOREIGN CURRENCY:

Particulars	31st March 2021	31st March 2020
Finance Cost	11,450.81	5,341.55
Bank Charges	-	5.27
Employee Benefit Expenses	(60.85)	59.54
Information Technology Expenses	-	17.30
Intangible Assets under Development	108.56	71.69
Repairs and Maintenance	8.53	8.71
Legal and Professional Charges	24.99	66.06
Travelling and Conveyance	2.18	-
Miscellaneous Expenses	1.01	6.26
Total	**11,535.23**	**5,576.39**

Unhedged foreign currency payable & receivable as at 31st March 2021 & 31st March 2020 are Nil.

58 At the meeting of the Board of Directors held on 10th September 2019, the Board had approved the Scheme of Arrangement under Section 230 – 232 and other applicable provisions of the Companies Act, 2013, for merger of Online Platform and marketing business ("transaction business") of Aditya Birla Capital Technologies Services Limited, ABCTSL (formerly known as Aditya Birla MyUniverse Limited, ABMUL) with the Company. The National Company Law Tribunal, bench at Ahmedabad (NCLT) passed an order on 13rd December 2019 approving the Scheme of Arrangement and the Transactions Business Merger Committee at its meeting held on 1st January 2020 made Scheme effective from 1st January, 2020. Both the companies are wholly owned subsidiaries of Aditya Birla Capital Limited. The merger qualifies as a 'common control transaction' and has been accounted for using the pooling of interest method as per Appendix C to Ind AS 103 'Business Combinations'. The appointed date for this business combination was 1st April 2018. Accordingly, the financial statements for the year ended 31st March 2020 have been restated as if the business combination had occurred with effect from the appointed date.

59 In accordance with the instructions in the RBI circular dated 7nd April 2021, all lending institutions shall refund / adjust 'interest on interest' to all borrowers, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the Indian Banks Association (IBA) in consultation with other industry participants / bodies published the methodology for calculation of the amount of such 'interest on interest'. Accordingly. the Company has estimated the ₹ 16.42 crores amount and made provision for refund/ adjustment.

60 During the year, interest income, fee and other costs measured on the basis of Effective Interest Rate are aggregated and disclosed as a part of Interest Income. The figures for the corresponding previous year/periods have accordingly been recasted.

61 Operating business segment results are reviewed regularly by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segments and assess their performance. Business segment is the primary segment comprising of 'Financing activity'. As the Company operates only in a single business segment, no segment information thereof is given as required under Ind AS 108. The Company has its operations within India and all revenue is generated within India.

For and on behalf of the Board of Directors of
Aditya Birla Finance Limited

Ajay Srinivasan
Director
(DIN - 00121181)

Rakesh Singh
Managing Director and Chief Executive Officer
(DIN - 07006067)

Sanjay Miranka
(Chief Financial Officer)

Ankur Shah
(Company Secretary)

Place: Mumbai
Date: 13th May 2021

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Aditya Birla Finance Ltd.
(A part of Aditya Birla Capital Ltd.)
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ADITYA BIRLA
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